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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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March 22, 2012

Board of Directors
City of Indianapolis
200 E. Washington Street, Suite 2222
Indianapolis, IN 46204

We have reviewed the audit report prepared by KPMG, LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the City of Indianapolis, as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the thirty-three findings in the Single Audit Report, on pages 12 through 47. Thirteen of those findings represent deficiencies in internal control over financial reporting. Nine of those thirteen findings represent material weaknesses. The auditors have issued a qualified opinion on compliance with applicable requirements for three of the six major federal programs.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

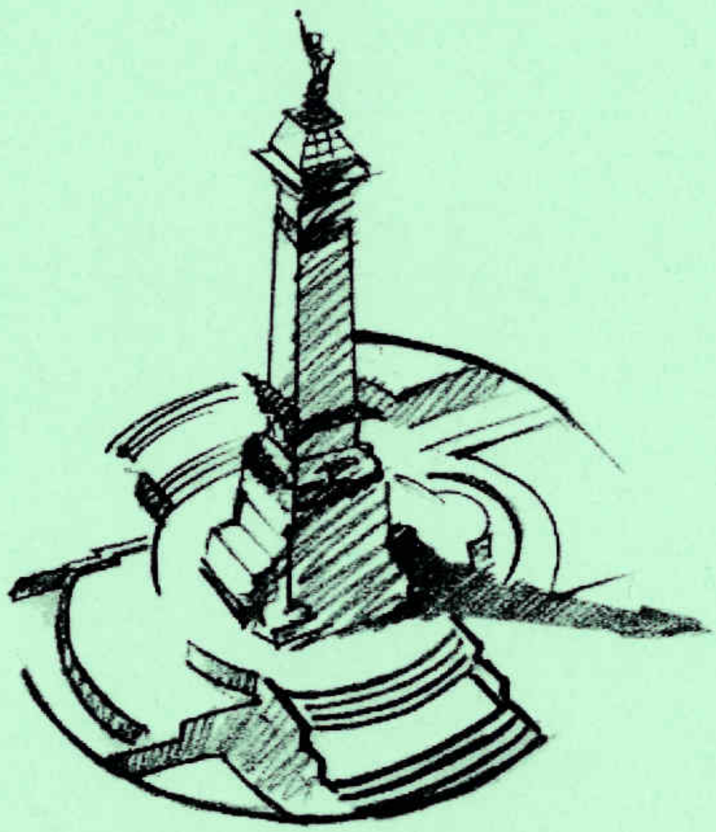
STATE BOARD OF ACCOUNTS

The City of Indianapolis, Indiana

(Component Unit of the Consolidated City of Indianapolis - Marion County)

Gregory A. Ballard
Mayor

David P. Reynolds
Controller



Comprehensive Annual Financial Report
Year Ended
December 31, 2008

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

City of Indianapolis, Indiana
(Component Unit of the Consolidated City of Indianapolis – Marion County)

Year Ended December 31, 2008

Office of Finance and Management

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III. STATISTICAL SCHEDULES (UNAUDITED)

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Introductory Section

City of Indianapolis
Gregory A. Ballard, Mayor

July 21, 2009

To the Honorable Mayor Greg Ballard, Members of the City-County Council, and Citizens of Indianapolis, Indiana

I submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Indianapolis (City) for the fiscal year ended December 31, 2008. The City is a component unit of the Consolidated City of Indianapolis – Marion County Reporting Entity. This report was prepared by the Office of Finance and Management (OFM). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Controller of the City of Indianapolis. 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 the City. Disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included.

The CAFR conforms to the standards for financial reporting of the Governmental 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 includes this letter, the Certificate of Achievement for Excellence in Financial Reporting, a description of the government and related taxing districts, a list of elected officials, and the City's organizational charts. The Financial Section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements for the City, and supplementary information. The Statistical Section includes selected financial and demographic information presented on a multi-year basis. The MD&A can be found beginning on page 3.

The City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws and regulations, is included in a separate report.

This report contains all funds of the City. The City operates under an elected Mayor and City-County Council (29 members) form of government. The City provides services in public safety, public works, health and welfare, cultural and recreation, urban redevelopment, housing, and economic development. The City operates public housing facilities and a waterworks facility.

ECONOMIC CONDITION AND OUTLOOK

In 2008, the economic development activity of the City of Indianapolis remained steady in spite of the economic downturn that currently exists in our nation. With the assistance from our partners at Indianapolis Economic Development Inc., the City secured commitments from 23 economic development related projects totaling more than $240 million in new private capital investments, over 2,400 new jobs, and more than 4,000 retained jobs.

Specifically, EnerDel chose to expand its lithium battery operations here in Indianapolis. EnerDel, a subsidiary of Ener1, Inc. (AMEX: HEV), develops and manufactures compact, high performance lithium-ion (Li-ion) batteries to power the next generation of hybrid and electric vehicles. Led by an experienced team of engineers and energy system experts, the company is building proprietary innovations electric vehicles. Led by an experienced team of engineers and energy system experts, the company is building proprietary innovations based on technology pioneered with the Argonne National Laboratory. EnerDel produces its batteries at its state-of-the-art facilities in Indianapolis, Indiana, and is expecting to be the first company to mass-produce a cost-competitive lithium-ion battery for hybrid and electric vehicles. In addition to the automobile market, applications for Ener1 lithium-ion battery technology include medical, military, aerospace, electric utility, and other growing markets. EnerDel committed to making a $90.3 million capital investment, hire an additional 317 employees, and retain 67 employees as a part of this expansion.

Additionally, the life science related firm, AIT Labs (AIT), expanded its operations on the City's westside with a total capital investment of over $13.2 million, the creation of 131 new jobs, and the retention of 226 jobs. AIT is a full-service reference lab recognized nationwide as a leader in forensic testing and a premiere research institution providing pain management, clinical, and pharmaceutical testing.

The City realizes that in order to remain competitive it is necessary to be creative and prepare our less desirable areas for redevelopment. With that in mind, the City's Department of Metropolitan Development successfully negotiated the contract with Symbiont Environmental to create a comprehensive inventory of brownfield sites and sites of environmental concern in Indianapolis. The brownfield inventory will allow for prioritization of sites and allow for promotion of redevelopment. It will also assist the Department with matching sites with appropriate incentives.

The Department of Metropolitan Development also continues to assist in advancing economic development efforts through the creation of the Economic Development Revolving Loan Fund (RLF), which will be used to enhance the ability of business owners to secure the necessary capital to finance business expansion projects. The program is funded using Community Development Block Grant (CDBG) funds. Besides filling the financial gap, the RLF program helps to stimulate job creation and revitalize under-utilized or deteriorated commercial and industrial properties.

In addition, the City formed its own Community Development Entity (CDE) and applied for the 2009 round of New Market Tax Credits. The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated CDEs. Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The NMTC program was designed to make investment capital available to businesses in qualifying low-income communities, to create jobs, and spur additional economic development. We will find out in late 2009 if we were selected to receive an allocation of the credits.

Long-term Financial Planning

The OFM is responsible for long-term financial planning for the City and Marion County. OFM is also responsible for the annual budgets for all agencies (both the development and the execution of the budget). Five year forecasts are used to project fund balances and identify potential shortages.

The City is expecting to experience a $20 to $25 million reduction in property tax revenues in 2010. This reduction will occur due to the property tax "circuit breakers" enacted by the Indiana General Assembly in 2008. House Enrolled Act 1001-2008 limited the property tax bill liability based upon the class of property. This "circuit-breaker" limitation is 1.5% of the assessed valuation of the residential property in 2009 and 1.0 percent of the assessed valuation of the residential property in 2010. Commercial property is similarly limited to 3.5 percent of the assessed valuation of the commercial property in 2009 and 3.0 percent in 2010. The City took the aggressive step in 2008 of withholding 5 percent of the approved appropriations for most City and County departments to prepare for the expected impacts of the circuit breaker in 2010. A similar 5.0 percent reserve is expected to occur in 2009.

Property tax collections for 2008 did not occur until late in 2008. Therefore, the City financed operations through tax anticipation warrants. The tax anticipation warrants representing the first six months of operations were paid off in December of 2008 with the proceeds from provisional tax bills. The second half 2008 warrants are expected to be satisfied by September of 2009. The delayed collection of pay 2008 property tax levies had a negative impact on the City's cash flow. The delay primarily causes negative subfund balances totaling $46 million in the Solid Waste Collection, Park, Fire, and Metropolitan Police subfunds of the General Fund. In addition, the delay causes a negative fund balance in the Nonmajor Debt Service Funds of $2.4 million.

Relevant Financial Policies

Internal Control Structure

Management of the City is responsible to establish and maintain an internal control structure that ensures the assets of the government are protected from loss, theft, or misuse and ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. The internal control structure is 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

Budgetary control is maintained for certain funds, at the object level of expenditure by the encumbrance of purchase orders against available appropriations. The City uses the GASB expenditure terminology (object) for financial reporting purposes and State of Indiana expenditure terminology (character) for internal accounting purposes. Capital projects reimbursable by grant revenues are encumbered for the total amount of the estimated project cost. Outstanding encumbrances to be financed from future revenues, other than approved grant revenues and certain Consolidated County budgetary account reimbursements are recorded in their entirety as a reservation of fund balance.

Cash Management

Due to the fluctuating market conditions, excess cash during the year was invested in U.S. Treasury and Agency Notes and Repurchase Agreements, which were generally for periods of two years or less. It is City policy to invest in certificates of deposit with local, federally insured banks that have a principal office within the county and have been approved by the Marion County Board of Finance. In June of 2008, the City made its first deposit into TrustIndiana. TrustIndiana provides all Indiana local units of government and agencies of the State of Indiana the opportunity to invest in concert, benefiting from the inherent economies of scale, and to utilize an alternative designed specifically for public funds. TrustIndiana only invests public sector funds in securities and other investments, which are legally permitted pursuant to Indiana law.

Risk Management

The City is self-insured for losses arising from worker's compensation, automobile liability, and public liability claims. This program is maintained by the Office of Corporation Counsel. Internal Service funds are used to record the premiums charged to the operating departments and the claims expense.

MAJOR INITIATIVES

As indicated in the long-term financial planning section, the City is expecting a negative impact to its property tax revenues due to the property tax circuit breakers. In order to prepare for this loss of revenue in 2010, the City began a program, very early in 2008, to review how we deliver services to our taxpayers and to ensure that appropriate performance measures were in place. This program is called "Indystat" and is led by the Mayor's Director of Enterprise Development. Each City agency presents key financial and performance indicators. These indicators are then tracked for trending analysis.

In addition to "Indystat", the City also conducted process improvement programs. Six Sigma trained black belts (donated by the generosity of Indianapolis' corporate partners) performed process improvement programs for filling pot holes, answering telephones in the Mayor's Action Center, and operations at the Animal Care and Control Center. The success of these initial reviews led to the City beginning its own internal Six Sigma program of process improvement. The City has partnered with the High Performance Government Network to provide training to the City's employees.

The current "Clean Streams" team's twenty-year plan to eliminate the dumping of raw sewage into the City's rivers, clean up failing septic systems, and improve flood control continues and remains a major initiative for the City. Through a process of "value-added engineering" substantial efficiencies and cost saving initiatives have been identified. This re-engineering has reduced the required fee increases to finance the construction while improving the amount of waste to be processed through the appropriate wastewater treatment plant. The twenty-year capital cost of Clean Streams is in excess of a billion dollars. The costs will be funded primarily through user fees.

OTHER INFORMATION

Audit Committee

The City's Audit Committee was formalized by City-County Council ordinance to provide an independent review body for the audit activities of the City. At December 31, 2008, the Audit Committee members were:

Mr. William Sheldrake, Chairperson	President, Policy Analytics, LLC
Mr. Michael Huber	Director of Enterprise Development, City of Indianapolis
Mr. Jeffrey Spalding	Indiana Commission for Higher Education
Ms. Jackie Nytes	City-County Councillor, City of Indianapolis – Marion County
Ms. Christine Scales	City-County Councillor, City of Indianapolis – Marion County
Ms. Susan Swayze	Indiana Family Institute

Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Indianapolis for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2007. 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 U.S. generally accepted accounting principles 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 it to the GFOA to determine its eligibility for another certificate.

Acknowledgment

This report is the combined effort of many people: Office of Finance and Management accountants, internal auditors and departmental chief fiscal officers, and others. I appreciate their diligent and conscientious work, as well as the efforts of our independent auditors, KPMG LLP.

Mayor Ballard, I also appreciate your continued guidance, interest, and support of excellence in accounting and reporting.

Respectfully submitted,

David P Reynolds

David P. Reynolds

Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Indianapolis
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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.

President

Executive Director

CITY OF INDIANAPOLIS

ORGANIZATION OF LOCAL GOVERNMENT AND TAXING DISTRICTS

Introduction

The City of Indianapolis (City) was originally incorporated in 1832. It is the largest city in the State of Indiana (the State) and the thirteenth largest city in the nation with a population of 795,000 and a metropolitan area population of approximately 1.6 million people. The City encompasses a land area of 402 square miles, making it the eighth largest city in the nation in terms of land area. The City, located at the geographic center of the state, is the State capital and also serves as the physical, economic, and cultural capital. Indianapolis has a stable and diversified economy with employment rates and income levels consistently above the national averages.

Form of Government

On January 1, 1970, the governments of the City and that of Marion County (the County) were unified and their form of service delivery consolidated, thereby extending the City's boundaries to generally coincide with those of the County. Four municipalities (Beech Grove, Lawrence, Speedway, and Southport) located within the County boundaries were specifically excluded from most functions of the consolidated City by the consolidating act. The consolidated government provides for a Mayor and a twenty-nine member legislative council. The City-County Council consists of twenty-five councilors elected from single-member districts and four councilors elected at large. Because the Mayor's powers extend to the entire county, residents of the Town of Speedway and the Cities of Beech Grove, Lawrence, and Southport, the municipalities not affected by the reorganization, vote for the Mayor as Chief County Executive as well as for the councillors at-large.

Since adoption of the consolidated form of government for the City, governmental services within the area of Unigov are provided by 46 different units of local government, including the consolidated City, the County, 5 independent municipal corporations, 11 school corporations, 9 townships, 12 towns, the 4 municipalities excluded from the consolidated City of Indianapolis, 2 library boards, and one conservancy district. Within the consolidated City, special taxing districts were created to coincide with user benefit district boundaries then existing or as extended by the consolidating act. Boundaries of the various districts are such that a resident may be a member of one district and not another. Therefore, the resident's geographic location within the County determines the governmental unit and taxing district rates to be combined in calculating the specific tax rate. As a result of the varying areas in which services are provided by the 46 different governmental units, the County is broken down into 61 different geographical areas for purposes of tax rate determination.

The maps on pages XV and XVI illustrate the relationship of the described taxing units.

The following taxing units are within the consolidated City, and all except the consolidated County and the special service districts can issue bonds:

	Map		Map
Civil City	2	Flood Control District	1
Consolidated County	1	Metropolitan Thoroughfare District	1
Redevelopment District	2	Police Special Service District	5
Solid Waste Collection Special Service District	7	Fire Special Service District	6
Solid Waste Disposal Special Service District	2	Park District	1
Sanitary District	8	Public Safety Communications & Computer Facilities District	1

The Metropolitan Thoroughfare District, Flood Control District, Park District, and Public Safety Communications & Computer Facilities District are special taxing districts, the boundaries of which are coterminous with the boundaries of Marion County.

The Indianapolis Redevelopment District and the Solid Waste Disposal District are special taxing districts; the boundaries and taxable property of which are coterminous with the boundaries of the City. The Redevelopment District includes a Consolidated Tax Allocation Area, which captures incremental increases in assessed valuation for the repayment of the Tax Increment Finance Bonds.

Other Governmental Units

The consolidated City of Indianapolis is within the boundaries of Marion County, as are the following:

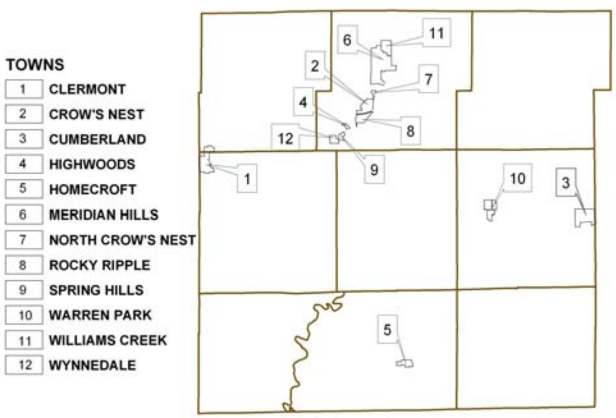
- **Marion County** as a governmental unit provides services such as courts, sheriff, tax assessment, and collection, etc., not otherwise provided by other governmental units.
- The **Capital Improvement Board of Managers** (Board) is a separate and distinct municipal corporation with territory coterminous to the territory of Marion County. The Board is authorized to finance, construct, equip, operate, and maintain any capital facilities or improvements of general public benefit or welfare which would tend to promote cultural, recreational, public, or civic well-being of the community. The Board operates facilities used for sports, recreation, and convention activities in downtown Indianapolis. The **Marion County Convention and Recreational Facilities Authority** was created in 1985 under applicable State statutes to provide certain financing for projects of the Board.
- The **Indianapolis Airport Authority** (Airport Authority) and the **Health and Hospital Corporation of Marion County** are separate and distinct municipal corporations with territory coterminous to the territory of Marion County. The Airport Authority was established for the general purpose of acquiring, maintaining, operating, and financing airports and landing fields in and bordering on Marion County. The Airport Authority bonds are general obligations payable from unlimited ad valorem taxes assessed on all taxable property of Marion County; however, in practice the bonds have been paid from the net revenues of the Airport Authority. The Health and Hospital Corporation was given the mandate to provide preventative and curative health programs for the residents of the County, including indigent health care.

- The **Indianapolis-Marion County Building Authority** (the Authority) is a separate and distinct municipal corporation that acts as landlord for the City-County Building. The County pays 58% and the City pays 42% of the total lease rental. The Authority also has outstanding bonds payable from lease rentals (which are paid from taxes levied) from the County for the Marion County Jail expansion, and from the City for the central maintenance garage. Minor portions of Authority facilities are leased to other units of government and private parties.
- The **Indianapolis Public Transportation Corporation** (IndyGo) is a separate and distinct municipal corporation with territory coterminous to the territory of the consolidated Civil City of Indianapolis. IndyGo provides public transportation service within the County.
- The **Indianapolis Marion County Public Library** is a separate and distinct municipal corporation, the territory of which includes the property in Marion County, excluding the City of Beech Grove and the Town of Speedway.

There are also several separate school districts in Marion County. In addition to the general obligation bonds of these school districts, various school building corporations have outstanding bonds payable from lease rentals (which are paid from taxes levied) from school districts for the lease of school buildings constructed by the building corporations.

See page XVII for the Unigov Organization Chart and page XVIII for the consolidated City of Indianapolis Organization Chart.

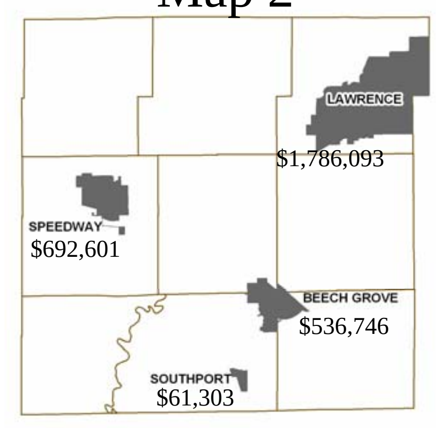
Map 1



MARION COUNTY AND OTHER INCLUDED TOWNS

Marion County $45,001,514

Map 2

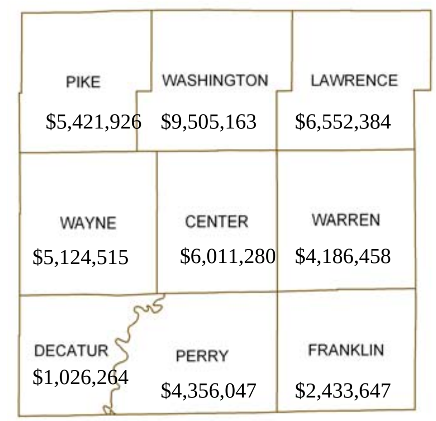


CONSOLIDATED CITY OF INDIANAPOLIS

City of Indianapolis $41,924,771

Excluded Cities and Towns $ 3,076,743

Map 3



TOWNSHIP

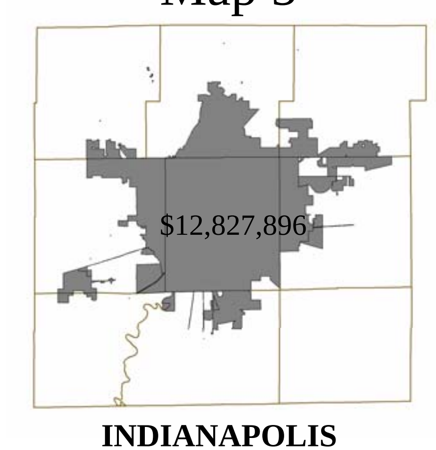
NOTE: See Statistical Schedule 13 on pages 160, 161, and 162 of Part III of this annual report. The assessed valuation figures are for March 1, 2007 valuations for taxes collectible in 2008.

Map 4

LIBRARIES

Beech Grove	$505,646
Speedway	$692,601
Marion County Libraries	$43,803,267

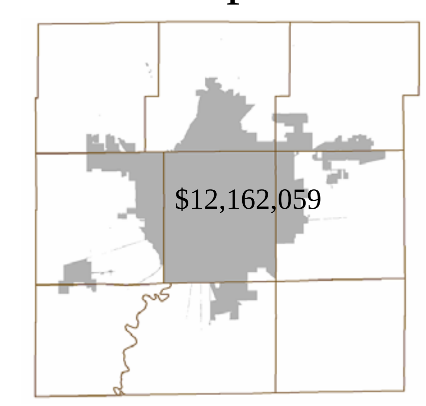
Map 5



INDIANAPOLIS

POLICE SERVICE DISTRICT

Map 6

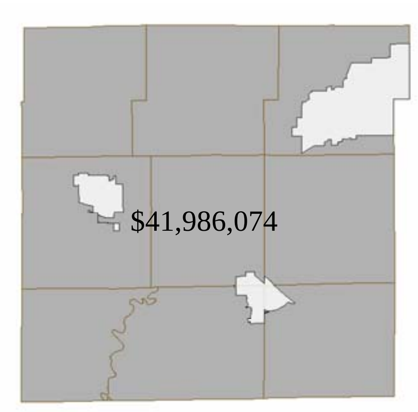


INDIANAPOLIS

FIRE SERVICE DISTRICT

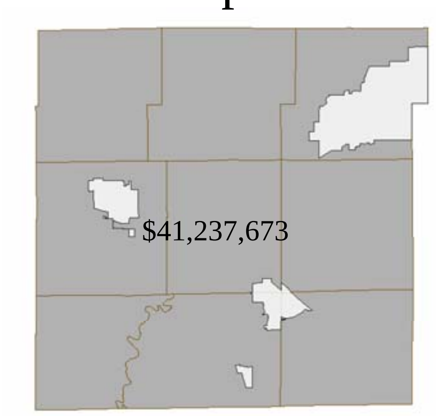
(Outside of this district, townships and excluded cities and towns provide the fire service)

Map 7



INDIANAPOLIS SOLID WASTE SPECIAL SERVICE DISTRICT

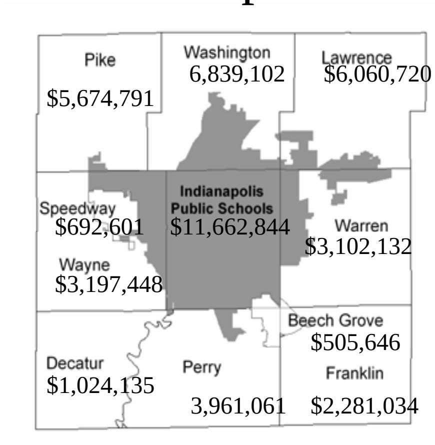
Map 8



INDIANAPOLIS

SANITARY DISTRICT

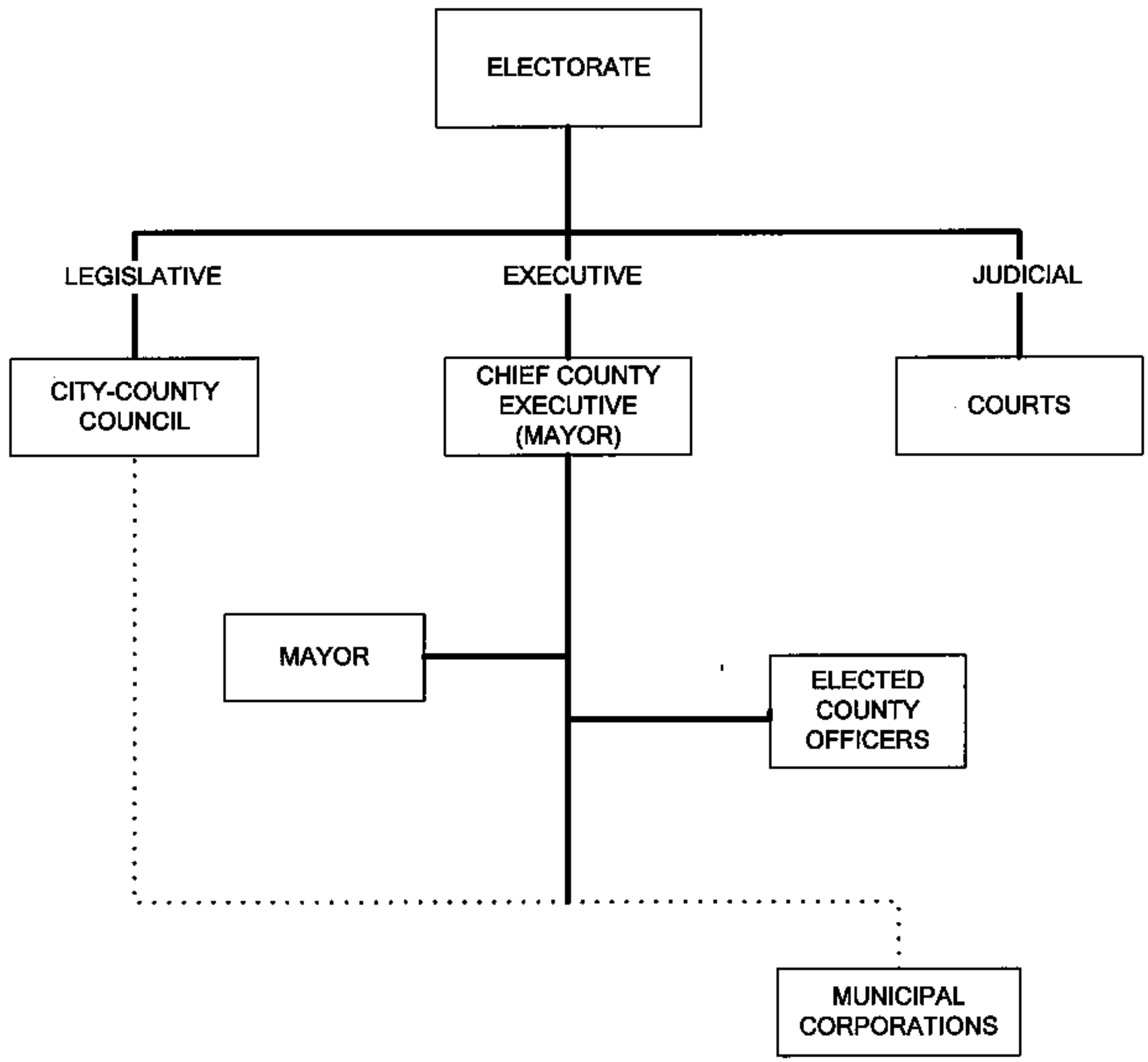
Map 9



SCHOOL DISTRICTS

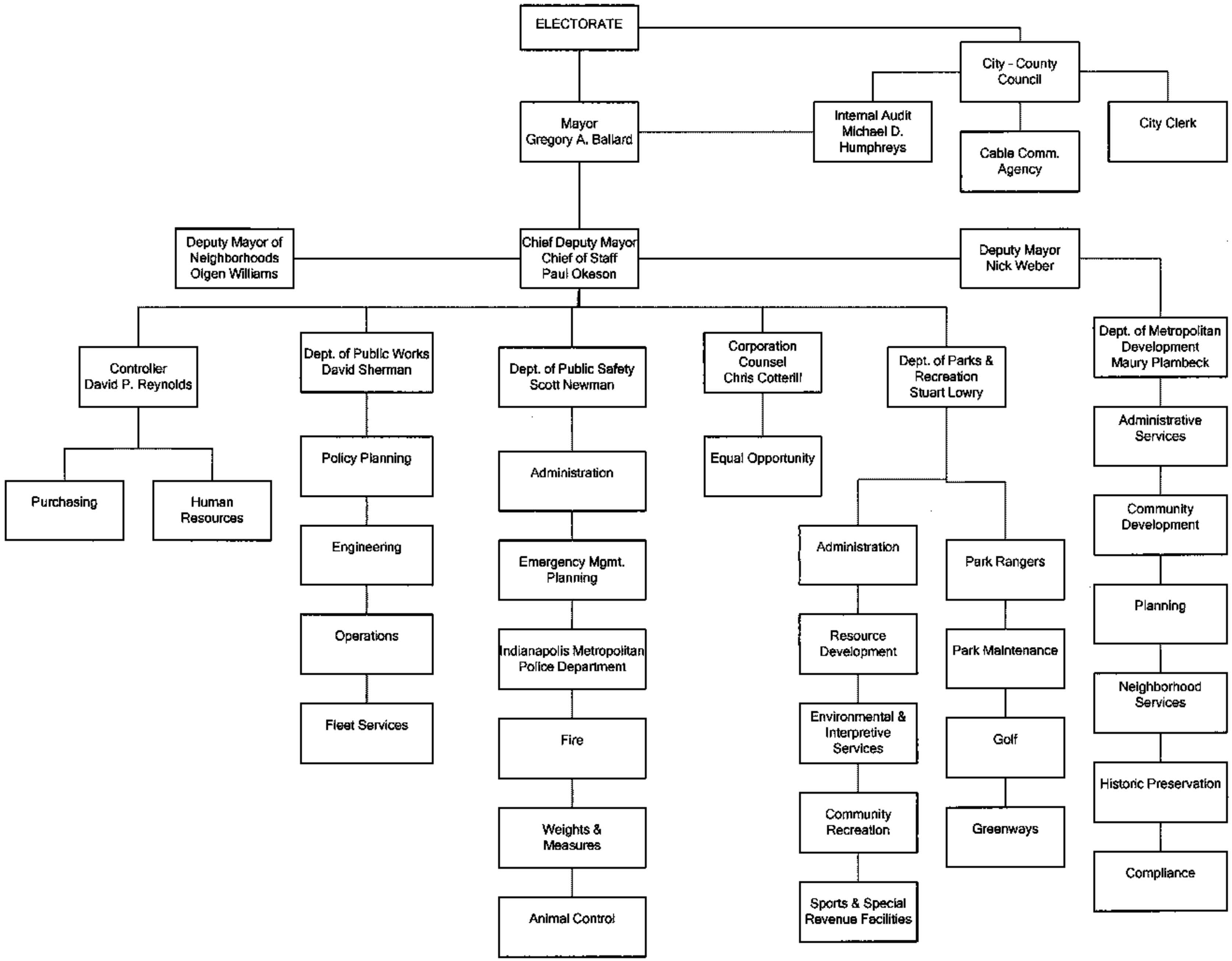
NOTE: See Statistical Schedule 13 on pages 160, 161, and 162 of Part III of this annual report. The assessed valuation figures are for March 1, 2007 valuations for taxes collectible in 2008.

UNIGOV ORGANIZATIONAL CHART
CONSOLIDATED GOVERNMENT FOR INDIANAPOLIS - MARION COUNTY



City of Indianapolis Organization Chart

December 31, 2008



CITY OF INDIANAPOLIS

SCHEDULE OF ELECTED AND APPOINTED OFFICIALS

December 31, 2008

ELECTED OFFICIALS*

Name	Title	Service	Occupation
Gregory A. Ballard	Mayor	1	Mayor and Chief County Executive
Bob Cockrum	City-County Council President	13	Retired
Kent Smith	City-County Council Vice President	1	United States Marine Corp
Paul Bateman	City-County Councillor	3	Project Manager Devington Green Jobs Workforce
Vernon Brown	City-County Councillor	5	Indianapolis Fire Department Battalion Chief
Virginia J. Cain	City-County Councillor	5	Homemaker and Community Organizer
Jeffrey Cardwell	City-County Councillor	1	Small Business Owner
Ed Coleman	City-County Councillor	1	Nurse
N. Susie Day	City-County Councillor	5	Claims Specialist, Department of Workforce Development
Jose Evans	City-County Councillor	1	CEO, Evans & Associates, LLC
Monroe Gray, Jr.	City-County Councillor	17	Retired
Ben Hunter	City-County Councillor	1	Indianapolis Metropolitan Police Department
Maggie Lewis	City-County Councillor	1	Community Consultant, Indiana Criminal Justice Institute
Robert Lutz	City-County Councillor	2	Self-Employed Attorney at Law
Brian Mahern	City-County Councillor	1	Policy Analyst, Indiana Utility Regulatory Commission
Dane Mahern	City-County Councillor	5	Human Resource Consultant, City of Indianapolis
Barbara Malone	City-County Councillor	1	Attorney
Angela Mansfield	City-County Councillor	5	Attorney and Certified Public Accountant
Janice McHenry	City-County Councillor	1	Retired
Michael McQuillen	City-County Councillor	1	Owner, PoliticalParade.com
Doris Minton-McNeil	City-County Councillor	1	Executive Asst., Indianapolis Public Schools
Mary Bridget Moriarty Adams	City-County Councillor	21	Human Resources Manager, Multiple Sclerosis Foundation
Jackie Nytes	City-County Councillor	9	Executive Director, Mapleton Fall Creek Development Corp.
William C. Oliver	City-County Councillor	5	Retired
Marilyn Pfisterer	City-County Councillor	5	Retired
Lincoln Plowman	City-County Councillor	5	Indianapolis Metropolitan Police Department
Joanne Sanders	City-County Councillor	9	International Representative, Alliance of Theatrical Stage Employees
Christine Scales	City-County Councillor	1	Homemaker and Community Organizer
Mike Speedy	City-County Councillor	5	Attorney/Real Estate Development Consultant
Ryan Vaughn	City-County Councillor	2	Associate Attorney, Barnes & Thornburg

CITY OF INDIANAPOLIS

SCHEDULE OF ELECTED AND APPOINTED OFFICIALS (Cont.)

December 31, 2008

ELECTED OFFICIALS*

Name	Title	Service	Occupation
Jackie Nytes	City-County Councillor	9	Adj. Faculty, Graduate School of Library Sciences, Indiana University-Purdue University at Indianapolis
William C. Oliver	City-County Councillor	5	Retired
Marilyn Pfisterer	City-County Councillor	5	Business woman
Lincoln Plowman	City-County Councillor	5	Indianapolis Metropolitan Police Department
Joanne Sanders	City-County Councillor	9	International Representative, International Alliance of Theatrical Stage Employees
Christine Scales	City-County Councillor	1	Business woman
Mike Speedy	City-County Councillor	5	Owner, Real Estate Consulting and Development
Ryan Vaugh	City-County Councillor	2	Attorney
Michael A. Rodman	Ex-Officio City Treasurer	4	Marion County Treasurer

* The term of office for all elected officials expires December 31, 2011 except for the Marion County Treasurer, whose term expires December 31, 2008.

APPOINTED OFFICIALS

Name	Position	Number of Years in This Position	Number of Years Associated with City of Indianapolis – Marion County
Paul Okeson	Chief Deputy Mayor/Chief of Staff	1	1
Olgen Williams	Deputy Mayor of Neighborhoods	1	1
Nick Weber	Deputy Mayor	1	1
David P. Reynolds	Controller-Office of Finance and Management	1	1
Chris Cotterill	Corporation Counsel	1	1
Maury Plambeck	Director of Metropolitan Development	9	20
David Sherman	Director of Public Works	1	1
Scott Newman	Director of Public Safety	1	9
Stuart Lowry	Director of Parks and Recreation	1	1
Melissa Thompson	Clerk of the City-County Council	1	9
Michael D. Humphreys	Administrator of Internal Audit	29	29

CERTIFIED PUBLIC ACCOUNTANTS KPMG LLP

CONSOLIDATED CITY OPERATIONS

Executive & Legislative

The Mayor is the chief executive officer of the consolidated City. The Mayor may serve unlimited four-year terms and enjoys wide appointive powers, including the right to name deputy mayors, department heads, and many board and commission members (the deputy mayor and department director appointments are subject to approval by a majority of the City-County Council). The Mayor also appoints the Controller and the Corporation Counsel for the consolidated City.

The Mayor controls the major administrative functions of the consolidated City through four departments as follows: Metropolitan Development, Public Works, Public Safety, and Parks and Recreation, each headed by a director, and through special taxing and service districts. Transactions for the Mayor's office are accounted for in the Consolidated County subfund of the General Fund. The Mayor heads a cabinet of appointed Deputy Mayors, Corporation Counsel, Controller, and Department Directors. The Office of Internal Audit is independent of any City department, as is the Office of the Corporation Counsel and the Office of Finance and Management. These divisions report directly to the Mayor.

CITY-COUNTY COUNCIL

The Council staff provides efficient and economical administrative support to the local legislative branch of government. The Council is responsible for adoption of appropriations and tax rates supporting the City and County annual budgets, and reviews and recommends the five Municipal Corporations' annual budgets. The Council also confirms appointments of individuals to the positions of Deputy Mayor and Directors of UNIGOV Departments. They also enact legislation and appoint individuals to various boards and commissions of local government. Transactions for this division are accounted for in the Consolidated County subfund of the General Fund.

CABLE COMMUNICATIONS AGENCY

The Cable Communications Agency oversees cable franchise compliance and contractual obligations, as well as prepares and supervises renewal of franchise agreements. Through WCTY/Channel 16 and Government TV2, the Cable Communications Agency provides City-County government information to Marion County citizens and supplements public safety education. Agency staff makes recommendations for the best usage of communications equipment through research of new communication models and technologies. Transactions for this division are accounted for in the Consolidated County subfund of the General Fund.

OFFICE OF THE CORPORATION COUNSEL

The Office of the Corporation Counsel provides legal counseling and representation for all agencies of City and County government and is headed by Corporation Counsel who is appointed by the Mayor. Transactions for this Office are accounted for in the Consolidated County subfund of the General Fund. The responsibilities of the Office are governed by Indiana statute, which vests the Office with the authority to represent and defend the City and County and its officers in causes of action in which they are parties by virtue of their official capacity and to compromise litigation and effect settlement of pending litigation. In addition, the Office furnishes legal advice and formal opinions and conducts legal proceedings. The City Prosecutor's Office, also a part of the Office of the Corporation Counsel, initiates legal action for the purpose of enforcing City ordinances. The preparation of non-fiscal ordinances for introduction before the City-County Council and the drafting of legislative proposals in the Indiana General Assembly are also functions of the Office of the Corporation Counsel.

In 2008, the Office of the Corporation Counsel took over the Equal Opportunity Division.

OFFICE OF FINANCE AND MANAGEMENT

The Office of Finance and Management is charged with the fiscal management of City and County government. Appointed by the Mayor, the City Controller ensures that financial assets of the government are protected. The office is responsible for the annual City and County budgets, financial reporting, accounting policy for the City and County, cash management, City licenses, and federal audit relationships with transactions accounted for in the Consolidated County subfund of the General Fund.

The Division of Purchasing, which reports to the City Controller, acts as the central purchasing agent for all City and County government offices with transactions accounted for in the Consolidated County subfund of the General Fund. The Division has responsibility for obtaining all necessary materials, equipment, services, and performing certain phases of bookkeeping for City-County government, and oversees the disposal of surplus assets.

The Collections section is a part of the Office of Finance and Management and is responsible for pursuing collections of amounts owed by third parties to various City and County agencies with transactions accounted for in the Consolidated County subfund of the General Fund, with the exception of revenue from parking fines, which is accounted for in the Parking Special Revenue Fund.

In 2008, the Division of Administration ceased to exist and the Human Resource division now reports to the City Controller.

Department of Metropolitan Development

The Department of Metropolitan Development's primary objectives are to provide improved service delivery through effective communications, collaboration, and developmental assistance to promote partnership between the public and City government to facilitate quality housing and economic growth throughout the county. The Department follows policy established by the Metropolitan Development Commission and coordinates the activities of its operating divisions: Administrative Services, Community Economic Development, Planning, Neighborhood Services, Historic Preservation Commission, Compliance, and Regional Transportation Authority. The Metropolitan Development Commission is the policy-making body of the Department of Metropolitan Development and receives staff support from the Department. The Commission is composed of nine members, four of whom are appointed by the Mayor, three by the City-County Council, and two by the Board of County Commissioners.

DIVISION OF ADMINISTRATIVE SERVICES

The Division of Administrative Services provides managerial and financial support to other divisions in the Department of Metropolitan Development. Financial staff also offers financial management support, in the form of budgeting, financial reporting, payroll, and accounts payable/receivable management to the other department divisions consistent with established policies by federal, state, and local regulations. Transactions for this division are accounted for in the Redevelopment subfund of the General Fund.

DIVISION OF COMMUNITY ECONOMIC DEVELOPMENT

The Community Economic Development division has the responsibility of administering all U.S. Department of Housing and Urban Development grants, with transactions accounted for in the Federal and State Grants Special Revenue Funds and the Consolidated County and Redevelopment subfunds of the General Fund. The division supports activities of community development, affordable housing, neighborhood capacity building, human services, neighborhood strategic programming, and capital improvements projects. The division also administers the Unsafe Building Program in conjunction with the Health and Hospital Corporation of Marion County. Additionally, the division promotes economic development by leveraging private and public resources in support of developing affordable housing and new employment opportunities in neighborhoods, as well as managing department-owned properties throughout the City.

DIVISION OF PLANNING

The Division of Planning has wide-ranging responsibilities in areas of social, physical, and economic planning. It analyzes present community conditions and makes projections of future development, recommending various plans for private and public action. The Division also is responsible for transportation planning activities as the Metropolitan Planning Organization (MPO) for the Indianapolis Urbanized Area. The division processes all land use petitions for public hearing, and reviews, revises, and updates zoning ordinances to reflect the needs of the community. Transactions are accounted for in the Federal Grants Special Revenue Fund and the Consolidated County and Transportation subfunds of the General Fund.

NEIGHBORHOOD SERVICES

The Division of Neighborhood Services is responsible for facilitating and enhancing communications between the public and government. Staff is responsible for identifying and assisting in addressing the needs of township residents, community organizations and businesses; enlisting citizen and business participation with government and increasing public awareness of the programs and services offered by the City. Transactions are accounted for in the Consolidated County subfund of the General Fund.

INDIANAPOLIS HISTORIC PRESERVATION COMMISSION

The Indianapolis Historic Preservation Commission is a semi-autonomous agency of City-County government, charged with the responsibility of designating and administering local Historic Areas, both districts and individual structures; promoting the preservation and re-use of historic structures; and offering technical assistance to Marion County residents and property owners. Indianapolis Historic Preservation Commission transactions are accounted for in the Federal Grants Special Revenue Fund and the Consolidated County subfund of the General Fund.

DIVISION OF COMPLIANCE

The Division of Compliance is responsible for enforcing zoning ordinances and building code compliance; issues permits, monitors construction activities, licenses contractors, and registers various trade contractors licensed by the State. Transactions are accounted for in the Consolidated County subfund of the General Fund.

REGIONAL TRANSPORTATION AUTHORITY

Regional Transportation Authority is the administrative staff in support of the Central Indiana Regional Transportation Authority (CIRTA). CIRTA's mission is to develop a comprehensive system of transportation alternatives for central Indiana residents. CIRTA was created by State statute in 2004 and is governed by a 16-member board of directors who represent all nine counties in the region (Marion, Hamilton, Hancock, Shelby, Johnson, Morgan, Hendricks, Boone, and Madison), as well as municipalities and the labor organization for transportation workers. Transactions are accounted for in the Federal Grants Special Revenue Fund and the Consolidated County and Transportation subfunds of the General Fund.

Department of Public Works

The Department of Public Works (DPW) is responsible for the following: street and traffic signal maintenance, trash collection and disposal, flood control maintenance, collection and treatment of sewage, snow removal, air pollution control, and environmental remediation. DPW also has responsibility for the acquisition and maintenance of vehicles and heavy equipment used by City and County agencies. The department has four major divisions: Policy and Planning, Engineering, Operations, and Fleet Services.

The Board of Public Works is the supervisory and policy-making body of the DPW. The board consists of seven members and meets twice per month. The Director of the DPW serves as the chair of the board; three members are appointed by the Mayor and three by the City-County Council. Appointees serve one-year terms at the pleasure of the appointing authority. The board reviews the department budget, holds any hearings required by law, and approves the award of all contracts.

POLICY AND PLANNING DIVISION

The Administrative Services Section manages the administration for the entire department. This includes financial and budget planning, asset management, and contractual agreements. The section also monitors the financial aspects of the Indianapolis Resource Recovery Facility. Administrative transactions are accounted for in the Consolidated County Subfund of the General Fund, the Stormwater subfund of the General Fund, and the Federal Grants Special Revenue Fund. The section's services include the general services for budget preparation, contract administration, general accounting services, goods procurement, payroll management, data management and entry, property management, and personnel coordination and management.

The Administrative Services Section has three main areas of responsibility:

1. *Financial Services*. This section provides purchasing, accounting, and payroll services to all areas within the department.
2. *Business Services*. This section provides the necessary administrative functions for the department in the areas of data management, payroll, revenue collection and accounting, and other administrative services and processes.
3. *Contract Services*. This section provides administrative support and review for service contracts with the department. This section manages the processes involved with procurement and contract execution, including the Board of Public Works. The day-to-day management of the contracts remains with the operational areas responsible for solid waste removal, mowing, sewer collection system, abandoned vehicles, and street sweeping.

The Public Information Services Section assists DPW and the City by arranging and executing public meetings, media services, public speaking, departmental presentations, and neighborhood coordination.

The Strategic Planning Section provides public access to the many programs administered by the Engineering and Operations Divisions and throughout the DPW. This section disseminates information through the media, written publications, correspondence, and by telephone on engineering projects. This section also provides neighborhood services and citizen's relations services.

As an outgrowth of the Strategic Planning Section, the Office of Sustainability was established in 2008. This new office and the new SustainIndy initiative, which has strong ties to the City's environmental agenda, is housed and budgeted in DPW. The charge of SustainIndy includes public-private coordination of environmentally responsible actions that impact community awareness, economic development, and quality of life in Indianapolis for today and in the future. More information regarding this initiative can be found at http://www.sustainindy.org.

The Office of Environmental Services (OES) assures environmental protection for Indianapolis residents through industrial surveillance and permitting. Air quality, water and land pollution abatement, and environmental remediation projects are managed under this section. The section also separates the household hazardous collection program. In addition, it oversees the Industrial Pre-treatment Program and the Air Pollution Control Board's Ordinance Enforcement and Regulatory authority. In late 2008, it was confirmed that the State of Indiana's Department of Environmental Management (IDEM) would take over management of the air quality permitting and monitoring, throughout Indiana, including Indianapolis/Marion County. Grant funding for the air quality activities was discontinued on December 31, 2008. Transactions are accounted for in the Sanitation, Solid Waste Collection, Park, and Consolidated County subfunds of the General Fund.

ENGINEERING DIVISION

Engineering plans, designs, constructs, reconstructs, and maintains all streets, sewers, roads, bridges, and thoroughfares. The department is also responsible for access control, traffic control, and street lights on the same. Excluded from the Department's control are:

1. Interstate, U.S., and State routes under the jurisdiction of the Indiana Department of Transportation; and
2. Local streets within the other incorporated cities and towns within the County.

This section's general services include development of programs and projects, inventories, transportation studies, design contract administration, service contract negotiation, construction contract management, pavement management, review and approval of private development projects, and providing technical expertise to other divisions and agencies. Transactions for this section are recorded in the City and County Cumulative Capital Projects Funds and the Transportation, Sanitation, and Stormwater Management subfunds of the General Fund.

The Engineering Administration Section provides the necessary administrative support for implementation of the department's programs to expand and protect the City's transportation, sanitation, and stormwater networks.

The Construction Services Section provides the necessary project scope and design criteria and determines the project schedule. Consultant selection is also a primary task for this group. This section also provides the technical expertise to accomplish all design and construction contract management for the transportation and sanitation improvement and flood control projects. This section is responsible for supervising and administering all construction contracts for transportation, sanitation, and storm water network improvements.

The Environmental Engineering Section provides services including the development of programs and projects, inventories, studies, design contract administration, and service contract negotiation related to the sanitary and drainage programs of the City. This also includes the review and approval of private development projects and providing technical expertise to other divisions and agencies.

The Transportation Engineering Section provides services including the development of programs and projects, inventories, transportation studies, design contract administration, and service contract negotiation related to the transportation programs of the City. This also includes construction contract management, pavement management, review and approval of private development projects, and providing technical expertise to other divisions and agencies.

During 2008, there was some blending of the Engineering and Operations Division. While the divisions of Engineering and Operations still exist, the functional organization has experienced engineers leading the transportation and sanitary/storm water programs. The range of responsibilities is from planning, design, and construction to planned and reactive maintenance of roads and sewers. There is now better coordination and planning for resources involved with the City's infrastructure assets.

OPERATIONS DIVISION

The Solid Waste Services Section is responsible for collecting trash from five of the twelve solid waste districts. The section also monitors the financial and technical aspects of the resource recovery waste districts. Approximately 150,000 tons of trash is collected annually. Household refuse is disposed of at the Indianapolis Resource Recovery Facility where the waste is burned and steam is generated. The steam is sold to a local power company. The Solid Waste Management Section also monitors the financial and technical aspects of the resource recovery facility's operations. Other waste, such as construction debris, is taken to the Southside Landfill. Other services of the Solid Waste Management include the removal of dead animal carcasses from the public right of way and operation of drop-off recycling programs. Section transactions are accounted for in the Solid Waste Collection and the Solid Waste Disposal subfunds of the General Fund.

The Maintenance Services Section has six main areas of responsibility:

1. *Traffic Operations*. Responsible for the implementation and operation of all traffic control features of the transportation network. Ensures traffic safety and guides motorists throughout the City through signals, signs, and pavement markers.
2. *Street Maintenance*. Responsible for the maintenance of all roads, bridges, and other transportation facilities under the City's jurisdiction. Also responsible for preventative maintenance and snow and ice removal on City streets.
3. *Grass and Weeds*. Responsible for mowing of levees, parkways, and private weed enforcement lots.
4. *Building and Grounds*. Responsible for maintaining DPW facilities and the Monon Trail.
5. *Parking Meter*. Responsible for collection of revenue, repair of parking meter equipment, and administration of contracts.
6. *Customer Services*. Responds within three days to citizen complaints that are called into the Mayor's Action Center such as sanitary sewer back-ups, sewer odors, cave-ins, flooding and drainage problems, street and sidewalk problems, illegal dumping, graffiti, and sewer locates. Service requests are directed to the Township Coordinators who complete over 20,000 inspections per year. Customer Services also works closely with the utility companies and other City and County departments.

The section's general services include road and bridge maintenance and reconstruction, resurfacing, curb and sidewalk replacement and repair, street repair, weed control, mowing, road side drainage, shoulder maintenance, pavement joint maintenance, guard rail installation and repair, emergency maintenance functions (barricading and temporary repairs), snow and ice removal, litter pick-up in the downtown area, traffic signal installation, modernization and maintenance, pavement markings, and traffic sign manufacturing and installation. Transactions for this section are recorded in the Transportation, Sanitation, Solid Waste Collection, and Storm Water Management subfunds of the General Fund and the Parking Special Revenue Fund.

The Water Management Services Section monitors the contracts for the operation of the City's two Advanced Wastewater Treatment Facilities. These facilities have the capability of processing 250 million gallons of wastewater per day. Transactions of the section are accounted for in the Sanitation, Consolidated County, Solid Waste Collection, Storm Water Management, Solid Waste Disposal, and Transportation subfunds of the General Fund.

FLEET SERVICES DIVISION

The Indianapolis Fleet Services (IFS) is responsible for the maintenance; fueling, monitoring, and repair of all vehicles and other equipment owned by the City and has all powers and duties necessary for operation of a municipal garage. IFS also maintains and supplies fuel for vehicles and equipment owned by a number of other governmental agencies on a contractual basis. Transactions for this Division are accounted for in the Consolidated County subfund of the General Fund. The costs associated with maintaining and fueling city-owned vehicles and equipment are charged back to the departments that own the equipment.

Department of Public Safety

This Department maintains order and protects the rights and property of the citizens of Indianapolis. The Director retains responsibility for major policy decisions, budgeting, long-range planning, and the day-to-day coordination of five departmental divisions: Fire, Police, Emergency Management Planning, Animal Care and Control, and Weights and Measures. The Director of the Department of Public Safety serves as the Mayor's appointee on many commissions and councils at the national, state, and local levels in order to coordinate the activities of Public Safety Department divisions with various other state and local criminal justice agencies.

The Director appoints the Fire Chiefs for the Consolidated City. The Director also supervises the hiring, promotion, affirmative action, and discipline of all Department divisions with the advice and assistance of two statutory boards and several non-statutory citizen boards and committees. The statutory boards include a five-member Board of Public Safety and a six-member Fire Merit Board. Transactions for this division are recorded in the Consolidated County subfund of the General Fund.

The Board of Public Safety is composed of the Director of Public Safety and four other members, two of whom are appointed by the Mayor and two others by the City-County Council. Board members serve one-year terms at the pleasure of the Mayor or the Council.

The board studies issues related to the Department of Public Safety, which the Director brings before the members; it also indicates areas requiring further study to the Director. The board approves the award and amendment of contracts by the Department for purchase or lease of capital equipment or other property where the contract is required to be bid under Indiana Code 36-1-12. The Board also approves the employment of persons engaged by the department to render professional or consulting services.

INDIANAPOLIS METROPOLITAN POLICE DEPARTMENT (IMPD)

This Division is primarily responsible for enforcement of laws to protect life and property while creating and maintaining active police/community partnerships and assisting citizens in identifying and solving problems to improve the quality of life in their neighborhoods. The IMPD was established January 1, 2007 through the consolidation of the Indianapolis Police Department and the law enforcement force of the Marion County Sheriff. On January 1, 2007, IMPD assumed all law enforcement services for the consolidated City. Transactions are accounted for in the Metropolitan Police subfund of the General Fund, which is funded from the Consolidated City district that includes all of the County except for the excluded cities; Southport, Speedway, Lawrence, and Beech Grove. The Police Special Service District exists only for the purpose of the police pensions.

INDIANAPOLIS FIRE DEPARTMENT

This division's services include fire prevention, fire fighting, and emergency rescue. The Division also administers immediate first aid services, inspects buildings, investigates suspected cases of arson, gives fire and safety instructions, and provides fire and rescue training for other fire departments. The Division is funded from a special service district of the Consolidated City and coordinates fire protection with the Township and Volunteer Fire Departments of the District. Transactions are accounted for in the Fire subfund of the General Fund, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund.

DIVISION OF EMERGENCY MANAGEMENT PLANNING

This division functions as the local Department of Homeland Security. It coordinates all government and non-government organizations that deal with emergency situations, and provides unique civil preparedness skills and capabilities not available under other organizations. Transactions are accounted for in the Consolidated County subfund of the General Fund, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund.

ANIMAL CARE AND CONTROL DIVISION

This division is responsible for protecting the public from injuries, property damage, and disease caused by stray animals. Transactions are accounted for in the Consolidated County subfund of the General Fund. The division has the authority to capture, impound, and destroy stray animals, including wildlife.

DIVISION OF WEIGHTS AND MEASURES

This division is responsible for checking all weighing and measuring devices as required by the State Weights and Measures law. The division checks scales and measuring devices and performs tests and calibrations. Transactions are accounted for in the Consolidated County subfund of the General Fund.

Department of Parks and Recreation

The Department of Parks and Recreation (Indy Parks and Recreation) provides clear leadership and well-defined direction for enhancing the quality of life for Indianapolis and Marion County residents by offering park and recreation resources that 1) provide and/or facilitate quality recreation and leisure opportunities; 2) encourage and support natural and cultural resource stewardship and environmental education; 3) include safe, clean and well-maintained park facilities for the community's use and enjoyment; and 4) promote and facilitate mutually beneficial countywide partnerships. Indy Parks and Recreation offers recreational opportunities at regional, community, neighborhood, and nature parks, as well as at schools and other facilities. The parks system includes 7 greenways, 25 recreation centers, 24 aquatic centers, 13 golf courses, 428 sports fields and courts, and 127 playgrounds. City ordinances and state statutes are enforced by Indy Parks and Recreation to protect public parklands and facility use. The Department's organization consists of nine divisions including Administration, Community Recreation, Sports and Special Revenue Facilities, Golf, Environmental and Interpretive Services, Park Maintenance, Park Rangers, Resource Development, and Greenways. Transactions for this department are recorded in the Parks subfund of the General Fund and the Federal and State of Indiana Grants Special Revenue Funds.

ADMINISTRATION DIVISION

Administration provides departmental level leadership, management, and oversight of the business operating elements. The Administration Division includes a variety of functions essential to the organization including finance, marketing and public relations, grants, alliances and partnerships, and a variety of other special projects. This division facilitates and coordinates the implementation of cross-divisional activities.

COMMUNITY RECREATION DIVISION

The Community Recreation Division provides recreational services and opportunities to Marion County residents. Community Recreation's core areas include community centers, neighborhood parks, arts services, day camps, and after-school therapeutic and senior programs.

SPORTS AND SPECIAL REVENUE FACILTIES DIVISION

The Sports and Special Revenue Facilities Division provides sports programs and special facilities combined with educational opportunities for volunteers, coaches, and staff. The facilities include indoor and outdoor aquatic centers, sports courts and fields, ice rinks, Velodrome, skate park, and BMX track.

GOLF DIVISION

The Golf Division offers golf opportunities for people of all ages and physical abilities throughout the Indianapolis community. This division manages municipal courses as well as plans and oversees capital improvements at each course. It manages course operating contracts, service contracts, and course management contracts.

ENVIRONMENTAL AND INTERPRETIVE SERVICES DIVISION

The Environmental and Interpretive Services Division provides quality environmental education and interpretive programs to the community through nature centers and the hub naturalist program.

PARK MAINTENANCE DIVISION

The Park Maintenance Division maintains Indy Parks' facilities and parks. Operating elements include beautification, forestry (including the City's street trees), grounds and facility maintenance, land improvement, natural resources, and land stewardship.

PARK RANGERS DIVISION

The Park Rangers Division implements education safety programs and develops community policing strategies. It is responsible for enforcement of City ordinances, parks policies, and procedures.

RESOURCE DEVELOPMENT DIVISION

Resource Development steers the direction of the department through resource planning, capital asset development, and sustainable strategic tactics. In addition to the planning tasks, this division is also responsible for land acquisition and real estate management.

GREENWAYS DIVISION

The Greenways Division manages, improves, and maintains the 66-mile greenways system within Marion County to provide recreational and fitness opportunities, promote open space conservation, link neighborhoods with parks and other community assets, and provide environmental education for the public concerning the greenways system.

Indianapolis Housing Agency

The Indianapolis Housing Agency is responsible for the design, construction, maintenance, and management of decent and safe housing for low-income, elderly, and disabled persons. The Agency receives its primary funding from the U.S. Department of Housing and Urban Development (HUD) and rents collected from residents. The Agency's transactions are accounted for as an Enterprise Fund to maintain autonomy from City-County tax revenues. Other funds are generated by the Comprehensive Improvement Assistance Program (Modernization) and Community Development Block Grants (CDBG), which also originate from HUD. In addition, the Agency operates a program to provide rental and utility assistance payments, which are funded by HUD funds.

Department of Waterworks

In 2002, the City purchased the assets of the former Indianapolis Water Company and formed the Department of Waterworks to oversee the operation of the utility. A Board of Directors was also appointed consisting of seven members of which three are nominated by the majority leader of the City-County Council and three by the minority leader of the City-County Council. The seventh member who is nominated by the Mayor to be the Secretary/Treasurer must be unanimously approved by the remaining members. In addition to the Board of Directors, a professional staff is employed for the day-to-day management oversight of the waterworks system.

The Board of Directors entered into a twenty-year agreement with Veolia Water (formerly, US Filter Operating Services) for the day-to-day management of the waterworks. The operator is responsible for all routine operations of the utility and the Department of Waterworks assumes responsibility for all capital purchases needed to operate the waterworks. Water is provided to residential, commercial, and industrial users. The service area includes incorporated and unincorporated area in Marion, Boone, Hancock, Hamilton, and Shelby counties as well as unincorporated areas of Hendricks and Morgan counties.

Financial Section

KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

Independent Auditors' Report

Mr. David P. Reynolds, Controller and the Audit Committee
City of Indianapolis, Indiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City of Indianapolis, Indiana (City), a component unit of the Consolidated City of Indianapolis-Marion County, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Indianapolis Housing Agency, an enterprise fund, and the discretely presented component unit, which represent 100 percent of the Indianapolis Housing Agency enterprise fund and 100 percent of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Indianapolis Housing Agency enterprise fund and the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City of Indianapolis, Indiana, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1.X, the net assets of the Indianapolis Housing Agency enterprise fund and the discretely presented component unit as of January 1, 2008 have been restated. Also, as discussed in note 17, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and 27* in 2008.

In accordance with *Government Auditing Standards,* we have also issued our report dated July 21, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15, the budgetary comparison information and notes to required supplementary information on pages 93, 94, and 98 through 100, and the schedules of funding progress and employer contributions on pages 95 through 97 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules ─ other supplementary information on pages 101 through 144 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information presented in the Introductory and the Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

KPMG LLP

Indianapolis, Indiana
July 21, 2009

Management's Discussion and Analysis

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2008

This section of the City of Indianapolis's (City) Comprehensive Annual Financial Report presents an analysis of the City's financial activities for the year ended December 31, 2008 based on currently known facts, decisions, and conditions. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report, along with the City's financial statements, including the footnotes that follow the basic financial statements.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the City's assets exceeded its liabilities at December 31, 2008 by $882.4 million. Included in this net asset amount is a $381.6 million unrestricted deficit due mainly to an unfunded net pension obligation.
- Governmental activities had net assets of $805.0 million and business-type activities had net assets of $77.4 million.
- On a government-wide basis, for 2008, the City's total expenses were $1,020.6 million or $12.7 million less than the $1,033.3 million generated in charges for services, grants, taxes, and other revenues.
- As of December 31, 2008, the City's governmental funds reported combined ending fund balances of $451.2 million. Of this amount, $186.5 million was unreserved and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was $83.3 million or 15% of total general fund expenditures.
- The general fund revenues were $87.0 million lower than original budget estimates.
- In 2008, the City issued $137.7 million in debt to finance economic development projects, and improve emergency communications, including $135.7 million governmental activities bonds, and $2.0 million governmental activities notes. There was a net increase of $68.9 million, or 5% in bond debt for governmental activities during 2008.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements

The first set of financial statements are the government-wide statements, which report information about the City as a whole using accounting methods similar to those used by private sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets and how they have changed. In the government-wide statements, a distinction is made between governmental activities and business-type activities. Governmental activities are those normally associated with the operation of a government, such as public safety, parks, and streets. Business-type activities are those activities of the government that are designed to be self-supporting. The City's government-wide financial statements also include a discretely presented component unit, Partners for Affordable Housing. The remaining discussions and analysis focuses on the primary government only.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The **Statement of Activities** presents information showing how the City's net assets changed during the year. All current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows. The statement of activities presents the various functions of the City and the extent to which they are supported by charges for services, grants and contributions, taxes, and investment income. The governmental activities of the City include: general government, public safety, public works, health and welfare, culture and recreation, urban redevelopment and housing, and economic development and assistance. The business-type activities of the City include waterworks and housing agency.

Fund Financial Statements

The second set of financial statements is fund financial statements, which provide information about groupings of related accounts which are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. The funds of the City can be divided into the following three categories: *governmental funds, proprietary funds,* and *fiduciary funds.*

1. *Governmental Funds.* Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance City programs.

   The City maintains several individual governmental funds according to their type (general, special revenue, debt service, capital projects, and permanent). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, federal grants fund, revenue debt service fund, and sanitary district capital projects fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds are provided in the form of combining statements as supplementary information.

2. *Proprietary Funds.* Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:

   - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Waterworks and the Housing Agency.

   - *Internal Service Funds* are used to report activities that provide services for certain City programs and activities. The City uses internal service funds to provide for the financing of workers' compensation, auto liability, and public liability self-insurance for all City departments, as well as for the centralization of certain payments of awards, refunds, and indemnities.

3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units of other governments. The City is the trustee or fiduciary responsible for assets that can be used for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the basic financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and federal grants fund, and required supplementary information pertaining to the City's progress in funding its obligation to provide pension benefits to its employees.

Additional Supplementary Information

The combining statements provide subfund-level detail for the general fund and fund-level detail for all nonmajor governmental funds, internal service funds, pension trust funds, and agency funds. Also in this section are comparisons of actual to budget for all other annually budgeted funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets at December 31, 2008 and 2007 were $882.4 million and $880.8 million, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

Schedule of Net Assets
December 31, 2008 and 2007
(dollars in thousands)

	Governmental activities 2008	Governmental activities 2007	Business-type activities 2008	Business-type activities 2007	Total 2008	Total 2007
Assets:						
Current and other assets	$ 873,004	$ 826,800	$ 447,976	$ 466,747	$ 1,320,980	$ 1,293,547
Capital assets, net of accumulated depreciation	1,991,933	1,974,110	580,204	560,268	2,572,137	2,534,378
Total assets	2,864,937	2,800,910	1,028,180	1,027,015	3,893,117	3,827,925
Liabilities:						
Long-term liabilities	1,848,694	1,776,624	888,890	889,034	2,737,584	2,665,658
Other liabilities	211,251	241,985	61,842	39,463	273,093	281,448
Total liabilities	2,059,945	2,018,609	950,732	928,497	3,010,677	2,947,106
Net assets:						
Invested in capital assets, net of related debt	963,536	1,009,258	91,984	96,070	1,055,520	1,105,328
Restricted	195,743	175,864	12,812	11,800	208,555	187,664
Unrestricted (deficit)	(354,287)	(402,821)	(27,348)	(9,352)	(381,635)	(412,173)
Total net assets	$ 804,992	$ 782,301	$ 77,448	$ 98,518	$ 882,440	$ 880,819

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $882.4 million in 2008 as compared to $880.8 million for the previous year.

The largest portion of the City's net assets reflects its investments of $1.1 billion in capital assets (e.g., land, buildings, equipment, and infrastructure), less related outstanding debt used to acquire those assets. The 2007 balance was $1.1 billion. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets is $208.6 million, versus $187.7 million in 2007, which represents resources that are subject to external restrictions on how they may be used.

All net assets generated by governmental activities are either externally restricted, restricted by enabling legislation, or invested in capital assets. Consequently, unrestricted governmental net assets showed a $354.3 million deficit at the end of the year as compared to a $402.8 million deficit for the prior year. This deficit does not mean the City does not have resources available to pay its bills. Rather, it is the result of having long-term commitments that are greater than currently available resources, mainly net pension obligation of $381.5 million for police and firefighters hired before May 1, 1977.

Unrestricted net assets of the business-type activities were $27.3 million deficit at the end of the year as compared to a $9.4 million deficit for the prior year. The increase in net asset deficit was due primarily to higher interest expense on variable rate debt for Waterworks due to deterioration of the financial markets.

Changes in net assets. The City's total revenue on a government-wide basis for 2008 was $1,033.3 million and $1,033.6 million for 2007. Taxes represent 45% of the City's revenue (38% for 2007). A total of $51 million of the $72 million increase in taxes came from two new income taxes, Public Safety Income Tax and Local Option Income Tax at a total rate of 0.65%. Another 32% of revenue (31% in 2007) came from fees charged for services, and the remainder came from grants and contributions, interest earnings, and miscellaneous revenues. The reduction of grants and contributions was due to fewer federally funded projects being completed in 2008 and due to reductions in distributions of State of Indiana collected taxes.

The total cost of all programs and services was $1,020.6 million for 2008 ($1,037.1 million for 2007). The City's expenses cover a range of typical city/county services. The largest program and the program with the largest burden on general revenues was public safety. The reductions in expenditures were partially from efforts to reduce the budget and partially to one time expenses in 2007.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2008

Schedule of Changes in Net Assets
For the Year Ended December 31, 2008 and 2007
(dollars in thousands)

	Governmental activities 2008	Governmental activities 2007	Business-type activities 2008	Business-type activities 2007	Total 2008	Total 2007
Revenues:						
Program revenues:						
Charges for services	$ 202,592	$ 185,905	$ 126,543	$ 131,798	$ 329,135	$ 317,703
Operating grants and contributions	107,546	142,344	51,415	47,733	158,961	190,077
Capital grants and contributions	31,167	69,657	12,601	16,039	43,768	85,696
General revenues:						
Property tax	247,908	256,969	—	—	247,908	256,969
Other taxes	220,958	140,129	—	—	220,958	140,129
Other general revenues	27,742	36,077	4,823	6,937	32,565	43,014
Total revenues	837,913	831,081	195,382	202,507	1,033,295	1,033,588
Expenses:						
General government	34,652	46,890	—	—	34,652	46,890
Public safety	382,716	401,015	—	—	382,716	401,015
Public works	227,589	234,673	—	—	227,589	234,673
Health and welfare	5,354	5,621	—	—	5,354	5,621
Culture and recreation	34,296	38,250	—	—	34,296	38,250
Urban redevelopment and housing	30,594	33,207	—	—	30,594	33,207
Economic development and assistance	26,247	22,315	—	—	26,247	22,315
Interest	73,774	62,178	—	—	73,774	62,178
Waterworks	—	—	146,488	141,257	146,488	141,257
Housing Agency	—	—	58,928	51,686	58,928	51,686
Total expenses	815,222	844,149	205,416	192,943	1,020,638	1,037,092
Change in net assets	22,691	(13,068)	(10,034)	9,564	12,657	(3,504)
Net assets, beginning of year, as previously reported	782,301	795,369	91,322	88,954	873,623	884,323
Prior period adjustment	—	—	(3,840)	—	(3,840)	—
Net assets, beginning of year, as restated	782,301	795,369	87,482	88,954	869,783	884,323
Net assets, end of year	$ 804,992	$ 782,301	$ 77,448	$ 98,518	$ 882,440	$ 880,819

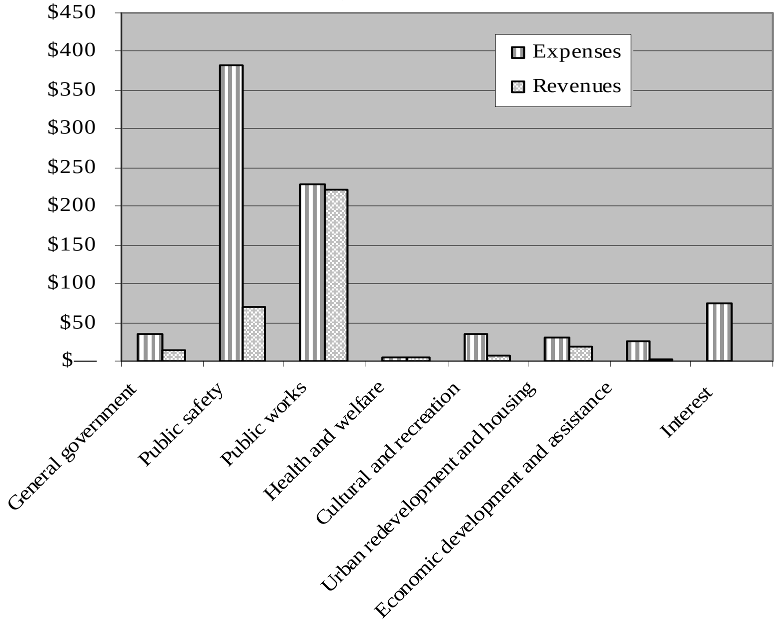
Governmental activities. Governmental activities increased the City's net assets by $22.7 million compared to a decrease of $13.1 million in the prior year. Charges for services increased by $16.7 million primarily in the area of public works due to a 3% sewer rate increase that went into effect on January 1, 2008. There were two new income taxes, Local Option Income Tax and Public Safety Income Tax, which were approved in late 2007. These two new taxes created a 0.65% increase in the overall personal income tax rate, which contributed to the $72 million increase in tax revenue for fiscal year 2008. The City also recognized an increase in the unfunded postemployment benefit obligation of $13.0.

Total expenses for governmental activities for 2008 were $815.2 million, a decrease of $28.9 million from the prior year mainly due to a $20.1 decrease in public safety expenditures. The decrease was due primarily to a large reduction in drop payments for police and firefighter retirees. In 2007, 119 police officers and firefighters retired compared to 11 police officers and firefighters in 2008.

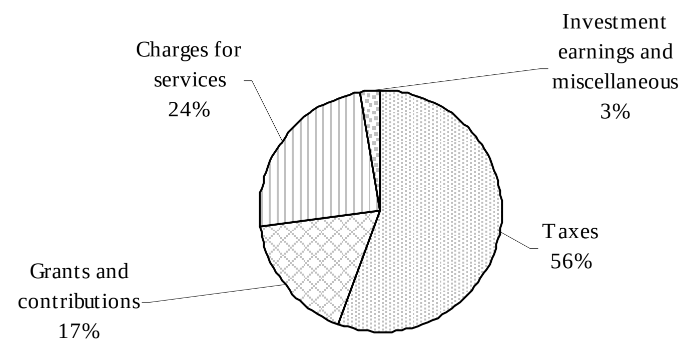
See page 23 for various other items contributing to the $22.7 million increase in net assets versus the $35.1 million increase in fund balances.

The following charts provide the City's governmental program revenues and expenses by function and revenues by source for 2008. As shown, public safety is the largest function in expense. General revenues such as property tax are not shown by program, but are included in the revenues by source chart to show their significance. Taxes are used to support program activities City-wide.

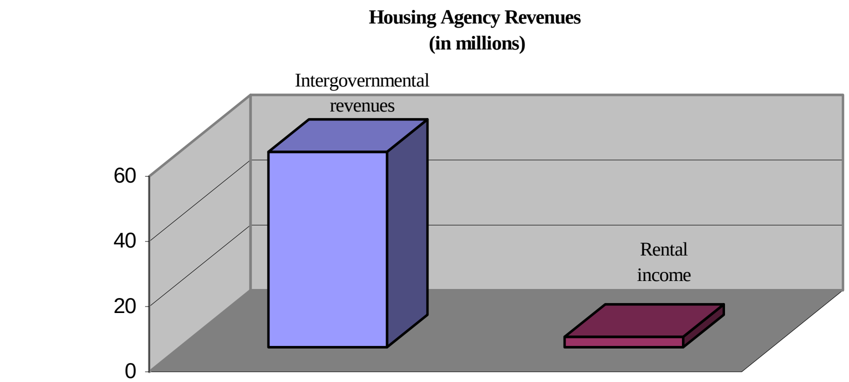
Expenses and Program Revenues – Governmental Activities (in millions)

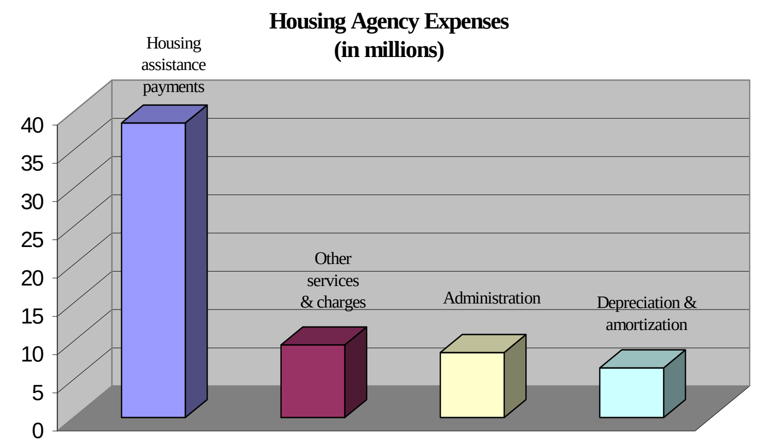


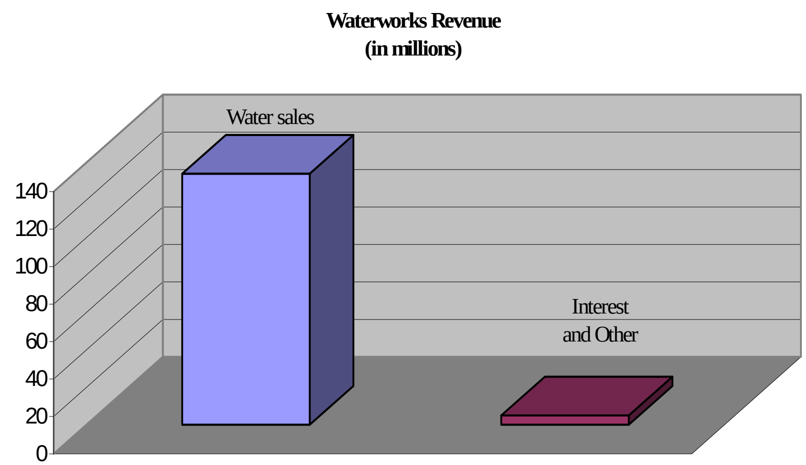
Revenues by Source – Governmental Activities

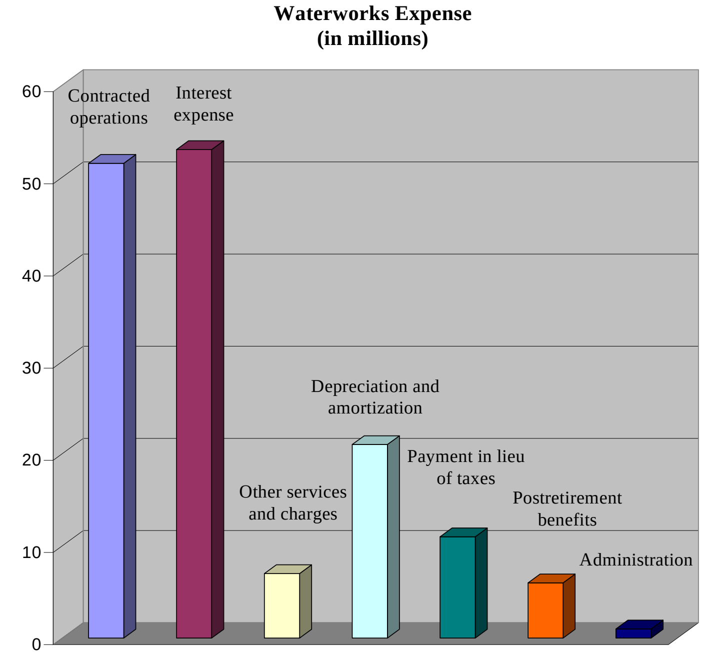


Business-type activities. For the Housing Agency, operating revenues were $3.9 million and operating expenses were $57.2 million including depreciation of $4.8 million. Nonoperating revenues included $51.4 million of intergovernmental revenues and $1.7 million of interest expense. Capital contributions were $10.9 million. Operating revenues for the Waterworks were primarily from the sale of water of $122.7 million. Capital contributions were $1.7 million. In 2008, $50.3 million was paid to a third-party contractor to operate the system. Other operating expenses included payments in lieu of taxes, increases in the outstanding liability for postretirement benefits, depreciation and amortization, and other miscellaneous costs totaling $43.9 million. Nonoperating expenses include $51.8 million for interest expense.









FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on inflows and balances of resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2008, the unreserved fund balance of the general fund was $83.3 million (as compared to $79.2 million in 2007), while the total general fund balance was $117.2 million (as compared to $116.6 million in 2007). As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 14% of total general fund expenditures and transfers out of $613.5 million (as compared to 13% and $618.3 million for 2007), while total fund balance represents 19% (19% for 2007) of total general fund expenditures and transfers out. The fund balance in the City's general fund increased by $0.6 million from the prior year fund balance due mainly to delayed collection of property taxes, which caused revenues to be deferred to 2008, which was offset by the increase in income taxes.

The revenue debt service fund ended the year with a $109.5 million fund balance (as compared to $88.0 million in 2007) reserved for debt service. The fund balance for the revenue debt service fund increased by $11.4 million because of the issuance of the 2008 B Redevelopment District tax increment bonds, which added capitalized interest and debt service reserve funds. In addition, the tax increment districts are performing well and in excess of current debt service. The sanitary district capital projects fund ended the year with an unreserved fund balance of $79.6 million ($93.9 million in 2007) and a total fund balance of $129.0 million ($157.7 million in 2007). The sanitary district capital projects fund balance decreased primarily due to the spend down off Sanitary Revolving Fund (SRF) funds for construction of various sewer projects including addressing the issues of the combined sewer overflow problems within the district. There were no new issuances of SRF debt in 2008; however, in July 2009 there was an additional $32 million issued to continue to deal with the sewer issues. The federal grants fund ended the year with a negative unreserved fund balance of $0.7 million ($1.4 million negative in 2007) and a total fund balance of $0.2 million ($0.1 million in 2007).

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, the unrestricted net asset was $45.5 million (deficit) ($14.1 million (deficit) in 2007) for the Waterworks, and $18.2 million ($4.7 million for 2007) for the Housing Agency. The decrease for Waterworks was due primarily to increased interest expense on variable rate debt. The internal service funds, which are used to account for certain risk management governmental activities, had $3.7 million in unrestricted net assets at year-end ($4.0 million in 2007).

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for police and firefighters hired before May 1, 1977. As of the end of 2008, there were no net assets of these pension funds which represents a decrease of $8.4 million in total net assets during the year. Effective January 1, 2009, all future payments will be funded by the State of Indiana. No further funding is required by the City.

The City is the custodian of certain agency funds, and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets. As of the end of 2008, the combined gross assets of the agency funds totaled $16.5 million ($14.8 million in 2007). This amount comprises activity from the following agency funds: Sanitation 15 Year Law, UAL Personal Property, E-911 Allocation, DPS Retiree Health Insurance, IPD Confiscated Cash, and Other.

General Fund Budgetary Highlights

The final budget for the City's general fund represents the original budget plus any additional supplemental appropriations during the year. It does not include encumbrances carried over from the prior year. In 2008, there were $18.4 million of supplemental appropriations to the general fund consisting primarily of $10.7 million for capital expenditures and $6.7 million for public safety.

Excluding prior year encumbrances, the original general fund expenditures budget for 2008 was $483.7 million. The final general fund expenditures budget was $502.1 million. Actual expenditures were $487.0 million. Of the total $15.1 million underspending of the final budget, $4.8 million was in general government, $1.5 million was in public safety, $1.2 million was in public works, $0.5 million was in health and welfare, $0.5 million was in urban redevelopment and housing, and $6.6 million was in capital expenditures. General revenues and other financing sources were originally estimated at $537.8 million, final estimated at $557.0 million, and the actual was $450.7 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had a net investment of $2.6 billion in capital assets at December 31, 2008 (net of accumulated depreciation of $2.7 billion) in a broad range of capital assets. This amount represents a net increase for the current year (including additions and deductions) of $37.8 million.

Schedule of Capital Assets
Net of Depreciation
December 31, 2008 and 2007
(dollars in thousands)

	Governmental activities 2008	Governmental activities 2007	Business-type activities 2008	Business-type activities 2007	Total 2008	Total 2007
Land	$ 65,122	$ 64,459	$ 35,535	$ 35,278	$ 100,657	$ 99,737
Construction in progress	147,140	136,719	41,017	22,126	188,157	158,845
Buildings	407,624	411,560	32,902	49,120	440,526	460,680
Improvements	82,949	86,875	—	—	82,949	86,875
Equipment	50,259	33,236	15,682	14,419	65,941	47,655
Infastructure	1,238,839	1,241,261	455,068	439,325	1,693,907	1,680,586
Total	$ 1,991,933	$ 1,974,110	$ 580,204	$ 560,268	$ 2,572,137	$ 2,534,378

Major capital asset additions in 2008 for governmental activities included:

- $113.4 million of additions to construction in progress, principally infrastructure and equipment. Reductions to construction in progress were $103.0 million.
- $19.1 million of additions to buildings, principally at the advanced wastewater treatment facilities.
- $29.2 million of additions to equipment, principally for public safety.
- $86.4 million of additions to infrastructure, principally $27.9 million for sewers and drains and $30.6 million for streets, curbs, and sidewalks.

Donated capital assets for governmental activities were $26.7 million, principally infrastructure. Depreciation expense for 2008 for governmental activities was $128.2 million.

Major capital asset additions for Waterworks were $51.4 million of additions to the water distribution and treatment system (including construction in progress), which included $5.0 million of contributed capital assets.

At December 31, 2008, the City had commitments related to ongoing capital asset construction projects of $94.1 million.

See note 7 to the financial statements for more information regarding capital assets.

Long-term Debt

At the end of 2008, the City had outstanding long-term debt and other long-term obligations for governmental activities of $1.85 billion, compared to $1.78 billion at December 31, 2007, as shown below:

Schedule of Long-term Debt Obligations
(dollars in thousands)

	December 31, 2008	December 31, 2007	% Change
Governmental activities:			
Serial bonds payable	$ 319,441	$ 305,051	4.7 %
Tax increment bonds payable	490,169	442,678	10.7
Revenue bonds	572,965	567,104	1.0
Loss on refunding	(6,864)	(7,566)	(9.3)
Deferred discounts	(467)	(485)	(3.7)
Deferred premiums	11,165	10,741	3.9
Long-term notes payable	27,384	29,239	(6.3)
Long-term leases payable	—	151	(100.0)
Net pension obligation	381,538	386,973	(1.4)
Postemployment benefit obligation	26,191	13,210	—
Compensated absences	26,266	28,622	(8.2)
Settlements payable	906	906	—
Total	$ 1,848,694	$ 1,776,624	4.1 %
Business-type activities:			
Housing Agency	$ 2,851	$ 3,071	(7.2) %
Waterworks	886,039	885,963	0.01
Total	$ 888,890	$ 889,034	(0.0) %

The increase in unfunded net pension obligation reflects that the pay-as-you-go pension plan is not funded and continues to grow each year. The decrease in compensated absences reflects decreases in the number of hours being carried forward, due to a large amount of public safety retirements in 2007 for which payouts did not occur until 2008.

During 2008, the City increased, by $28.2 million, the draws against eleven prior years' Sanitary District revenue bond issues under the State of Indiana Wastewater Loan Program. The outstanding balance of draws on these eleven bonds at December 31, 2008 was $408.5 million.

In May 2008, the City of Indianapolis issued Redevelopment District Bonds, Series 2008 B in the amount of $59.5 million. The proceeds of the bonds are being used by the City to fund the construction of certain public improvements to support the new J.W. Marriott hotel in downtown Indianapolis.

In December 2008, the City issued MECA General Obligation Bonds Series 2008 B, in the amount of $40.0 million. The net proceeds of the City's bonds were used to pay off the MECA Bond Anticipation Notes in the amount of $33.5 million, and to finance upgrades to the public safety and voice radio communications systems which support all law enforcement, fire, and emergency medical services agencies within the City and Marion County.

During 2007, the City implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other then Pensions* (GASB Statement 45). At December 31, 2008, the net postemployment healthcare benefit obligation was $26.2 million.

See note 10 to the financial statements for more information regarding long-term debt.

Bond ratings. The City's general obligation bonds are rated AAA by Standards & Poor's, Aa1 by Moody's and AA+ by Fitch. The City's other debt, principally revenue bonds and notes, are rated AAA based on credit insurance or are rated to reflect the creditworthiness of the supporting revenue. The Waterworks outstanding debt was rated A1 by Moody's and A+ by Fitch at December 31, 2008. In July 2009, the rating was lowered to A3 by Moody's and A- by Fitch with the rating outlook being revised from stable to negative.

Limitations on debt. The state limits the amount of general obligation debt the City can issue to varying percents of assessed value, by taxing district, as shown in the statistical section. The City's outstanding debt is well below the limit in each case.

Short-term Debt

In 2008, $156.7 million of notes were issued in anticipation of property tax revenues. Due to continuing issues with assessed valuation, tax bills were delayed in 2007 as well as 2008. In 2008, first half taxes were due and payable to the Treasurer in December 2008. Second half of 2008 bills were sent to taxpayers in June 2009 with a due date of July 9, 2009. The property tax anticipation notes will be repaid in full by December 31, 2009.

ECONOMIC FACTORS AND THE 2009 BUDGET

- The 2009 original budget for all annually budgeted funds, except revenue debt service funds, was $720.5 million. Revisions of $60.7 million have been made through June 2009.
- The 2009 general fund original budget was $487.6 million, a decrease of 1.00% from the 2008 original general fund budget of $483.7 million. Revisions (additions) of $22.3 million have been made through June 2009.
- The City appropriated $12.2 million from the unreserved general fund balance at December 31, for spending in fiscal year 2009.
- Final property tax bills for 2008 were not issued until June of 2009. It is anticipated that final collection for 2008 will not occur until the third quarter of 2009.

- Unemployment rates were as follows:

	May 2009	May 2008
City of Indianapolis	8.2%	4.3%
State of Indiana	10.6%	5.3%
United States	9.4%	5.5%

The State of Indiana Legislature passed an act to provide for 100% funding of the Police and Firefighters' Pension Plans beginning in 2009.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the City of Indianapolis, Office of Finance and Management, 200 East Washington Street, Suite 2222, Indianapolis, Indiana 46204.

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Basic Financial Statements

CITY OF INDIANAPOLIS
Statement of Net Assets
December 31, 2008
(In thousands)

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Partners for Affordable Housing
ASSETS				
Equity in pooled cash	$ 259,175	$ 14,653	$ 273,828	$ 304
Cash and investments with fiscal agents	255,463	—	255,463	—
Investments	83,279	2,430	85,709	—
Accrued interest receivable	499	199	698	—
Property taxes receivable	90,326	—	90,326	—
Accounts receivable, less allowance for uncollectibles	162,022	15,726	177,748	4
Due from federal and state governments	8,327	769	9,096	—
Due from primary government	—	—	—	590
Internal balances	283	(283)	—	—
Other assets	—	214	214	24
Long-term receivables, less allowance for uncollectibles	835	29,137	29,972	161
Accrued interest on long-term notes receivable	—	609	609	—
Restricted assets	—	150,491	150,491	582
Deferred bond and note issuance costs	12,577	9,644	22,221	—
Net pension asset	218	—	218	—
Deferred charges	—	835	835	—
Intangible assets, net of accumulated amortization	—	204,167	204,167	—
Deferred charge – postretirement benefits	—	19,385	19,385	—
Capital assets:				
Land	65,122	35,535	100,657	839
Infrastructure, net of accumulated depreciation	1,238,839	455,068	1,693,907	—
Other capital assets, net of accumulated depreciation	540,832	48,584	589,416	8,540
Construction in progress	147,140	41,017	188,157	5,760
Total assets	$ 2,864,937	$ 1,028,180	$ 3,893,117	$ 16,804

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Net Assets
December 31, 2008
(In thousands)

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Partners for Affordable Housing
LIABILITIES				
Accounts payable and other current liabilities	$ 104,802	$ 11,326	$ 116,128	$ 574
Accounts payable – restricted assets	—	16,522	16,522	—
Accrued interest payable	26,509	8,260	34,769	248
Due to component unit	—	590	590	—
Unearned revenue	3,022	—	3,022	—
Customer deposits	—	2,325	2,325	—
Payments in lieu of taxes	—	22,819	22,819	—
COIT and tax anticipation notes	76,918	—	76,918	—
Long-term liabilities:				
Due within one year	92,421	40,293	132,714	1,066
Due in more than one year	1,756,273	848,597	2,604,870	5,059
Total liabilities	2,059,945	950,732	3,010,677	6,947
NET ASSETS				
Invested in capital assets, net of related debt	963,536	91,984	1,055,520	8,766
Restricted for:				
Capital projects	37,200	—	37,200	—
Debt service	93,456	—	93,456	—
Restricted for Section 8 vouchers	—	12,812	12,812	—
Other purposes by grantors	4,541	—	4,541	—
Other purposes by contributor – nonexpendable	377	—	377	—
Statutory restrictions	60,169	—	60,169	—
Unrestricted (deficit)	(354,287)	(27,348)	(381,635)	1,091
Total net assets	$ 804,992	$ 77,448	$ 882,440	$ 9,857

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS

Statement of Activities

Year ended December 31, 2008

(In thousands)

		Program revenues			Net (expense) revenue and changes in net assets			
					Primary Government			Component Unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Partners for Affordable Housing
Functions/Programs								
Governmental activities:								
General government	$ 34,652	$ 13,980	$ 615	$ —	$ (20,057)	$ —	$ (20,057)	$ —
Public safety	382,716	17,773	50,723	2,073	(312,147)	—	(312,147)	—
Public works	227,589	162,167	31,964	28,024	(5,434)	—	(5,434)	—
Health and welfare	5,354	901	2,854	—	(1,599)	—	(1,599)	—
Cultural and recreation	34,296	4,845	1,215	1,067	(27,169)	—	(27,169)	—
Urban redevelopment and housing	30,594	2,251	17,495	3	(10,845)	—	(10,845)	—
Economic development and assistance	26,247	675	2,680	—	(22,892)	—	(22,892)	—
Interest	73,774	—	—	—	(73,774)	—	(73,774)	—
Total governmental activities	815,222	202,592	107,546	31,167	(473,917)	—	(473,917)	—
Business-type activities:								
Waterworks	146,488	122,658	33	1,663	—	(22,134)	(22,134)	—
Housing Agency	58,928	3,885	51,382	10,938	—	7,277	7,277	—
Total business-type activities	205,416	126,543	51,415	12,601	—	(14,857)	(14,857)	—
Total	$ 1,020,638	$ 329,135	$ 158,961	$ 43,768	(473,917)	(14,857)	(488,774)	—
Component Unit:								
Partners for Affordable Housing	$ 1,092	$ 740	$ 334	$ 2,537				2,519
Total component units	$ 1,092	$ 740	$ 334	$ 2,537				2,519
General revenues:								
Taxes:								
Property tax					247,908	—	247,908	—
Wheel tax					13,432	—	13,432	—
County option income tax					188,486	—	188,486	—
Other taxes					19,040	—	19,040	—
Grants and contributions not restricted by function					4,872	—	4,872	—
Investment earnings not restricted by function					11,000	4,168	15,168	20
Miscellaneous					11,870	655	12,525	—
Total general revenues					496,608	4,823	501,431	20
Change in net assets					22,691	(10,034)	12,657	2,539
Net assets, beginning of year, as previously reported					782,301	91,322	873,623	7,196
Prior period adjustment (Note I.X)					—	(3,840)	(3,840)	122
Net assets, beginning of year, as restated					782,301	87,482	869,783	7,318
Net assets – ending					$ 804,992	$ 77,448	$ 882,440	$ 9,857

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Balance Sheet – Governmental Funds
December 31, 2008
(In thousands)

	General	Federal Grants	Revenue Debt Service	Sanitary District Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Equity in pooled cash	$ 115,060	$ —	$ 46,416	$ 16,865	$ 74,100	$ 252,441
Cash and investments with fiscal agents	798	—	88,953	113,768	51,776	255,295
Investments	36,974	—	14,916	5,420	23,806	81,116
Accrued interest receivable	245	3	72	41	122	483
Property taxes receivable	57,409	—	17,159	—	15,758	90,326
Accounts receivable, less allowance of $5,255	160,854	—	4	58	1,106	162,022
Due from other funds	283	—	—	—	—	283
Due from federal and state governments	167	7,863	—	—	297	8,327
Long-term receivables, less allowance of $26,701	—	835	—	—	—	835
Total assets	$ 371,790	$ 8,701	$ 167,520	$ 136,152	$ 166,965	$ 851,128
LIABILITIES AND FUND BALANCES						
Liabilities:						
Matured bonds payable	$ —	$ —	$ 22,624	$ —	$ 26,093	$ 48,717
Matured interest payable	—	—	8,522	—	8,333	16,855
Accounts payable and other accrued liabilities	35,514	4,868	12,783	7,179	7,809	68,153
Accrued payroll and payroll taxes	32,047	83	—	—	6	32,136
Tax anticipation warrants	55,151	—	—	—	12,089	67,240
Deferred revenue	122,243	3,572	14,084	—	17,235	157,134
COIT anticipation notes	9,678	—	—	—	—	9,678
Total liabilities	254,633	8,523	58,013	7,179	71,565	399,913
Fund balances:						
Reserved for:						
Long-term receivables	—	835	—	—	—	835
Encumbrances	33,865	—	—	49,420	49,585	132,870
Debt service	—	—	109,507	—	21,509	131,016
Unreserved, reported in:						
General fund	83,292	—	—	—	—	83,292
Special revenue funds	—	(657)	—	—	154	(503)
Capital project funds	—	—	—	79,553	23,775	103,328
Permanent fund	—	—	—	—	377	377
Total fund balances	117,157	178	109,507	128,973	95,400	451,215
Total liabilities and fund balances	$ 371,790	$ 8,701	$ 167,520	$ 136,152	$ 166,965	$ 851,128

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets
December 31, 2008

(In thousands)

Amounts reported for governmental activities in the statement of net assets (page 17) are different because:

Fund balances – total governmental funds (page 19)	$	451,215
Capital assets not reported in the fund statements (note 7)		1,991,933
Net assets of internal service funds		3,662
Internal service fund accounts payable reclassified to long-term liabilities in the statement of net assets		906
Long-term liabilities not in the fund statements (note 20)		(1,799,977)
Deferred revenues in fund statements not in the statement of net assets		154,112
Net pension asset not recorded in the fund statements		218
Deferred bond and note issuance costs not in the fund statements		12,577
Accrued interest payable not in the fund statements		(9,654)
Net assets of governmental activities (page 17)	$	804,992

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended December 31, 2008

(In thousands)

	General	Federal Grants	Revenue Debt Service	Sanitary District Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 338,209	$ —	$ 64,774	$ —	$ 42,233	$ 445,216
Licenses and permits	15,898	—	—	—	—	15,898
Charges for services	156,659	—	168	—	2,342	159,169
Intergovernmental revenues	76,672	34,368	180	—	1,454	112,674
Intragovernmental revenues	2,497	—	—	—	—	2,497
Traffic violations and court fees	9,612	1,223	—	—	2,474	13,309
Interest and other operating revenues	10,409	166	4,320	3,919	6,817	25,631
Total revenues	609,956	35,757	69,442	3,919	55,320	774,394
Expenditures:						
Current:						
General government	18,190	—	—	—	—	18,190
Public safety	334,744	10,678	—	—	543	345,965
Public works	129,780	673	—	—	703	131,156
Health and welfare	2,874	1,972	—	—	375	5,221
Cultural and recreation	27,007	1,078	—	—	—	28,085
Urban redevelopment and housing	7,105	16,857	—	—	—	23,962
Economic development and assistance	1,489	478	—	—	18,322	20,289
Debt service:						
Redemption of bonds and notes	1,366	—	45,099	—	32,346	78,811
Interest on bonds and notes	3,008	—	38,767	1,436	20,675	63,886
Bond and note issuance costs	—	—	—	—	1,160	1,160
Operating lease payments and administration	11	—	727	—	14,661	15,399
Capital outlays	30,479	3,963	—	59,365	45,072	138,879
Total expenditures	556,053	35,699	84,593	60,801	133,857	871,003
Excess (deficiency) of revenues over (under) expenditures	$ 53,903	$ 58	$ (15,151)	$ (56,882)	$ (78,537)	$ (96,609)

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended December 31, 2008

(In thousands)

	General	Federal Grants	Revenue Debt Service	Sanitary District Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses):						
Sale of capital assets	$ 363	$ —	$ —	$ —	$ —	$ 363
Bonds and notes issued	—	—	—	28,185	101,490	129,675
Premium on bonds and notes issued	—	—	—	—	1,647	1,647
Transfers in	3,711	—	45,152	—	33,382	82,245
Transfers out	(57,414)	—	(8,465)	—	(16,366)	(82,245)
Total other financing sources (uses)	(53,340)	—	36,687	28,185	120,153	131,685
Net change in fund balances	563	58	21,536	(28,697)	41,616	35,076
Fund balances at beginning of year	116,594	120	87,971	157,670	53,784	416,139
Fund balances at end of year	$ 117,157	$ 178	$ 109,507	$ 128,973	$ 95,400	$ 451,215

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended December 31, 2008

(In thousands)

Amounts reported for governmental activities in the statement of activities (page 18) are different because:		
Net change in fund balances – total governmental funds (page 22)	$	35,076
Depreciation expense reported in the statement of activities but not in the fund statements		(128,197)
Capital expenditures reported in the fund statements but reported as additions to capital assets in the statement of activities		124,123
Donations of capital assets not recorded in the fund statements		26,733
Loss on disposal of capital assets not recorded in the fund statements		(4,836)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the fund statements		154,112
Revenues in the fund statements but not in current year statement of activities due to the current financial resources focus of the governmental funds		(117,937)
Bond and notes issued reported as financing sources in the fund statements but as additions to long-term liabilities in the statement of activities (note 20)		(131,322)
Bond and note principal payments reported as expenditures in the fund statements but as reductions of long-term liabilities in the statement of activities (note 20)		78,811
Net loss of internal service funds reported with governmental activities		(323)
Amortization of bond premium, discount, and loss on refunding reported in the statement of activities but not in the fund statements		503
Decrease in compensated absences not reported in the fund statements		2,356
Increase in net pension asset, which is not reported in the fund statements		223
Amortization of bond and note issuance costs reported in the statement of activities but not in the fund statements, as these amounts are reported when debt is issued		(1,615)
Capital appreciation bond interest expense, which is reported as interest accretes for the statement of activities but not the fund statements, as there is no cash outflow		(8,062)
Current year bond and note issuance costs, which are deferred and amortized for the statement of activities but reported when paid in the fund statements		1,160
Capital lease payments reported as expenditures in the fund statements but as reduction of debt in the statement of activities		151
Accrued interest on bonds and notes payable through December 31, 2008 reported as expenses in the statement of activities but not the fund statements, net of matured interest payable		(9,654)
Accrued interest at December 31, 2007 not reported in the current year statement of activities but reported in the fund statements, as amounts were paid in the current year		8,940
Increase in postemployment benefit obligation, which is not reported in the fund statements		(12,981)
Decrease in net pension obligation, which is not reported in the fund statements		5,430
Change in net assets of governmental activities (page 18)	$	22,691

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Net Assets
Proprietary Funds
December 31, 2008
(In thousands)

	Business-type activities – Enterprise Funds			Governmental activities – Internal Service Funds
	Waterworks	Housing Agency	Total	
ASSETS				
Current assets:				
Equity in pooled cash	$ 7,168	$ 7,485	$ 14,653	$ 6,734
Cash and investments with fiscal agents	—	—	—	168
Investments	552	1,878	2,430	2,163
Accrued interest receivable	199	—	199	16
Accounts receivable, less allowance for uncollectibles	15,637	89	15,726	—
Current portion of long-term note receivable	1,577	4	1,581	—
Due from federal and state governments	—	769	769	—
Other assets	—	214	214	—
Total current assets	25,133	10,439	35,572	9,081
Noncurrent assets:				
Long-term notes receivable	17,145	10,411	27,556	—
Accrued interest on long-term notes receivable	—	609	609	—
Restricted cash and investments	136,994	13,497	150,491	—
Deferred charges	835	—	835	—
Intangible assets, net of accumulated amortization	204,167	—	204,167	—
Bond issuance costs	9,644	—	9,644	—
Deferred charge – postretirement benefits	19,385	—	19,385	—
Capital assets:				
Land	17,657	17,878	35,535	—
Infrastructure, net of accumulated depreciation	455,068	—	455,068	—
Other capital assets, net of accumulated depreciation	14,044	34,540	48,584	—
Construction in progress	41,017	—	41,017	—
Total noncurrent assets	915,956	76,935	992,891	—
Total assets	$ 941,089	$ 87,374	$ 1,028,463	$ 9,081

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Net Assets
Proprietary Funds
December 31, 2008

(In thousands)

	Business-type activities – Enterprise Funds			Governmental activities – Internal Service Funds
	Waterworks	Housing Agency	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued liabilities	$ 9,834	$ 1,220	$ 11,054	$ 5,419
Accounts payable – restricted assets	16,522	—	16,522	—
Due to other governmental units	—	130	130	—
FSS escrow, current	—	329	329	—
Accrued payroll and payroll taxes	14	258	272	—
Customer deposits	2,246	79	2,325	—
Leases payable, current portion	—	178	178	—
Interest payable	8,248	12	8,260	—
Compensated absences, current	—	31	31	—
Short-term notes payable	1,884	—	1,884	—
Short-term revenue bonds payable	37,741	—	37,741	—
Payments in lieu of taxes	22,819	—	22,819	—
Due to other funds	283	—	283	—
Due to component unit	—	590	590	—
Total current liabilities	99,591	2,827	102,418	5,419
Noncurrent liabilities:				
Compensated absences	—	278	278	—
FSS escrow, net of current	—	278	278	—
Due to other governmental units	—	774	774	—
Lease payable, long-term portion	—	852	852	—
Customer advances	14,535	—	14,535	—
Accumulated postretirement benefit obligation	59,687	—	59,687	—
Long-term revenue bonds payable	772,193	—	772,193	—
Total noncurrent liabilities	846,415	2,182	848,597	—
Total liabilities	946,006	5,009	951,015	5,419
NET ASSETS				
Invested in capital assets, net of related debt	40,609	51,375	91,984	—
Restricted for Section 8 vouchers	—	12,812	12,812	—
Unrestricted (deficit)	(45,526)	18,178	(27,348)	3,662
Total net assets	$ (4,917)	$ 82,365	$ 77,448	$ 3,662

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended December 31, 2008
(In thousands)

	Business-type activities – Enterprise Funds			Governmental activities – Internal Service Funds
	Waterworks	Housing Agency	Total Enterprise Funds	
Operating revenues:				
Water sales pledged as security for revenue bonds	$ 122,658	$ —	$ 122,658	$ —
Rental income	—	3,233	3,233	—
Charges to other funds	—	—	—	4,355
Other	33	652	685	—
Total operating revenues	122,691	3,885	126,576	4,355
Operating expenses:				
Contracted operations	50,303	—	50,303	—
Housing assistance payments	—	37,353	37,353	—
Payments in lieu of taxes	10,006	—	10,006	—
Postretirement benefits	6,195	—	6,195	—
Other services and charges	6,912	8,053	14,965	—
Claims	—	—	—	4,808
Administration	522	6,992	7,514	118
Depreciation and amortization	20,236	4,798	25,034	—
Total operating expenses	94,174	57,196	151,370	4,926
Operating income (loss)	28,517	(53,311)	(24,794)	(571)
Nonoperating revenues (expenses):				
Intergovernmental	—	51,382	51,382	—
Interest income	3,234	934	4,168	248
Interest expense	(51,786)	(1,732)	(53,518)	—
Amortization of bond issuance costs	(528)	—	(528)	—
Gain (loss) on sale of capital assets	159	(59)	100	—
Other revenues	—	555	555	—
Total nonoperating revenues (expenses)	(48,921)	51,080	2,159	248
Loss before capital contributions	(20,404)	(2,231)	(22,635)	(323)
Capital contributions	1,663	10,938	12,601	—
Changes in net assets	(18,741)	8,707	(10,034)	(323)
Net assets, beginning of year, as previously reported	13,824	77,498	91,322	3,985
Prior period adjustment (note 1.X)	—	(3,840)	(3,840)	—
Net assets, beginning of year, as restated	13,824	73,658	87,482	3,985
Total net assets – ending	$ (4,917)	$ 82,365	$ 77,448	$ 3,662

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2008
(In thousands)

	Business-type activities – Enterprise Funds			Governmental activities –
	Waterworks	Housing Agency	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Rental receipts	$ —	$ 4,357	$ 4,357	$ —
Receipts from users	—	—	—	4,380
Other operating receipts (payments)	33	(539)	(506)	(418)
Receipts from water sales	122,660	—	122,660	—
Receipts from interfund services provided	889	—	889	—
Cash payments to employees	(467)	(6,266)	(6,733)	—
Cash payments to suppliers of goods and services	(42,176)	(7,773)	(49,949)	(3,531)
Housing assistance payments	—	(37,353)	(37,353)	—
Payments in lieu of taxes	(2,680)	—	(2,680)	—
Payments for postretirement benefits	(2,817)	—	(2,817)	—
Tenant security and other deposits	1,927	145	2,072	—
Net cash provided by (used in) operating activities	77,369	(47,429)	29,940	431
Cash flows from noncapital financing activities:				
Intergovernmental revenues received	—	51,503	51,503	—
Net cash provided by noncapital financing activities	—	51,503	51,503	—
Cash flows from capital and related financing activities:				
Purchases and construction of capital assets	(49,731)	(2,689)	(52,420)	—
Contributions in aid of construction	570	—	570	—
Capital contributions received	—	11,057	11,057	—
Insurance proceeds	—	555	555	—
Proceeds from sales of capital assets	159	—	159	—
Receipts on long-term note receivable	1,653	—	1,653	—
Interest paid on capital debt	(51,699)	(58)	(51,757)	—
Payments on revenue bonds	(4,959)	—	(4,959)	—
Payments on notes payable	(1,884)	—	(1,884)	—
Payments on capital leases	—	(218)	(218)	—
Debt issuance costs paid	(63)	—	(63)	—
Net cash provided by (used in) capital and related financing activities	(105,954)	8,647	(97,307)	—
Cash flows from investing activities:				
Long-term receivables issued	—	(10,234)	(10,234)	—
Proceeds from repayment of loan	—	2,794	2,794	—
Sales and maturities of investments	—	—	—	927
Investment purchases	(124)	(31)	(155)	(2,163)
Interest on cash and investments	3,102	388	3,490	268
Net cash provided by (used in) investing activities	2,978	(7,083)	3,335	(968)
Net increase (decrease) in cash and cash equivalents	(25,607)	5,638	(12,529)	(537)
Cash and cash equivalents, beginning of year	169,769	15,344	185,113	7,439
Cash and cash equivalents, end of year	$ 144,162	$ 20,982	$ 172,584	$ 6,902

(Continued)

CITY OF INDIANAPOLIS
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2008
(In thousands)

	Business-type activities – Enterprise Funds			Governmental activities – Internal Service Funds
	Waterworks	Housing Agency	Total Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 28,517	$ (53,311)	$ (24,794)	$ (571)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	20,236	4,798	25,034	—
Provision for uncollectible accounts	(1,238)	—	(1,238)	—
Change in assets and liabilities:				
Accounts receivable	2,344	(31)	2,313	25
Other assets	—	(36)	(36)	—
Deferred charge – postretirement benefits	(1,081)	—	(1,081)	—
Accounts payable and other accrued liabilities	14,732	1,048	15,780	977
FSS escrow	—	148	148	—
Accrued payroll and payroll taxes	4	(20)	(16)	—
Compensated absences	—	(22)	(22)	—
Customer deposits	(534)	(3)	(537)	—
Payments in lieu of taxes	7,326	—	7,326	—
Customer advances	2,461	—	2,461	—
Due to other funds	143	—	143	—
Accumulated postretirement benefit obligation	4,459	—	4,459	—
Net cash provided by (used in) operating activities	$ 77,369	$ (47,429)	$ 29,940	$ 431
Supplemental cash flow information:				
Noncash transactions:				
Contributions of capital assets, net	$ 1,663	$ —	$ 1,663	$ —

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2008
(In thousands)

	Police and Firefighters Pension Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash	$ 420	$ 12,958
Cash and investments with fiscal agents	—	13
Investments (U.S. government agencies)	135	3,343
Accrued interest receivable	3	13
Accounts receivable	12	166
Total assets	570	$ 16,493
LIABILITIES		
Accounts payable and other accrued liabilities	570	$ 16,493
Total liabilities	570	$ 16,493
NET ASSETS		
Held in trust for pension benefits	$ —	

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Police and Firefighters Pension Trust Funds
Year ended December 31, 2008
(In thousands)

		Police and Firefighters Pension Trust Funds
ADDITIONS		
State of Indiana pension subsidy received from the General Fund	$	33,075
Interest income and other		249
		33,324
Contributions:		
Employer		13,341
Plan members		45
		13,386
Total additions		46,710
DEDUCTIONS		
Benefits		55,079
Total deductions		55,079
Change in plan net assets		(8,369)
Net assets – beginning		8,369
Net assets – ending	$	—

The accompanying notes are an integral part of the financial statements.

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1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Indianapolis ("City"), located in Marion County, Indiana, was originally incorporated in 1832. On January 1, 1970, the government of the City, as defined by the Consolidated First-Class Cities and Counties Act, adopted by the 1969 Indiana General Assembly, and Marion County ("County") were unified ("Consolidated City"). Their form of service delivery was consolidated and certain of the City's service boundaries were extended to generally coincide with those of the County. Four other municipalities located within the County boundaries are specifically excluded from most functions of the Consolidated City by the consolidating act.

The City operates under an elected Mayor/City-County Council (29 members) form of government and provides the following services: public safety (police and fire), culture and recreation, community development and welfare (including planning and zoning), highways and streets, environmental service (sanitary solid waste collection and disposal, sewerage, and wastewater treatment), water delivery systems, and general administrative services. In addition, the City has responsibility over the operations of the public housing facilities, although the financial and operating records are maintained outside of the City's financial reporting systems.

The City's financial reporting entity has been determined in accordance with governmental accounting standards defining the reporting entity and identifying entities to be included in its basic financial statements. The Indianapolis Housing Agency (Enterprise Fund) ("Housing Agency"), which is legally part of the City, is responsible for the management, operation, maintenance, and administration of public housing and public housing projects. The Housing Agency has a separate Board of Commissioners which comprises nine members. The Mayor appoints five members while the City-County Council appoints two members. The remaining two members are appointed from the family housing community and one from the senior community. The Housing Agency has established a nonprofit entity, Partners for Affordable Housing, Inc. ("PAH"), which is legally separate from the Housing Agency and which is exempt from Federal income tax under Section 501(c)(3). The purpose of PAH is to foster low-income housing in and around Indianapolis. PAH has as its sole member, the Housing Agency and its board consists of six members, two of which are Housing Agency board members. PAH is presented as a discrete component unit as it is a legally separate, tax-exempt entity whose relationship with the primary government meets the direct benefit, access, and significance criteria. Prior to 2008, PAH was presented as a blended component unit. The Housing Agency and PAH issues separate financial statements, which can be obtained by writing to Indianapolis Housing Agency, 1919 North Meridian Street, Indianapolis, IN 46202.

For financial reporting purposes, the City is considered to be a component unit of the Consolidated City of Indianapolis – Marion County Reporting Entity (unified government, commonly referred to as "Unigov"), as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. The elected officials, the Mayor and the City-County Council ("Council"), serve as the executive and legislative body, respectively, for both the City and the County. The City is considered a legally separate organization for which its elected officials are financially accountable. This accountability is evidenced by the elected officials' ability to: (a) approve the budget of the City; (b) veto, override, or modify the budget; and (c) establish tax levies. Additionally, the Mayor appoints the City's deputy mayors and the City's department directors subject to the approval of the Council, and also appoints the City Controller and Corporation Counsel. Other agencies included in the Consolidated City of Indianapolis – Marion County reporting entity, but not in the City's financial statements, include: Marion County, the Health and Hospital Corporation of Marion County, Indianapolis Airport Authority, Indianapolis Public Transportation Corporation, Indianapolis – Marion County Public Library, and Capital Improvement Board of Managers. In addition, the Indianapolis – Marion County Building Authority is considered a joint venture of the City and the County and is not included in the City's financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its discrete component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, and the rates are certified in the subsequent year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this basis of accounting, revenues are recognized as they become susceptible to accrual; generally, as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, including taxes other than property taxes, the City considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants, and interest on investments. Bond and notes issued are recorded as other financing sources, along with any related premium or discounts.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include:

1) Debt service fund bond principal and interest expenditures due through January 15 are recorded on the preceding December 31. Expenditures related to compensated absences and claims and judgments are recorded only when payment is due (that is, matured).

2) Prepaid expenditures are not recorded as an asset in the fund financial statements.

GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions* ("GASB Statement No. 33"), groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government-mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as county option income tax) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include taxes such as wheel, auto excise, and financial institutions.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

All proprietary funds, pension trust funds, and the discretely presented component unit financial statements are accounted for using the same measurement focus and basis of accounting as the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, except as to the accounting for certain pension costs, as explained in Note 17.

All agency funds are purely custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for under the accrual basis of accounting.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *federal grants fund* accounts for all grants received from the U.S. Departments of Housing and Urban Development, Justice, Transportation, Homeland Security, and other miscellaneous federal agencies.

The *revenue debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt of the Tax Increment Districts and on debt issued for construction of certain City golf courses, sanitary sewers, and for certain other small public works projects.

The *sanitary district capital projects fund* accounts for all the resources accumulated and payments made for construction of sanitary sewers and the advanced wastewater treatment plant.

The City reports the following major enterprise funds:

The *waterworks enterprise fund* accounts for the activities of the government's water distribution operations. See Note 2 for information on the City's Waterworks operations.

The *housing agency enterprise fund* accounts for activities related to the development, acquisition, and administration of low-rent housing units.

Additionally, the City reports the following fund types:

Internal service funds account for the accumulation of resources to provide for the financing of workers' compensation and auto liability self-insurance for all City departments, as well as provide for the centralization of certain payments of awards, refunds, and indemnities.

Fiduciary funds are classified into subgroupings – Agency Funds and Pension Trust Funds. Funds in this classification are used to account for assets held by the City in a fiduciary capacity. Agency Funds are custodial in nature (assets equal liabilities) and account for monies held on behalf of contractors, retirement boards, the E-911 dispatch program, and for confiscated items related to public safety activities. Pension Trust Funds are those funds held in trust for disbursement to covered employees (see Note 17).

In the government-wide and proprietary fund financial statements, the City applies all applicable GASB pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the City's water function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all local taxes. State-shared revenues, such as cigarette tax, are reported as grants and contributions not restricted to specific functions, unless they are restricted to specific functions, such as gasoline tax, in which case they are reported as operating grants and contributions.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Housing Agency enterprise fund, of the Waterworks enterprise fund, and of the government's internal service funds are charges to customers for rents, sales, and services. Operating expenses for enterprise funds and internal service funds include the cost of rents, sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Payments in lieu of taxes constitute payment for services provided and are paid to various taxing authorities.

Indirect costs are included as part of the program expenses reported for individual functions and activities.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Effects of Rate Regulation

The City has elected for the Waterworks to continue to be rate-regulated by the Indiana Utility Regulatory Commission ("IURC"). The Waterworks follows the accounting and reporting requirements of Statement of Financial Accounting Standards Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* ("SFAS No. 71"). SFAS No. 71 provides that rate-regulated entities account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the statement of net assets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Net deferred costs at December 31, 2008 amount to $835. Additionally, there are certain items that the IURC does not typically consider in establishing rates, such as acquisition adjustment and amortization of intangible assets. See Note 15 regarding contingencies related to these regulatory assets and liabilities.

E. Cash and Investments

Investments are stated at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. At December 31, 2008, the City has $50,669 invested in TrustINdiana an external investment pool administered by the State of Indiana. Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, the portfolio securities are valued at amortized cost, which approximates fair value. The amortized cost valuation methods involves initially valuing a security at its cost on the date of purchase and thereafter accreting to maturity and discount or amortizing to maturity any premium. The City records its investment in the external pool at its share value. The Indiana Treasurer of State has been designated by State statue as the administrator of the pool and has general oversight over the daily operation of the pool.

When funds pool cash for investments, income from the pooled investments is allocated to the funds based on the participating fund's average daily equity balance.

F. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of March 1 of the previous year, however see Note 1.L. The tax levy is divided into two billings due on May 10 and November 10 each year.

Noncurrent portions of long-term receivables in the governmental funds are reported on their balance sheets, notwithstanding their measurement focus. The noncurrent portion of the receivables that will ultimately result in the recognition of revenue has been reported as deferred revenue. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts since they are not considered available spendable resources.

Long-term receivables for the Housing Agency relate to grant funded capital projects for affordable, low-income housing. Terms of the loans vary as to due dates, interest rates, security of collateral, and repayment of principal. See Note 6.A for further discussion.

G. Inventory

Inventory of the governmental funds is recorded as an expenditure when purchased; it is not recorded on the statement of net assets or the governmental funds balance sheet, as amounts are not considered material.

H. Restricted Assets

Certain proceeds of the Waterworks revenue bonds, as well as certain resources set aside for their repayment, amounting to $26,972 at December 31, 2008, are classified as restricted assets on the statement of net assets and proprietary fund balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. In addition, certain funds set aside in a grantor trust are restricted for payment of Waterworks postretirement benefits in the amount of $9,213. Restricted assets at December 31, 2008 also include $100,809 of unspent Waterworks bond proceeds that are restricted for the construction of certain capital assets.

Restricted assets of the Housing Agency amounted to $13,497 at December 31, 2008 and relate to tenant deposits and funds held in the Family Self-Sufficiency ("FSS") Escrow.

I. Intangible Assets

An intangible asset was recorded in connection with the purchase of the Waterworks (see Note 2), which represents a negotiated amount paid by the City for the right to operate the Waterworks. This original amount of $245,000 is being amortized on a straight-line basis over 40 years, which approximates the aggregate remaining useful life of the related utility plant assets purchased. Amortization expense during the year amounted to $6,125. At December 31, 2008, the intangible asset is $204,167, which is net of accumulated amortization of $40,833.

J. Capital Assets

Capital assets, which include land, land improvements, buildings, equipment, and infrastructure (e.g., streets, bridges, sewers, storm drains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with cost or donated value beyond prescribed levels and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Governmental Activities

The prescribed capitalization levels for governmental activities are:

All land acquired by the City is capitalized. Land improvements of $25 or greater are capitalized.
All new construction of City buildings is capitalized. Rehabilitation of $75 or greater is capitalized.
Equipment and vehicles of $5 or greater are capitalized.

Beginning January 1, 2002, infrastructure projects of $25 or greater are capitalized. Infrastructure assets acquired before January 1, 2002 have been capitalized if estimated historical cost or donated value was near or above the criteria for major infrastructure as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* ("GASB Statement No. 34").

Depreciation for governmental activities is calculated using the straight-line method and no salvage value. Depreciation lives are as follows (not in thousands):

Land improvements	30 years individual depreciation
Buildings	50 years individual depreciation
Building improvements	20 years individual depreciation
Equipment and vehicles	3 to 20 years individual depreciation
Streets, curbs, sidewalks, traffic signals	30 years group depreciation
Bridges	60 years individual depreciation
Sewer and storm mains, manholes, inlets, and culverts	60 years group depreciation
Sewer and storm lift stations	60 years individual depreciation

Business-type Activities

Housing Agency

The prescribed capitalization levels for the Housing Agency enterprise fund are as follows:

Land, buildings, and improvements	$5
Equipment and vehicles	$1

Depreciation for the Housing Agency enterprise fund is calculated using the straight-line method and no salvage value. Depreciation lives are as follows (not in thousands):

Buildings	25 years individual depreciation
Building and site improvements	20 years individual depreciation
Equipment and vehicles	3 to 7 years individual depreciation

Waterworks

The prescribed capitalization level for the Waterworks enterprise fund is $5 for all items. Depreciation for the Waterworks enterprise fund is calculated using the straight-line method over the estimated useful life of the various classes of depreciable assets. The group method is used to calculate depreciation, except for vehicles, which are depreciated individually. Depreciation lives (not in thousands) vary widely; e.g., computers 4.72 years and supply mains 35.59 years to 71.94 years. Depreciation of utility plant assets averaged 2% in 2008.

When utility plant in service is retired, except for land and land rights, the accumulated cost of the retired property is credited to utility plant, and such costs, together with the cost of removal less salvage, are charged against accumulated depreciation. If land, land rights, or other equipment are sold, the net gain or loss is included as gain on sale of capital assets.

Property not currently used in utility operations is included in other capital assets.

K. Customer Advances and Contributions in Aid of Construction

The Waterworks allows developers to install or provide for the installation of main extensions, which are to be transferred to the Waterworks upon completion. A portion of the cost of the main extensions and the amount of any funds advanced for the cost of water mains installed are included in customer advances for construction and are refundable over a period of 10 years as new customer hook-ups are attached to the main extensions. The amount refundable for a new hook-up is determined at the time the main extension is completed and is based on a portion of projected utility revenues from the main extension. Advances not refunded within 10 years are transferred to contributed capital. Historically, a portion of customer advances for construction has not been refunded to the developer. Upon purchase of the Waterworks in 2002, the City recorded an amount for customer advances in the amount of $15,000. This liability was estimated based on amounts outstanding and historical experience of the Waterworks prior to its purchase by the City. At December 31, 2008, these customer advances amount to $13,238. Additionally customer accounts receivable that reflect a negative or "credit" balance on December 31, 2008 are also carried as customer advances. The amount of these credit balances at December 31, 2008 was $1,297.

In addition, the City recorded $54,318 in contributions in aid of construction, which represents the amount that was recorded by the Waterworks prior to its purchase by the City and must be carried forward under regulatory accounting requirements. Contributions in aid of construction amounted to $55,485 at December 31, 2008 and are netted against the capital assets balance. This balance is being amortized over the estimated remaining useful life of the related utility plant in service. Amortization expense in 2008 amounted to $1,721.

L. Property Taxes

Property taxes levied for all governmental entities located within Marion County are collected by the Treasurer of Marion County, Indiana ("Treasurer"). These taxes are then distributed by the Auditor of Marion County, Indiana ("Auditor") to the City and the other governmental entities at June 30 and December 31 of each year. The City and the other governmental entities can request advances of their portion of the collected taxes from the Treasurer once the levy and tax rates are certified by the Indiana Department of Local Government Finance. The Indiana Department of Local Government Finance typically certifies the levy on or before February 15 of the year following the property tax assessment.

The City's 2008 property taxes were levied based on assessed valuations determined by the Auditor as of the 2007 assessed valuations, which were adjusted for estimated appeals, tax credits, and deductions. The lien date for the 2008 property taxes was March 1, 2007 (assessment date); however, the City does not recognize a receivable on the lien date, as the amount of property tax to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 100% of the true tax value. However, due to continuing issues with assessed valuations, tax bills were delayed in 2007 as well as 2008. In 2008, first half of the year 2008 taxes were due and payable to the Treasurer in December 2008. Second half of the year 2008 tax bills were sent to taxpayers in June 2009 with a due date of July 9, 2009. Property taxes outstanding at December 31, 2008, net of allowance for uncollectible accounts, are recorded as a receivable in the government-wide statements. The fund statements have recorded the same receivable and a corresponding amount in deferred revenue since the amounts are not considered available.

(In thousands)

M. Deferred and Unearned Revenues

Deferred revenue is reported in the fund financial statements for receivables that are not considered available at year-end or for which eligibility requirements have not been met. See Note 1.C for further discussion on the City's availability policy.

Unearned revenue, on the other hand, is reported in the government-wide financial statements. The availability period does not apply; however, amounts may not be earned due to eligibility requirements.

N. Unbilled Service Revenues

Operating revenues for the Waterworks include sales of water. These revenues are billed to customers monthly on a cycle basis. Revenues are billed every other month based on meter readings and include a true up for any necessary adjustment for the prior month's estimated billing. Unbilled revenue is recorded based on estimated usage from the date of the latest billing to the end of the accounting period. Unbilled revenues are included in accounts receivable and amounted to $4,492 at December 31, 2008. Additionally, billings for sewer fees are billed with the water billings and accounted for in the General Fund and are included in accounts receivable and amounted to $4,623.

O. Risk Management

The City is insured for property and certain liability losses, subject to certain deductible amounts, except that it is self-insured for auto liability, general liability (excluding certain other catastrophes), and workers' compensation inpatient services, and services delivered at a site other than that provided for in the workers' compensation agreement. Expenses are recorded when a determinable loss is probable and the amount of the loss can be estimated.

The change in claims for 2007 and 2008, including an estimate of incurred but not reported claims, is as follows:

	Auto liability reserve	Workers' compensation	Public liability self-insurance
Unpaid claims, December 31, 2006	$ 907	$ 1,828	$ 2,586
Incurred claims and changes in estimates	(33)	2,345	885
Claims paid	(174)	(2,863)	(1,039)
Unpaid claims, December 31, 2007	700	1,310	2,432
Incurred claims and changes in estimates	276	3,430	1,102
Claims paid	(326)	(2,747)	(1,176)
Unpaid claims, December 31, 2008	$ 650	$ 1,993	$ 2,358

Accounts payable for the Workers' Compensation Internal Service Fund include unpaid claims of $1,993 and negative cash of $418 that has been reclassed to accounts payable as of December 31, 2008.

The City has entered into contracts with a company to service its workers' compensation and auto liability claims. Under the terms of the contracts, the City is required to maintain a minimum level of funds in a "loss fund account" with the company for the purpose of paying claims and losses. These amounts are recorded as an asset since the self-insurance risk is not transferred to the service agent. The City records a liability for the estimated outstanding losses at year-end, which includes an accrual for incurred but not reported claims and is included in accounts payable and other current liabilities in the statement of net assets. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. The City accounts for the self-insurance programs in internal service funds.

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and job-related illnesses or injuries to employees. The City individually handles these risks of loss through combinations of risk retention and commercial insurance.

There have been no significant reductions in insurance coverage in the last year. Settled claims have not exceeded commercial coverage in the past three years.

The Housing Agency enterprise fund is a member of the Housing Authority Risk Retention Group, Inc. ("Group"), which provides general liability, public official, and lead-based paint insurance to participating public housing authorities throughout the United States. Coverage provided by general liability is $5,000 per year with a deductible of $5 for general liability and $10 for property claims per occurrence. Management believes that the number of outstanding claims and potential claims outstanding does not materially affect the financial position of the Housing Agency enterprise fund. The risk of participation in the Group is limited to the initial equity contribution of $90, any subsequent additional equity contribution as determined by the Group's Board of Directors, and the payment of annual premiums for its general liability insurance coverage. The Housing Agency enterprise fund has an investment of $196 in the Group at December 31, 2008. Although the underwriting experience of the Group may result in increased annual premium charged and/or assessments against each participant's equity contribution account, the exposure to any net loss allocation is restricted to its equity contribution account balance, plus any additional assessment that may be required.

The Waterworks' assets are protected by various insurance policies required to be carried by the contractor operating the facilities. This includes motor vehicle liability, general liability, environmental liability, property damage, and various other coverages. In addition, the City is self-insured for claims arising from damage due to water main breaks. The City pays for such claims as they become due. The City does not believe that any claims to be paid under this coverage are material to the financial statements.

P. Compensated Absences

City employees earn benefit leave days (in lieu of all vacation, sick, and other accrued leave time), which accumulate to a maximum of 37 days per year, depending on length of service. One hundred seventy-six hours earned benefit leave can be carried forward to subsequent years, and an additional 80 hours can be carried forward upon appropriate approval. Accumulated unused sick leave earned before September 1, 1994 is payable only upon the death or retirement of an employee, and only half the accumulated sick leave is then payable.

The entire cost of benefit and sick leave is recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e., matured) during the year ended December 31, 2008.

Q. Pensions

The City records expenditures for pension obligations as payments are made to pensioners or to the State of Indiana for state-administered plans. The City records pension payments made by the State of Indiana on its behalf as both a revenue and an expenditure. Unfunded pension obligations are recorded in the government-wide statements in the long-term liabilities due in more than one year.

R. Estimates and Uncertainties

The presentation of financial statements in conformity with U.S. generally accepted accounting principles 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 changes in amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

S. Interfund Transactions

Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated if they occur between funds. Reimbursements from one fund to another are treated as expenditures or expenses of the reimbursing fund and a reduction of the expenditure or expenses of the reimbursed fund. Charges or collections for services rendered by one fund for another fund are recognized as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

T. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances. Encumbrances outstanding at year-end will remain in force and will be liquidated under the current year's budget.

(In thousands)

U. Amortization of Bond Costs and Amounts Deferred on Refundings

In the government-wide financial statements and the proprietary fund types in the fund financial statements, bond or note discounts and premiums are recorded as a reduction or addition to the debt obligation, and bond or note issuance costs are recorded as deferred charges. Bond or note discounts and premiums are amortized using the effective-interest method over the term of the related bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

V. Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including cash and investments with fiscal agents and restricted assets) with an original maturity of three months or less at the date of purchase.

W. Accounting Treatment for Overdraws of Section 8 Housing Assistance Fund – Housing Agency

In January 2006, the Department of Housing and Urban Development ("HUD") issued notice PIH 2006-03 which, among other things, changed the regulatory reporting requirements for the overdraws of Section 8 voucher funds. Previously, HUD had required that overdraws of Section 8 and any other grants, be presented in financial disclosures as a liability. The Housing Agency had presented such overdraws in prior years financial statements as current liabilities to which subsequent year voucher payments would be charged. Notice PIH 2006-03, and subsequent interpretive guidance issued by HUD, required all public housing agencies with fiscal years ended December 31, 2006 or later report overdrawn Section 8 voucher funds as unrestricted net assets in the Financial Data Schedule filings. The Housing Agency changed its treatment of Section 8 overdraws in 2006 presenting them as unrestricted net assets. In January 2008, HUD issued Notice PIH 2008-09, which amended 2006-03 to require the presentation of Section 8 overdraws as restricted net assets. At December 31, 2008, net assets restricted for future Section 8 payments were $12,812.

The Housing Agency entered into an agreement with HUD to repay the prior year Section 8 overdraw liability in ten equal annual installments beginning in 2006. The Housing Agency and HUD have agreed to follow the repayment plan and exclude the underlying liability from the treatment required by PIH 2006-03.

X. Prior Period Adjustment – Housing Agency and PAH

The Housing Agency's and PAH's beginning net assets balances as of January 1, 2008 were adjusted for a correction of errors in reporting capital assets and loans receivable activity related to a grant funded project known as Red Maple Grove. As a result, the beginning net assets decreased by $3,840 for the Housing Agency and increased $122 for PAH. The following account groups were affected by the prior period adjustments, which reclassified capital assets to loans receivable and recorded grant expense for items previously capitalized.

	Business-type activities			Discretely presented component unit		
	Housing Agency			Partners for Affordable Housing		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
Assets:						
Loans receivable	$ 1,186	$ 3,446	$ 4,632	$ —	$ 122	$ 122
Accrued interest on loans	—	84	84	—	—	—
Capital assets	152,088	(7,624)	144,464	—	—	—
Accumulated depreciation	(90,133)	254	(89,879)	—	—	—
Other assets	18,564	—	18,564	7,759	—	7,759
Total assets	$ 81,705	$ (3,840)	$ 77,865	$ 7,759	$ 122	$ 7,881

Y. Future Adoption of Accounting Pronouncements

GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The City intends to implement these GASB statements on their respective effective dates.

Z. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

1) Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition or construction of those assets.

2) Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted by statutory restrictions represent revenue sources that are required by statute to be expended only for specific purposes.

3) Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Waterworks Operations

In the summer of 2000, NiSource, Inc. ("NiSource"), an unrelated third party, indicated its intention to merge with Columbia Energy Group of Virginia. Under federal law regarding the regulation of public utility holding companies, federal regulators ordered NiSource to divest itself of all water utility assets by November 2003. In September 2000, the City petitioned the IURC to begin the process of purchasing the water utility assets of the Indianapolis Water Company ("IWC") and other assets of IWC Resources Corporation ("IWCR") and its subsidiaries.

In November 2001, the City entered into an Asset Purchase Agreement with NiSource and IWCR (its subsidiary) providing for terms and conditions of the City's acquisition of the assets comprising substantially all of IWCR's water utility assets. The Asset Purchase Agreement was finalized and completed on April 30, 2002. The City created the Waterworks Department which in turn acquired substantially all of the assets of IWC and five other smaller subsidiaries of IWCR: (i) Harbour Water Corporation, (ii) Darlington Water Works Company, (iii) Liberty Water Corporation, (iv) IWC Morgan Water Corporation, and (v) Irishman's Run Acquisition Corporation. Irishman's Run Acquisition Corporation was subsequently sold in 2002 to an unrelated party and Darlington Water Works Company was sold in 2006.

IWC or other subsidiaries of IWCR provide water service in most areas of the City of Indianapolis and Marion County, and portions of the surrounding counties of Boone, Hamilton, Hancock, Hendricks, Montgomery, and Morgan. A total of approximately 305 customers (approximately 1 million people) is served by the Waterworks. Approximately seventy-eight percent (78%) of the customers are located in Marion County.

The City paid cash of $380,100 and assumed $222,897 of NiSource's liabilities, including $2,500 of IWC preferred stock, in connection with the purchase. The City issued its Waterworks District Net Revenue Bonds, Series 2002 A (Tax-Exempt) and Series 2002 B (Taxable) (collectively referred to as the "Waterworks Series 2002 A and B Bonds") in a total amount of $580,370 to finance the purchase. The acquisition was accounted for as a purchase, and the results of operations of the Waterworks were included in the City's financial statements from the acquisition date of April 30, 2002. The City liquidated $119,991 of the assumed liabilities upon issuance of the Waterworks Series 2002 A and B Bonds. As a result of the acquisition, an intangible asset of $245,000 was recorded, which represents a negotiated amount paid by the City to NiSource for the right to operate the Waterworks. The difference between the purchase price paid for the regulated portion of the Waterworks' assets by the City and the underlying book value of the net assets acquired has been classified as plant acquisition adjustment, which is a separate component of utility plant assets. The plant acquisition adjustment amounted to $184,195 at the acquisition date and is being amortized over a period of forty (40) years based on the estimated aggregate remaining useful life of the related plant assets.

On March 21, 2002, the City entered into a management agreement with U.S. Filter Operating Services, Inc. During 2004, U.S. Filter Operating Services, Inc. changed its name to Veolia Water Indianapolis, LLC ("Veolia"). Veolia provides the administrative, management, and operational functions of operating the Waterworks. See further information on the management agreement in Note 15. All employees of IWCR became employees of U.S. Filter (now Veolia) upon completion of the purchase and execution of the management agreement.

3. Cash and Investments

A summary of all cash and investments for the primary government at December 31, 2008 including a reconciliation to the financial statement amounts is as follows:

Cash and investments	$	359,537
Cash and investments with fiscal agents		255,463
Restricted assets		150,491
Cash and investments – Fiduciary Funds		16,856
Cash and investments with fiscal agents – Fiduciary Funds		13
Total cash and investments	$	782,360

Due to different management and investing policies, the remaining cash and investment disclosures for the City are presented separately for the primary government excluding the Housing Agency and for the Housing Agency.

Primary Government Excluding Housing Agency

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end. It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state/local statutes governing the investment of public funds.

The primary objectives, in priority order, of the City's investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.

Return on Investments: The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

(In thousands)

As of December 31, 2008, funds were invested as follows (excluding Housing Agency):

Investment type	Fair value	Investment maturities (in years) Less than 1	1-5	Greater than 10
Federal Farm Credit Bank	$ 5,747	$ —	$ 5,747	$ —
Federal Home Loan Bank	46,978	20,102	26,876	—
Federal Home Loan Mortgage Corporation	20,043	—	20,043	—
Federal National Mortgage Association	35,167	—	35,167	—
Federal National Mortgage Association Discount Note	14,998	14,998	—	—
United States Treasury Notes	6,906	2,718	4,188	—
Government Backed:				
Guaranteed Investment Contracts	14,664	588	1,064	13,012
Money Market Funds	156,835	156,835	—	—
Prime Management Market Funds	88,285	88,285	—	—
Repurchase Agreements	23,644	23,644	—	—
Mutual Funds	890	890	—	—
Commercial Paper	4,655	4,655	—	—
State External Investment Pool - TrustINdiana	50,669	50,669	—	—
	$ 469,481	$ 363,384	$ 93,085	$ 13,012

States statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments can be made in obligations of the U.S. government or any agency or instrumentality thereof. All City investments must mature within 2 years from date of investment unless managed by a bank's trust department and then the maturity length can be longer. Total cash deposits at December 31, 2008 amounted to $290,019.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The City's investment policy provides that the City seeks to minimize the risk that the market value of securities in its portfolio will decrease due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services. The City uses the highest integrity when choosing an instrument of investment. The City keeps its credit risk as it pertains to investments at a low rate by requiring all investments of the City be rated in the three highest ratings categories by Moody's Investor Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

(In thousands)

Investments were rated as follows by Moody's, Standard & Poor's, or Fitch's Rating Service at December 31, 2008:

Investment type		Fair value	Rating
Federal Farm Credit Bank	$	5,747	AAA
Federal Home Loan Bank		46,978	AAA
Federal Home Loan Mortgage Corporation		20,043	AAA
Federal National Mortgage Association		35,167	AAA
Federal National Mortgage Association Discount Note		14,998	AAA
U.S. Treasury Notes		6,906	AAA
Government Backed:			
Guaranteed Investment Contracts		14,664	NOT RATED
Money Market Funds		156,835	AAA
Prime Management Market Funds		88,285	AAA
Repurchase Agreements		23,644	AAA
Mutual Funds		890	AAA
Commercial Paper		4,655	A1/P1
State External Investment Pool – TrustINdiana		50,669	NOT RATED
	$	469,481	

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. The City's investment policy requires that repurchase agreements be covered by adequate pledge collateral. In order to anticipate market changes and provide a level of security for all funds, the fair value (including accrued interest) of the collateral should be at least 102%.

At December 31, 2008, all City investments and all collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name except for $198,901, which is not held in the City's name.

Concentration of Credit Risk

The City policy provides that the City may invest up to 30% of their investment pool in negotiable certificates of deposit having maturities of less than two years and in multiples of one million dollars providing that market yields on certificates of deposit exceed treasury bills of comparable maturity duration. The City has no investments in certificates of deposit at December 31, 2008.

Housing Agency

The following summarizes the Housing Agency's policy and investment activity:

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits

In accordance with Section 401(E) of the HUD/PHA Annual Contributions Contract, it is the policy of the Housing Agency to invest its funds in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Housing Agency, and comply with all federal, state and local statutes or ordinances governing the investment of public funds.

(In thousands)

During the year ended December 31, 2008, the Housing Agency held one savings account and one institutional money market deposit account with AIM Investments. Demand deposits are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund.

Credit Risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that the Housing Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution.

The Housing Agency has one institutional money market deposit account valued at $92 to consider for credit risk and custodial credit risk. The money market account had a Standard and Poor credit rating of AAA, a Moody's credit rating of Aaa, and Fitch rating of AAA.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The Housing Agency has one institutional money market deposit account valued at $92, which represents 100% of uninsured deposits and investment accounts. The Agency has one certificate of deposit with a six-month maturity valued at $1,878 at December 31, 2008.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The nature of the Housing Agency's deposits and investments do not present high exposure to interest rate market risks due to their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All Housing Agency deposits and investments are denominated in U.S. currency.

The Housing Agency maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2008 is as follows:

	Carrying value
On hand	$ —
On deposit:	
Insured by FDIC	462
Insured by Indiana Public Deposits Insurance Fund	20,520
	$ 20,982

(In thousands)

4. Receivables Disaggregation

Accounts receivable as of year-end for the City, including the applicable allowances for uncollectible accounts are as follows:

	Accounts	Due from other governments	Other	Total accounts receivable
Governmental activities:				
General	$ 62,051	$ 102,440	$ 1,618	$ 166,109
Revenue debt service	—	4	—	4
Sanitary district capital projects	—	58	—	58
Other nonmajor governmental	103	930	73	1,106
Total receivables	62,154	103,432	1,691	167,277
Allowance for uncollectible accounts	(5,255)	—	—	(5,255)
Total governmental activities	$ 56,899	$ 103,432	$ 1,691	$ 162,022
Accounts not scheduled for collection during the subsequent year	$ —	$ —	$ —	$ —
Business-type activities:				
Waterworks	$ 18,187	$ —	$ —	$ 18,187
Allowance for uncollectible accounts	(2,550)	—	—	(2,550)
Total receivables	15,637	—	—	15,637
Housing Agency	89	—	—	89
Total business-type activities	$ 15,726	$ —	$ —	$ 15,726
Amounts not scheduled for collection during the subsequent year	$ —	$ —	$ —	$ —

(In thousands)

5. Due from Federal and State Governments

Amounts due at December 31, 2008 were as follows:

	Governmental activities			Business-type activities
	General Fund	**Federal Grants Fund**	**Other nonmajor governmental**	**Housing Agency**
Reimbursements under federal grants from:				
U.S. Department of Housing and Urban Development (HUD)	$ —	$ 3,564	$ —	$ 565
U.S. Department of Justice (DOJ)	—	802	—	204
U.S. Department of Transportation (DOT)	—	1,121	—	—
U.S. Department of Interior (DOI)	—	32	—	—
U.S. Department of Treasury	—	28	—	—
Federal Emergency Management Agency (FEMA)	—	774	—	—
U.S. Environmental Protection Agency (EPA)	106	146	—	—
U.S. Department of Education (DOE)	—	6	—	—
U.S. Department of Homeland Security (DHS)	—	1,390	—	—
Due from State of Indiana grants	61	—	297	—
	$ 167	$ 7,863	$ 297	$ 769

At December 31, 2008, the City had available lines of credit or grant authorizations from HUD totaling $30,307.

6. Long-term Receivables

A. Long-term receivables as of December 31, 2008 consist of the following:

Governmental activities

The City has U.S. Department of Housing and Urban Development ("HUD") loans outstanding at December 31, 2008 of $27,536 including accrued interest of $4,863. The City has provided a reserve of $26,701 for these receivables given the uncertainty of collection. Many of these loans bear interest at rates ranging from 0% to 10% and mature over the next 30 years. Generally, principal and interest payments are based upon defined net cash flows and are deferred until sufficient cash flow is available. All deferred principal and interest are due at maturity. Loan repayments to the City are restricted for community and economic development purposes that would otherwise be eligible for reimbursement by HUD under Title I of the Housing and Community Development Act of 1974.

Housing Agency

The Housing Agency has long-term loans receivable outstanding at December 31, 2008. These loans are a result of grant funded affordable or low-income housing capital projects with fixed interest rates. Noninterest-bearing loans are recorded at present value with a discount that is amortized over the term of the loan.

(In thousands)

	Business-type activities				
	Housing Agency				
	Interest rate	Principal	Unamortized discount	Net loans receivable	Maturity date
Red Maple Grove Phase I	4.84 %	$ 347	$ —	$ 347	6/30/2044
Red Maple Grove Phase IIA – Perm A and B	0.00 - 5.36	3,876	(2,698)	1,178	12/31/2047
Red Maple Grove Phage IIB – Construction, Perm A and B	0.00 - 5.25	5,004	(1,677)	3,327	12/31/2049
Georgetown IHA Partners II	4.90	5,059	—	5,059	12/31/2055
Tibbs I	0.00	200	—	200	9/14/2036
Tibbs II	5.74	300	—	300	9/14/2038
United North East Community Development *	0.00	4	—	4	12/31/2008
*Final annual installment was received in 2009.		$ 14,790	$ (4,375)	$ 10,415	

Waterworks

The Waterworks closed an asset purchase agreement with the City of Carmel for certain assets in Clay Township on June 30, 2006. The terms of this agreement called for initial payments of $350 at closing and $165 a month for 10 months. The extended payment terms call for a payment of $900 every six months for the subsequent nineteen years. At December 31, 2008, the net present value of the extended payments due under the terms of this agreement is approximately $18,722. An effective-interest rate of 4.88% was used to present value the note receivable. The future payments to be received are as follows.

	Business-type activities
	Waterworks
2009	$ 1,800
2010	1,800
2011	1,800
2012	1,800
2013	1,800
2014 – 2018	9,000
2019 – 2023	9,000
2024 – 2025	3,600
Total payments	30,600
Less: net present value of interest earnings	11,878
	18,722
Less current portion	1,577
Total long-term note receivable	$ 17,145

(In thousands)

B. Long-term pledge receivable as of December 31, 2008 consists of the following:

The long-term pledge receivable amount outstanding as of December 31, 2008 is $1,290. This amount is not recorded on the financial statements and represents a $1,290 pledge receivable for Canal Square. The pledge agreement states that these funds shall be returned to the City only if a sale or refinancing occurs. If either event occurs, the City is entitled to full repayment; however, the City is subordinate to the mortgage and also to the investors (to the extent of their capital contributions).

7. Capital Assets

Following is a summary of changes in capital assets for the year ended December 31, 2008:

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 64,459	$ 3,234	$ 2,571	$ 65,122
Construction in progress	136,719	113,375	102,954	147,140
	201,178	116,609	105,525	212,262
Capital assets being depreciated:				
Buildings	753,643	19,065	92	772,616
Improvements	151,079	578	46	151,611
Equipment	108,214	29,226	5,563	131,877
Infrastructure	3,411,062	86,406	31,746	3,465,722
	4,423,998	135,275	37,447	4,521,826
Less accumulated depreciation:				
Buildings	342,083	22,987	78	364,992
Improvements	64,204	4,481	23	68,662
Equipment	74,978	11,989	5,349	81,618
Infrastructure	2,169,801	88,740	31,658	2,226,883
Total accumulated depreciation	2,651,066	128,197	37,108	2,742,155
Total capital assets being depreciated, net	1,772,932	7,078	339	1,779,671
Governmental activities capital assets, net	$ 1,974,110	$ 123,687	$ 105,864	$ 1,991,933

(In thousands)

	Balance January 1, 2008 as restated (1)	Additions	Reductions	Balance December 31, 2008
Business-type activities:				
Waterworks				
Capital assets not being depreciated:				
Land	$ 17,591	$ 66	$ —	$ 17,657
Construction in progress	20,719	42,716	22,418	41,017
Total capital assets not being depreciated	38,310	42,782	22,418	58,674
Capital assets being depreciated:				
Water distribution and treatment system	874,080	29,453	152	903,381
Equipment	23,042	1,578	406	24,214
Total capital assets being depreciated	897,122	31,031	558	927,595
Less accumulated depreciation:				
Water distribution and treatment system	213,983	19,642	152	233,473
Equipment	9,819	757	406	10,170
Total accumulated depreciation	223,802	20,399	558	243,643
Less acquisition adjustment	164,136	—	4,781	159,355
Less contributions in aid of construction	56,636	570	1,721	55,485
Total capital assets being depreciated, net	452,548	10,062	(6,502)	469,112
Total Waterworks	$ 490,858	$ 52,844	$ 15,916	$ 527,786
Housing Agency				
Capital assets not being depreciated:				
Land	$ 16,850	$ 1,028	$ —	$ 17,878
Total capital assets not being depreciated	16,850	1,028	—	17,878
Capital assets being depreciated:				
Buildings	122,558	1,130	70	123,618
Equipment	5,154	532	—	5,686
Total capital assets being depreciated	127,712	1,662	70	129,304
Less accumulated depreciation:				
Buildings	86,263	4,464	11	90,716
Equipment	3,714	334	—	4,048
Total accumulated depreciation	89,977	4,798	11	94,764
Total capital assets being depreciated, net	37,735	(3,136)	59	34,540
Total Housing Agency	54,585	(2,108)	59	52,418
Business-type activities capital assets, net	$ 545,443	$ 50,736	$ 15,975	$ 580,204

(1) See Note 1.X for discussion of prior period adjustment for the Housing Agency.

(In thousands)

Total depreciation and amortization expense for Waterworks of $20,236 reported on the proprietary funds statement of revenue, expenses, and changes in fund net assets consists of depreciation expense of $20,399, amortization expense of $6,125 for intangible assets, and amortization expense of $214 of deferred charges and is offset by negative amortization of $6,502 for the acquisition adjustment and contributions in aid of construction.

As discussed in Note 1.I, Waterworks has recorded an intangible asset in connection with the purchase of the water utility (see Note 2). This intangible asset, which amounts to $204,167 at December 31, 2008, is not included in the capital asset rollforward above as it is separately reported on the statement of net assets. Reductions to the intangible asset during fiscal year 2008 related to amortization in the amount of $6,125.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	694
Public safety		10,780
Public works		104,220
Health and welfare		66
Cultural and recreation		5,054
Urban redevelopment and housing		4,316
Economic development and assistance		3,067
	$	128,197
Business-type activities:		
Waterworks	$	20,399
Housing Agency		4,798
	$	25,197

In 2007, the Waterworks signed a First Amendment to the Management Agreement ("Amendment") with Veolia. As part of the Amendment, Waterworks agreed to reimburse Veolia for amounts related to the purchase and installation of meters, valves, and hydrants incurred during fiscal years 2002 through 2006 in the amount of $5,000. These items were originally recorded as capital assets and contributed capital in the financial statements of Waterworks at the time they occurred. In 2007, a note payable was executed for $5,000. At December 31, 2008, the remaining balance is $1,666 and is included in notes payable.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is capitalized and amounted to $932 in 2008. At December 31, 2008, the City's commitments related to construction in progress are composed of the following:

	Authorized	Accrued expenditures through December 31, 2008	Committed
Department of Parks and Recreation	$ 4,934	$ 1,862	$ 3,072
Metropolitan Emergency Communication Agency	2,294	627	1,667
Department of Public Works	210,585	143,724	66,861
Department of Metropolitan Development	1,700	927	773
Total governmental activities	$ 219,513	$ 147,140	$ 72,373
Waterworks	$ 62,760	$ 41,017	$ 21,743
Total business-type activities	$ 62,760	$ 41,017	$ 21,743

(In thousands)

8. Accounts Payable and Other Current Liabilities Dissaggregation

Accounts payable and other current liabilities as of year-end for the City are as follows:

	Vendors	Third-party contracts	Lilly	Due to other governments	Claims and settlements	Accrued payroll and taxes	Other	Total payables and other current liabilities
Governmental activities:								
General	$ 31,577	$ 642	$ —	$ 2,824	$ 96	$ 32,047	$ 375	$ 67,561
Federal grants	1,090	2,591	—	436	—	83	751	4,951
Revenue debt service	—	—	12,737	—	—	—	46	12,783
Sanitary district capital projects	7,179	—	—	—	—	—	—	7,179
Other nonmajor governmental	7,744	60	—	—	—	6	5	7,815
Internal service	—	—	—	—	5,001	—	418	5,419
	47,590	3,293	12,737	3,260	5,097	32,136	1,595	105,708
Adjustment to government-wide	—	—	—	—	(906)	—	—	(906)
Total governmental activities	$ 47,590	$ 3,293	$ 12,737	$ 3,260	$ 4,191	$ 32,136	$ 1,595	$ 104,802
Accounts not scheduled for payment during the subsequent year	$ —	$ —	$ 12,737	$ —	$ —	$ —	$ —	$ 12,737
Business-type activities:								
Waterworks	$ 26,356	$ —	$ —	$ —	$ —	$ 14	$ —	$ 26,370
Housing Agency	1,220	—	—	—	—	258	—	1,478
Total business-type activities	$ 27,576	$ —	$ —	$ —	$ —	$ 272	$ —	$ 27,848
Accounts not scheduled for payment during the subsequent year	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

The adjustment to government-wide amount of $906 represents a settlement payable that was recorded as an accounts payable in the Internal Service Fund and is shown in long-term liabilities on the government-wide financial statements.

(In thousands)

9. Leases and Other Financing Transactions

A. Lessee Arrangements

1. Capital leases are described in the long-term debt section of the notes to the financial statements (Note 10).

2. Operating leases

The City has entered into various operating leases for rental of equipment and properties. Total rental expense for these operating leases was $16,340 for governmental activities and $538 for business-type activities in 2008. The minimum future payments as of December 31, 2008 on these operating leases are as follows:

	Governmental activities	Business-type activities Housing Agency
2009	$ 15,873	$ 370
2010	15,800	247
2011	15,568	—
2012	15,472	—
2013	15,486	—
2014 – 2018	48,248	—
2019 – 2023	1,914	—
2024 – 2028	364	—
2029 – 2033	363	—
2034 – 2037	166	—
Total future payments	$ 129,254	$ 617

The City entered into an agreement with the Marion County Convention and Recreational Facility Authority ("MCCRFA") to lease a portion of land located at the airport over a 25-year term expiring in December 2016. This land was being used for a major aircraft maintenance and overhaul center for United Airlines, Inc. ("United") prior to United's bankruptcy filing in 2003. The lease requires the City to make annual payments equal to MCCRFA's debt service requirements. Lease payments in 2008 amounted to $14,229.

(In thousands)

B. Lessor Arrangements

The City is the lessor in several operating lease agreements with outside parties. These leases include various properties and portions of property acquired by the City. The estimated value of the leased property is $3,107. These properties are leased for terms generally ranging from 5 to 50 years. Total rental income amounted to $592 in 2008.

The minimum future rental income to be received as of December 31, 2008 on these operating leases is as follows:

	Governmental activities
2009	$ 415
2010	359
2011	357
2012	317
2013	317
2014 – 2018	1,435
2019 – 2023	610
2024 – 2028	610
2029 – 2033	610
2034 – 2037	242
Total future receipts	$ 5,272

C. Other Financing Transactions

City Market:

In 2007, the City renewed its long-term operating lease with the Indianapolis City Market Corporation ("Market"), a not-for-profit organization formed for the purpose of operating the Indianapolis City Market. The lease extends through February 28, 2011 and provides for a five-year renewal option at that time. The Market is to pay an annual rental fee of one dollar, plus 100% of the net cash flow, if any, remaining after the payment of normal costs of operations and maintenance. In 2008, the City was required to contribute additional subsidies to the Market of $393.

Circle Centre Mall:

In January 1994, the City entered into a long-term operating lease with Circle Centre Development Company, an Indiana general partnership. The lease extends through December 2027 and provides seven options to extend the term for 10 years. No rental payments are due under the lease.

(In thousands)

10. Long-term Liabilities

A. Changes in Long-term Debt

The following is a summary of long-term debt and other long-term liabilities for the year ended December 31, 2008:

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds payable	$ 305,051	$ 41,672	$ 27,282	$ 319,441	$ 26,783
Tax increment bonds payable	442,678	65,841	18,350	490,169	16,715
Revenue bonds	567,104	28,185	22,324	572,965	30,054
Deferred amounts					
Less: Deferred discounts	(485)	—	(18)	(467)	—
Loss on refunding	(7,566)	—	(702)	(6,864)	—
Plus: Deferred premiums	10,741	1,647	1,223	11,165	—
Total bonds payable	1,317,523	137,345	68,459	1,386,409	73,552
Notes payable	29,239	2,039	3,894	27,384	7,520
Capital leases payable	151	—	151	—	—
Net pension obligation	386,973	—	5,435	381,538	—
Postemployment benefit obligation	13,210	12,981	—	26,191	—
Compensated absences	28,622	22,718	25,074	26,266	11,258
Settlements payable	906	91	91	906	91
Total governmental activities	$ 1,776,624	$ 175,174	$ 103,104	$ 1,848,694	$ 92,421
Business-type activities:					
Waterworks:					
Revenue bonds	$ 850,125	$ —	6,240	$ 843,885	$ 37,741
Less: Loss on refunding	(60,147)	—	2,566	(57,581)	—
Plus: Deferred premiums	24,915	—	1,285	23,630	—
Total bonds payable	814,893	—	10,091	809,934	37,741
Notes payable	3,768	—	1,884	1,884	1,884
Customer advances	12,074	4,707	2,247	14,534	—
Unfunded postretirement obligation	55,228	4,459	—	59,687	—
Housing Agency:					
Capital leases payable	1,248	—	218	1,030	178
FSS escrow	459	367	218	608	329
Due to other governmental units	1,033	—	129	904	130
Compensated absences	331	167	189	309	31
Total business-type activities	$ 889,034	$ 9,700	$ 14,976	$ 888,890	$ 40,293

Included in additions to bonds payable is $8,062 representing accretion of capital appreciation bonds that do not provide financing services in the statement of revenues, expenditures, and changes in fund balance.

(In thousands)

B. General Obligation Bonds

The City, through the Indianapolis Local Public Improvement Bond Bank ("Bond Bank") issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with equal amounts of debt service (principal and interest) maturing each year. General obligation bonds currently outstanding are as follows:

	Issue date	Final maturity date	Interest	Outstanding
Civil City Bonds:				
Pension Bonds, Series 2005 A	02/03/2005	01/15/2022	3.790 – 5.280 %	$ 92,695
Total General Municipal Bonds				92,695
Redevelopment District Bonds:				
Redevelopment District of 1993:				
Capital appreciation	03/04/1993	01/01/2013	6.050 – 6.300	28,254
Redevelopment District of 1995	12/01/1995	01/01/2015	5.000 – 5.200	1,775
Total Redevelopment District Bonds				30,029
Sanitary District Bonds:				
Sanitary District of 1993 – 2nd	03/04/1993	01/01/2013	5.700 – 5.900	20,850
Sanitary District of 1995	12/01/1995	01/01/2015	5.000 – 5.250	3,435
Sanitary District of 2003 A Refunding	07/09/2003	01/01/2018	4.500 – 5.500	10,399
Sanitary District of 2007 C Refunding	11/08/2007	01/01/2018	5.000	28,570
Sanitary District of 2007 D Refunding	11/08/2007	01/01/2013	0.000	1,172
Total Sanitary District Bonds				64,426
Public Safety Comm Systems & Computer Facilities District Bonds, Series 1999 A	08/01/1999	01/01/2010	5.000 – 5.200	4,295
Public Safety Comm Systems & Computer Facilities District Bonds, Series 2008 B	12/18/2008	01/15/2024	2.350 – 5.600	40,000
Total Public Safety Comm System				$ 44,295

(In thousands)

	Issue date	Final maturity date	Interest		Outstanding
Flood Control District Bonds:					
Flood Control District of 1993 – 2nd	03/04/1993	01/01/2013	5.750 – 5.900 %	$	4,130
Flood Control District of 1995	12/01/1995	01/01/2015	5.000 – 5.250		1,205
Flood Control District Refunding Bonds, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.250		2,067
Flood Control District Refunding Bonds, Series 2007 A	11/08/2007	01/01/2018	5.000		5,660
Flood Control District Refunding Bonds, Series 2007 B	11/08/2007	01/01/2013	0.000		233
Total Flood Control District Bonds					13,295
Metropolitan Thoroughfare District Bonds:					
Metropolitan Thoroughfare District – 1993 – 2nd	03/04/1993	01/01/2013	5.750 – 5.900		15,895
Metropolitan Thoroughfare District Refunding, Series 2003A	07/09/2003	01/01/2018	4.500 – 5.500		7,923
Metropolitan Thoroughfare District, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.500		2,260
Metropolitan Thoroughfare District, Series 2007 A	11/08/2007	01/01/2018	5.000		21,770
Metropolitan Thoroughfare District, Series 2007 B	11/08/2007	01/01/2013	0.000		893
Total Metropolitan Thoroughfare District Bonds					48,741
Park District Bonds:					
Park District of 1993 – 2nd	03/04/1993	01/01/2013	5.750 – 5.900		8,880
Park District of 1993 Refunding, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.500		4,421
Park District Refunding Bonds, Series 2007 A	11/08/2007	01/01/2018	5.000		12,160
Park District Refunding Bonds, Series 2007 B	11/08/2007	01/01/2013	0.000		499
Total Park District Bonds					25,960
Total general obligation bonds recorded in governmental activities					319,441
Less: Matured bonds payable recorded in the debt service funds					(23,363)
				$	296,078

All principal and interest payments are due on January 1 and July 1 of the respective year. Accordingly, the City appropriates all payments due on January 1 in the year before payment is due and provides the amount in the Debt Service Funds. All serial bond principal and interest payments due January 1, 2009 have been recorded as matured bonds payable and matured interest payable at December 31, 2008 within the fund financial statements.

(In thousands)

On December 18, 2008, the City of Indianapolis issued Public Communications Systems and Computer Facilities District Bonds, Series 2008 B in the amount of $40,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its MECA General Obligation Bonds Series 2008 B, in the amount of $40,000. The net proceeds of the City's bonds were used to pay off the MECA Bond Anticipation Notes in the amount of $33,456, which were previously recorded as a fund liability, and to finance upgrades to the public safety and voice radio communications systems which support all law enforcement, fire, and emergency medical services agencies within the City and County.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending December 31	Civil City Principal	Civil City Interest	Redevelopment General Principal	Redevelopment General Interest	Sanitary Principal	Sanitary Interest	Flood Control Principal	Flood Control Interest
2009	$ 5,110	$ 4,402	$ 6,585	$ 87	$ 5,196	$ 3,222	$ 1,097	$ 664
2010	5,325	4,193	6,595	76	5,467	2,940	1,155	605
2011	5,545	3,969	6,605	64	5,768	2,638	1,211	541
2012	5,785	3,727	6,615	50	6,067	2,315	1,276	474
2013	6,045	3,468	6,630	37	6,408	1,971	1,351	401
2014 – 2018	34,825	12,748	575	30	35,520	4,567	7,205	914
2019 – 2023	30,060	3,238	—	—	—	—	—	—
2024 – 2028	—	—	—	—	—	—	—	—
	92,695	35,745	33,605	344	64,426	17,653	13,295	3,599
Less deferred interest on capital appreciation bonds	—	—	(3,576)	—	—	—	—	—
	$ 92,695	$ 35,745	$ 30,029	$ 344	$ 64,426	$ 17,653	$ 13,295	$ 3,599

Year ending December 31	Metropolitan Thoroughfare Principal	Metropolitan Thoroughfare Interest	Park Principal	Park Interest	MECA Principal	MECA Interest	Total Principal	Total Interest
2009	$ 3,821	$ 2,438	$ 2,029	$ 1,300	$ 2,945	$ 1,234	$ 26,783	13,347
2010	4,025	2,229	2,139	1,189	4,235	1,863	28,941	13,095
2011	4,235	2,010	2,257	1,071	2,085	1,751	27,706	12,044
2012	4,465	1,773	2,378	944	2,150	1,688	28,736	10,971
2013	4,707	1,519	2,510	808	2,220	1,618	29,871	9,822
2014 – 2018	27,488	3,608	14,647	1,920	12,650	6,546	132,910	30,333
2019 – 2023	—	—	—	—	16,145	3,045	46,205	6,283
2024 – 2028	—	—	—	—	1,865	51	1,865	51
	48,741	13,577	25,960	7,232	44,295	17,796	323,017	95,946
Less deferred interest on capital appreciation bonds	—	—	—	—	—	—	(3,576)	—
	$ 48,741	$ 13,577	$ 25,960	$ 7,232	$ 44,295	$ 17,796	$ 319,441	$ 95,946

(In thousands)

C. Tax Increment Revenue Bonds

These bonds are issued to provide funds for the construction and maintenance of the City's infrastructure, such as streets, sewers, and sidewalks. These bonds will be repaid from amounts levied against the property owners that will benefit by this construction.

	Issue dates	Final maturity dates	Effective interest rates	Balance December 31, 2008
Redevelopment District 1991:				
Interest-bearing	04/01/1991	02/01/20	6.000 %	$ 20,755
Capital appreciation	04/24/1991	02/01/14	7.100 – 7.250	14,435
Less discount				(2,448)
				11,987
Redevelopment District 1992	04/01/92	02/01/14	6.750 – 6.800	76,230
Redevelopment District 1999 Series B:				
Interest-bearing	07/15/99	02/01/11	4.700 – 5.000	3,695
Capital appreciation	08/12/99	02/01/29	5.650 – 5.820	241,640
Less discount				(141,446)
				100,194
Redevelopment District 2002 Series A	12/30/02	02/01/20	6.191	128,455
Redevelopment District 2002 Series B	12/19/02	02/01/29	3.900 – 5.000	29,365
Redevelopment District 2004 Series A	07/08/04	02/01/28	3.300 – 5.400	12,450
Redevelopment District 2004 Series A, Junior Subordinate	10/28/04	02/01/19	variable rate	1,353
Redevelopment District 2004 Series B	10/28/04	08/01/14	variable rate	9,185
Redevelopment District 2004 Series C	10/28/04	02/01/16	variable rate	17,600
Redevelopment District 2007 Series A	12/13/07	02/01/21	4.000 – 4.125	9,000
Redevelopment District 2007 Series (Ameriplex)	12/28/07	02/01/23	6.200	5,200
Redevelopment District 2007 Series (Glendale)	05/10/07	02/01/27	5.450 – 6.210	5,250
Redevelopment District 2008 Series B	05/08/08	02/01/38	3.250 - 5.000	59,450
Total Tax Increment Revenue Bonds				$ 490,169

All principal and interest payments are due on January 15 and July 15, February 1 and August 1 of the respective year. Accordingly, the City appropriates all payments due on January 15 and February 1 in the year before payment is due and provides the amount in the Debt Service Funds. All Tax Increment Bond principal and interest payments due January 15, 2009 have been recorded as matured bonds payable and matured interest payable at December 31, 2008 in the fund financial statements.

(In thousands)

The City has previously issued its Redevelopment District Taxable Junior Subordinate Tax Increment Revenue Refunding Bonds, Series 2004 A and Series 2004 B in the amount of $14,600 and $13,985, respectively, to the Indianapolis Local Public Improvement Bond Bank, which issued its related Taxable Refunding Notes of 2004, Series A and Series B in the amount of $14,600 and $13,985, respectively. Interest is variable and is calculated on an actual/360-day basis. Interest is adjusted at least quarterly each February 1, May 1, August 1, and November 1, based upon the London InterBank Offering Rate Index ("LIBOR") plus 110 basis points. The Indianapolis Local Public Improvement Bond Bank can select either the 30-day LIBOR, 60-day LIBOR, or 90-day LIBOR prior to each interest period. On December 31, 2008, the interest rate on the Series A was 5.85% and was based on the 30-day LIBOR. The interest rate on the Series 2004 B on December 31, 2008 was 2.54% and was based on the 30-day LIBOR.

The City has previously issued its Redevelopment District Bonds, Series 2004 in the amount of $17,600 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Notes of 2004, Series C in the amount of $17,600. Interest is variable and is calculated on an actual/360-day basis. Interest is adjusted at least quarterly each February 1, May 1, August 1, and November 1, based upon LIBOR plus 110 basis points. The Indianapolis Local Public Improvement Bond Bank can select either the 30-day LIBOR, 60-day LIBOR, or 90-day LIBOR prior to each interest period. On December 31, 2008, the interest rate on the Series C was 2.35% and was based on the 30-day LIBOR.

Under the Harding Street 1991 Series A Tax Increment Bond, if the distributions from the TIF portion of the bond were not sufficient to make payments on the note, Eli Lilly and Company ("Lilly") agreed to pay the City for the difference. The City is liable to repay this amount back to Lilly from any excess money earned from the tax increment portion of the bond. Once the bond has matured, if there still remains an outstanding balance owed to Lilly, the City will repay the balance at this time with interest of the same rate as on the applicable bonds. As of December 31, 2008, the City owes $9,352 to Lilly as reimbursement for these payments; additionally, $3,385 represents interest on this amount, and the entire amount of $12,737 has been recorded as accounts payable in the statement of net assets and governmental funds balance sheet.

On May 8, 2008, the City of Indianapolis issued Redevelopment District Bonds, Series 2008 B in the amount of $59,450 to the Indianapolis Local Public Improvement Bond Bank, which issued its related 2008 Series A Bonds in the amount of $59,450. The proceeds of the bonds are being used by the City to fund the construction of certain public improvements to support the new J.W. Marriott hotel in downtown Indianapolis and to fund interest through August 1, 2008 and closing costs. The bonds are repayable in principal amounts ranging from $575 to $1,955 with final maturity on February 1, 2038.

Various bond issues are considered to have been defeased and have been removed from the financial statements. At December 31, 2008, the total of outstanding principal balances on these defeased bonds is $8,480.

Annual debt service requirements to maturity for the tax increment revenue bonds are as follows:

Year ending December 31	Principal	Interest	Total
2009	$ 16,715	$ 21,072	$ 37,787
2010	18,555	19,848	38,403
2011	21,195	18,908	40,103
2012	23,895	17,795	41,690
2013	29,280	16,581	45,861
2014 – 2018	140,313	60,288	200,601
2019 – 2023	161,870	23,816	185,686
2024 – 2028	164,870	15,858	180,728
2029 – 2033	41,405	6,589	47,994
2034 – 2038	15,965	2,064	18,029
2030 – 2031			—
	634,063	202,819	836,882
Less deferred interest on capital appreciation bonds	(143,894)	—	(143,894)
Total	$ 490,169	$ 202,819	$ 692,988

(In thousands)

D. Derivatives

Objective of the Swaps: In order to protect against the potential of rising interest rates, the Indianapolis Local Public Improvement Bond Bank, on behalf of the City, entered six separate pay-fixed, receive-variable interest rate swaps. These interest rate swaps are not recorded at fair value on the statement of net assets at December 31, 2008.

Terms, Fair Values, and Credit Risk: The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2008, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds and notes payable" category.

Associated bond/note issue		Notional amounts	Effective date	Fixed rate paid	Variable rate received		Fair values	Swap termination date	Counterparty credit rating S&P/Moody's/Fitch
2002 Redevelopment District Series B (a)	$	64,228	02/01/2003	6.19%	68.32% of 5Y LIBOR	$	(18,698)	02/01/2020	AA-/Aaa/AA-
2002 Redevelopment District Series B (b)		64,228	02/01/2003	6.19%	68.32% of 5Y LIBOR		(18,698)	02/01/2020	AA-/Aaa/AA-
2004 A Redevelopment District Taxable Junior Subordinate Tax Increment Refunding Bonds		14,600	04/23/2003	4.27%	1 month LIBOR		(1,129)	02/01/2013	A/A1/A
2005 G-Waterworks		278,551	11/17/2005	3.51%	67% of 1 month LIBOR		(77,274)	01/01/2035	AAA/Aaa/NR
2005 G-Waterworks		108,754	11/17/2005	3.51%	67% of 1 month LIBOR		(30,508)	01/01/2035	A+/Aa1/AA-
2005 H-Waterworks		47,810	12/7/2005	3.53%	67% of 1 month LIBOR		(16,594)	01/01/2037	AAA/Aaa/NR
	$	578,171				$	(162,901)		

Fair Value: Because interest rates declined, all swaps had a negative fair value as of December 31, 2008. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the City's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

Credit Risk: As of December 31, 2008, the City was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' fair value.

Although the City executes swap transactions with various counterparties, three swaps, approximately 65% of the notional amount of swaps outstanding, are held by one counterparty. That counterparty is rated AA-/Aaa/AA-. The remaining swaps are held by three different counterparties.

Basis Risk: The City is exposed to basis risk on the swaps when the variable payment received is based on an index other than Securities Industry and Financial Markets Association ("SIFMA"). As of December 31, 2008, the SIFMA rate was 0.9%, whereas the 1 month LIBOR was 0.4362% and 5 year LIBOR was 2.10%.

Termination Risk: The City or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any of the swaps is terminated, the associated variable rate bonds would no longer carry synthetic interest rates. Also, if at the time of the termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. As discussed in Note 23.F, the Waterworks intends to terminate the swap agreements related to the 2005 G and 2005 H bonds in 2009. At this time, a termination amount equal to the negative fair value of the swaps will be paid.

(In thousands)

Market Access Risk: The City is exposed to market access risk on its interest rate swaps in the event that it will not be able to enter credit markets or in the event that the credit will become more costly.

Rollover risk: The City is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate the City will not realize the synthetic rate offered by the swaps on the underlying debt issues. The 2004 A Redevelopment (Notes) are exposed to termination risk since the swaps termination date precedes the debt maturity date.

Swap Payments and Associated Debt: As of December 31, 2008, debt service requirements of the City's outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Year ending December 31	Principal	Interest	Interest rate swaps, net	Total
2009	$ 130,085	$ 34,646	$ 16,004	$ 180,735
2010	3,805	21,915	11,187	36,907
2011	6,185	47,749	23,283	77,217
2012	5,670	34,339	17,235	57,244
2013	5,890	33,975	15,015	54,880
2014-2018	9,385	156,782	74,748	240,915
2019-2023	11,040	128,135	64,764	203,939
2024-2028	93,596	95,673	46,107	235,376
2029-2033	195,845	59,752	46,107	301,704
2034-2037	116,670	11,979	15,878	144,527
Total	$ 578,171	$ 624,945	$ 330,328	$ 1,533,444

(In thousands)

E. Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These bonds are issued through the Indianapolis Local Public Improvement Bond Bank. Revenue bonds outstanding at year-end are as follows:

	Issue dates	Final maturity dates	Effective interest rates		Balance December 31, 2008
Governmental activities:					
Transportation Revenue—2001 Series A	05/30/01	07/01/10	5.000 – 5.500 %	$	8,964
Indy Roads Revenue Bonds—2003 Series	11/25/03	01/01/19	3.000 – 5.000		15,930
Redevelopment District—2002 Series A	11/21/02	02/01/12	3.150 – 3.850		1,760
Facilities Revenue Bonds of 2006	02/16/06	01/15/21	4.000 – 5.000		15,595
Facilities Revenue Bonds of 2007	12/17/07	07/15/21	3.750 – 4.125		3,450
Stormwater District Revenue Bonds, Series 2006 A	03/21/06	01/01/26	4.000 – 5.000		43,430
Sanitary District Bonds—1998 Series A	12/30/98	01/01/19	3.500		15,105
Sanitary District Bonds—2000 Series A	06/30/00	01/01/21	3.500		21,249
Sanitary District Bonds—2000 Series B	12/14/00	01/01/10	4.750 – 5.000		860
Sanitary District Bonds—2001 Series A	08/23/01	01/01/23	4.000		33,324
Sanitary District Bonds—2002 Series B	08/30/02	01/01/24	4.000		34,315
Sanitary District Bonds—2004 Series A	06/30/04	01/01/24	3.580		7,327
Sanitary District Bonds—2004 Series B	08/24/04	01/01/26	4.130		22,147
Sanitary District Bonds—2004 Series C	12/29/04	01/01/26	3.690		62,459
Sanitary District Bonds—2005 Series	12/29/05	01/01/27	2.900		66,628
Sanitary District Bonds—2006 Series A	06/30/06	01/01/28	3.080		30,635
Sanitary District Bonds—2006 Series B	12/15/06	01/01/28	2.900		34,750
Sanitary District Bonds—2007 Series A	03/06/07	01/01/27	3.000 – 5.000		33,160
Sanitary District Refunding Bonds—2007 Series B	11/01/07	01/01/21	4.000 – 4.750		7,365
Sanitary District Bonds—2007 Series E	12/15/07	01/01/27	4.400		80,557
Enhanced Emergency System—2001 Series D	08/30/01	07/01/11	5.000		4,665
Economic Development Bonds—2004 Series B	06/23/04	04/01/30	variable rate		9,800
Economic Development Bonds—2004 Series C	06/23/04	04/01/39	3.500 – 5.375		19,490
Total revenue bonds recorded in governmental activities					572,965
Less matured bonds payabe recorded in debt service funds					(25,354)
				$	547,611

(In thousands)

	Issue dates	Final maturity dates	Effective interest rates		Balance December 31, 2008
Business-type activities:					
Waterworks District, two issues	04/30/02	01/01/07 – 01/01/35	4.150 – 5.450 %	$	35,125
Waterworks District, Series 2004 A	03/31/04	01/01/36	variable rate		50,000
Waterworks District, Series 2005 F	11/17/05	01/01/35	3.500 - 5.000		70,210
Waterworks District, Series 2005 G	11/17/05	01/01/29	variable rate		386,500
Waterworks District, Series 2005 H	12/07/05	01/01/37	variable rate		47,810
Waterworks District, Series 2006 A	03/07/06	01/01/22	5.500		77,830
Waterworks District, Series 2007 B	03/22/07	01/01/25	5.250		70,410
Waterworks District, Series 2007 L	12/27/07	01/01/38	3.750 - 5.250		106,000
Total Waterworks					843,885
Total revenue bonds recorded in business-type activities				$	843,885

Governmental activities

All principal and interest payments are due on January 1 and July 1, January 15 and July 15, and April 1 and October 1 of the respective year. Accordingly, the City appropriates all payments due on January 1 and January 15 in the year before payment is due and provides the amount in the Debt Service Funds. Payments due in April and October will be appropriated in the year due. All revenue bond principal and interest payments due January 1, 2009 and January 15, 2009 have been recorded as matured bonds payable and matured interest payable at December 31, 2008.

On June 30, 2000, the City of Indianapolis issued Sanitary District Revenue Bonds of 2000, Series A, in the amount of $32,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2000 B Bonds in the amount of $32,000. The net proceeds are being used to fund seven Barrett Law Sewer Projects to eliminate many failing septic systems and thus reduce waterways contaminated by septic system runoff. The project also includes two lift station projects, a manhole rehabilitation project, and four wastewater treatment plant projects. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down $610 during 2008, and the outstanding balance of draws at December 31, 2008 was $21,249.

On August 23, 2001, the City of Indianapolis issued Sanitary District Revenue Bonds of 2001, Series A, in the amount of $42,420 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2001 Series E Bonds in the amount of $42,420. The proceeds are being used to fund several environmental studies and engineering projects and advanced wastewater treatment plant projects. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down $21 during 2008 and the outstanding balance of draws at December 31, 2008 was $33,324.

On August 30, 2002, the City of Indianapolis issued Sanitary District Revenue Bonds of 2002, Series B, in the amount of $41,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2002 D Bonds in the amount of $41,000. The net proceeds were used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds were borrowed and are paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City made no draws in 2008 and the outstanding balance of draws at December 31, 2008 was $34,315.

On June 30, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series G, in the amount of $8,600 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 G in the amount of $8,600. The net proceeds were used to pay down the Sanitary District Bond Anticipation Note 2003 A in the amount of $8,600. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City made no draws during 2008 and the outstanding balance of draws at December 31, 2008 was $7,327.

On August 24, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series H, in the amount of $25,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 H Bonds in the amount of $25,000. The net proceeds were used to pay down Sanitary Commercial Paper 2002 in the amount of $7,367 and to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down $196 during 2008 and the outstanding balance of draws at December 31, 2008 was $22,147.

On December 29, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series I, in the amount of $70,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 I Bonds in the amount of $70,000. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down $6,483 during 2008 and the outstanding balance of draws at December 31, 2008 was $62,459.

On December 29, 2005, the City of Indianapolis issued Sanitary District Revenue Bonds of 2005, Series I, in the amount of $90,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2005 I Bonds in the amount of $90,000. The net proceeds are being used to construct sewer work improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down $13,908 during 2008 and the outstanding balance of draws at December 31, 2008 was $66,628.

On June 30, 2006, the City of Indianapolis issued Sanitary District Revenue Bonds of 2006, Series A, in the amount of $36,300 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 E Bonds in the amount of $36,300. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down $6,967 during 2008 and the outstanding balance of draws at December 31, 2008 was $30,635.

On December 15, 2006, the City of Indianapolis issued Sanitary District Revenue Bonds of 2007, Series B, in the amount of $34,750 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 F Bonds in the amount of $34,750. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City made no draws during 2008 and the outstanding balance of draws at December 31, 2008 was $34,750.

On December 15, 2007, the City of Indianapolis issued Sanitary District Revenue Bonds of 2007, Series E, in the amount of $80,557 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 F Bonds in the amount of $80,557. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City made no draws during 2008 and the outstanding balance of draws at December 31, 2008 was $80,557.

The variable rate Economic Development Revenue Bonds, Series 2004 B bear interest payable on each interest payment per annum established on the basis of a 365- or 366-day year and on a weekly basis. The maximum will not exceed 12%. The rate effective at December 31, 2008 is 10%.

Various bond issues are considered to have been defeased and have been removed from the financial statements. At December 31, 2008, the total of outstanding principal balances on these defeased bonds is $6,710.

Business-type activities

Previously, the City issued Waterworks District Net Revenue Bonds, Series 2004 A, in the amount of $50,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 A Bonds in the amount of $50,000. The Waterworks District, Series 2004 A Bonds are tax-exempt Auction Rate Certificates ("ARCs"). The ARCs mature between July 1, 2035 and January 1, 2036. Interest on the ARCs ranged from 3.25% to 9.30% during 2008, and was payable either at each auction, which occurs every 35 days as stipulated in the related ARC agreement, or semiannually. The interest rates are reset via a "dutch auction." Since March 2008, the auction process to establish these rates has failed; thus, the ARCs will generally pay interest to the holder at a maximum rate as defined by the indenture. At December 31, 2008, the Auction Rate is 4.563%.

Previously, the City issued Waterworks District Net Revenue Bonds, Series 2005 G and H, in the amount of $388,100 and $47,810, respectively. The Series 2005 G and 2005 H Bonds bear interest at a Weekly Interest Rate to be determined in accordance with the remarketing agreement terms for the respective bonds. At no time will the bonds bear interest at a Weekly Interest

Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest permitted by applicable law. At December 31, 2008, the Weekly Interest Rate amount was 8.48% and 8.15%, respectively, for the 2005 G and 2005 H Bonds.

The Series 2005 G variable rate demand bonds, outstanding amount of $387,305 at December 31, 2008, mature serially at various dates from January 1, 2009 to January 1, 2035. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the remarketing agent, JP Morgan. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

The Indianapolis Local Public Improvement Bond Bank ("Bond Bank"), on behalf of the Waterworks, has entered into a Standby Bond Purchase Agreement ("SBPA") with Depfa Bank plc ("Depfa") to buy any bonds that are "put" back by the remarketing agent. If the bonds are held by Depfa for a period of 6 months from the purchase date, the bonds convert to an installment loan, payable over a ten-year period bearing an adjustable interest rate equal to the bank's rate per annum equal to (a) for the period from and including the Bank Purchase Date to and including the ninetieth day thereafter, the Base Rate from time to time in effect and (b) for the period from and including the date which is the ninety-first day immediately following the related Bank Purchase Date and thereafter, the sum of the Base Rate from time to time in effect plus 1.5%. Base Rate means, for any day, a rate per annum equal to the higher of (i) the Fed Funds Rate plus 0.50% per annum, and (ii) the Prime Rate. The SBPA expires on December 7, 2017.

The Bond Bank is required to pay an annual fee of 13 basis points of the outstanding principal amount of the bonds to the SBPA provider. In addition, the remarketing agent receives an annual fee based on the outstanding principal amount of the bonds. These costs are charged through to the Waterworks.

The Series 2005 H variable rate demand bonds, outstanding in the amount of $47,810 at December 31, 2008, mature between July 1, 2036 and January 1, 2037. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the remarketing agent, JP Morgan. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate.

The Bond Bank, on behalf of the Waterworks, has entered into a SBPA with Depfa to buy any bonds that are "put" back by the remarketing agent. If the bonds are held by Depfa for a period of 6 months from the purchase date, the bonds convert to an installment loan, payable over a ten-year period bearing an adjustable interest rate equal to the bank's rate per annum equal to (a) for the period from and including the Bank Purchase Date to and including the ninetieth day thereafter, the Base Rate from time to time in effect and (b) for the period from including the date that is the ninety-first day immediately following the related Bank Purchase Date and thereafter, the sum of the Base Rate from time to time in effect plus 1.5%. Base Rate means, for any day, a rate per annum equal to the higher of (i) the Fed Funds Rate plus 0.50% per annum, and (ii) the Prime Rate. The SBPA expires on December 7, 2017.

The Bond Bank is required to pay an annual fee of 58 basis points of the outstanding principal amount of the bonds to the SBPA provider. In addition, the remarketing agent receives an annual fee based on the outstanding principal amount of the bonds. These costs are charged through to the Waterworks.

During 2008, due to credit rating downgrades of the Waterworks' bond insurer, MBIA, and standby bond purchaser, Depfa, and the volatility of the credit market, Waterworks experienced a dramatic increase in interest rates and a series of "failed remarketings" of the bonds. When that occurred, the SBPA required Depfa to purchase the Series 2005 G and H bonds and hold them as "bank bonds." At December 31, 2008, Waterworks' variable rate demand bonds, in an aggregate amount of $434,300, are held as "bank bonds" by Depfa. On January 1, 2009, a $14,056 accelerated mandatory redemption principal payment to Depfa became due. However, Depfa entered into forbearance agreements with the Bond Bank and agreed to forbear the accelerated payment if Waterworks could redeem its variable rate demand bonds via issuance of refunding bonds by June 30, 2009. The Bond Bank, on behalf of the Waterworks, executed a line of credit in January 2009 in order to fund a $14,056 reserve account required to be set up by Depfa as collateral for the principal payment forbearance amount.

The Waterworks' Series 2005 G and H bonds were not redeemed by June 30, 2009 and thus an additional accelerated mandatory redemption principal payment of $18,375 became due on July 1, 2009. Depfa agreed to forbear this accelerated principal payment, as well as the first accelerated principal amount of $14,056, if the Series 2005G and H bonds could be redeemed by August 3, 2009. As a result of the January 1, 2009 and July 1, 2009 accelerated principal payments, Waterworks has recorded $32,431 of the Series 2005 G and H bonds within current liabilities at December 31, 2008, as reflected in the accompanying statement of net assets.

(In thousands)

Waterworks issued a Bond Anticipation Note on June 26, 2009 in the amount of $35,000, the proceeds of which were used to repay the $14,056 line of credit and provide additional deposits to the reserve account required to be set up by Depfa as collateral for the two principal forbearance amounts. The bond anticipation note matures September 30, 2009.

All of the Waterworks' revenue bonds include a bond covenant that it will maintain a schedule of rates, fees, and other charges so that the Gross Revenues, as defined in the bond documents, in each fiscal year equals at least the sum of (a) the amount of Gross Revenues required to pay operation and maintenance expenses for such fiscal year; plus (b) the greater of (i) 1.10 times the debt service requirements for such fiscal year, or (ii) all amounts payable from the Gross Revenues, including, without limitation, debt service on any Waterworks senior bonds, or subordinate bonds, funding of reserves for operation and maintenance expense, payments due in accordance with any hedge agreement, credit facility agreement or reserve account credit facility, and any payments to be made (including funds to satisfy prior deficiencies) in any fund, account or subaccount of the Waterworks. At December 31, 2008, the Waterworks did not meet this bond covenant coverage requirement. The bond documents indicated that the Waterworks must petition for a rate increase so that the covenant will be met in the following fiscal year.

On February 24, 2009, Waterworks filed its Petition with the IURC for authority to increase its rates and charges for water utility service, for approval of a new schedule of rates and charges, and for approval of a mechanism to annually implement rate changes based on the annual adjustment to the Waterworks' payments under the management agreement, as amended with Veolia. Although Waterworks is ultimately seeking approval of an increase in rates and charges on a permanent basis, Waterworks requested an immediate emergency increase on an interim basis pursuant to Ind. Code § 8-1-2-113. Waterworks also requested a prehearing conference to establish a procedural schedule governing the balance of the issues in this Cause, which includes permanent rates and charges and an annual adjustment mechanism for Waterworks' rates implementing changes in payments to Veolia under the management agreement.

On June 30, 2009, the IURC issued an order for an emergency rate increase of 12.27% and pro forma annual revenue requirement for emergency purposes of $143,000. See additional discussion in Note 23 regarding subsequent events.

Revenue bond debt service requirements to maturity are as follows:

Year ending December 31	Governmental activities Principal	Governmental activities Interest	Business-type activities Waterworks Principal	Business-type activities Waterworks Interest	Total Principal	Total Interest
2009	$ 30,054	$ 22,532	$ 5,310	$ 54,432	$ 35,364	$ 76,964
2010	30,092	21,379	8,765	56,863	38,857	78,242
2011	27,814	20,177	10,175	56,396	37,989	76,573
2012	27,180	19,109	11,365	55,856	38,545	74,965
2013	27,728	18,077	12,425	55,228	40,153	73,305
2014 – 2018	154,644	73,481	80,040	264,366	234,684	337,847
2019 – 2023	167,515	41,037	119,695	237,144	287,210	278,181
2024 – 2028	82,923	13,914	172,745	193,133	255,668	207,047
2029 – 2033	14,415	5,450	216,180	120,139	230,595	125,589
2034 – 2038	7,910	1,786	207,185	30,696	215,095	32,482
2039 – 2043	2,690	70	—	—	2,690	70
	$ 572,965	$ 237,012	$ 843,885	$ 1,124,253	$ 1,416,850	$ 1,361,265

In addition to the above principal amounts for Waterworks, an additional amount of $32,431 is recorded as a short-term revenue bonds payable in the Waterworks' statement of net assets due to the accelerated amortization amounts due on the Series 2005G and H bonds as discussed above.

(In thousands)

A portion of the Series 2002 A bonds are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding principal balances of $534,555 at December 31, 2008.

F. Pledged Revenues

The City has pledged specific revenue to secure the repayment of outstanding debt issues. The following table lists those revenues and the corresponding debt issue along with the purpose of the debt, the amount of the pledge remaining, the term of the pledge commitment, the current fiscal year principal and interest on debt, and the amount of pledged revenue collected during the current fiscal year.

Revenue bond issue	General purpose for debt	Term of commitment	Pledged revenue	Principal and interest for fiscal year ended December 31, 2008	Pledged revenues for fiscal year ended December 31, 2008	Total principal and interest remaining on debt
Tax increment revenue	Infrastructure investment in various special taxing districts	Through 2038	Property tax increment	$ 41,692	$ 57,717	$ 692,988
Transportation revenue	Constuction, reconstruction, and repair of road streets and sidewalks	Through 2019	Wheel tax and state transportation distributions	6,718	13,432	29,988
Redevelopment revenue	Construct roads, sidewalks, and water and sewer utilities in Martindale-Brightwood Industrial Development area	Through 2012	Transfers from the cumulative funds of the City	470	510	1,893
Facilities revenue	Improvements and repairs to various city and county-owned buildings	Through 2021	Rent charged back to City and County agencies	1,719	1,593	25,083
Stormwater	Improvements of stormwater handling capabilities	Through 2026	Net revenues of the stormwater system	3,051	3,051	68,887
Sanitary revenue	Construction of additions and improvements to the sewage works system	Through 2028	Net revenues of the sewer system	34,077	64,257	604,630
Enhanced emergency telephone system	Upgrade and improvements to the enhanced emergency telephone system (E-911)	Through 2011	E-911 fees	1,696	1,643	5,081
Economic development	Issued to provide financial incentives and assistance to a private developer for the construction of a downtown hotel	Through 2039	Parking garage fees	1,958	2,060	74,420
Waterworks	Purchase of and capital improvements to the public water utility	Through 2038	Net revenues of the public water system	55,458	48,720	1,968,138

G. Notes Payable

1. The City has outstanding notes payable related to HUD Section 108 loan proceeds. The notes payable, with an original amount of $6,000, were issued in 2000 and 2001. Under the terms of the agreement, the City makes principal and interest payments on each February 1 and August 1, with the last payment being made on August 1, 2020. At December 31, 2008, $3,600 was still outstanding.

2. On June 27, 2002, a loan for $175 was secured from Indiana Development Finance Authority through the Department of Metropolitan Development. The purpose was to assist in financing the cost of assessment and remediation activities at a Brownfield site (as defined in IC 13-11-2-19.3) known as Riverside Plaza, located at 1426 W. 29th Street in Indianapolis, Indiana. Up to twenty percent (20%) of the $175 loan may be forgiven if the project attains its Economic Development Goals timely. In 2004, $35 was forgiven. At December 31, 2008, $53 was still outstanding.

3. On August 1, 2005, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment District Limited Recourse Notes, Series 2005 A in the amount of $3,750 and Series 2005 B in the amount of $2,750 to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2005 A in the amount of $3,750 and Series 2005 B in the amount of $2,750. The proceeds from the sale of the Series 2005 A Notes are being used to provide funds to develop Fall Creek Place Phase 4, which is bounded by the east side of College Avenue, 22nd Street, Broadway Avenue and Fall Creek. There are expected to be 91 new homes, 34 new townhomes, and approximately 10 rehabs (which will be carried out by King Park and Historic Landmarks), for a total of 125 new homes. Principal and interest will be paid from tax increment revenues collected in the Fall Creek/Citizens Consolidated Housing Tax Increment ("HOTIF") area.

   Series 2005 A and 2005 B interest is payable on each January 1, April 1, and July 1, and October 1, commencing on October 1, 2005. Principal is payable at maturity on August 10, 2010. The notes bear interest with respect to each Interest Period, from the Interest Payment Date to which interest has been paid, at a per annum rate of LIBOR Rate plus ninety-six (96) basis points based on a 360-day year. As of December 31, 2008, the interest rate for Series 2005 A and B was 2.86%.

   At December 31, 2008, the City had drawn down $3,185 and $2,750 on the Series 2005 A and 2005 B, respectively, and these amounts are outstanding at December 31, 2008.

5. On September 9, 2005, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment District Limited Recourse Notes, Series 2005 C in the amount of $2,500 to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2005 C in the amount of $2,500. The proceeds from the sale of the Series 2005 C Notes will be used to provide funds to develop finance certain infrastructure improvement in serving or benefiting the Barrington Redevelopment Area and pay issuance costs. Principal and interest will be paid from tax increment revenues collected in the Barrington HOTIF allocation area. The notes bear interest at a per annum rate of 3.85%. Interest is calculated on the basis of 360-day year and due February 1 and August 1 commencing on February 1, 2006. The outstanding balance at December 31, 2008 is $2,500, which will mature on August 1, 2010.

6. The Indianapolis Local Public Improvement Bond Bank issued $5,000 Limited Obligation Notes, Series 2006 C to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2007 C whose issuance is being undertaken to finance certain infrastructure improvements in serving, or benefiting the Near Eastside Redevelopment Area and to provide funds for issuance costs. The notes are to be repaid from the proceeds of a long-term bond to be issued before December 22, 2011. The outstanding balance at December 31, 2008 is $5,000.

7. On November 10, 2006, the City signed an agreement with the Indianapolis Local Public Improvement Bond Bank for an amount not to exceed $7,800. The proceeds from the notes are to be used to purchase vehicles and equipment for the City. The term for this agreement is 60 months, with the first principal payment due November 10, 2007. At December 31, 2008, the balance owed was $5,234.

8. On November 16, 2007, the City signed an agreement with the Indianapolis Local Public Improvement Bond Bank for amounts not to exceed $920 and $1,440 for the purchase of vehicles and equipment for the City. At December 31, 2008, no draws have been made.

9. The City entered into an Interlocal Agreement with the Indianapolis Airport Authority ("IAA") related to the construction of the Parallel Bridgeport Interceptor sewer. The agreement provides that upon acceptance the City assumes ownership and that the City reimburse IAA for costs that exceed $1,640 over a four-year period ending December 31, 2009. The City paid $868 in 2008 and the estimated remaining City obligation at December 31, 2008 was $914.

10. On September 25, 2007, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment Note, Series 2007 E in the amount of $5,000. The proceeds from the note are to be used for demolition of structures, excavation, and proper disposal of contaminated soils left when Ertel Manufacturing Company went out of business in 2003. Interest and principal

(In thousands)

are payable at maturity on September 25, 2009. The note bears interest on the 30-Day LIBOR plus 2.14%, multiplied by 65% and set on the 25th day of each month beginning September 25, 2007. At December 31, 2008, the City had drawn down $4,148 on the Series 2007 E and the outstanding balance was $4,148. The interest rate in effect at December 31, 2008 was 1.70%

11. In connection with the purchase of the Waterworks in 2002, the City assumed several notes payable. These notes are generally for the purchase of real estate and water rights and mature in 2009. At December 31, 2008, a total of $218 was outstanding for these notes.

12. As a result of the first amendment to the management agreement with Veolia signed in 2007, Waterworks agreed to repay some unanticipated expenses related to capital asset purchases of Waterworks during the first five years, which were previously recorded as contributed capital by Waterworks. In 2007, a note payable was executed for $5,000 of which $1,667 was paid in the 2008. At December 31, 2008, the outstanding balance on this note is $1,666. On June 30, 2008, the IURC's emergency rate case order issued its ruling that the third and final payment of $1,666 owed to Veolia under the first amendment to the management agreement should not be paid until the issuance of a final order determining whether this payment is reasonable and in the public's interest.

Annual amounts due on notes payable to maturity are as follows:

	Governmental activities		Business-type activities Waterworks	
	Principal	Interest	Principal	Interest
2009	$ 7,520	$ 1,114	$ 1,884	$ —
2010	11,002	821	—	—
2011	6,162	682	—	—
2012	300	171	—	—
2013	300	153	—	—
2014-2018	1,500	486	—	—
2019-2020	600	59	—	—
	$ 27,384	$ 3,486	$ 1,884	$ —

H. Capital Leases Payable:

Governmental Activities

The City and Marion County jointly lease their office building and parking lot from the Indianapolis-Marion County Building Authority ("Building Authority"), a related party, over a 50-year term expiring in December 2012 (Note 14). The Building Authority is a separate municipal corporation whose purpose is to finance, acquire, construct, improve, renovate, equip, operate, maintain, and manage land, governmental buildings, and communication systems for governmental entities within Marion County. The Building Authority has no stockholders nor equity holders, and all bond and note loan proceeds, rentals, and other revenues must be disbursed for specific purposes in accordance with provisions of Indiana Code 36.9-13 et. seq. and several trust indentures and loan agreements executed for the security of the holders of the bonds and notes. The facilities are financed through the issuance of general obligation debt. The Building Authority enters into long-term lease agreements with the City and other government entities, which provide for sufficient rent to service the debt and offset operating costs. All of the leases contain lease renewals and purchase options. If these options are not exercised, the leases provide for the transfer, upon expiration of the lease, of ownership of the properties to the lessees free and clear of all obligations of the lease. The governing Indiana statute with respect to each of the Building Authority's leases provides that the government lessee(s) shall be obligated to levy annually a tax sufficient to produce each year the necessary funds to pay the lease rentals to the Building Authority. These leases provide for sufficient rent to service the debt and provide for operating costs. Marion County and the City will jointly obtain title to the building and parking lot in the future. The lease requires the City to make annual payments equal to the Building Authority's debt service requirements ($0 in 2008) plus the City's share of building operating and maintenance costs ($1,736 in 2008).

(In thousands)

On June 30, 2008, the capital lease with the Building Authority for the central maintenance garage expired. The City obtained title to the garage at the end of the lease term. On July 1, 2008, a maintenance operation agreement was signed, the maintenance operation agreement requires that the City make annual payments in an amount sufficient to cover costs of operation and maintenance of the garage. At December 31, 2008, the City had paid $408 in maintenance operation costs.

Housing Agency

In 2002, the Housing Agency entered into an agreement with Energy Systems Group ("ESG") for capital improvements to Housing Agency-owned properties to enhance energy efficiency ("Energy Savings Project") and to modernize certain of the Housing Agency's properties ("Modernization Project"). The agreement calls for both projects to be financed through two separate lease purchase agreements with payments made semi-annually over a 12-year period. As of December 31, 2008, the lease purchase agreement on the Energy Savings Project had a total liability balance of $999. As of December 31, 2008, the Housing Agency had executed the lease purchase agreement for the Modernization Project with a total liability balance of $8,892. At December 31, 2008, the capitalized cost, net of related depreciation, of these two projects was $1,714.

The following is a schedule of future minimum lease payments and the net present value of these minimum lease payments for business-type activities as of December 31, 2008.

	Business-type activities
	Housing Agency
2009	$ 227
2010	195
2011	195
2012	195
2013	195
2014 – 2016	194
	1,201
Less amount representing interest	(171)
Present value of net minimum lease payments	$ 1,030

I. Unfunded Pension Obligations: As discussed in Note 17, the Police and Firefighters (City) Pension Plans are funded on a "pay-as-you-go" basis.

J. Postemployment Benefit Obligation: As discussed in Note 13, the City provides post-retirement healthcare benefits for Police and Firefighters. Civilian employees may continue healthcare coverage but are required to contribute 100% of their annual premium.

K. Compensated Absences Payable: A long-term liability for benefit and sick leave earned but not paid of $26,266 at December 31, 2008 is recorded in the government-wide statements. Compensated absences are generally liquidated by the General Fund.

L. Settlements Payable: A settlement payable results from a 1991 consent decree, which indicated that the U.S. Environmental Protection Agency ("EPA") placed the Northside Sanitary Landfill on the National Priorities List. This landfill is located in Union Township, Boone County, approximately 5 miles north of Zionsville, Indiana. In the late 1980s, the EPA conducted studies at the landfill due to the release or potential release of harmful hazardous substances and determined that remedial actions at the facility were necessary. This landfill is not owned by the City; however, the City was named as a Settling Defendant (among many) in the Consent Decree. While not admitting responsibility, the Settling Defendants have agreed to settle the claims in the lawsuit and participate in the cleanup of the facility. This amount of $906 is payable over the next 10 years.

M. Conduit Debt: From time to time, the City has issued Economic Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition, rehabilitation, and construction of industrial, commercial, and housing facilities and projects deemed to be in the public interest. The bonds are secured by the property financed. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2008, the City-County Council had approved 93 series of Economic Development Revenue Bonds for a total not to exceed $1,076,003. In 2008, of the not-to-exceed amount of $95,020 that was approved by the City-County Council, bonds in the amount of $61,520 were issued. The aggregate principal amount outstanding on bonds issued prior to 2001 could not be determined. The aggregate principal amount outstanding at December 31, 2008 on bonds issued since 2001 is $249,349.

N. **HUD Serviced Debt** The Housing Agency has issued certain obligations related to development and modernization of low-rent housing units as long-term debt in the financial statements. These obligations are payable by HUD and secured by annual contributions. The Housing Agency bonds represent the Agency's portion of consolidated issues, which include other housing authorities in the State of Indiana. HUD deposits an amount equal to the total maturities with the paying agent each year, and allocates bond principal payments to each housing authority based on its percentage of the total issue.

The Housing Agency, with consultation with HUD, concluded that the obligations do not constitute a debt of the Housing Agency and, therefore, are not recorded in the financial statements. The total bonds outstanding at December 31, 2008 were $1,058 and are considered a contingent obligation in that the Housing Agency could be liable should HUD fail or refuse to service the debt.

11. Short-Term Debt Analysis

Tax Anticipation Warrants were issued on the taxes levied in 2007 and collected in 2008. The City-County Council authorizes the temporary borrowing pending the receipt of taxes levied and repayment of loans on June 30 and December 31 of the year borrowed. This procedure assures the City of sufficient funds for operating expenses between the property tax distribution dates. Because of the continued problems encountered with assessed valuations, final 2008 tax bills were not issued until June 12, 2009. Therefore, there are outstanding balances as of December 31, 2008.

As of December 31, 2008, $9,678 was outstanding on the County Option Income Tax ("COIT") Anticipation Notes issued in 2007. In 2007, the City loaned $9,678 of COIT Anticipation Note proceeds to Marion County. In January 2009, Marion County repaid the outstanding COIT Anticipation Notes in full.

On December 18, 2008, MECA Bond Anticipation Notes of $33,456 were repaid with proceeds from the issuance of the Public Safety Communications Systems and Computer Facilities District Bonds, Series 2008 B in the amount of $40,000.

(In thousands)

Tax anticipation warrants	Balance January 1, 2008	Issued	Redeemed	Balance December 31, 2008
Consolidated County General	$ 4,110	$ 7,088	$ 11,198	$ —
Parks General	3,460	15,316	10,513	8,263
Redevelopment General	90	—	90	—
Solid Waste Collection General	5,178	22,107	15,518	11,767
Fire General	10,910	39,395	32,201	18,104
Metropolitan Police General	9,815	34,347	27,145	17,017
Metropolitan Thoroughfare District Debt Service	990	2,612	1,227	2,375
Park District Debt Service	610	2,647	1,812	1,445
Redevelopment District Debt Service	1,601	511	2,112	—
MECA Debt Service	1,172	2,354	2,920	606
Revenue Debt Service	9,538	17,662	27,200	—
City Cumulative Capital Development Capital Projects	3,051	12,706	8,094	7,663
	$ 50,525	$ 156,745	$ 140,030	$ 67,240
COIT anticipation notes				
Consolidated County General	$ 9,678	$ —	$ —	$ 9,678
Metropolitan Police General	16,408	—	16,408	—
Fire General	9,914	—	9,914	—
	$ 36,000	$ —	$ 26,322	$ 9,678
MECA bond anticipation notes				
MECA Capital Projects	$ 33,456	$ —	$ 33,456	$ —
	$ 33,456	$ —	$ 33,456	$ —

(In thousands)

12. Fund Balance

Included in the City's General Fund are financial activities of certain districts within the City. These districts generally involve the collection of fees and taxes for the purposes of the district, and their use is limited to those purposes. The City tracks these activities by utilizing accounts within the General Fund. Below represents a breakdown of the components of the General Fund balance by each account:

	Reserved for encumbrances	Unreserved	Total
Consolidated County	$ 6,439	$ 21,499	$ 27,938
Redevelopment	103	11,929	12,032
Solid Waste Collection	4,448	(11,392)	(6,944)
Solid Waste Disposal	2,174	24,636	26,810
Sanitation	3,467	70,220	73,687
Transportation	10,013	(1,482)	8,531
Fire	51	(17,756)	(17,705)
Park	584	(4,314)	(3,730)
Metropolitan Police	484	(18,100)	(17,616)
Storm Water Management	6,102	8,052	14,154
Total	$ 33,865	$ 83,292	$ 117,157

13. Postemployment Benefits Other Than Pensions

The cost of postemployment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The City follows the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("GASB Statement 45"). Thus, the City recognizes the cost of postemployment healthcare in the year the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be amortized over 30 years, beginning in 2007.

A. Plan Description

The City maintains and provides postemployment medical care ("OPEB") for retired employees through a single-employer defined benefit medical plan, which the City administers. The plan provides medical benefits for eligible retirees, their spouses, and dependents though the City's group health insurance plans, which cover both active and retired members.

Eligible retirees must meet the following criteria:

Civilian

1. at age 60 with at least 15 or more years of creditable service, or
2. if the member's age in years plus the years of creditable service equal at least 85 and the member is at least 55 years of age.

(In thousands)

Police

1. at least 20 years of service, who are over the age of 50, and less than age 65 (contract period 1999-2002).
2. at least 20 years of service, who are over the age of 52, and less than age 65 (subsequent to 2002).

Firefighters

1. at least 20 years of service, who are at least age 52 and less than age 65.

Benefit provisions are established through negotiations between the City and the union representing the City's employees and are renegotiated each three-year bargaining period. The plan is not accounted for as a trust fund, because an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes 60% of the cost of current year premiums for eligible police and fire retired plan members and their spouses. For fiscal year 2008, the City contributed $1,158 to the plan. Plan members receiving benefits contribute 40% of their premium costs. In fiscal year 2008, total member contributions were $709, or .43% of total covered payroll. Civilian employees who are eligible for retirement may choose to continue their healthcare coverage on the City's insurance plan until the age of 65 but are required to contribute 100% of their annual premium costs. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go financing method through paying the higher rate for active employees each year.

C. Annual OPEB costs and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. In accordance with GASB Statement No. 45, the City has elected to perform an actuarial valuation of the OPEB on a biennial basis. The last actuarial valuation performed by the City was as of December 31, 2007. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information are as follows at December 31, 2008.

Annual required contribution	$	14,121
Interest on net OPEB obligation		528
Adjusted to annual required contribution		(510)
Annual OPEB cost (expense)		14,139
Contributions made		1,158
Increase in net OPEB obligation		12,981
Net OPEB obligation – beginning of year		13,210
Net OPEB obligation – end of year	$	26,191

(In thousands)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2007 were as follows:

Fiscal year ended	Annual OPEB cost	Employer contributions	Percentage of OPEB cost contributed	Net OPEB obligation
2008	$ 14,121	$ 1,158	8.20%	$ 26,191
2007	14,121	911	6.45	13,210

D. Funded Status and Funding Progress

The funded status of the plan based on the last actuarial valuation, which was as of December 31, 2007 was as follows:

Actuarial accrued liability	$ 137,738
Actuarial value of plan assets	—
Unfunded actuarial accrued liability	$ 137,738
Funded ratio	0%
Covered payroll	$ 236,782
Unfunded actuarial accrued liability as a percentage of coverd payroll	58.17%

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

E. Actuarial Methods and Assumptions

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

(In thousands)

Actuarial valuation date	December 31, 2007 *
Actuarial cost method	Projected Unit Credit
Amortization method	Closed
Remaining amortization period	28 years
Actuarial Assumptions:	
Discount rate	4.00% effective annual rate
Projected salary increases	3.00%
Healthcare inflation rate	10% decreasing by 0.5% for the first 6 years then by 0.25% for the next eight years reaching an ultimate rate of 5.0%

* In accordance with GASB Statement 45, the City obtains actuarial valuations biennially. The next valuation will be completed as of December 31, 2009.

14. Joint Venture

The Indianapolis-Marion County Building Authority ("Building Authority") is a joint venture of Marion County and the City. See Note 10.H for further discussion on the Building Authority. The City's share of the joint venture consists primarily of 42% of the City-County Building (determined by occupancy) and 100% of the Municipal Garage, Belmont Garage, Public Safety Communications System, Public Safety Training Academy, and Public Safety Properties. The various portions of Building Authority facilities are leased to other units of government and private parties. Marion County's share of the joint venture consists primarily of 58% of the City-County Building (determined by occupancy) and 100% of the Marion County Jail and Jail II, Juvenile Detention Center, and Sheriff's Roll Call Site.

The Building Authority has various long-term debt obligations, which are secured by the rent payments received from the City and County. During 2008, the City paid approximately $4,119 in rent. The amount of the Building Authority's principal's current portion and long-term debt portion at June 30, 2008 was $2,130 and $21,166, respectively. The amount of accumulated net revenues retained in operation accounts at June 30, 2008 was $63,873, and the amount of accumulated net revenues retained and used for building, site, and project costs and related debt service was $57,315.

A copy of the separately issued financial statements of the Building Authority for the year ended June 30, 2008, which is prepared on a basis other than U.S. generally accepted accounting principles, is available upon request.

15. Contingent Liabilities and Commitments

A. Various lawsuits are pending against the City. In the opinion of the City's Corporation Counsel, the aggregate potential loss on all outstanding litigation was estimated to be $2,358. This amount has been accrued for in the Internal Service Fund. This opinion concurs with the Indiana law limiting the liability of municipalities to $700 per person and $5,000 per occurrence. Additionally, the City is a defendant in various lawsuits for which management has determined that there is a reasonable possibility of an adverse outcome. No accrual has been made in the financial statements for these items, which approximate $230, as the loss is not both probable and estimable.

B. The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grants.

C. Effective December 1, 2008, the City entered into a service agreement with the owner of a resource recovery facility that is in effect until December 31, 2018 with the option of extending the agreement for two additional five year periods. The City has agreed to deliver a certain amount of "acceptable waste" each year to the facility. The City pays a tipping fee of $0.027 per ton for the first three years of the service agreement which escalates at 2.7% in years four through ten. The City also will reimburse the owner of the resource recovery facility for any taxes levied by any governmental entity, other than income taxes, and the leased cost of the facility site. The owner of the resource recovery facility will revenue share 12.5% of its steam revenues, with a minimum guarantee of $2,500 and a maximum of $2,700 per year, also escalating in years one through ten. Included in the General Fund is $24,208 of accounts receivable, which represents excess moneys from the surplus account that is utilized to account for differences in the guaranteed fee amounts.

D. The City has entered into operating agreements on a number of City-owned golf courses, which provide for termination payments to be made to the operator if the City cancels the agreements prematurely. These payments are primarily to cover the costs for improvements made to the courses by the operators. The termination payment declines over the term of the agreements. There are termination agreements on three courses: Eagle Creek, Smock, and Winding River. While the City has no intention to do so, if the agreements were terminated at December 31, 2008, the total termination payments due would be $4,547.

E. The City has a new agreement with a contractor to provide the operation and maintenance of the Belmont and Southport advanced wastewater treatment facilities, the sewer and stormwater collection systems, and Eagle Creek Dam. The new agreement had a Commencement Date of January 1, 2008. The contractor provides all personnel, supplies, materials, and other items necessary to operate the advanced wastewater treatment facilities and the collection systems. In addition, the contractor is responsible for the routine, preventative, and corrective maintenance of the facilities. The City retains responsibility for energy costs and certain chemical costs. The agreement specifies an annual base service fee to be paid to the contractor and identifies incentive payments of up to 25% of the base service fee that may be earned annually based on performance. In 2008, the base service fee is $28,310 and the potential incentive payments are $7,077. Reconciliation of incentive payments will be completed in the first quarter of 2009. In addition, the City will provide at least $2,000 to the contractor to perform certain minor capital improvements.

F. The City entered into an agreement on March 21, 2002 with U.S. Filter Operating Services, Inc. (now Veolia) to operate and maintain the water utility. The 20-year contract provides the City to pay an annual fixed fee and additional incentive payments. In 2008, the total amount paid to Veolia under the management agreement was $53,334, of which $9,777 was for incentive payments. The annual fixed fee which is adjusted annually effective each January 1 will be adjusted by the "New Composite Price Index" ("NCPI"), which is defined as: [(.51*Labor Index) + (.10*Utilities Index) + (.06 * Chemical Index) + (.33*Consumer Price Index)]. The adjustment effective January 1, 2009 was 1.38%. On June 30, 2009, the IURC ordered that the adjustment be lowered to 0% effective January 1, 2009.

G. The City entered into a Consent Decree with the U.S. Department of Justice and the Indiana Department of Environmental Management, requiring implementation of a 20-year raw sewage combined sewer overflow Long Term Control Plan and steps to address certain sanitary sewer overflows. The requirements in the Consent Decree are anticipated to cost about $1.8 billion in total (current dollars) by 2025. The Consent Decree also contains stipulated penalties for certain violations, including certain sanitary sewer overflows, which will occur prior to ultimate infrastructure replacements or corrections. The City entered into an agreement with a contractor to assist in the overall management of the initial phase of the proposed program. The total amount of the contract for a 3-year period is $28,990. The total amount spent in 2008 for the contract was $5,053.

H. As indicated in Note 1.D, the Waterworks is rate-regulated by the IURC in connection with its purchase of the Waterworks. As of December 31, 2008, regulatory assets amounting to $1,020 have been recorded by Waterworks. There are no regulatory liabilities. Due to the unusual nature of this purchase transaction (municipality purchasing a privately owned entity), there is little precedent as to the manner in which the IURC will treat deferred assets and liabilities that had been previously recorded by NiSource or the cost of acquiring the rights to operate the system. Future rulings by the IURC could result in regulatory assets or liabilities being recorded by Waterworks.

I. The Waterworks is subject to pollution control and water quality control regulations, including those issued by the EPA, the Indiana Department of Environmental Management ("IDEM"), the Indiana Water Pollution Control Board, and the Indiana Department of Natural Resources. From time to time, the Waterworks is involved in environmental matters and claims incidental to its business, and management of the City believes that the outcome of these matters will not have a material adverse effect, either individually or in the aggregate.

16. Related Party Transactions

The legislative body of the City is the same in several respects as that of Marion County, and the position of the County Executive is the same as the Mayor of Indianapolis. The County provides certain information and telephone services to the City. During the year, the City incurred approximately $12,155 in costs, of which approximately $1,719 is due to the County at December 31, 2008 for these services. In 2008, the County paid $2,028 of E-911 dispatch fees to the City. At December 31, 2008, the County owed the City $691 for fuel charges and $395 for court costs. In addition, the City and County both act in capacities of passthrough and subrecipient agents for federal and state grants. In 2007, the City loaned Marion County $9,678 in anticipation of County Option Income Tax proceeds, as of December 31, 2008 the loan was still outstanding. Subsequent to year-end, the loan was repaid in full.

The City and County purchase certain insurance policies, which cover risks of both entities. The City and County pay premiums associated with their own respective portions of the coverage. The City provides certain administrative services to the County including purchasing, legal, and other general administration. The City funds such services through a county-wide tax levy. The

County does not compensate the City for these services. Conversely, Marion County provides, at no compensation, criminal, civil, juvenile, and probate court services to all municipalities and unincorporated areas in Marion County and administers the property tax administration and collection system for the same jurisdictions and the Marion County jail and lockup.

17. Pension Plans

In 2008, the City implemented GASB Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements 25 and 27.* This statement enhances the disclosure requirements of the defined benefit pension plans. City employees are covered under one of the following defined benefit Public Employees' Retirement Systems (PERS):

A. Plan Descriptions

1. Police and Firefighters (PERF) Plan

Certain police and firefighters are covered by a statutory cost-sharing multiple-employer retirement system. This plan covers all police and firefighters hired after April 30, 1977 or hired before May 1, 1997 who have elected to covert to this plan, and is administered by the Public Employees' Retirement Fund of Indiana ("PERF").

State statute regulates the operations of the system, including benefits, vesting, and contributions. Employees covered may retire and receive full benefits upon attainment of age 52 and 20 years of service. An employee with 20 years of service may leave, but will not receive benefits until reaching age 50. The plan also provides for certain death and disability benefits. The Public Employees' Retirement Fund of Indiana issues a publicly available financial report that includes financial statements and required supplementary information for the City's Police and Firefighters (PERF) Plan and the All Other City Employees Plans. That report may be obtained by writing to Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204.

Covered employees are required to contribute 6 percent of their compensation. The amount of the employer's contribution is determined by PERF based on a valuation using the entry age normal cost method. The rate of employer contribution is 21 percent of each employee's annual compensation. The City's contributions to the plan for the years ended December 31, 2008, 2007, and 2006 were $24,818, $22,513, and $18,335, respectively, equal to the required contributions for the year.

2. Police and Firefighters (City) Plans

The City also maintains two single-employer retirement plans covering police and firefighters hired on or before April 30, 1977 and is accounted for in a pension trust fund. No separately prepared financial statements are available for the Police and Firefighters City Plans. Retirement benefits are available after 20 years of service. State statute grants authority for these pension plans and sets the regulations covering benefits. Participants contribute 3% of base salary, defined as the salary of a first-class police officer or a first-class firefighter in 2008. As these salaries increase year by year, benefits are directly adjusted. After participant contributions and state pension relief amounts are projected, property taxes and county option income taxes are levied to provide funding for the anticipated benefit payments for the year budgeted, resulting in benefit payments funded on a "pay-as-you-go" basis. No significant plan assets are accumulated for the payment of future benefits, except as discussed below. During the 2008 State of Indiana Legislative Session, the State agreed to pay the entire annual cost of future pension payments to the police officers and firefighters who are members of the pre-77 plan beginning in 2009 (see Note 23 for subsequent events).

Indiana's deferred retirement option plan (DROP) was enacted into law in 2002. This law provides that beginning on January 1, 2003, an eligible employee may enter the DROP. The DROP option is available to members of the employees of the police and firefighters (City) plans who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment. Those electing this provision continue to make contributions to the plan and must elect a DROP retirement date not less than twelve (12) months and not more than thirty-six (36) months after the member's DROP entry date. Furthermore, the member may not remain in the DROP after the date the member reaches any mandatory retirement age that may apply and may make a DROP election only once in the member's lifetime. Upon retirement, a member will receive a DROP frozen benefit to be paid in a lump-sum distribution or in three (3) equal installments commencing on the member's DROP retirement date.

3. All Other City Employees Plans

The City contributes to another plan administered by PERF for all other City employees, which is an agent multiple-employer retirement system that acts as a common investment and administrative agent for state employees and employees of participating political subdivisions of the State of Indiana, in accordance with Indiana Codes 5-10.2 and 5-10.3.

Except for police and firefighters, all full-time employees are eligible to participate in this plan. Benefits vest after 10 years of service. City employees who retire at or after age 65 with 10 years of credited service are entitled to an annual retirement, payable monthly for life. City employees who have reached 50 years of age and have 15 years of credited service will qualify for early retirement with reduced benefits. Employees who are at least 55 years of age at retirement and have 30 years of creditable service receive a full pension benefit. Any combination of age and years of service greater than 85 (for those older than 55) also qualifies the employee for full retirement benefit. PERF also provides for death and disability benefits. These benefit provisions and all other requirements are established by state statute.

A contribution of 3% of each employee's annual compensation is required, which is paid by the City. In addition, the City is required to contribute amounts necessary to fund this plan, using the entry age normal cost method as specified by state statute. The City-financed pension benefits are classified as defined benefits, and the employee-financed pension benefits are classified as defined contributions and depend on the amount contributed by the employee plus accumulated investment earnings.

All assets of the plan are held by and invested by PERF. Investments are mainly in obligations of the U.S. government and federal agencies and in equity securities.

Effective January 1, 2007, the sheriff deputies from the Marion County Sheriff were merged with the former Indianapolis Police Department and formed the Indianapolis Metropolitan Police Department, which is part of the City. The pension plan for the former Marion County Sheriff's deputies who are now part of the Indianapolis Metropolitan Police Department is funded by the County, and accordingly, the liability is held by Marion County in the Marion County Law Enforcement fund.

B. Actuarial Valuation and Net Pension Obligation

The following schedules are derived from the respective actuarial reports and City information for the four pension plans as of December 31, 2008 and, with regard to contributions for 2008, based on the January 1, 2008 actuarial report.

Census data for the four plans are as follows:

	Police and firefighters (City) (3)	Police and firefighters (PERF)	All other City employees
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits (2)	2,073	308	234 (1)
Current employees:			
Vested (2)	105	616	950
Nonvested (2)	—	1,447	846
Total	105	2,063	1,796

(1) Number does not include retirees and beneficiaries currently receiving benefits since PERF pays those benefits from a separate plan.
(2) Amounts presented are not in thousands.
(3) Census data not separately available for police and firefighters (City) plans.

(In thousands)

The significant actuarial assumptions used to determine the net pension obligation/asset are summarized below:

Assumptions	Police and firefighters (City)	Police and firefighters (PERF)	All other City employees
Rate of return on present and future assets	6.00%	7.25%	7.25%
Inflation rate	4.00% for converted and 2.75% for nonconverted	2.75%	1.50%
Salary increase	4.00%	4.00%	*
Annual postretirement benefit increases following retirement for 5 years	4.00% for nonconverted and 2.75% for converted	2.75%	1.00%
Asset valuation method	N/A	smoothed basis	75% of expected actuarial value plus 25% of market value
Amortization method	level dollar	level dollar	level dollar
Amortization period	closed – 30 years	closed – 30 years	open – 30 years

* Based on PERF experience 2000 – 2005.

The calculation of the annual pension cost and net pension obligation/asset is as follows:

	Police (City)	Firefighters (City)	Total
Actuarial valuation date	January 1, 2008	January 1, 2008	
Annual required contribution	$ 31,404	$ 23,903	$ 55,307
Interest on net pension obligation	12,540	10,678	23,218
Adjustment to annual required contribution	(15,821)	(13,472)	(29,293)
Annual pension cost	28,123	21,109	49,232
Contributions made	28,268	26,394	54,662
Decrease in net pension obligation	(145)	(5,285)	(5,430)
Cumulative pension obligation-beginning of year	208,998	177,970	386,968
Net pension obligation-end of year	$ 208,853	$ 172,685	$ 381,538

(In thousands)

		All other City employees
Actuarial valuation date		June 30, 2008
Annual required contribution	$	2,667
Interest on net pension obligation		—
Adjustment to annual required contribution		—
Annual pension cost		2,667
Contributions made		2,890
Increase in net pension asset		(223)
Net pension obligation-beginning of year		5
Net pension asset-end of year	$	(218)

C. Contribution Requirements and Contributions Made

Except for the Police and Firefighters (City) Plans, the funding policies of the PERS provide for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The Police and Firefighter (City), the Other City Employees Plan, and the Police and Firefighters (PERF) Plan use the entry-age normal cost method to determine the contribution requirements.

	Methods and assumptions	
	Actuarial funding method	Period to amortize unfunded actuarial accrued liability
Police and Firefighters (City) Plan	Entry Age Normal Cost	30
Police and Firefighters (PERF) Plan	Entry Age Normal Cost	30
All Other City Employees Plan	Entry Age Normal Cost	30

The Pension Trust Fund payments on behalf of benefits for City's employees were recognized as revenues and expenditures during the period.

The present value of expected future funding to be received from the State of Indiana for pension relief contributions on the City plan for police and firefighters totaled $642,009 as of January 1, 2008. In 2008, the State of Indiana contributed $33,705 of pension relief to the Police and Firefighters (City) Plans.

(In thousands)

For the year ended December 31, 2008, the City's total payroll for all employees consists of the following:

Police and Firefighters (City) Plans	$	7,054
Police and Firefighters (PERF) Plans		133,141
All Other City Civilian Employees Plan		75,787
Former Marion County Sheriff Deputies Plan		22,710
Noncovered employees		2,676
Total payroll	$	241,368

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information for the Police and Firefighters (PERF) Plan showing PERF's progress in accumulating sufficient assets to pay benefits when due is presented in PERF's June 30, 2008 annual report.

Fiscal year ending		Annual pension cost	Percentage of APC contributed			Cumulative net pension obligation (asset)
Police (City) Plan:						
2008	$	28,123	100.5	%	$	208,853
2007		28,940	87.9			208,998
2006		28,767	83.6			205,504
Firefighters (City) Plan:						
2008		21,109	125.0			172,685
2007		22,830	108.9			177,970
2006		24,394	95.2			180,002
All Other City Employees Plan:						
2008		2,667	108.0			(218)
2007		2,779	81.7			5
2006		3,003	66.0			(504)

E. As separate financial statements are not issued for the individual pension trust funds, the following are the financial statements for those funds:

Fiduciary Funds
Combining Statement of Pension Trust Funds Net Assets
December 31, 2008
(In thousands)

	Police Pension	Firefighters Pension	Total
ASSETS			
Equity in pooled cash	$ 297	$ 123	$ 420
Investments	95	40	135
Accrued interest receivable	3	—	3
Accounts receivable	12	—	12
Total assets	407	163	570
LIABILITIES			
Accounts payable and other accrued liabilities	407	163	570
Total liabilities	407	163	570
NET ASSETS			
Held in trust for pension benefits	$ —	$ —	$ —

Combining Statement of Changes in Fiduciary Net Assets
Police and Firefighters Pension Trust Funds
Year ended December 31, 2008
(In thousands)

	Pension Trust Funds		
	Police Pension	Firefighters Pension	Total
ADDITIONS			
State of Indiana pension subsidy received from the General Fund	$ 16,705	$ 16,370	$ 33,075
Interest income and other	129	120	249
	16,834	16,490	33,324
Contributions:			
Employer	10,828	2,513	13,341
Plan members	14	31	45
	10,842	2,544	13,386
Total additions	27,676	19,034	46,710
DEDUCTIONS			
Benefits	28,690	26,389	55,079
Total deductions	28,690	26,389	55,079
Change in plan net assets	(1,014)	(7,355)	(8,369)
Net assets – beginning	1,014	7,355	8,369
Net assets – ending	$ —	$ —	$ —

F. Funded Status

The funded status of the plans as of the most recent actuarial valuation date is as follows:

Asset valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) entry age	Unfunded (overfunded) AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Police (City) Plan						
1/1/2008	$ —	$ 416,860	$ 416,860	— %	$ 2,983	13,975 %
Firefighters (City) Plan						
1/1/2008	—	314,836	314,836	—	2,927	10,756
All Other City Employees (PERF) Plan*						
7/1/2008	126,800	112,664	(14,136)	113	71,787	20

The projection of future benefit payments for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

18. Postretirement Benefits

In connection with the City's purchase of the Waterworks, the City acquired an obligation for paying for postretirement healthcare and life insurance benefits ("Retiree Benefits") for certain employees and former employees of IWCR, now Veolia. The plan is administered by Veolia as it is a plan for their employees. As of January 1, 2008, there were 351 (not in thousands) participants currently receiving Retiree Benefits.

Prior to the purchase of the Waterworks by the City, IURC approved a rate increase so that assets could be accumulated over time to pay for the current and future costs of the Retiree Benefits. As a condition of including Retiree Benefit costs in rates on an accrual basis, the IURC required IWCR to establish a grantor trust ("Trust"). Money received from rates to pay for Retiree Benefits must be deposited into the Trust. The Trust must be disbursed to pay for the Retiree Benefits, and certain administrative expenses. The Trust is subject to the creditor's of the City. In the event that the Trust assets are no longer needed to pay for Retiree Benefits, the assets must be paidto ratepayers. At December 31, 2008, $9,213 is held in the Trust and included in restricted assets in the accompanying statement of net assets of the Waterworks.

(In thousands)

The information that follows on the postretirement benefit plan was obtained from the actuarial valuation of the plan for the year ended December 31, 2008.

The following table sets forth the change in the plan's accumulated postretirement benefit obligation ("APBO") as of December 31, 2008:

Accumulated postretirement benefit obligation at beginning of year	$	55,228
Service cost		956
Interest cost		3,379
Benefits paid		(2,355)
Actuarial loss		2,479
Accumulated postretirement benefit obligation at end of year	$	59,687

As a result of the First Amendment to the Management Agreement with Veolia, which was signed in 2007, Waterworks has assumed the postretirement liability for benefit payments made after April 30, 2022 for those participants not eligible to retire as of December 31, 2004.

The change in the fair value of the plan's assets for the year ended December 31, 2008 is as follows:

Fair value of plan assets at beginning of year	$	—
City contributions		2,355
Benefits paid		(2,355)
Plan assets at fair value at end of year	$	—

The reconciliation between the accumulated benefit obligation at the end of the year and the net amount recognized for the statement of net assets is as follows:

Accumulated postretirement benefit obligation (APBO)	$	59,687
Unrecognized transition obligation		(3,022)
Unrecognized net loss		(16,363)
Amount recognized as deferred charge – postretirement benefits		(19,385)
Net amount recognized	$	40,302

A discount rate of 6.50% and a pre-Medicare medical trend rate of 9.00% declining to a long-term rate of 5.00% in 2017 were used to determine the APBO at December 31, 2008.

Net periodic postretirement benefit costs for the year ended December 31, 2008 include the following components:

Service cost	$	956
Interest cost		3,379
Amortization of transition obligation		756
Loss		642
	$	5,733

(In thousands)

Assumptions used in the determination of 2008 net periodic postretirement benefits costs were as follows:

Discount rate	6.50 %
Rate of increase in compensation levels	4.00
Assumed annual rate of increase in healthcare benefits	9.00
Assumed ultimate trend rate	5.00

The effect of a 1% increase in the assumed healthcare cost trend rates for each future year would increase the accumulated postretirement benefit obligation at December 31, 2008 by approximately $9,152 and increase the aggregate of the service and interest cost components of plan costs by approximately $840 for the year ended December 31, 2008. Amounts disclosed above could be changed significantly in the future by changes in healthcare costs, work demographics, interest rates, or plan changes.

19. Interfund Transactions and Balances

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. The composition of interfund receivable and payable balances as of December 31, 2008 is as follows:

Receivable fund	Payable fund	Amount
General	Waterworks	$ 283
		$ 283

Interfund transfers for the year ended December 31, 2008 consisted of the following:

	Transfers in			
Transfers out	General Fund	Revenue Debt Service Fund	Nonmajor governmental funds	Total
General Fund	$ —	$ 32,686	$ 24,728	$ 57,414
Revenue Debt Service Fund	561	—	7,904	8,465
Nonmajor governmental funds	3,150	12,466	750	16,366
Total transfers out	$ 3,711	$ 45,152	$ 33,382	$ 82,245

Interfund transfers were used to (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them or (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization.

(In thousands)

20. Explanation of Certain Difference Between Governmental Fund Financial Statements and the Government-wide Financial Statements

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.

Balances at December 31, 2008 were as follows:

Bonds and notes payable	$	1,409,959
Deferred premiums, net of discounts		10,698
Deferred amount from refunding		(6,864)
Amounts recorded as matured bonds payable at December 31, 2008		(48,717)
Net pension obligation		381,538
Postemployment benefit obligation		26,191
Compensated absences		26,266
Settlements payable		906
Combined adjustment	$	1,799,977

Proceeds from issuance of debt is reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

Debt issued:		
General obligation bonds	$	40,000
Tax increment bonds		59,450
Revenue bonds		28,185
Notes payable		2,039
Deferred premiums		1,648
Combined adjustment	$	131,322
Repayments:		
Bond principal, including increase in matured bonds payable	$	74,917
Notes payable		3,894
Combined adjustment	$	78,811

(In thousands)

21. Deficit Fund Balances and Net Assets

Negative fund balances by fund are as follows:

Deficit fund balances		December 31, 2008
Debt Service Funds		
Metropolitan Thoroughfare District	$	(1,463)
Park District		(902)
	$	(2,365)
Capital Projects Funds		
County Cummulative Capital Development	$	(314)
	$	(314)
Internal Service Funds		
Workers' Compensation Self Insurance	$	(2,255)
	$	(2,255)

The deficit fund balance for the debt service funds are a result of property tax receivable being 100% deferred due to receiving the revenue after 60 days subsequent to year-end. The deficit fund balance for the capital projects fund is a result of the delayed payment of 2008 property taxes the distribution of property tax receipts, which will not occur until August 2009. This has a direct impact on the amount of intergovernmental revenues received from Marion County. The workers' compensation internal service fund negative fund balance will be covered by future charges to City departments.

22. Discretely Presented Component Unit-Partners for Affordable Housing (PAH)

PAH is presented as a discrete component unit of the City. PAH funding primarily comes form capital grant funding and intergovernmental funding. The following items are significant disclosures for PAH.

A. Prior Period Adjustment

See Note 1.X for discussion on prior period adjustment for PAH.

(In thousands)

B. Cash and Investments

PAH follows the same investment policy and legal contractual provisions that govern the Housing Agency (See Note 3). A summary of cash deposits at December 31, 2008 is as follows:

	Carrying value
On deposit:	
Insured by FDIC	$ 496
Insured by Indiana Public Deposits Insurance Fund	298
Uninsured	92
	$ 886

Restricted assets of $582 are included in the above balance. Restricted assets primarily consist of a developer fee account in the amount of $548, which is restricted until the related project is completed. The remaining restricted assets totaling $34 relate to tenant security deposits and amounts restricted under regulator and operating agreements.

C. Capital Assets

A summary of PAH capital assets at December 31, 2008 follows:

	Balance January 1, 2008 as restated (1)	Additions	Reductions	Balance December 31, 2008
Capital assets not being depreciated:				
Land	$ 839	$ —	$ —	$ 839
Construction in progress	1,407	4,353	—	5,760
Total capital assets not being depreciated	2,246	4,353	—	6,599
Capital assets being depreciated:				
Buildings	7,419	3,597	6	11,010
Equipment	41	83	—	124
Total capital assets being depreciated	7,460	3,680	6	11,134
Less accumulated depreciation:				
Buildings	2,209	350	6	2,553
Equipment	41	—	—	41
Total accumulated depreciation	2,250	350	6	2,594
Total capital assets being depreciated, net	5,210	3,330	—	8,540
Total Partners for Affordable Housing	$ 7,456	$ 7,683	$ —	$ 15,139

(1) See Note 1.X for discussion of prior period adjustment for PAH.

PAH follows the same capitalization levels and depreciation lives as the Housing Agency.

(In thousands)

D. Long-Term Liabilities

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due within one year
Loans payable	—	6,125	—	6,125	1,066
Total	$ —	$ 6,125	$ —	$ 6,125	$ 1,066

Loans payable consist of two loans issued January 15, 2008 to IHA Housing Partners II, L.P. A construction loan in the original amount of $3,494, of which $1,066 has been drawn, bears interest at 5.0% per annum and is presented as a current liability in the anticipation of conversion occurring in 2009. A second mortgage in the original amount of $5,067, of which $5,059 has been drawn, bears interest at 4.9% per annum, and matures on December 31, 2055.

23. Subsequent Events

A. Credit Market Conditions

Recent market conditions have resulted in an unusually high degree of volatility and increased the risk associated with certain investments held by the City, which could impact the value of investments after the date of these financial statements.

B. Waterworks Rate Increase

On February 19, 2009, the Waterworks Board of Directors passed Resolution 5, 2009 authorizing the Waterworks to file an emergency rate petition with the IURC. The IURC issued an order on June 30, 2009 approving an emergency increase in rates of 12.27%. Simultaneous with the emergency rate petition, the Waterworks stated its intent to seek a general rate increase later in 2009 as well. The amount of the general rate increase has not been determined at this time.

C. Police and Firefighters (City) Pension Plan

During the 2008 State of Indiana Legislative Session, the State agreed to pay, the entire annual cost of future pension payments to the police officers and firefighters who are members of the pre-77 plan and whose pension expense is recorded by the City in the police and fire pension trusts beginning in 2009. The City will continue to pay the retirees; the State will reimburse the City. The State currently pays approximately half of the cost of the pensions. The City will be required to reduce property tax levy in an amount equal to the increase in the contribution by the State.

D. Perry Township Fire Merger

In 2009, the City-County Council approved the consolidation of the Perry Township Fire Department into the Indianapolis Fire Department ("IFD"), effective August 1, 2009. The purpose of the consolidation is to enhance fire protection services.

E. Bond Issuances

On July 6, 2009, the City of Indianapolis issued Sanitary District Revenue Bonds of 2009, Series A, in the amount of $32,050 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2009 E Bonds in the amount of $32,050. The net proceeds are being used to construct sewer work improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The bonds are payable in principal amounts ranging from $105 to $2,055 with final maturity on January 1, 2030.

The Waterworks issued a bond anticipation note on June 26, 2009 in the amount of $35,000, the proceeds of which were used to provide deposits to the reserve account required to be set up in connection with the 2005 G and H variable rate demand bonds. The bond anticipation note matures on September 30, 2009. See Note 10.E for further discussion.

F. Waterworks Bond Issuance Authorization

In 2009, the Waterworks board of directors and the City-County Council authorized the issuance of refunding bonds in an amount not to exceed $650,000. The proceeds of these bonds, when issued, are anticipated to refund the Waterworks District, Series 2005 G Bonds, the Waterworks District, Series 2005 H Bonds, and the Waterworks District, Series 2004 A Bonds in their entirety. The proceeds will also be used to pay amounts associated with the early termination of related interest rate swaps. See further discussion in Notes 10.D and 10.E. As of the date of the issuance of these financial statements, the bonds have not been issued.

Required
Supplementary Information

CITY OF INDIANAPOLIS
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis (Required Supplementary Information)
Year ended December 31, 2008
(In thousands)

	Original budget	Final budget	Actual	Variance with final budget – positive (negative)
Revenues:				
Taxes	$ 317,620	$ 308,805	$ 232,202	$ (76,603)
Licenses and permits	11,747	11,748	15,928	4,180
Charges for services	135,920	158,732	137,251	(21,481)
Intergovernmental revenues	52,090	55,707	46,166	(9,541)
Traffic violations and court fees	4,174	4,459	9,560	5,101
Intragovernmental revenues	3,003	3,003	2,162	(841)
Interest and other operating revenues	13,213	14,574	7,460	(7,114)
Total revenues	537,767	557,028	450,729	(106,299)
Expenditures:				
Current:				
General government	25,116	25,118	20,354	4,764
Public safety	256,529	257,588	256,050	1,538
Public works	128,059	134,801	133,581	1,220
Health and welfare	3,735	3,734	3,255	479
Cultural and recreation	27,577	27,501	27,464	37
Urban redevelopment and housing	7,307	7,305	6,824	481
Economic development and assistance	1,468	1,470	1,470	—
Capital outlays	33,894	44,570	37,998	6,572
Total expenditures	483,685	502,087	486,996	15,091
Excess (deficiency) of revenues over (under) expenditures	54,082	54,941	(36,267)	(91,208)
Other financing sources (uses):				
Sale and lease of property	843	250	375	125
Transfers in (out)	(33,557)	(38,488)	(50,441)	(11,953)
Total other financing sources (uses)	(32,714)	(38,238)	(50,066)	(11,828)
Revenues over (under) expenditures and other financing sources (uses)	21,368	16,703	(86,333)	(103,036)
Unreserved fund balance at beginning of year	117,882	101,708	107,353	5,645
Cancellation of purchase orders and other	(16,972)	(14,740)	100,828	115,568
Unreserved fund balance at end of year	$ 122,278	$ 103,671	$ 121,848	$ 18,177

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Federal Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis (Required Supplementary Information)
Year ended December 31, 2008

(In thousands)

	Original budget	Final budget	Actual	Variance with final budget – positive (negative)
Revenues:				
Intergovernmental revenues	$ 34,337	$ 33,062	$ 17,300	$ (15,762)
Traffic violations and court fees	—	20	1,224	1,204
Interest and other operating revenues	20	520	154	(366)
Total revenues	34,357	33,602	18,678	(14,924)
Expenditures:				
Current:				
General government	383	383	383	—
Public safety	7,763	7,510	6,349	1,161
Public works	793	794	567	227
Health and welfare	1,831	1,633	1,595	38
Cultural and recreation	1,284	1,283	982	301
Urban redevelopment and housing	21,580	21,580	19,255	2,325
Economic development and assistance	548	360	386	(26)
Capital outlays	3,142	3,156	2,471	685
Total expenditures	37,324	36,699	31,988	4,711
Excess (deficiency) of revenues over (under) expenditures	(2,967)	(3,097)	(13,310)	(10,213)
Revenues over (under) expenditures and other financing sources and (uses)	(2,967)	(3,097)	(13,310)	(10,213)
Unreserved fund balance at beginning of year	—	—	—	—
Cancellation of purchase orders and other	2,967	3,097	13,310	10,213
Unreserved fund balance at end of year	$ —	$ —	$ —	$ —

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Required Pension Supplementary Information
Schedules of Funding Progress
(In thousands)

Asset valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) entry age	Unfunded (overfunded) AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Police (City) Plan						
1/1/2008	$ —	$ 416,860	$ 416,860	— %	$ 2,983	13,975 %
1/1/2007	—	418,288	418,288	—	6,502	6,433
1/1/2006	—	416,473	416,473	—	6,918	6,020
1/1/2005	—	410,996	410,996	—	7,891	5,208
1/1/2004	—	422,051	422,051	—	8,540	4,942
1/1/2003	—	411,376	411,376	—	11,348	3,625
Firefighters (City) Plan						
1/1/2008	—	314,836	314,836	—	2,927	10,756
1/1/2007	—	333,998	333,998	—	4,644	7,192
1/1/2006	—	352,202	352,202	—	6,115	5,760
1/1/2005	—	365,792	365,792	—	9,019	4,056
1/1/2004	—	375,302	375,302	—	9,650	3,889
1/1/2003	—	351,702	351,702	—	11,442	3,074
All Other City Employees (PERF) Plan*						
7/1/2008	126,800	112,664	(14,136)	113	71,787	20
7/1/2007	120,125	102,008	(18,117)	118	68,937	26
7/1/2006	109,666	94,284	(15,382)	116	69,242	22

* Information required for only most recent actuarial valuation and the two preceding valuations

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Required Pension Supplementary Information
Schedules of Employer Contributions
(In thousands)

Plan year ended 6/30	Police and Firefighters (PERF) Annual required contribution	Police and Firefighters (PERF) Percentage contributed	All Other City Employees (PERF) Annual required contribution	All Other City Employees (PERF) Percentage contributed
2008	$ 24,818	100 %	$ 2,667	108 %
2007	22,513	100	2,774	82
2006	18,335	100	2,988	66
2005	17,442	100	2,228	76
2004	15,980	100	1,183	66
2003	15,238	100	2,306	30

Plan year ended December 31	Police (City) Annual required contribution	Police (City) Percentage contributed	Firefighters (City) Annual required contribution	Firefighters (City) Percentage contributed
2008	$ 31,403	91 %	$ 23,903	110 %
2007	31,939	80	25,547	98
2006	31,494	76	26,823	87
2005	31,009	77	28,175	74
2004	50,257	45	45,226	43
2003	47,138	54	40,661	56

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Required Postemployment Benefit Obligation Supplementary Information
Schedule of Funding Progress
(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)		Accrued Liability (b)		Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)	
12/31/2007 *	—	$	137,738	$	137,738	—	$	236,782	58.17	%
12/31/2007	—		137,738		137,738	—		229,247	60.08	

* In accordance with GASB Statement No. 45, the City has an actuarial valuation completed biennially.

1. Budgets and Budgetary Accounting

A) The City is required by state statute and Council ordinance to adopt annual budgets for all subfunds of the General Fund; all Special Revenue Funds except the Cable Franchise PEG Grants Fund; all Debt Service Funds; the City Cumulative Capital Development and the County Cumulative Capital Development Capital Projects Funds, and the Police Pension and Firefighters Pension Trust Funds to the object level of control. These budgets require City-County Council approval and are prepared for each departmental division and approved at the five object levels of expenditure (personal services, supplies, other services and charges, capital outlay, and internal charges). In addition, control is achieved for other capital projects funds by the original bond resolutions that are required by state statute to be approved by the City-County Council for all bond issues for taxing units within the consolidated City. These originating bond resolutions serve as the basis for the appropriations for capital projects. These appropriations do not lapse at year-end. All other City sources of finance for capital projects are required to be appropriated within the providing City budgetary fund. Control over spending from funds, which are not subject to the City-County Council appropriation process, is accomplished by the requirement that all disbursements of such funds be made only to a budgeted fund.

The City-County Council may amend appropriations by transferring unencumbered appropriations from one object to another within the same fund, and may also make additional appropriations to the extent of unappropriated fund balances. Transfers of appropriations from one line item to another within the object level of control may be approved by City management. During the year, for the General Fund and the Federal Grants Special Revenue Fund, the following supplementary appropriations were properly approved:

	General Fund	Federal Grants Special Revenue Fund
Original appropriations	$ 483,685	$ 37,324
Revisions	18,402	(625)
Revised appropriations	$ 502,087	$ 36,699

The budget information disclosed includes the budget ordinances as amended. Internal charges are recorded as expenditures in one fund and negative expenditures in the receiving fund. Budgeted disbursements may exceed estimated revenues as appropriations contemplate the utilization of beginning fund balances. Except for Capital Projects Funds (excluding Cumulative Capital Development Funds) and certain Special Revenue Funds, unencumbered appropriations lapse with the expiration of the budgetary period. All budgets are prepared on the cash basis of accounting.

B) The City's procedures in establishing the budget are as follows:

1) Prior to July 1, the Department Directors, in conjunction with the Mayor's staff and the City Controller, develop budgets for the subsequent calendar year for the individual divisions within their respective departments.

2) In July, the City Controller prepares the budget ordinances, which are introduced by the Mayor to the City-County Council at the first August Council meeting. In developing these budgets, the City Controller adds the June 30 cash and investment balances to estimated revenues to be received and expenditures to be incurred July 1 through December 31 in arriving at a December 31 "projected budgetary fund balance." The projected budgetary fund balance and estimated revenues for the ensuing year are reduced by that year's budgeted expenditures in developing the amount to be funded from ad valorem property taxes, to the extent of the maximum levy. By using this procedure, any actual results favorable or unfavorable to those estimated for any year are incorporated into the subsequent year's budget.

3) The Council assigns the introduced budgets to the appropriate Council Committees. In August and September, each Council Committee holds public hearings on the budget of the department or division for which it is responsible.

(In thousands)

4) Before Council budget ordinances are approved by the Council, they are advertised by the Controller twice in a local newspaper prior to the last Council meeting in September. The Council may not pass a budget above the level advertised. The Mayor may veto separate items of an approved budget ordinance, but the Council may override a veto by a two-thirds vote.

5) The Indiana Department of Local Government Finance makes the final review of the budget. It can revise, reduce, or restore on appeal budgets, levies, and tax rates removed by the City-County Council. Except for Debt Service Funds, the Indiana Department of Local Government Finance may not increase a budget, levy, or tax rate above the level originally advertised. If the budgets seek to exceed the tax limits of the state control laws, an excess levy may be granted if the excess levy meets state law requirements, and is approved by the Indiana Department of Local Government Finance. The Indiana Department of Local Government Finance is required to certify the budgets, levies, and rates by January 15.

6) The City's maximum permissible annual ad valorem property tax levy is restricted by Indiana law, with certain adjustments and exceptions, to the prior year's maximum permissible ad valorem property tax levy adjusted by the average growth factor in non-farm income in the State of Indiana.

C) Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Pension Trust Funds. Encumbrances do not lapse with the expiration of the budget period. Encumbrances to be financed from future revenues other than approved grant revenues are recorded in their entirety as a reservation of fund balance since they do not constitute expenditures.

D) In 2008, the City exceeded the appropriation for the Revenue Debt Service Fund by $5,957. This was due to the early payoff of one bond and additional principal payments that were made in accordance with the bond provisions.

2. Budget/GAAP Reporting Differences

Adjustments necessary to convert the results of 2008 operations from a budgetary basis to a GAAP basis are as follows:

	General Fund	Federal Grants Special Revenue Fund
Revenues over (under) expenditures and other financing sources and (uses) (budgetary basis)	$ (86,333)	$ (13,310)
Adjustments:		
Accrued revenues	159,215	7,763
Accrued expenditures	(76,556)	604
Nonbudgeted activity (net)	—	436
Transfers, net	(3,262)	—
Encumbrances	31,272	11,462
Expenditures from prior year encumbrances	(23,773)	(6,897)
Net change in fund balances (GAAP basis)	$ 563	$ 58

3. Copy of Pension Plan's Report

The Public Employees' Retirement Fund of Indiana ("PERF") issues a publicly available financial report that includes financial statements and required supplementary information for the City's Police and Firefighters (PERF) Plan and the All Other City Employees Plans. That report may be obtained by writing to Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204.

Additional
Supplementary Information

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type
December 31, 2008
(In thousands)

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Equity in pooled cash	$ 2,166	$ 40,974	$ 30,960	$ —	$ 74,100
Cash and investments with fiscal agents	—	4,391	47,008	377	51,776
Investments	697	13,160	9,949	—	23,806
Accrued interest receivable	5	58	59	—	122
Property taxes receivable	—	7,967	7,791	—	15,758
Accounts receivable	134	735	237	—	1,106
Due from federal and state governments	297	—	—	—	297
Total assets	$ 3,299	$ 67,285	$ 96,004	$ 377	$ 166,965
LIABILITIES AND FUND BALANCES					
Liabilities:					
Matured bonds payable	$ —	$ 26,093	$ —	$ —	$ 26,093
Matured interest payable	—	8,333	—	—	8,333
Accounts payable and other accrued liabilities	528	196	7,085	—	7,809
Accrued payroll and payroll taxes	6	—	—	—	6
Tax anticipation warrants	—	4,426	7,663	—	12,089
Deferred revenue	1,090	6,728	9,417	—	17,235
Total liabilities	1,624	45,776	24,165	—	71,565
Fund balances:					
Reserved for encumbrances	1,521	—	48,064	—	49,585
Reserved for debt service	—	21,509	—	—	21,509
Unreserved	154	—	23,775	377	24,306
Total fund balances	1,675	21,509	71,839	377	95,400
Total liabilities and fund balances	$ 3,299	$ 67,285	$ 96,004	$ 377	$ 166,965

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds by Fund Type

Year ended December 31, 2008

(In thousands)

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$ —	$ 31,032	$ 11,201	$ —	$ 42,233
Charges for services	2,342	—	—	—	2,342
Intergovernmental revenues	514	—	940	—	1,454
Traffic violations and court fees	2,474	—	—	—	2,474
Interest and other operating revenues	130	4,722	1,949	16	6,817
Total revenues	5,460	35,754	14,090	16	55,320
Expenditures:					
Current:					
Public safety	543	—	—	—	543
Public works	703	—	—	—	703
Health and welfare	375	—	—	—	375
Economic development and assistance	208	—	18,114	—	18,322
Debt service:					
Redemption of bonds and notes	20	30,118	2,208	—	32,346
Interest on bonds and notes	2	18,286	2,387	—	20,675
Bond and note issuance costs	—	3	1,157	—	1,160
Operating lease payments and administration	—	14,661	—	—	14,661
Capital outlays	773	—	44,299	—	45,072
Total expenditures	2,624	63,068	68,165	—	133,857
Excess (deficiency) of revenues over (under) expenditures	2,836	(27,314)	(54,075)	16	(78,537)
Other financing sources (uses):					
Bonds and notes issued	—	—	101,490	—	101,490
Premium on bonds and notes issued	—	—	1,647	—	1,647
Transfers in	—	33,382	—	—	33,382
Transfers out	(3,150)	—	(13,216)	—	(16,366)
Total other financing sources (uses)	(3,150)	33,382	89,921	—	120,153
Net change in fund balances	(314)	6,068	35,846	16	41,616
Fund balances at beginning of year	1,989	15,441	35,993	361	53,784
Fund balances at end of year	$ 1,675	$ 21,509	$ 71,839	$ 377	$ 95,400

See accompanying independent auditors' report.

General Fund

The General Fund is used to account for all financial resources of the City of Indianapolis except those required to be accounted for in another fund. Thus, all general operating revenues which are not restricted as to use by sources outside of the City are recorded in the General Fund. Further, as required by statute, the financial resources of the General Fund are accounted for in a series of sub-funds as follows:

Consolidated County -	to account for all financial resources for which the taxpayer base is county-wide
Redevelopment -	to account for all financial resources of the Redevelopment special taxing district for economic development activities
Solid Waste Collection -	to account for all financial resources of the Solid Waste Collection special service district for refuse collection services
Solid Waste Disposal -	to account for all financial resources of the Solid Waste Disposal special service district for refuse disposal services
Sanitation -	to account for all financial resources of the Sanitation special taxing district for liquid waste services
Transportation -	to account for all financial resources of the Metropolitan Thoroughfare special taxing district
Fire -	to account for all financial resources of the Fire special service district
Pension Stabilization -	to account for proceeds to be applied to unfunded costs of the police and fire pension obligations
Park -	to account for all financial resources of the Park special taxing district
Metropolitan Police -	to account for all financial resources of the consolidated Indianapolis Metropolitan Police Department
Storm Water Management -	to account for all financial resources for storm water drainage services

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CITY OF INDIANAPOLIS

Schedule of Subfund Assets, Liabilities, and Fund Balance – General Fund

December 31, 2008

(In thousands)

	General Fund Total	Intrafund Eliminations	Consolidated County	Redevelopment	Solid Waste Collection	Solid Waste Disposal	Sanitation
ASSETS							
Equity in pooled cash	$ 115,060	$ —	$ 33,227	$ 9,179	$ 5,527	$ 2,780	$ 48,759
Cash and investments with fiscal agents	798	—	265	—	—	—	—
Investments	36,974	—	10,684	2,950	1,776	893	15,668
Accrued interest receivable	245	—	44	19	8	—	143
Property taxes receivable	57,409	—	7,434	398	9,958	—	—
Accounts receivable	166,109	—	17,708	7	212	29,413	20,118
Allowance for estimated uncollectibles – accounts receivable	(5,255)	—	—	—	—	(30)	(4,380)
Due from other funds	283	—	—	—	—	—	—
Due from federal and state governments	167	—	167	—	—	—	—
Intrafund receivable	—	(253)	253	—	—	—	—
Total assets	$ 371,790	$ (253)	$ 69,782	$ 12,553	$ 17,481	$ 33,056	$ 80,308
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable and other accrued liabilities	$ 35,514	$ —	$ 4,747	$ 136	$ 1,427	$ 1,042	$ 5,232
Accrued payroll and payroll taxes	32,047	—	19,106	17	216	—	76
Tax anticipation warrants	55,151	—	—	—	11,767	—	—
Intrafund payable	—	(253)	—	—	—	—	—
Deferred revenue	122,243	—	8,313	368	11,015	5,204	1,313
COIT anticipation notes	9,678	—	9,678	—	—	—	—
Total liabilities	254,633	(253)	41,844	521	24,425	6,246	6,621
Fund balance:							
Reserved for encumbrances	33,865	—	6,439	103	4,448	2,174	3,467
Unreserved	83,292	—	21,499	11,929	(11,392)	24,636	70,220
Total fund balance	117,157	—	27,938	12,032	(6,944)	26,810	73,687
Total liabilities and fund balance	$ 371,790	$ (253)	$ 69,782	$ 12,553	$ 17,481	$ 33,056	$ 80,308

(Continued)

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Schedule of Subfund Assets, Liabilities, and Fund Balance – General Fund
December 31, 2008
(In thousands)

	Transportation	Fire	Pension Stabilization	Park	Metropolitan Police	Storm Water Management
ASSETS						
Equity in pooled cash	$ 1,710	$ —	$ —	$ 2,348	$ —	$ 11,530
Cash and investments with fiscal agents	308	85	—	—	140	—
Investments	549	—	—	749	—	3,705
Accrued interest receivable	6	—	—	—	—	25
Property taxes receivable	—	19,614	—	5,356	14,649	—
Accounts receivable	10,802	22,622	—	202	52,051	12,974
Allowance for estimated uncollectibles – accounts receivable	—	—	—	—	—	(845)
Due from other funds	—	—	—	—	—	283
Due from federal and state governments	—	—	—	—	—	—
Intrafund receivable	—	—	—	—	—	—
Total assets	$ 13,375	$ 42,321	$ —	$ 8,655	$ 66,840	$ 27,672
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable and other accrued liabilities	$ 3,755	$ 4,049	$ —	$ 486	$ 11,828	$ 2,812
Accrued payroll and payroll taxes	438	4,511	—	342	7,275	66
Tax anticipation warrants	—	18,104	—	8,263	17,017	—
Intrafund payable	—	253	—	—	—	—
Deferred revenue	651	33,109	—	3,294	48,336	10,640
COIT anticipation notes	—	—	—	—	—	—
Total liabilities	4,844	60,026	—	12,385	84,456	13,518
Fund balance:						
Reserved for encumbrances	10,013	51	—	584	484	6,102
Unreserved	(1,482)	(17,756)	—	(4,314)	(18,100)	8,052
Total fund balance	8,531	(17,705)	—	(3,730)	(17,616)	14,154
Total liabilities and fund balance	$ 13,375	$ 42,321	$ —	$ 8,655	$ 66,840	$ 27,672

CITY OF INDIANAPOLIS

Schedule of Subfund Revenues, Expenditures, and Changes in Fund Balance – General Fund

Year ended December 31, 2008

(In thousands)

	General Fund Total	Intrafund eliminations	Consolidated County	Redevelopment	Solid Waste Collection	Solid Waste Disposal	Sanitation
Revenues:							
Taxes	$ 338,209	$ —	$ 27,904	$ 1,286	$ 23,607	$ —	$ —
Licenses and permits	15,898	—	9,058	—	—	—	6,486
Charges for services	156,659	—	13,414	51	386	10,861	110,591
Other intergovernmental revenues:							
Federal revenues	1,205	—	318	—	—	—	269
State revenues	72,019	—	4,866	750	—	—	—
Other revenues	3,448	—	3,256	—	—	—	—
Intragovernmental revenue	2,497	—	2,497	—	—	—	—
Traffic violations and court fees	9,612	—	8,622	—	245	—	—
Interest and other operating revenues	10,409	—	2,553	513	262	343	1,771
Total revenues	609,956	—	72,488	2,600	24,500	11,204	119,117
Expenditures:							
Current:							
General government	18,190	—	18,190	—	—	—	—
Public safety	334,744	—	19,652	—	68	—	—
Public works	129,780	—	3,103	—	25,501	10,557	53,245
Health and welfare	2,874	—	1,081	—	628	—	1,147
Cultural and recreation	27,007	—	1,608	—	—	—	—
Urban redevelopment and housing	7,105	—	5,550	1,145	—	—	—
Economic development and assistance	1,489	—	1,467	22	—	—	—
Debt service:							
Redemption of bonds and notes	1,366	—	163	—	113	—	868
Interest on bonds and notes	3,008	—	182	1	259	—	—
Operating lease payments and administration	11	—	—	1	—	—	—
Capital outlay	30,479	—	426	736	148	—	1,943
Total expenditures	556,053	—	51,422	1,905	26,717	10,557	57,203
Excess (deficiency) of revenues over (under) expenditures	53,903	—	21,066	695	(2,217)	647	61,914
Other financing sources (uses):							
Sale of capital assets	363	—	310	42	—	—	—
Transfers in	3,711	(33,801)	823	261	—	2,000	—
Transfers out	(57,414)	33,801	(17,293)	(100)	(2,000)	—	(49,486)
Total other financing sources (uses)	(53,340)	—	(16,160)	203	(2,000)	2,000	(49,486)
Net change in fund balance	563	—	4,906	898	(4,217)	2,647	12,428
Fund balance (deficit) at beginning of year	116,594	—	23,032	11,134	(2,727)	24,163	61,259
Fund balance (deficit) at end of year	$ 117,157	$ —	$ 27,938	$ 12,032	$ (6,944)	$ 26,810	$ 73,687

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS

Schedule of Subfund Revenues, Expenditures, and Changes in Fund Balance – General Fund

Year ended December 31, 2008

(In thousands)

	Transportation	Fire	Pension Stabilization	Park	Metropolitan Police	Storm Water Management
Revenues:						
Taxes	$ 7,479	$ 87,436	$ —	$ 20,183	$ 170,314	$ —
Licenses and permits	—	28	—	—	326	—
Charges for services	979	3,018	—	4,284	1,455	11,620
Other intergovernmental revenues:						
Federal revenues	478	28	—	1	111	—
State revenues	29,584	16,629	—	—	20,190	—
Other revenues	71	—	—	—	121	—
Intragovernmental revenue	—	—	—	—	—	—
Traffic violations and court fees	—	—	—	3	742	—
Interest and other operating revenues	3,089	(152)	576	484	167	803
Total revenues	41,680	106,987	576	24,955	193,426	12,423
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public safety	—	114,050	13	—	199,761	1,200
Public works	31,177	—	—	—	—	6,197
Health and welfare	18	—	—	—	—	—
Cultural and recreation	907	—	—	24,492	—	—
Urban redevelopment and housing	410	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—
Debt service:						
Redemption of bonds and notes	113	—	—	109	—	—
Interest on bonds and notes	2	1,089	—	211	1,264	—
Operating lease payments and administration	—	—	—	10	—	—
Capital outlay	17,095	294	—	342	982	8,513
Total expenditures	49,722	115,433	13	25,164	202,007	15,910
Excess (deficiency) of revenues over (under) expenditures	(8,042)	(8,446)	563	(209)	(8,581)	(3,487)
Other financing sources (uses):						
Sale of capital assets	1	—	—	—	10	—
Transfers in	1,000	12,698	—	—	20,730	—
Transfers out	—	—	(13,589)	—	(3,942)	(4,805)
Total other financing sources (uses)	1,001	12,698	(13,589)	—	16,798	(4,805)
Net change in fund balance	(7,041)	4,252	(13,026)	(209)	8,217	(8,292)
Fund balance (deficit) at beginning of year	15,572	(21,957)	13,026	(3,521)	(25,833)	22,446
Fund balance (deficit) at end of year	$ 8,531	$ (17,705)	$ —	$ (3,730)	$ (17,616)	$ 14,154

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS

General Fund

Schedule of Subfund Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual – Budgetary Basis

Year ended December 31, 2008

(In thousands)

	Total General Fund		Consolidated County		Redevelopment		Solid Waste Collection	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	$ 308,805	$ 232,202	$ 30,740	$ 21,484	$ 1,414	$ 785	$ 29,223	$ 18,852
Licenses and permits	11,748	15,928	9,918	9,080	—	—	—	—
Charges for services	158,732	137,251	8,841	6,958	10	51	159	387
Other intergovernmental revenues:								
Federal revenues	1,175	142	620	43	—	—	—	—
State revenues	45,993	38,888	5,472	4,331	—	750	200	—
Other revenues	8,539	7,136	7,000	7,046	—	—	—	—
Traffic violations and court fees	4,459	9,560	433	8,615	—	—	285	113
Intragovernmental revenues	3,003	2,162	3,003	2,162	—	—	—	—
Interest and other operating revenues	14,574	7,460	1,207	2,008	369	533	326	256
Total revenues	557,028	450,729	67,234	61,727	1,793	2,119	30,193	19,608
Expenditures:								
Current:								
General government	25,118	20,354	25,118	20,354	—	—	—	—
Public safety	257,588	256,050	20,903	20,333	—	—	131	69
Public works	134,801	133,581	3,696	3,567	—	—	26,290	25,687
Health and welfare	3,734	3,255	1,539	1,289	—	—	649	648
Cultural and recreation	27,501	27,464	1,544	1,544	—	—	—	—
Urban redevelopment and housing	7,305	6,824	5,863	5,577	998	913	—	—
Economic development and assistance	1,470	1,470	1,441	1,441	29	29	—	—
Capital outlays	44,570	37,998	1,650	1,063	6	2	3,220	2,911
Total expenditures	502,087	486,996	61,754	55,168	1,033	944	30,290	29,315
Excess (deficiency) of revenues over (under) expenditures	54,941	(36,267)	5,480	6,559	760	1,175	(97)	(9,707)
Other financing sources (uses):								
Sale of capital assets	250	375	20	295	—	42	—	—
Transfers in (out)	(38,488)	(50,441)	(4,600)	(16,470)	(100)	—	(2,000)	(2,000)
Total other financing sources (uses)	(38,238)	(50,066)	(4,580)	(16,175)	(100)	42	(2,000)	(2,000)
Revenues over (under) expenditures and other financing sources (uses)	16,703	(86,333)	900	(9,616)	660	1,217	(2,097)	(11,707)
Unreserved fund balance at beginning of year	101,708	107,353	12,910	20,843	8,701	10,422	5,589	1,845
Cancellation of purchase orders and other	(14,740)	100,828	7,014	19,834	1,627	500	(1,564)	10,638
Unreserved fund balance (deficit) at end of year	$ 103,671	$ 121,848	$ 20,824	$ 31,061	$ 10,988	$ 12,139	$ 1,928	$ 776

(Continued)

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS

General Fund

Schedule of Subfund Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual – Budgetary Basis

Year ended December 31, 2008

(In thousands)

	Solid Waste Disposal		Sanitation		Transportation		Metropolitan Police	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	$ —	$ —	$ —	$ —	$ 6,927	$ 2,612	$ 145,786	$ 120,227
Licenses and permits	—	—	1,545	6,496	—	—	273	323
Charges for services	8,815	3,782	110,847	107,507	700	392	2,859	1,436
Other intergovernmental revenues:								
Federal revenues	—	—	—	—	40	24	515	56
State revenues	—	—	—	—	36,385	30,123	3,676	3,425
Other revenues	—	—	—	—	139	52	808	38
Traffic violations and court fees	—	—	—	—	—	—	3,741	829
Intragovernmental revenues	—	—	—	—	—	—	—	—
Interest and other operating revenues	380	364	1,485	1,746	9,495	1,503	203	76
Total revenues	9,195	4,146	113,877	115,749	53,686	34,706	157,861	126,410
Expenditures:								
Current:								
General government	—	—	—	—	—	—	—	—
Public safety	—	—	—	—	—	—	153,589	153,202
Public works	12,087	11,909	53,309	52,957	32,681	32,692	—	—
Health and welfare	—	—	1,466	1,278	80	40	—	—
Cultural and recreation	—	—	—	—	778	894	—	—
Urban redevelopment and housing	—	—	—	—	444	334	—	—
Economic development and assistance	—	—	—	—	—	—	—	—
Capital outlays	—	—	1,356	1,324	25,404	20,494	1,336	901
Total expenditures	12,087	11,909	56,131	55,559	59,387	54,454	154,925	154,103
Excess (deficiency) of revenues over (under) expenditures	(2,892)	(7,763)	57,746	60,190	(5,701)	(19,748)	2,936	(27,693)
Other financing sources (uses):								
Sale of capital assets	—	—	28	—	30	—	4	10
Transfers in (out)	2,000	2,000	(44,657)	(49,486)	—	1,000	12,150	15,720
Total other financing sources (uses)	2,000	2,000	(44,629)	(49,486)	30	1,000	12,154	15,730
Revenues over (under) expenditures and other financing sources (uses)	(892)	(5,763)	13,117	10,704	(5,671)	(18,748)	15,090	(11,963)
Unreserved fund balance at beginning of year	4,115	6,206	35,968	44,510	13,486	4,104	20	29
Cancellation of purchase orders and other	105	4,055	4,315	3,248	(7,811)	13,902	(14,837)	11,594
Unreserved fund balance (deficit) at end of year	$ 3,328	$ 4,498	$ 53,400	$ 58,462	$ 4	$ (742)	$ 273	$ (340)

(Continued)

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS

General Fund

Schedule of Subfund Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual – Budgetary Basis

Year ended December 31, 2008

(In thousands)

	Fire		Park		Storm Water Management	
	Final budget	**Actual**	**Final budget**	**Actual**	**Final budget**	**Actual**
Revenues:						
Taxes	$ 74,551	$ 54,020	$ 20,164	$ 14,222	$ —	$ —
Licenses and permits	11	29	—	—	1	—
Charges for services	2,911	2,937	5,590	4,230	18,000	9,571
Other intergovernmental revenues:						
Federal revenues	—	19	—	—	—	—
State revenues	260	259	—	—	—	—
Other revenues	592	—	—	—	—	—
Traffic violations and court fees	—	—	—	3	—	—
Intragovernmental revenues	—	—	—	—	—	—
Interest and other operating revenues	(87)	(164)	596	450	600	688
Total revenues	78,238	57,100	26,350	18,905	18,601	10,259
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public safety	81,780	81,561	—	—	1,185	885
Public works	—	—	—	—	6,738	6,769
Health and welfare	—	—	—	—	—	—
Cultural and recreation	—	—	25,179	25,026	—	—
Urban redevelopment and housing	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—
Capital outlays	272	264	799	634	10,527	10,405
Total expenditures	82,052	81,825	25,978	25,660	18,450	18,059
Excess (deficiency) of revenues over (under) expenditures	(3,814)	(24,725)	372	(6,755)	151	(7,800)
Other financing sources (uses):						
Sale of capital assets	—	—	—	—	168	28
Transfers in (out)	3,600	3,600	50	—	(4,931)	(4,805)
Total other financing sources (uses)	3,600	3,600	50	—	(4,763)	(4,777)
Revenues over (under) expenditures and other financing sources (uses)	(214)	(21,125)	422	(6,755)	(4,612)	(12,577)
Unreserved fund balance at beginning of year	1,167	1,294	476	514	19,276	17,586
Cancellation of purchase orders and other	(762)	21,706	(1,155)	5,551	(1,672)	9,800
Unreserved fund balance (deficit) at end of year	$ 191	$ 1,875	$ (257)	$ (690)	$ 12,992	$ 14,809

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

Department and Division	Budgetary account	Final budget	Actual	Variance
Executive and Legislative				
Office of the Mayor	Consolidated County			
Personal services		$ 755	$ 755	$ —
Supplies		1	1	—
Other services and charges		142	142	—
Internal charges		1	1	—
Total		899	899	—
Internal Audit	Consolidated County			
Personal services		590	587	3
Supplies		3	1	2
Other services and charges		124	106	18
Capital outlay		3	2	1
Internal charges		3	3	—
Total		723	699	24
City-County Council and Council Clerk	Consolidated County			
Personal services		999	973	26
Supplies		5	3	2
Other services and charges		443	376	67
Capital outlay		1	—	1
Total		1,448	1,352	96
Cable Franchise Board	Consolidated County			
Personal services		427	426	1
Supplies		14	14	—
Other services and charges		255	231	24
Capital outlay		5	4	1
Internal charges		1	1	—
Total		$ 702	$ 676	$ 26

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

Department and Division	Budgetary account	Final budget	Actual	Variance
Office of the Corporation Counsel	Consolidated County			
Personal services		$ 2,478	$ 2,478	$ —
Supplies		6	6	—
Other services and charges		1,719	1,712	7
Capital outlay		5	2	3
Internal charges		(1,710)	(1,710)	—
Total		2,498	2,488	10
Office of Finance and Management	Consolidated County			
Personal services		2,938	2,938	—
Supplies		8	8	—
Other services and charges		2,680	2,680	—
Capital outlay		5	4	1
Internal charges		61	61	—
Total		5,692	5,691	1
Office of Finance and Management	Solid Waste Collection			
Other services and charges		307	257	50
Total		307	257	50
Department of Administration	Consolidated County			
Personal services		2,439	2,432	7
Supplies		23	22	1
Other services and charges		1,131	1,109	22
Capital outlay		6	3	3
Internal charges		120	111	9
Total – Department of Administration		$ 3,719	$ 3,677	$ 42

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

Department and Division	Budgetary account	Final budget	Actual	Variance
Department of Metropolitan Development	Consolidated County			
Personal services		$ 9,083	$ 8,358	$ 725
Supplies		100	70	30
Other services and charges		7,946	7,845	101
Capital outlay		1,188	665	523
Internal charges		(204)	143	(347)
Total		18,113	17,081	1,032
Department of Metropolitan Development	Transportation			
Personal services		207	181	26
Supplies		2	1	1
Other services and charges		195	143	52
Internal charges		41	9	32
Total		445	334	111
Department of Metropolitan Development	Redevelopment			
Personal services		734	652	82
Supplies		3	2	1
Other services and charges		747	729	18
Capital outlay		6	2	4
Internal charges		(457)	(441)	(16)
Total		1,033	944	89
Total – Department of Metropolitan Development		$ 19,591	$ 18,359	$ 1,232
Department of Public Works	Consolidated County			
Personal services		$ 9,419	$ 9,243	$ 176
Supplies		19,153	18,933	220
Other services and charges		9,633	9,468	165
Capital outlay		158	121	37
Internal charges		(24,195)	(28,881)	4,686
Total		$ 14,168	$ 8,884	$ 5,284

(Continued)

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

Department and Division	Budgetary account	Final budget	Actual	Variance
Department of Public Works	Transportation			
Personal services		$ 14,321	$ 14,321	$ —
Supplies		5,132	5,132	—
Other services and charges		8,784	8,744	40
Capital outlay		25,404	20,494	4,910
Internal charges		4,711	4,858	(147)
Total		58,352	53,549	4,803
Department of Public Works	Solid Waste Collection			
Personal services		7,631	7,598	33
Supplies		163	158	5
Other services and charges		14,158	13,643	515
Capital outlay		3,208	2,911	297
Internal charges		4,679	4,679	—
Total		29,839	28,989	850
Department of Public Works	Solid Waste Disposal			
Other services and charges		11,671	11,494	177
Internal charges		416	415	1
Total		12,087	11,909	178
Department of Public Works	Sanitation			
Personal services		3,370	2,864	506
Supplies		93	89	4
Other services and charges		48,946	48,917	29
Capital outlay		1,356	1,324	32
Internal charges		2,366	2,365	1
Total		$ 56,131	$ 55,559	$ 572

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

Department and Division	Budgetary account	Final budget	Actual	Variance
Department of Public Works	Storm Water Management			
Personal services		$ 2,620	$ 2,620	$ —
Supplies		148	138	10
Other services and charges		3,977	3,718	259
Capital outlay		10,527	10,405	122
Internal charges		1,178	1,178	—
Total		18,450	18,059	391
Total – Department of Public Works		$ 189,027	$ 176,949	$ 12,078
Department of Public Safety	Consolidated County			
Personal services		$ 3,458	$ 3,458	$ —
Supplies		159	144	15
Other services and charges		977	962	15
Capital outlay		175	158	17
Internal charges		768	748	20
Total		5,537	5,470	67
Indianapolis Fire Department	Consolidated County			
Personal services		2,809	2,809	—
Supplies		260	257	3
Other services and charges		3,188	3,187	1
Capital outlay		104	104	—
Internal charges		350	350	—
Total		$ 6,711	$ 6,707	$ 4

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

Department and Division	Budgetary account	Final budget	Actual	Variance
Indianapolis Fire Department	Fire			
Personal services		$ 76,049	$ 75,853	$ 196
Supplies		1,133	1,115	18
Other services and charges		1,696	1,691	5
Capital outlay		272	264	8
Internal charges		2,902	2,902	—
Total		82,052	81,825	227
Total – Department of Public Safety		$ 94,300	$ 94,002	$ 298
Department of Parks and Recreation	Consolidated County			
Other services and charges		$ 1,544	$ 1,544	$ —
Total		1,544	1,544	—
Department of Parks and Recreation	Transportation			
Personal services		50	50	—
Other services and charges		540	521	19
Total		590	571	19
Department of Parks and Recreation	Park			
Personal services		16,112	15,989	123
Supplies		940	913	27
Other services and charges		6,643	6,643	—
Capital outlay		799	634	165
Internal charges		1,484	1,481	3
Total		25,978	25,660	318
Total – Department of Parks and Recreation		$ 28,112	$ 27,775	$ 337

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

Department and Division	Budgetary account	Final budget	Actual	Variance
Indianapolis Metropolitan Police Department	Solid Waste Collection			
Personal services		$ 108	$ 69	$ 39
Supplies		8	—	8
Other services and charges		6	—	6
Capital outlay		12	—	12
Internal charges		10	—	10
Total		144	69	75
Indianapolis Metropolitan Police Department	Metropolitan Police			
Personal services		129,137	128,861	276
Supplies		1,351	1,256	95
Other services and charges		12,033	12,017	16
Capital outlay		1,336	901	435
Internal charges		11,068	11,068	—
Total		154,925	154,103	822
Total – Indianapolis Metropolitan Police Department		$ 155,069	$ 154,172	$ 897
Total – General Fund – by Department and Division		$ 502,087	$ 486,996	$ 15,091

See accompanying independent auditors' report.

Nonmajor Special Revenue Fund

The Special Revenue Funds include funds which are restricted as to use by the State government and special purpose funds established by authority of the City-County Council.

Parking -	to account for all parking meter collections; these receipts are used to defray the cost of meter maintenance, the repair of sidewalks and curbs, and the repair of streets
Cable Franchise - PEG Grants	to account for contributions from the two cable franchise agreements to provide for public purpose grants for the capital costs of Public, Educational, or Governmental (PEG) Access Facilities
State of Indiana Grants -	to account for all grants received from the State of Indiana

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CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Special Revenue Funds
December 31, 2008
(In thousands)

	Parking	Cable Franchise PEG Grants	State of Indiana Grants	Total Nonmajor Special Revenue Funds
ASSETS				
Equity in pooled cash	$ 773	$ 98	$ 1,295	$ 2,166
Investments	249	32	416	697
Accrued interest receivable	4	—	1	5
Accounts receivable	96	—	38	134
Due from federal and state governments	—	—	297	297
Total assets	$ 1,122	$ 130	$ 2,047	$ 3,299
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	$ 395	$ —	$ 133	$ 528
Accrued payroll and payroll taxes	6	—	—	6
Deferred revenue	—	—	1,090	1,090
Total liabilities	401	—	1,223	1,624
Fund balances:				
Reserved for encumbrances	277	—	1,244	1,521
Unreserved	444	130	(420)	154
Total fund balances	721	130	824	1,675
Total liabilities and fund balances	$ 1,122	$ 130	$ 2,047	$ 3,299

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds

Year ended December 31, 2008

(In thousands)

	Parking	Cable Franchise PEG Grants	State of Indiana Grants	Total Nonmajor Special Revenue Funds
Revenues:				
Charges for services	$ 2,342	$ —	$ —	$ 2,342
Other intergovernmental revenues:				
Federal revenues	—	—	125	125
State revenues	—	—	389	389
Traffic violations and court fees	1,965	—	509	2,474
Interest and other operating revenues	50	4	76	130
Total revenues	4,357	4	1,099	5,460
Expenditures:				
Current:				
Public safety	147	—	396	543
Public works	703	—	—	703
Health and welfare	—	—	375	375
Economic development and assistance	—	—	208	208
Debt service:				
Redemption of bonds and notes	—	—	20	20
Interest on bonds and notes	—	—	2	2
Capital outlay	701	—	72	773
Total expenditures	1,551	—	1,073	2,624
Excess of revenues over expenditures	2,806	4	26	2,836
Other financing sources (uses):				
Transfers out	(3,150)	—	—	(3,150)
Total other financing sources (uses)	(3,150)	—	—	(3,150)
Net change in fund balances	(344)	4	26	(314)
Fund balances at beginning of year	1,065	126	798	1,989
Fund balances at end of year	$ 721	$ 130	$ 824	$ 1,675

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

	Parking		Federal Grants		State of Indiana Grants		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Charges for services	$ 2,402	$ 2,357	$ —	$ —	$ —	$ —	$ 2,402	$ 2,357
Other intergovernmental revenues:								
Federal revenues	—	—	33,062	16,058	—	44	33,062	16,102
State revenues	—	—	—	10	900	1,077	900	1,087
Other revenues	—	—	520	1,232	—	—	520	1,232
Traffic violations and court fees	1,200	1,885	20	1,224	—	382	1,220	3,491
Interest and other operating revenues	90	28	—	154	—	29	90	211
Total revenues	3,692	4,270	33,602	18,678	900	1,532	38,194	24,480
Expenditures:								
Current:								
General government	—	—	383	383	—	—	383	383
Public safety	150	149	7,510	6,349	447	276	8,107	6,774
Public works	748	739	794	567	—	—	1,542	1,306
Health and welfare	—	—	1,633	1,595	315	310	1,948	1,905
Cultural and recreation	—	—	1,283	982	—	—	1,283	982
Urban redevelopment and housing	—	—	21,580	19,255	—	—	21,580	19,255
Economic development and assistance	—	—	360	386	—	—	360	386
Capital outlays	752	751	3,156	2,471	965	905	4,873	4,127
Total expenditures	1,650	1,639	36,699	31,988	1,727	1,491	40,076	35,118
Excess (deficiency) of revenues over (under) expenditures	2,042	2,631	(3,097)	(13,310)	(827)	41	(1,882)	(10,638)
Other financing sources (uses), net:								
Transfers in (out)	(2,150)	(3,150)	—	—	—	—	(2,150)	(3,150)
Total other financing sources (uses)	(2,150)	(3,150)	—	—	—	—	(2,150)	(3,150)
Revenues over (under) expenditures and other financing sources (uses)	(108)	(519)	(3,097)	(13,310)	(827)	41	(4,032)	(13,788)
Unreserved fund balances at beginning of year	887	488	—	—	—	—	887	488
Cancellation of purchase orders and other	(169)	394	3,097	13,310	1,699	931	4,627	14,635
Unreserved fund balances at end of year	$ 610	$ 363	$ —	$ —	$ 872	$ 972	$ 1,482	$ 1,335

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

Department and Division	Fund		Final budget		Actual		Variance
Office of the Mayor	Federal Grants						
Other services and charges		$	383	$	383	$	—
Total - Office of the Mayor			383		383		—
Department of Metropolitan Development	Federal Grants						
Personal services			2,651		2,372		279
Supplies			25		14		11
Other services and charges			20,178		18,193		1,985
Capital outlay			461		460		1
Internal charges			311		247		64
Total – Department of Metropolitan Development		$	23,626	$	21,286	$	2,340
Department of Public Works	Parking						
Personal services		$	247	$	247	$	—
Supplies			90		90		—
Other services and charges			501		491		10
Capital outlay			752		751		1
Internal charges			60		60		—
Total			1,650		1,639		11
Department of Public Works	Federal Grants						
Personal services			613		613		—
Other services and charges			355		130		225
Internal charges			244		244		—
Total		$	1,212	$	987	$	225

(Continued)

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

Department and Division	Fund	Final budget	Actual	Variance
Department of Public Works	State of Indiana Grants			
Personal services		$ 316	$ 310	$ 6
Total		316	310	6
Total – Department of Public Works		$ 3,178	$ 2,936	$ 242
Department of Public Safety	Federal Grants			
Personal services		$ 289	$ 199	$ 90
Other services and charges		1,758	1,758	—
Internal charges		14	13	1
Total		2,061	1,970	91
Indianapolis Fire Department	Federal Grants			
Personal services		607	590	17
Supplies		204	51	153
Other services and charges		1,864	1,753	111
Capital outlay		94	38	56
Internal charges		10	2	8
Total		2,779	2,434	345
Department of Parks and Recreation	Federal Grants			
Personal services		334	187	147
Supplies		26	5	21
Other services and charges		860	728	132
Capital outlay		—	—	—
Internal charges		63	63	—
Total		$ 1,283	$ 983	$ 300

(Continued)

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

Department and Division	Fund	Final budget	Actual	Variance
Department of Parks and Recreation	State of Indiana Grants			
Capital outlay		$ 965	$ 905	$ 60
Total		965	905	60
Total – Department of Parks and Recreation		$ 2,248	$ 1,888	$ 360
Indianapolis Metropolitan Police Department	Federal Grants			
Personal services		$ 1,378	$ 1,008	$ 370
Supplies		327	156	171
Other services and charges		962	739	223
Capital outlay		2,601	1,975	626
Internal charges		87	67	20
Total		5,355	3,945	1,410
Indianapolis Metropolitan Police Department	State of Indiana Grants			
Personal services		100	—	100
Supplies		41	31	10
Other services and charges		240	240	—
Capital outlay		65	5	60
Total		446	276	170
Total – Indianapolis Metropolitan Police Department		$ 5,801	$ 4,221	$ 1,580
Total – Special Revenue Funds – by Department and Division		$ 40,076	$ 35,118	$ 4,958

Nonmajor Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs of four of the taxing districts. Nonmajor Debt service requirements are funded generally from property tax revenues and other operating revenues.

Civil City -	to account for the accumulation of resources for, and the payment of general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Civil City
Redevelopment District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Redevelopment District and to account for the accumulation of resources for, and the payment of, long-term lease commitments to the Marion County Convention and Recreation Facility Authority (MCCRFA) for a leasehold interest in the United Airlines repair facility
MECA -	to account for the accumulation of resources for, and the payment of, costs associated with the Public Safety Communications System Equipment
Sanitary District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Sanitary District
Flood Control District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Flood Control District
Metropolitan Thoroughfare - District	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Metropolitan Thoroughfare District
Park District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Park District
Economic Development District -	to account for accumulation of resources, and payments of long term bonded debt principal, interest, and related costs of debt issued for certain projects with Economic Development bonds proceeds by the City

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CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Debt Service Funds
December 31, 2008
(In thousands)

	Civil City	Redevelopment District	MECA	Sanitary District	Flood Control District	Metropolitan Thoroughfare District	Park District	Economic Development District	Total Nonmajor Debt Service Funds
ASSETS									
Equity in pooled cash	$ 10,755	$ 7,704	$ 3,907	$ 8,929	$ 2,627	$ 4,280	$ 2,374	$ 398	$ 40,974
Cash and investments with fiscal agents	7	—	103	26	9	47	11	4,188	4,391
Investments	3,455	2,476	1,256	2,869	844	1,369	763	128	13,160
Accrued interest receivable	16	20	7	9	—	2	3	1	58
Property taxes receivable	—	2,560	1,871	—	—	1,831	1,215	490	7,967
Accounts receivable	350	63	259	—	—	43	20	—	735
Total assets	$ 14,583	$ 12,823	$ 7,403	$ 11,833	$ 3,480	$ 7,572	$ 4,386	$ 5,205	$ 67,285
LIABILITIES AND FUND BALANCES									
Liabilities:									
Matured bonds payable	$ 2,530	$ 6,585	$ 2,825	$ 6,276	$ 2,027	$ 3,821	$ 2,029	$ —	$ 26,093
Matured interest payable	2,221	47	227	2,442	1,412	1,288	696	—	8,333
Accounts payable and other accrued liabilities	6	62	—	89	11	20	8	—	196
Tax anticipation warrants	—	—	606	—	—	2,375	1,445	—	4,426
Deferred revenue	—	1,691	1,906	—	—	1,531	1,110	490	6,728
Total liabilities	4,757	8,385	5,564	8,807	3,450	9,035	5,288	490	45,776
Fund balances:									
Reserved for debt service	9,826	4,438	1,839	3,026	30	(1,463)	(902)	4,715	21,509
Total liabilities and fund balances	$ 14,583	$ 12,823	$ 7,403	$ 11,833	$ 3,480	$ 7,572	$ 4,386	$ 5,205	$ 67,285

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds

Year ended December 31, 2008

(In thousands)

	Civil City	Redevelopment District	MECA	Sanitary District	Flood Control District	Metropolitan Thoroughfare District	Park District	Ecomonic Development District	Total Nonmajor Debt Service Funds
Revenues:									
Property taxes	$ —	$ 8,226	$ 3,753	$ —	$ —	$ 4,549	$ 2,675	$ 190	$ 19,393
Other taxes	8,712	1,654	540	—	—	446	284	3	11,639
Interest on investments	244	334	69	184	9	33	29	116	1,018
Other revenues	—	—	1,644	—	—	—	—	2,060	3,704
Total revenues	8,956	10,214	6,006	184	9	5,028	2,988	2,369	35,754
Expenditures:									
Redemption of bonds and notes	5,010	6,585	3,540	6,296	2,027	3,821	2,029	810	30,118
Interest on bonds and notes	4,501	122	521	4,076	2,814	2,557	1,380	2,315	18,286
Bond issuance costs	—	—	—	1	—	1	1	—	3
Operating lease payments and administration	119	14,252	13	111	69	53	28	16	14,661
Total expenditures	9,630	20,959	4,074	10,484	4,910	6,432	3,438	3,141	63,068
Excess (deficiency) of revenues over (under) expenditures	(674)	(10,745)	1,932	(10,300)	(4,901)	(1,404)	(450)	(772)	(27,314)
Other financing sources (uses):									
Transfers in	4,130	13,794	—	7,900	4,805	750	—	2,003	33,382
Transfers out	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	4,130	13,794	—	7,900	4,805	750	—	2,003	33,382
Net change in fund balances	3,456	3,049	1,932	(2,400)	(96)	(654)	(450)	1,231	6,068
Fund balances (deficits) at beginning of year	6,370	1,389	(93)	5,426	126	(809)	(452)	3,484	15,441
Fund balances (deficits) at end of year	$ 9,826	$ 4,438	$ 1,839	$ 3,026	$ 30	$ (1,463)	$ (902)	$ 4,715	21,509

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

	Civil City		Redevelopment District		MECA	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	$ 11,266	$ 9,252	$ 6,994	$ 4,782	$ 4,783	$ 2,994
Charges for services	—	—	7,000	(12)	1,700	1,433
Other operating revenues	11	224	75	335	89	63
Total revenues	11,277	9,476	14,069	5,105	6,572	4,490
Expenditures:						
Debt service	9,661	9,630	20,959	20,959	5,575	4,074
Total expenditures	9,661	9,630	20,959	20,959	5,575	4,074
Excess (deficiency) of revenues over (under) expenditures	1,616	(154)	(6,890)	(15,854)	997	416
Other financing sources, net:						
Transfers in	—	4,121	5,900	13,794	—	—
Total other financing sources	—	4,121	5,900	13,794	—	—
Revenues over (under) expenditures and other financing sources	1,616	3,967	(990)	(2,060)	997	416
Unreserved fund balances at beginning of year	75	5,472	1,656	3,305	719	893
Cancellation of purchase orders and other	4,515	350	6,283	3,441	58	2,162
Unreserved fund balances at end of year	$ 6,206	$ 9,789	$ 6,949	$ 4,686	$ 1,774	$ 3,471

(Continued)

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

	Sanitary District		Flood Control District		Metropolitan Thoroughfare District	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	$ —	$ —	$ —	$ —	$ 5,585	$ 3,625
Charges for services	—	—	—	—	—	—
Other operating revenues	150	41	—	13	150	48
Total revenues	150	41	—	13	5,735	3,673
Expenditures:						
Debt service	10,484	10,484	4,931	4,909	6,432	6,432
Total expenditures	10,484	10,484	4,931	4,909	6,432	6,432
Excess (deficiency) of revenues over (under) expenditures	(10,334)	(10,443)	(4,931)	(4,896)	(697)	(2,759)
Other financing sources, net:						
Transfers in	8,300	9,900	4,931	4,805	750	750
Total other financing sources	8,300	9,900	4,931	4,805	750	750
Revenues over (under) expenditures and other financing sources	(2,034)	(543)	—	(91)	53	(2,009)
Unreserved fund balances at beginning of year	328	1,365	—	—	37	742
Cancellation of purchase orders and other	2,587	(822)	119	118	168	1,232
Unreserved fund balances (deficits) at end of year	$ 881	$ —	$ 119	$ 27	$ 258	$ (35)

(Continued)

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

	Revenue		Park District		Economic Development		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	$ 48,300	$ 37,510	$ 3,221	$ 2,150	$ 500	$ 10	$ 80,649	$ 60,323
Charges for services	344	168	—	—	1,928	2,059	10,972	3,648
Other operating revenues	4,045	3,790	17	33	—	121	4,537	4,668
Total revenues	52,689	41,468	3,238	2,183	2,428	2,190	96,158	68,639
Expenditures:								
Debt service	81,474	87,430	3,437	3,437	3,222	2,290	146,175	149,645
Total expenditures	81,474	87,430	3,437	3,437	3,222	2,290	146,175	149,645
Excess (deficiency) of revenues over (under) expenditures	(28,785)	(45,962)	(199)	(1,254)	(794)	(100)	(50,017)	(81,006)
Other financing sources, net:								
Transfers in	24,017	33,788	175	—	—	1,016	44,073	68,174
Total other financing sources	24,017	33,788	175	—	—	1,016	44,073	68,174
Revenues over (under) expenditures and other financing sources	(4,768)	(12,174)	(24)	(1,254)	(794)	916	(5,944)	(12,832)
Unreserved fund balances at beginning of year	—	—	78	494	—	—	2,893	12,271
Cancellation of purchase orders and other	5,582	9,977	123	936	1,282	(916)	20,717	16,478
Unreserved fund balances (deficits) at end of year	$ 814	$ (2,197)	$ 177	$ 176	$ 488	$ —	$ 17,666	$ 15,917

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Debt Service Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008
(In thousands)

Department	Fund	Final budget	Actual	Variance
Division of Administration	Revenue			
Other services and charges		$ 540	$ 539	$ 1
Total		540	539	1
Non Departmental	Flood Control District			
Other services and charges		4,931	4,909	22
Total		4,931	4,909	22
Non Departmental	Metropolitan Thoroughfare District			
Other services and charges		6,432	6,432	—
Total		6,432	6,432	—
Non Departmental	Park District			
Other services and charges		3,437	3,437	—
Total		3,437	3,437	—
Non Departmental	MECA			
Other services and charges		5,575	4,074	1,501
Total		5,575	4,074	1,501
Non Departmental	Civil City			
Other services and charges		9,661	9,630	31
Total		9,661	9,630	31
Non Departmental	Redevelopment District			
Other services and charges		20,959	20,959	—
Total		20,959	20,959	—
Non Departmental	Revenue			
Other services and charges		80,934	86,891	(5,957)
Total		80,934	86,891	(5,957)
Non Departmental	Sanitary District			
Other services and charges		10,484	10,484	—
Total		10,484	10,484	—
Non Departmental	Economic Development			
Other services and charges		3,222	2,290	932
Total		3,222	2,290	932
Total – Debt Service Funds – by Department		$ 146,175	$ 149,645	$ (3,470)

See accompanying independent auditors' report.

Nonmajor Capital Project Funds

The Capital Projects Funds are used to account for resources designated to construct or acquire general capital assets. Such resources are derived principally from special district bonds, federal grants, and property tax levies.

Redevelopment District:	
General -	to account for all financial resources related to projects constructed wholly or in part from Redevelopment District bond issue proceeds (except tax increment bonds) and any participating federal and state grants, including any required City local matching funds
Tax Increment -	to account for all financial resources related to projects constructed from proceeds of the Redevelopment District Tax Increment bond issues
Economic Development -	to account for all financial resources related to projects constructed with Economic Development bonds issued by the City
Metropolitan Thoroughfare - District	to account for all financial resources related to projects constructed wholly or in part from Metropolitan Thoroughfare District bond issue proceeds (except tax increment bonds) and any participating federal and state grants, including any required City local matching funds
Park District -	to account for all financial resources related to projects constructed from proceeds of the Park District bond issues
City Cumulative Capital - Development	to account for all resources accumulating from a City-wide ad valorem property tax levy to provide for the cost of construction, maintenance, acquisition, and repair of certain facilities and other items of a capital nature
County Cumulative Capital - Development	to account for all resources accumulating from a County-wide ad valorem property tax levy to provide for the cost of construction, maintenance, acquisition and repair of certain facilities and other items of a capital nature
Facilities Revenue Bonds -	to account for all financial resources related to certain maintenance and repair of City and County facilities
Tax Revenue Note -	to account for all financial resources related to purchases of certain vehicles and other equipment from the proceeds of a tax revenue note
MECA -	to account for all financial resources related to acquisition of computer hardware and software from proceeds of the Public Safety Communication System and Computer Facilities District bonds
Landmark Building Preservation -	to account for all financial resources related to costs of major repairs to certain city properties
Storm Water -	to account for all financial resources related to expenditures for construction of storm water removal infrastructure

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CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Capital Projects Funds
December 31, 2008
(In thousands)

	Redevelopment District General	Redevelopment District Tax Increment	Economic Development	Metropolitan Thoroughfare District	Park District	City Cumulative Capital Development	County Cumulative Capital Development
ASSETS							
Equity in pooled cash	$ 749	$ 675	$ —	$ 4,408	$ 17	$ 9,075	$ 176
Cash and investments with fiscal agents	—	42,487	516	1,077	—	—	—
Investments	241	217	—	1,417	6	2,916	56
Accrued interest receivable	1	—	—	10	—	19	2
Property taxes receivable	—	—	—	—	—	7,791	—
Accounts receivable	—	5	—	46	—	157	—
Total assets	$ 991	$ 43,384	$ 516	$ 6,958	$ 23	$ 19,958	$ 234
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other accrued liabilities	$ 3	$ 3,518	$ —	$ 551	$ 1	$ 869	$ 548
Tax anticipation warrants	—	—	—	—	—	7,663	—
Deferred revenue	—	—	—	18	—	9,399	—
Total liabilities	3	3,518	—	569	1	17,931	548
Fund balances:							
Reserved for encumbrances	—	28,588	—	2,465	9	9,983	899
Unreserved	988	11,278	516	3,924	13	(7,956)	(1,213)
Total fund balances (deficits)	988	39,866	516	6,389	22	2,027	(314)
Total liabilities and fund balances	$ 991	$ 43,384	$ 516	$ 6,958	$ 23	$ 19,958	$ 234

(Continued)

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Capital Projects Funds
December 31, 2008
(In thousands)

	Facilities Revenue Bonds	Tax Revenue Note	MECA	Landmark Building Preservation	Storm Water	Total Nonmajor Capital Projects Funds
ASSETS						
Equity in pooled cash	$ —	$ 1	$ 9,676	$ 72	$ 6,111	$ 30,960
Cash and investments with fiscal agents	2,224	—	704	—	—	47,008
Investments	—	—	3,109	23	1,964	9,949
Accrued interest receivable	—	—	16	—	11	59
Property taxes receivable	—	—	—	—	—	7,791
Accounts receivable	—	29	—	—	—	237
Total assets	$ 2,224	$ 30	$ 13,505	$ 95	$ 8,086	$ 96,004
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other accrued liabilities	$ —	$ —	$ 870	$ —	$ 725	$ 7,085
Tax anticipation warrants	—	—	—	—	—	7,663
Deferred revenue	—	—	—	—	—	9,417
Total liabilities	—	—	870	—	725	24,165
Fund balances:						
Reserved for encumbrances	—	85	2,967	12	3,056	48,064
Unreserved	2,224	(55)	9,668	83	4,305	23,775
Total fund balances	2,224	30	12,635	95	7,361	71,839
Total liabilities and fund balances	$ 2,224	$ 30	$ 13,505	$ 95	$ 8,086	$ 96,004

CITY OF INDIANAPOLIS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds

Year ended December 31, 2008

(In thousands)

	Redevelopment District General	Redevelopment District Tax Increment	Economic Development	Metropolitan Thoroughfare District	Park District	City Cumulative Capital Improvement	County Cumulative Capital Improvement
Revenues:							
Taxes	$ —	$ —	$ —	$ —	$ —	$ 11,201	$ —
Other intergovernmental revenues:							
Federal revenues	—	—	—	206	—	241	300
Other revenues	—	—	—	—	—	—	52
Interest and other operating revenues	29	468	68	233	2	208	61
Total revenues	29	468	68	439	2	11,650	413
Expenditures:							
Current:							
Economic development and assistance	—	18,114	—	—	—	—	—
Debt service:							
Redemption of notes	—	—	—	—	—	2,208	—
Interest on notes	—	416	—	—	—	302	233
Issuance costs	—	734	—	—	—	—	—
Capital outlay	6	1,363	—	3,201	607	9,412	3,326
Total expenditures	6	20,627	—	3,201	607	11,922	3,559
Excess (deficiency) of revenues over (under) expenditures	23	(20,159)	68	(2,762)	(605)	(272)	(3,146)
Other financing sources (uses):							
Bonds and notes issued	—	59,746	—	—	—	—	—
Premium on bonds issued	—	1,354	—	—	—	—	—
Transfers out	—	(11,880)	—	—	—	(1,260)	—
Total other financing sources (uses)	—	49,220	—	—	—	(1,260)	—
Net change in fund balances	23	29,061	68	(2,762)	(605)	(1,532)	(3,146)
Fund balances (deficits) at beginning of year	965	10,805	448	9,151	627	3,559	2,832
Fund balances (deficits) at end of year	$ 988	$ 39,866	$ 516	$ 6,389	$ 22	$ 2,027	$ (314)

(Continued)

CITY OF INDIANAPOLIS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds

Year ended December 31, 2008

(In thousands)

	Facilities Revenue	Tax Revenue Note	MECA	Landmark Building Preservation	Storm Water	Total Nonmajor Capital Projects Funds
Revenues:						
Taxes	$ —	$ —	$ —	$ —	$ —	$ 11,201
Other intergovernmental revenues:						
Federal revenues	—	—	—	—	—	747
Other revenues	—	—	141	—	—	193
Interest and other operating revenues	87	1	403	3	386	1,949
Total revenues	87	1	544	3	386	14,090
Expenditures:						
Current:						
Economic development and assistance	—	—	—	—	—	18,114
Debt service:						
Redemption of notes	—	—	—	—	—	2,208
Interest on notes	—	—	1,436	—	—	2,387
Issuance costs	6	—	417	—	—	1,157
Capital outlay	2,787	1,715	11,214	5	10,663	44,299
Total expenditures	2,793	1,715	13,067	5	10,663	68,165
Excess (deficiency) of revenues over (under) expenditures	(2,706)	(1,714)	(12,523)	(2)	(10,277)	(54,075)
Other financing sources (uses):						
Bonds and notes issued	—	1,744	40,000	—	—	101,490
Premium on bonds issued	—	—	293	—	—	1,647
Transfers out	(76)	—	—	—	—	(13,216)
Total other financing sources (uses)	(76)	1,744	40,293	—	—	89,921
Net change in fund balances	(2,782)	30	27,770	(2)	(10,277)	35,846
Fund balances (deficits) at beginning of year	5,006	—	(15,135)	97	17,638	35,993
Fund balances (deficits) at end of year	$ 2,224	$ 30	$ 12,635	$ 95	$ 7,361	$ 71,839

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

	City Cumulative Capital Improvement		County Cumulative Capital Improvement		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	$ 16,447	$ 8,351	$ —	$ —	$ 16,447	$ 8,351
Other intergovernmental revenues	—	20	2,500	352	2,500	372
Interest and other operating revenues	410	193	20	70	430	263
Total revenues	16,857	8,564	2,520	422	19,377	8,986
Expenditures:						
Current:						
Public safety	712	674	—	—	712	674
Public works	200	200	137	116	337	316
Cultural and recreation	885	885	—	—	885	885
Urban redevelopment	20	20	—	—	20	20
Economic development	35	35	—	—	35	35
Capital outlays	18,680	16,893	2,500	2,500	21,180	19,393
Total expenditures	20,532	18,707	2,637	2,616	23,169	21,323
Excess (deficiency) of revenues over (under) expenditures	(3,675)	(10,143)	(117)	(2,194)	(3,792)	(12,337)
Other financing sources (uses), net:						
Transfers out	(650)	(1,260)	—	—	(650)	(1,260)
Total other financing sources (uses)	(650)	(1,260)	—	—	(650)	(1,260)
Revenues over (under) expenditures and other financing sources (uses)	(4,325)	(11,403)	(117)	(2,194)	(4,442)	(13,597)
Unreserved fund balances at beginning of year	934	3,175	762	913	1,696	4,088
Cancellation of purchase orders and other	3,486	9,553	524	2,628	4,010	12,181
Unreserved fund balances at end of year	$ 95	$ 1,325	$ 1,169	$ 1,347	$ 1,264	$ 2,672

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

Department and Division	Fund	Final budget	Actual	Variance
Executive and Legislative				
Office of Finance and Management	County Cumulative Capital Improvement			
Other services and charges		$ 137	$ 116	$ 21
Total		137	116	21
Office of Finance and Management	City Cumulative Capital Improvement			
Other services and charges		35	35	—
Total		35	35	—
Total – Executive and Legislative		$ 172	$ 151	$ 21
Department of Metropolitan Development	City Cumulative Capital Improvement			
Other services and charges		$ 20	$ 20	$ —
Capital outlay		40	6	34
Total – Department of Metropolitan Development		$ 60	$ 26	$ 34
Department of Public Works	County Cumulative Capital Improvement			
Capital outlay		$ 2,500	$ 2,500	$ —
Total		2,500	2,500	—
Department of Public Works	City Cumulative Capital Improvement			
Other services and charges		200	200	—
Capital outlay		2,150	2,150	—
Total		2,350	2,350	—
Total – Department of Public Works		$ 4,850	$ 4,850	$ —
Department of Public Safety	City Cumulative Capital Improvement			
Supplies		$ 10	$ 10	$ —
Capital outlay		90	85	5
Total		$ 100	$ 95	$ 5

(Continued)

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

Department and Division	Fund	Final budget	Actual	Variance
Indianapolis Fire Department	City Cumulative Capital Improvement			
Other services and charges		$ 502	$ 469	$ 33
Capital outlay		4,259	4,115	144
Total		4,761	4,584	177
Total – Department of Public Safety		$ 4,861	$ 4,679	$ 182
Department of Parks and Recreation	City Cumulative Capital Improvement			
Supplies		$ 75	$ 75	$ —
Other services and charges		810	810	—
Capital outlay		2,620	2,620	—
Total – Department of Parks and Recreation		$ 3,505	$ 3,505	$ —
Indianapolis Metropolitan Police Department	City Cumulative Capital Improvement			
Supplies		$ 200	$ 195	$ 5
Capital outlay		9,521	7,917	1,604
Total – Indianapolis Metropolitan Police Department		$ 9,721	$ 8,112	$ 1,609
Total – Capital Projects Funds – by Department and Division		$ 23,169	$ 21,323	$ 1,846

See accompanying independent auditors' report.

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Internal Service Funds

Internal Service Funds are used to account for the accumulation of resources to provide for the financing of certain self-insurance programs for all City departments.

The City maintains Workers' Compensation Self-Insurance, Auto Liability Self-Insurance, and Public Liability Self-Insurance Internal Service Funds.

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CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Net Assets
December 31, 2008

(In thousands)

		Auto Liability Reserve		Workers' Compensation		Public Liability Self Insurance		Total
ASSETS								
Equity in pooled cash	$	3,673	$	—	$	3,061	$	6,734
Cash and investments with fiscal agents		12		156		—		168
Investments		1,180		—		983		2,163
Accrued interest receivable		9		—		7		16
Total assets		4,874		156		4,051		9,081
LIABILITIES								
Accounts payable and other accrued liabilities		650		2,411		2,358		5,419
Total liabilities		650		2,411		2,358		5,419
NET ASSETS								
Unrestricted	$	4,224	$	(2,255)	$	1,693	$	3,662

CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended December 31, 2008
(In thousands)

	Auto Liability Reserve	Workers' Compensation	Public Liability Self Insurance	Total
Operating revenues:				
Charges to other funds	$ 488	$ 2,243	$ 1,624	$ 4,355
Operating expenses:				
Administration	29	89	—	118
Claims	276	3,430	1,102	4,808
Total operating expenses	305	3,519	1,102	4,926
Operating income (loss)	183	(1,276)	522	(571)
Nonoperating revenue:				
Interest on investments	139	(4)	113	248
Change in net assets	322	(1,280)	635	(323)
Total net assets – beginning	3,902	(975)	1,058	3,985
Total net assets – ending	$ 4,224	$ (2,255)	$ 1,693	$ 3,662

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Cash Flows
Year ended December 31, 2008
(In thousands)

		Auto Liability Reserve		Workers' Compensation		Public Liability Self Insurance		Total
Cash flows from operating activities:								
Receipts from users	$	488	$	2,268	$	1,624	$	4,380
Other payments		—		(418)		—		(418)
Payments for administration		(29)		(89)		—		(118)
Payments for claims		(326)		(1,911)		(1,176)		(3,413)
Net cash provided by (used in) operating activities		133		(150)		448		431
Sales and maturities of investments		511		28		388		927
Investment purchases		(1,180)		—		(983)		(2,163)
Interest on investments		149		(2)		121		268
Net cash provided by (used in) investing activities		(520)		26		(474)		(968)
Net decrease in cash and cash equivalents		(387)		(124)		(26)		(537)
Cash and cash equivalents, beginning of year		4,072		280		3,087		7,439
Cash and cash equivalents, end of year	$	3,685	$	156	$	3,061	$	6,902

Reconciliation of operating income (loss) to net cash used in operating activities:								
Operating income (loss)	$	183	$	(1,276)	$	522	$	(571)
Change in assets and liabilities:								
Decrease in accounts receivable		—		25		—		25
Increase (decrease) in accounts payable		(50)		1,101		(74)		977
Net cash provided by (used in) operating activities	$	133	$	(150)	$	448	$	431

See accompanying independent auditors' report.

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Fiduciary Funds

The Fiduciary Funds are classified into two sub-groupings - Agency Funds and Pension Trust Funds. Funds in this classification are used to account for assets held by the City in a fiduciary capacity. Receipts and expenditures of each fund are governed by terms of trust indentures, statutes, ordinances, etc.

The City maintains the following Fiduciary Funds:

PENSION TRUST FUNDS

Police -	to account for the (1) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Police and Firefighters Pension and Disability Fund (1977 Fund) pension plan and (2) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Fund and elected to convert to the benefit structure of the 1977 Fund
Firefighters -	to account for the (1) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Police and Firefighters Pension and Disability Fund pension plan and (2) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Fund and elected to convert to the benefit structure of the 1977 Fund

AGENCY FUNDS

Sanitation 15 Year Law -	to account for property owner assessment receipts held by the City as agent for city approved developer constructed sewer systems Barrett Law projects, with construction costs repaid by the property owners over a period not to exceed 15 years
UAL Personal Property -	to account for amounts received, that in accordance with the related bond indenture, are to transferred to the debt service for the Indianapolis Airport Authority Special Facility Revenue Bonds of 1995
E-911 Allocation -	to account for assets, obligations, and activities of the E-911 dispatch programs
DPS Retiree Health Insurance -	to account for assets, obligations, and activities of certain Police and Firefighter Retiree Health Insurance costs
IPD Confiscated Cash -	to account for assets, obligations, and activities of amounts which have been confiscated pending final court disposition
Other -	to account for all contractor receipts for sanitary Barrett Law project engineering fees held by the City as agent for engineer payment upon project acceptance and for franchise security deposits held by the City as agent for franchised performance

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CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Pension Trust Funds Net Assets
December 31, 2008
(In thousands)

	Police Pension	Firefighters Pension	Total
ASSETS			
Equity in pooled cash	$ 297	$ 123	$ 420
Investments	95	40	135
Accrued interest receivable	3	—	3
Accounts receivable	12	—	12
Total assets	407	163	570
LIABILITIES			
Accounts payable and other accrued liabilities	407	163	570
Total liabilities	407	163	570
NET ASSETS			
Held in trust for pension benefits	$ —	$ —	$ —

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
Police and Firefighters Pension Trust Funds
Year ended December 31, 2008
(In thousands)

	Pension Trust Funds		
	Police Pension	Firefighters Pension	Total
ADDITIONS			
State of Indiana pension subsidy received from the General Fund	$ 16,705	$ 16,370	$ 33,075
Interest income and other	129	120	249
	16,834	16,490	33,324
Contributions:			
Employer	10,828	2,513	13,341
Plan members	14	31	45
	10,842	2,544	13,386
Total additions	27,676	19,034	46,710
DEDUCTIONS			
Benefits	28,690	26,389	55,079
Total deductions	28,690	26,389	55,079
Change in plan net assets	(1,014)	(7,355)	(8,369)
Net assets – beginning	1,014	7,355	8,369
Net assets – ending	$ —	$ —	$ —

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Fiduciary Funds
Police and Firefighters Pension Trust Funds
Schedule of Revenues and Expenditures
Budget and Actual – Budgetary Basis
Year ended December 31, 2008

(In thousands)

	Police Pension			Firefighters Pension		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Taxes	$ 29,031	$ 23,840	$ (5,191)	$ 15,904	$ 14,123	$ (1,781)
Intergovernmental	15,792	16,705	913	16,425	16,370	(55)
Other	(40)	146	186	—	128	128
Total revenues	44,783	40,691	(4,092)	32,329	30,621	(1,708)
Expenditures:						
Personal services	52,005	50,681	1,324	40,946	39,231	1,715
Other services	33	33	—	431	431	—
Total expenditures	52,038	50,714	1,324	41,377	39,662	1,715
Excess (deficiency) of revenues over (under) expenditures	(7,255)	(10,023)	(2,768)	(9,048)	(9,041)	7
Other financing sources:						
Transfers in	1,243	375	(868)	550	9,129	8,579
Revenues over (under) expenditures and other financing sources	$ (6,012)	$ (9,648)	$ (3,636)	$ (8,498)	$ 88	$ 8,586

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Agency Funds Net Assets
December 31, 2008
(In thousands)

	Sanitation 15 Year Law	UAL Personal Property	E-911 Allocation	DPS Retiree Health Insurance	IPD Confiscated Cash	Other	Total
ASSETS							
Equity in pooled cash	$ 213	$ 6,355	$ 3,312	$ 577	$ 1,939	$ 562	$ 12,958
Cash and investments with fiscal agents	—	—	—	—	—	13	13
Investments	68	2,042	1,053	—	—	180	3,343
Accrued interest receivable	1	—	8	2	—	2	13
Accounts receivable	—	—	166	—	—	—	166
Total assets	$ 282	$ 8,397	$ 4,539	$ 579	$ 1,939	$ 757	$ 16,493
LIABILITIES							
Accounts payable and other accrued liabilities	$ 282	$ 8,397	$ 4,539	$ 579	$ 1,939	$ 757	$ 16,493
Total liabilities	$ 282	$ 8,397	$ 4,539	$ 579	$ 1,939	$ 757	$ 16,493

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended December 31, 2008

(In thousands)

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
SANITATION 15 YEAR LAW FUND				
Assets:				
Cash and investments	$ 377	$ —	$ 96	$ 281
Accrued interest receivable	2	—	1	1
Total assets	$ 379	$ —	$ 97	$ 282
Liabilities:				
Accounts payable	$ 379	$ —	97	$ 282
Total liabilities	$ 379	$ —	$ 97	$ 282
UAL PERSONAL PROPERTY				
Assets:				
Cash and investments	$ 8,101	$ 296	$ —	$ 8,397
Total assets	$ 8,101	$ 296	$ —	$ 8,397
Liabilities:				
Accounts payable	$ 8,101	$ 296	$ —	$ 8,397
Total liabilities	$ 8,101	$ 296	$ —	$ 8,397
E – 911 ALLOCATION				
Assets:				
Cash and investments	$ 3,732	$ 990	$ 357	$ 4,365
Accrued interest receivable	15	—	7	8
Accounts receivable	200	—	34	166
Total assets	$ 3,947	$ 990	$ 398	$ 4,539
Liabilities:				
Accounts payable	$ 3,947	$ 990	$ 398	$ 4,539
Total liabilities	$ 3,947	$ 990	$ 398	$ 4,539

(continued)

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended December 31, 2008

(In thousands)

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
DPS RETIREE HEALTH INSURANCE				
Assets:				
Cash and investments	$ 95	$ 2,055	$ 1,573	$ 577
Accrued interest receivable	1	1	—	2
Total assets	$ 96	$ 2,056	$ 1,573	$ 579
Liabilities:				
Accounts payable	$ 96	$ 2,056	$ 1,573	$ 579
Total liabilities	$ 96	$ 2,056	$ 1,573	$ 579
IPD CONFISCATED CASH				
Assets:				
Cash and investments	$ 1,499	$ 2,014	$ 1,574	$ 1,939
Total assets	$ 1,499	$ 2,014	$ 1,574	$ 1,939
Liabilities:				
Accounts payable	$ 1,499	$ 2,014	$ 1,574	$ 1,939
Total liabilities	$ 1,499	$ 2,014	$ 1,574	$ 1,939
OTHER				
Assets:				
Cash and investments	$ 737	$ 11	$ 6	$ 742
Cash and investments with fiscal agents	15	—	2	13
Accrued interest receivable	3	—	1	2
Total assets	$ 755	$ 11	$ 9	$ 757
Liabilities:				
Accounts payable	$ 755	$ 11	$ 9	$ 757
Total liabilities	$ 755	$ 11	$ 9	$ 757
TOTAL – ALL AGENCY FUNDS				
Assets:				
Cash and investments	$ 14,541	$ 5,366	$ 3,606	$ 16,301
Cash and investments with fiscal agents	15	—	2	13
Accrued interest receivable	21	1	9	13
Accounts receivable	200	—	34	166
Total assets	$ 14,777	$ 5,367	$ 3,651	$ 16,493
Liabilities:				
Accounts payable	$ 14,777	$ 5,367	$ 3,651	$ 16,493
Total liabilities	$ 14,777	$ 5,367	$ 3,651	$ 16,493

See accompanying independent auditors' report.

Statistical Section

CITY OF INDIANAPOLIS

Statistical Section

Table of Contents

This section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 effective for the fiscal year ended December 31, 2002; schedules presenting government-wide information include information beginning in that year.

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CITY OF INDIANAPOLIS
Net Assets by Component
Schedule 1
Last Four Fiscal Years
(Accrual basis of accounting)
(In thousands)

	Fiscal year			
	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	$ 964,135	$ 968,197	$ 1,009,258	$ 963,536
Restricted	122,202	193,243	175,864	195,743
Unrestricted (deficit)	(273,286)	(366,071)	(402,821)	(354,287)
Total governmental activities net assets	$ 813,051	$ 795,369	$ 782,301	$ 804,992
Business-type activities:				
Invested in capital assets, net of related debt	$ 86,066	$ 76,926	$ 96,070	$ 91,984
Restricted	2,807	443	11,800	12,812
Unrestricted (deficit)	(20,333)	11,585	(9,352)	(27,348)
Total business-type activities net assets	$ 68,540	$ 88,954	$ 98,518	$ 77,448
Primary government:				
Invested in capital assets, net of related debt	$ 1,050,201	$ 1,045,123	$ 1,105,328	$ 1,055,520
Restricted	125,009	193,686	187,664	208,555
Unrestricted (deficit)	(293,619)	(354,486)	(412,173)	(381,635)
Total primary government net assets	$ 881,591	$ 884,323	$ 880,819	$ 882,440

CITY OF INDIANAPOLIS
Changes in Net Assets
Schedule 2
Last Four Fiscal Years
(Accrual basis of accounting)
(In thousands)

	Fiscal year			
	2005	2006	2007	2008
Expenses:				
Governmental activities:				
General government	$ 43,646	$ 45,133	$ 46,890	$ 34,652
Public safety	280,370	281,214	401,015	382,716
Public works	228,881	229,993	234,673	227,589
Health and welfare	4,598	4,962	5,621	5,354
Cultural and recreation	32,892	31,739	38,250	34,296
Urban redevelopment and housing	38,482	40,837	33,207	30,594
Economic development and assistance	11,804	14,126	22,315	26,247
Interest	56,192	63,262	62,178	73,774
Total governmental activities expenses	$ 696,865	$ 711,266	$ 844,149	$ 815,222
Business-type activities:				
Waterworks	$ 120,856	$ 119,289	$ 141,257	$ 146,488
Housing Agency	55,494	51,087	51,686	58,928
Total business-type activities expenses	176,350	170,376	192,943	205,416
Total primary government expenses	$ 873,215	$ 881,642	$ 1,037,092	$ 1,020,638

(Continued)

CITY OF INDIANAPOLIS
Changes in Net Assets
Schedule 2
Last Four Fiscal Years
(Accrual basis of accounting)
(In thousands)

	2005	2006	2007	2008
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 12,471	$ 13,672	$ 14,025	$ 13,980
Public safety	13,388	16,394	18,486	17,773
Public works	95,148	117,667	144,653	162,167
Health and welfare	952	864	864	901
Cultural and recreation	5,003	5,230	4,968	4,845
Urban redevelopment and housing	1,378	1,667	1,943	2,251
Economic development and assistance	1,450	1,033	966	675
Operating grants and contributions	113,844	123,417	142,344	107,546
Capital grants and contributions	93,315	63,466	69,657	31,167
Total governmental activities program revenues	$ 336,949	$ 343,410	$ 397,906	$ 341,305
Business-type activities:				
Charges for services:				
Waterworks	$ 101,466	$ 97,637	$ 128,107	$ 122,658
Housing Agency	3,808	4,646	3,691	3,885
Operating grants and contributions	51,127	51,139	47,733	51,415
Capital grants and contributions	35,848	24,925	16,039	12,601
Total business-type activities program revenues	$ 192,249	$ 178,347	$ 195,570	$ 190,559
Total primary government program revenues	$ 529,198	$ 521,757	$ 593,476	$ 531,864
Net (Expense) Revenue				
Governmental activities	$ (359,916)	$ (367,856)	$ (446,243)	$ (473,917)
Business-type activities	15,899	7,971	2,627	(14,857)
Total primary government net expenses	$ (344,017)	$ (359,885)	$ (443,616)	$ (488,774)

(Continued)

CITY OF INDIANAPOLIS
Changes in Net Assets
Schedule 2
Last Four Fiscal Years
(Accrual basis of accounting)
(In thousands)

General Revenues and Other Changes in Net Assets	**2005**	**2006**	**2007**	**2008**
Governmental activities:				
Taxes:				
Property tax	$ 229,238	$ 221,904	$ 256,969	$ 247,908
Wheel tax	13,396	12,921	12,756	13,432
County option income tax	45,489	57,452	110,426	188,486
Other taxes	18,469	17,769	16,947	19,040
Grants and contributions not restricted by function	6,708	16,945	13,503	4,872
Investment earnings not restricted by function	8,535	18,099	17,967	11,000
Miscellaneous	1,214	5,084	4,607	11,870
Total governmental activities	$ 323,049	$ 350,174	$ 433,175	$ 496,608
Business-type activities:				
Investment earnings not restricted by function	$ 2,125	$ 5,489	$ 4,724	$ 4,168
Miscellaneous	151	6,954	2,213	655
Prior period adjustment	—	—	—	(3,840)
Total business-type activities	2,276	12,443	6,937	983
Total primary government	$ 325,325	$ 362,617	$ 440,112	$ 497,591
Change in Net Assets				
Governmental activities	$ (36,867)	$ (17,682)	$ (13,068)	$ 22,691
Business-type activities	18,175	20,414	9,564	(10,034)
Total primary government	$ (18,692)	$ 2,732	$ (3,504)	$ 12,657

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.

CITY OF INDIANAPOLIS

Program Revenues by Function/Program

Schedule 3

Last Four Fiscal Years

(Accrual basis of accounting)

(In thousands)

	Fiscal year			
	2005	2006	2007	2008
Function/Program				
Governmental activities:				
General government	$ 12,535	$ 14,154	$ 14,459	$ 14,595
Public safety	64,480	71,887	98,792	70,569
Public works	212,890	216,308	242,473	222,155
Health and welfare	3,106	2,939	3,503	3,755
Cultural and recreation	7,694	8,775	9,333	7,127
Urban redevelopment and housing	26,563	26,986	26,836	19,749
Economic development and assistance	9,681	2,361	2,510	3,355
Total governmental activities	$ 336,949	$ 343,410	$ 397,906	$ 341,305
Business-type activities:				
Waterworks	$ 134,389	$ 116,908	$ 133,751	$ 124,354
Housing Agency	57,860	61,439	61,819	66,205
Total business-type activities	192,249	178,347	195,570	190,559
Total primary government program revenues	$ 529,198	$ 521,757	$ 593,476	$ 531,864

CITY OF INDIANAPOLIS
Fund Balances, Governmental Funds
Schedule 4
Last Four Fiscal Years
(Modified accrual basis of accounting)
(In thousands)

	Fiscal year			
	2005	**2006**	**2007**	**2008**
General Fund:				
Reserved	$ 92,086	$ 73,618	$ 37,412	$ 33,865
Unreserved	125,526	136,643	79,182	83,292
Total general fund	$ 217,612	$ 210,261	$ 116,594	$ 117,157
All other governmental funds:				
Reserved	$ 152,398	$ 179,519	$ 198,655	$ 230,856
Unreserved, reported in:				
Special revenue funds	1,558	511	148	(503)
Capital projects funds	19,132	75,784	100,381	103,328
Permanent fund	336	345	361	377
Total all other governmental funds	$ 173,424	$ 256,159	$ 299,545	$ 334,058

CITY OF INDIANAPOLIS
Changes in Fund Balances, Governmental Funds
Schedule 5
Last Four Fiscal Years
(Modified accrual basis of accounting)
(In thousands)

	Fiscal year			
	2005	**2006**	**2007**	**2008**
Revenues:				
Taxes	$ 308,197	$ 310,178	$ 295,784	$ 445,216
Licenses and permits	8,319	13,097	14,441	15,898
Charges for services	109,272	130,946	158,671	159,169
Intergovernmental revenues	122,092	131,323	158,782	112,674
Intragovernmental revenues	2,962	3,804	3,401	2,497
Traffic violations and court fees	4,320	4,441	4,185	13,309
Interest and other operating revenues	17,465	30,737	44,429	25,631
Total revenues	572,627	624,526	679,693	774,394
Expenditures:				
Current:				
General government	25,694	24,193	25,024	18,190
Public safety	251,297	261,140	343,222	345,965
Public works	116,336	117,032	129,584	131,156
Health and welfare	4,453	4,778	5,430	5,221
Cultural and recreation	26,017	25,501	28,883	28,085
Urban redevelopment and housing	29,827	27,946	28,355	23,962
Economic development and assistance	7,359	1,773	12,614	20,289
Capital outlay	82,928	117,918	194,529	138,879
Debt service:				
Redemption of bonds and notes	64,270	96,412	92,076	78,811
Interest on bonds and notes	48,032	54,514	54,809	63,886
Bond and note issuance costs	1,616	2,026	3,760	1,160
Operating lease payments and administration	19,213	19,054	19,636	15,399
Total expenditures	677,042	752,287	937,922	871,003
Deficiency of revenues under expenditures	$ (104,415)	$ (127,761)	$ (258,229)	$ (96,609)

(Continued)

CITY OF INDIANAPOLIS
Changes in Fund Balances, Governmental Funds
Schedule 5
Last Four Fiscal Years
(Modified accrual basis of accounting)
(In thousands)

	Fiscal year			
	2005	2006	2007	2008
Other financing sources (uses):				
Bonds and notes issued	$ 158,971	$ 199,999	$ 198,915	$ 129,675
Premium on bonds and notes issued	—	2,691	5,381	1,647
Refunding bonds issued	—	—	89,410	—
Payment to refunded bond escrow agent	—	—	(86,697)	—
Sale of capital assets	393	455	939	363
Transfers in	44,935	45,313	60,253	82,245
Transfers out	(44,935)	(45,313)	(60,253)	(82,245)
Total other financing sources (uses)	159,364	203,145	207,948	131,685
Net change in fund balances (deficits)	$ 54,949	$ 75,384	$ (50,281)	$ 35,076
Debt service as a percentage of noncapital expenditures	28%	35%	28%	27%

CITY OF INDIANAPOLIS
Tax Revenues by Source, Governmental Funds
Schedule 6
December 31, 2008
(Modified accrual basis)
(In thousands)

Fiscal year		Property		Local option income tax		Wheel tax		Other (a)		Total taxes
2005	$	230,073	$	46,236	$	13,396	$	18,492	$	308,197
2006		222,202		57,345		12,921		17,710		310,178
2007		194,501		71,571		12,756		16,956		295,784
2008		243,042		170,651		13,432		18,091		445,216

(a) Includes financial institution and other local taxes.

CITY OF INDIANAPOLIS
Assessed Value and Estimated Actual Value of Taxable Property
Schedule 7
December 31, 2008
(In thousands)

Fiscal year		Residential property		Commercial property		Industrial property		Personal property		Other		Total taxable assessed value (a) (b)	Total direct tax rate		Estimated actual taxable value	Taxable assessed value as a percentage of actual taxable value (a)
2005	$	20,253,137	$	12,183,743	$	1,614,660	$	7,229,661	$	508,322	$	41,789,523	3.4750 %	$	41,789,523	100%
2006		20,737,062		11,877,672		1,604,481		7,770,818		482,842		42,472,875	3.5964		42,472,875	100
2007		24,627,515		15,930,401		2,733,130		5,935,716		597,690		49,824,452	3.7166		49,824,452	100
2008		(c)		(c)		(c)		(c)		(c)		47,869,943	3.5490		47,869,943	100

Note: Tax-exempt property for 2008 of $3,590,076 represents charitable organizations and other deductions. Government property is generally not assessed.

(a) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.
(b) In 2008, total taxable assessed value includes $2,868,429 of assessed valuation for Marion County Tax Increment Financing Districts.
(c) Due to the implementation of a new property tax system in 2008, the use code analysis that breaks down property by type is temporarily unavailable.

City of Indianapolis
Direct and Overlapping Governments Property Tax Rates (a) (b)
Schedule 8
Last Four Fiscal Years
(Rate per $100 of assessed value)

	City of Indianapolis			Overlapping rates						
				County direct rates			Other direct rates			Total direct and overlapping rates
Year	Operating millage	Debt service millage	Total city millage	County	Municipal corporations	Total City-County Council approved	School	State	Other	
2005	0.9442	0.0369	0.9811	0.4163	0.3650	1.7345	1.6744	0.0024	0.0637	4.4561
2006	0.9057	0.0368	0.9425	0.4131	0.3651	1.6663	1.7172	0.0024	0.0644	4.3928
2007	0.8330	0.0416	0.8746	0.5708	0.3320	1.4987	1.8713	0.0024	0.0656	4.3126
2008	0.8692	0.0228	0.8920	0.4936	0.3421	1.5256	1.7668	0.0024	0.0553	4.2421

(a) Rate of District 101 (Indianapolis-Center Township), which is the only rate that includes all major services.
(b) Data presented is per the Marion County Auditor's Office.

CITY OF INDIANAPOLIS

Principal Property Tax Payers
Schedule 9
December 31, 2008
(In thousands)

	2008		
Principal taxpayers	**Taxable assessed value (a)**	**Rank**	**Percentage of total city taxable assessed value**
Eli Lilly and Company	1,274,299	1	2.832%
Indianapolis Power & Light	375,105	2	0.834
Indiana Bell	320,937	3	0.713
Simon Property Group	319,374	4	0.710
General Motors	289,988	5	0.644
Sexton Properties	249,597	6	0.555
Citizens Gas & Coke Utility	183,897	7	0.409
Macquarie Office Monument	181,601	8	0.404
American United Life	157,193	9	0.349
Community Hospital Foundation	130,955	10	0.291
Dugan Realty, LLP	126,140	11	0.280
Keystone Investors, LLC	115,274	12	0.256
Duke Weeks Realty, LP	111,358	13	0.247
Rolls-Royce	98,957	14	0.220
Roche Diagnostics Corp	95,080	15	0.211
Target	94,682	16	0.210
Indianapolis Motor Speedway	94,574	17	0.210
International Truck and Engine	94,317	18	0.210
SVC Manufacturing	88,836	19	0.197
VV USA City, LP	84,583	20	0.188
	4,486,747		9.97

(a) Represents the March 1, 2007 valuations for taxes due and payable in 2008 as represented by the taxpayer.
Amounts in thousands. Net assessed valuation was determined using public records from the Marion County Treasurer's Office.

CITY OF INDIANAPOLIS
Property Tax Levies and Collections
Schedule 10
Last Ten Fiscal Years
(In Thousands)

Fiscal year ended December 31	Taxes levied for the fiscal year (a)	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount (c)	Percentage of levy
1999	$ 172,166	$ 162,624	94.5%	$ 7,496	$ 170,120	98.81%
2000	168,653	163,830 (b)	97.1	7,538	171,368	101.61
2001	168,777	163,786	97.0	7,093	170,879	101.25
2002	166,351	161,582	97.1	8,049	169,631	101.97
2003	173,506	172,068	99.2	6,476	178,544	102.90
2004	163,091	159,523	97.8	7,502	167,025	102.41
2005	173,583	165,443	95.3	5,995	171,438 (d)	98.76
2006	175,485	168,359	95.9	4,501	172,860 (d)	98.50
2007	192,223	192,946	100.4	3,587	196,533 (d)	102.24
2008	196,824	(e)	(e)	(e)	(e)	(e)

(a) Taxes levied represents the total city less the tax increment replacement levy.
(b) Beginning in 2000, taxes collected do not include tax incremental finance (TIF) taxes.
(c) Data presented on the cash basis in years prior to 2007.
(d) Total collections for 2005, 2006, and 2007 include refunds for prior years that were withheld from the City's final tax distribution.
(e) The final 2008 billing was not issued until June 2009; collections for property taxes have been advance distributions.

CITY OF INDIANAPOLIS
Ratios of Outstanding Debt by Type
Schedule 11
Last Four Fiscal Years
(In thousands, except per capita)

	Governmental activities					Business-type activities					
Fiscal year	Serial bonds	Tax increment bonds	Net revenue bonds	Notes payable	Capital leases	Waterworks net revenue bonds	Waterworks notes payable	Housing Agency capital leases	Total primary government	Percentage of personal income (a)	Per capita (a)
2005	$ 338,642	$ 468,392	$ 249,193	$ 42,648	$ 2,020	$ 701,381	$ 869	$ 2,506	$ 1,805,651	3.03%	$ 110
2006	320,385	438,863	406,626	47,628	1,112	707,586	651	1,888	1,924,739	3.05	116
2007	305,051	442,678	567,104	29,239	151	814,893	3,768	1,248	2,164,132	3.28	128
2008	319,441	490,169	572,965	27,384	—	809,934	1,884	1,030	2,222,807	3.36	131

(a) See schedule 16 for personal income and population data. These ratios are calculated using personal income and population.

CITY OF INDIANAPOLIS
Ratios of General Bonded Debt Outstanding
Schedule 12
Last Four Fiscal Years
(In thousands, except per capita)

	General bonded debt outstanding			
Fiscal year	Serial bonds payable	Total	Percentage of actual taxable value of property (b)	Per capita (a)
2005	$ 338,642	$ 338,642	0.854%	$ 0.44
2006	320,385	320,385	0.754	0.40
2007	305,051	305,051	0.612	0.38
2008	319,441	319,441	0.667	0.40

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(a) Population data can be found in schedule 16.
(b) Property value data can be found in schedule 7.

CITY OF INDIANAPOLIS

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)

Schedule 13

December 31, 2008

(In thousands)

Direct Debt:	Map reference (see introduction (g))	Assessed value (f)	Bonding limit %	Bonding limit Dollar amount	Bonds outstanding
City of Indianapolis:					
Civil City	2	$ 41,924,771	0.67%	$ 280,896	$ 92,695
Consolidated County	1	45,001,514	(c)	—	—
Park District	1	45,001,514	(h)	—	25,960
Redevelopment District	2	41,924,771	(h)	—	30,029
Flood Control District	1	45,001,514	0.67%	301,510	13,295
Metropolitan Thoroughfare District	1	45,001,514	1.33%	598,520	48,741
Sanitary District	8	41,237,673	4.00%	1,649,507	64,426
Police Special Service District	5	12,827,896	(b)	—	—
Fire Special Service District	6	12,162,059	(b)	—	—
Solid Waste Collect Special Service District	7	41,986,074	(b)	—	—
Solid Waste Disposal District	7	41,986,074	2.00%	839,721	—
Pub Safety Comm and Comp Facilities District	1	45,001,514	0.67%	301,510	44,295
Total City Debt				$ 3,971,664	$ 319,441
Overlapping:					
Marion County	1	$ 45,001,514	0.67%	$ 301,510	$ —
Municipal Corporations:					
Airport Authority	1	45,001,514	0.67%	$ 301,510	$ —
Health & Hospital Corporation	1	45,001,514	0.67%	301,510	42,635
Capital Improvement Board	1	45,001,514	0.67%	301,510	—
Indpls-Marion Co. Building Authority	1	45,001,514	(d)	—	22,210
Indianapolis-Marion County Library	4	43,803,267	0.67%	293,482	117,770
Indianapolis Public Transportation Corp.	2	42,461,518	0.67%	284,492	12,025
Total Municipal Corporations				$ 1,482,504	$ 194,640
School Districts:					
Beech Grove	9	$ 505,646	(i)	$ 42,513	$ 45,341
Decatur	9	1,024,135	(i)	156,129	8,127
Franklin	9	2,281,034	(i)	207,711	274,055
Indianapolis Public Schools	9	11,662,844	(i)	502,837	28,795
Lawrence	9	6,060,720	(i)	244,305	24,295
Perry	9	3,961,061	(i)	212,610	119,543
Pike	9	5,674,791	(i)	193,646	49,140
Speedway	9	692,601	(i)	13,852	—

(Continued)

CITY OF INDIANAPOLIS
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)
Schedule 13
December 31, 2008
(In thousands)

	Map reference (see introduction (g))	Assessed value (f)	Bonding limit %	Bonding limit Dollar amount	Bonds outstanding
School Districts (continued):					
Warren	9	$ 3,102,132	(j)	$ 208,418	$ —
Washington	9	6,839,102	(j)	144,513	62,005
Wayne	9	3,197,448	(j)	314,510	295,035
Total School Districts		$ 45,001,514		$ 2,241,044	$ 906,336
Other Cities and Towns:					
Beech Grove	2	$ 536,746	0.67%	$ 3,596	$ 1,155
Lawrence	2	1,786,093	0.67%	11,967	6,775
Southport	2	61,303	0.67%	411	—
Speedway	2	692,601	0.67%	4,640	2,310
Total Towns and Other Cities		$ 3,076,743		$ 20,614	$ 10,240
Townships:					
Center	3	$ 6,011,280	0.67%	$ 40,276	$ —
Decatur	3	1,026,264	0.67%	6,876	965
Franklin	3	2,433,647	0.67%	16,305	4,122
Lawrence	3	6,552,384	0.67%	43,901	—
Perry	3	4,356,047	0.67%	29,186	6,542
Pike	3	5,421,926	0.67%	36,327	5,974
Warren	3	4,186,458	0.67%	28,049	—
Washington	3	9,505,163	0.67%	63,685	—
Wayne	3	5,124,515	0.67%	34,334	—
Total Townships		$ 44,617,684		$ 298,939	$ 17,603
Excluded Library Districts:					
Beech Grove	4	$ 505,646	0.67%	$ 3,388	$ 349
Speedway	4	692,601	0.67%	4,640	225
Total Excluded Cities Library Districts		$ 1,198,247		$ 8,028	$ 574
Ben Davis Conservancy District		$ 209,540	(e)		$ —
Total overlapping debt					$ 1,129,393
Total direct and overlapping debt					$ 1,448,834

(Continued)

CITY OF INDIANAPOLIS
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)
Schedule 13
December 31, 2008
(In thousands)

(a) Excludes revenue bonds not payable from ad valorem taxes.
(b) No bonding authority.
(c) No bonding authority from ad valorem taxes.
(d) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Authority's enabling legislation.
(e) 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.
(f) Represents the March 1, 2007 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2008.
(g) See pages XV and XVI.
(h) There is no statutory constitutional debt limitation to the Park and Redevelopment Districts.
(i) A statutory 2% 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 the 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.

CITY OF INDIANAPOLIS
Computation of Legal Debt Margin (a)
Schedule 14
December 31, 2008
(In thousands)

	Assessed value (b)	Debt limit percentage	Debt limit	Bonds outstanding	Subtotal	Plus amount available in debt service fund	Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
Civil City	$ 41,924,771	0.67%	$ 280,896	$ 92,695	$ 188,201	$ 9,826	$ 198,027	29.50%
Consolidated County	45,001,514	(a)	—	—	—	—	—	—
Park District	45,001,514	(b)	—	25,960	—	(902)	—	—
Redevelopment District	41,924,771	(b)	—	30,029	—	4,438	—	—
Flood Control District	45,001,514	0.67%	301,510	13,295	288,215	30	288,245	4.40%
Metropolitan Thoroughfare District	45,001,514	1.33%	598,520	48,741	549,779	(1,463)	548,316	8.39%
Sanitary District	41,237,673	4.00%	1,649,507	64,426	1,585,081	3,026	1,588,107	3.72%
Police Special Service District	12,827,896	(c)	—	—	—	—	—	—
Fire Special Service District	12,162,059	(c)	—	—	—	—	—	—
Solid Waste Collection Special Service District	41,986,074	(c)	—	—	—	—	—	—
Solid Waste Disposal District	41,986,074	2.00%	839,721	—	839,721	—	839,721	—
Public Safety Communications and Computer Facilities District	45,001,514	0.67%	301,510	44,295	257,215	—	257,215	14.69%

(a) No bonding authority payable from ad valorem taxes.
(b) There is no statutory constitutional debt limitation applicable to the Park and Redevelopment Districts.
(c) No bonding authority.

CITY OF INDIANAPOLIS
Pledged-Revenue Coverage
Schedule 15
Last Four Fiscal Years
(In thousands)

Sanitary bonds

Fiscal year	Gross revenue (a)	Direct operating expense	Net revenue available for debt service	Debt service Principal	Debt service Interest	Coverage
2005	$ 67,462	$ 47,112	$ 20,350	$ 6,754	$ 5,757	1.63
2006	81,693	47,797	33,896	9,444	7,112	2.05
2007	104,932	50,214	54,718	19,899	10,330	1.81
2008	117,516	53,259	64,257	19,278	14,799	1.89

Water revenue bonds

Fiscal year	Gross revenue (b)	Direct operating expense	Net revenue available for debt service	Debt service Principal	Debt service Interest	Coverage
2005	$ 103,480	$ 65,016	$ 38,464	$ 1,240	$ 33,464	1.11
2006	103,821	70,489	33,332	1,680	28,698	1.10
2007	131,953	86,649	45,304	975	31,148	1.41
2008	122,658	73,938	48,720	6,240	49,218	0.88

Wheel tax bonds

Fiscal year	Wheel tax revenue (c)	Debt service Principal	Debt service Interest	Coverage
2005	$ 14,406	$ 4,775	$ 1,913	2.15
2006	15,866	5,005	1,701	2.37
2007	15,712	3,180	1,144	3.63
2008	13,432	5,480	1,238	2.00

Redevelopment revenue bonds

City cumulative funds (d)	Debt service Principal	Debt service Interest	Coverage
$ 520	$ 390	$ 107	1.05
556	400	101	1.11
522	410	83	1.06
510	400	70	1.09

Property tax increment bonds

Tax increment revenues (e)	Debt service Principal	Debt service Interest	Coverage
$ 56,932	$ 18,697	$ 21,278	1.42
47,348	36,139	22,923	0.80
32,325	24,208	21,253	0.71
57,717	24,935	16,757	1.38

MECA bonds

Fiscal year	E-911 fees (f)	Debt service Principal	Debt service Interest	Coverage
2005	$ 1,673	$ 1,280	$ 413	0.99
2006	1,368	1,330	367	0.81
2007	1,812	1,380	317	1.07
2008	1,643	1,445	251	0.97

Economic development bonds

Parking fees (g)	Debt service Principal	Debt service Interest	Coverage
$ 1,699	$ —	$ 1,309	1.30
1,940	100	1,487	1.22
1,659	—	1,647	1.01
2,060	60	1,898	1.05

Golf bonds

Golf course revenue (h)	Debt service Principal	Debt service Interest	Coverage
$ 320	$ 160	$ 104	1.21
405	175	100	1.47
337	185	89	1.23
353	1,698	153	0.19 (j)

Facilities revenue bonds

Fiscal year	E-911 fees (f)	Debt service Principal	Debt service Interest	Coverage
2005	NA	NA	NA	NA
2006	NA	NA	NA	NA
2007	$ 1,256	$ 610	$ 712	0.95
2008	1,593	885	834	0.93

(a) Sewer user fees
(b) Water sales
(c) Wheel taxes on vehicles
(d) City cumulative capital development fund revenue transfers
(e) Property tax increment revenues collected in TIF districts
(f) E-911 fees collected from telephone companies
(g) Fees from parking garage
(h) Golf fees from specific golf courses
(i) Charge back to City-County agencies
(j) Debt coverage ratio is low because in 2008 the golf bonds were paid in full before their maturity date.

CITY OF INDIANAPOLIS
Demographic and Economic Statistics
Schedule 16
Last Four Fiscal Years

Calendar year	Population	(a)	Personal income (thousands of dollars)	(b)	Per capita personal income	(b)	Median age	(c)	Education level in years of schooling	(a)	School enrollment	(d)	Unemployment rate	(e)
2005	765,310		$ 59,683,000		$ 36,391		34.80		12		135,705		4.80%	
2006	795,484		63,058,000		37,849		35.90		12		137,757		4.40	
2007	805,489		66,073,000		38,980		35.50		12		140,546		4.50	
2008	795,458		66,073,000	(f)	38,980	(f)	35.50		12		145,569		5.60	

(a) U.S. Census Bureau
(b) Bureau of Economic Analysis
(c) Demographics USA
(d) Data presented is per the Indiana Department of Public Instruction for Marion County, all districts.
(e) Department of Labor
(f) This information will be released by the Bureau of Economic Analysis on August 8, 2009; therefore prior year numbers were utilized.

CITY OF INDIANAPOLIS
Principal Employers
Schedule 17
December 31, 2008

	2008 (b)		
Employer	**Employees**	**Rank**	**Percentage of total city employment (a)**
Clarian Health Partners, Inc	12,763	1	2.74%
Eli Lilly and Company	11,550	2	2.48%
IUPUI	7,066	3	1.52%
Federal Express Corp	6,311	4	1.36%
Community Health Network	5,341	5	1.15%
Rolls-Royce	4,300	6	0.92%
St. Vincent Hospitals & Health Service, Inc	4,152	7	0.89%
WellPoint Inc	3,950	8	0.85%
Allison Transmission/Division of GMC	3,800	9	0.82%
AT&T	3,000	10	0.65%

(a) Percentage of total City employment is calculated by using total Employed Labor Force, which can be found at www.stats.indiana.edu.
(b) Largest employers can be found at www.indypartnership.com (Indy Partnership).

CITY OF INDIANAPOLIS
Full-Time Equivalent City Government Employees by Function/Program
Schedule 18
December 31, 2008

	2006	2007	2008
General Government	250	264	268
Protection of People			
Police Department	1,465	1,666	1,871
Fire Department	792	978	1,092
Other (Civilian)	64	398	74
Public Works	647	648	637
Parks and Recreation	450	452	414
Redevelopment	218	227	244
Total full-time City employees	3,886	4,633	4,600

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

CITY OF INDIANAPOLIS
Operating Indicators by Function/Program
Schedule 19
December 31, 2008

Function/program	2006	2007	2008
General government			
Building permits issued	48,858	41,470	34,517
Building inspections conducted	65,314	73,781	76,101
Households assisted with entitlement grants	3,767	4,131	5,168
Police			
Physical arrests	37,740	44,903	52,247
Parking violations	22,335	12,692	10,912
Traffic violations	42,278	43,780	68,937
Fire			
Emergency responses	68,240	65,966	136,198
Dispatched fire runs	52,948	15,783	16,331
Inspections	2,155	4,552	4,663
Refuse collection			
Refuse collected (tons per day)	816	890	1,075
Leaves collected (tons per year)	10,341	6,762	6,741
Other public works			
Street resurfacing (miles)	99	99	155
Pothole work orders completed (a)	13,246	9,009	12,094
Parks and recreation			
Number of facility and park inspections	758	476	1,200
Community park and facility attendance	5,238,625	7,636,927	6,636,487
Water			
Service repairs	457	661	889
Water main repairs	407	783	593
Average daily consumption (millions of gallons)	139	152	138
Total system pumpage (millions of gallons)	50,633	55,369	50,347
Wastewater			
Average daily sewage treatment (millions of gallons)	206	183	190

(a) Work order can consist of one pothole or multiple potholes.

CITY OF INDIANAPOLIS
Capital Asset Statistics by Function/Program
Schedule 20
December 31, 2008

Function/program	2006	2007	2008
Public Safety			
Police stations	5	6	7
Police vehicles and other rolling stock	1,778	2,057	2,015
Fire stations	26	35	35
Fire vehicles and other rolling stock	178	259	258
Emergency management vehicles and other rolling stock	11	10	9
Animal control vehicles and other rolling stock	28	31	29
Other Public Works			
Streets (miles)	3,161	3,193	3,215
Sidewalks (miles)	2,702	2,705	2,707
Bridges	512	513	512
Traffic signal installations	1,124	1,125	1,125
Miles of sanitary sewers	3,086	3,086	3,116
Miles of storm sewers and drainage	1,478	1,494	1,500
Public works vehicle and other rolling stock	538	551	537
Wastewater treatment capacity (million gallons per day)	320	320	320
Culture and Recreation			
Parks	192	192	192
Park properties – acreage	11,018	11,140	11,160
Playgrounds	131	131	127
Golf courses	13	13	13
Swimming pools – outdoors	16	16	16
Swimming pools – indoors	6	6	8
Recreational centers	25	25	25
Waterworks			
Treatment plants	10	10	10
Pumping stations	18	24	18
Water mains (miles)	4,240	4,422	4,462
Fire hydrants	38,868	39,077	39,487
Water storage tanks	17	21	26
Storage capacity (millions of gallons)	78,960	78,960	78,960
Waterworks vehicles and other rolling stock	214	297	316

Sources: Various City department reports.

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CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2008

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2008

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CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis – Marion County)

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2008

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture:					
Indiana State Department of Education	N/A	Summer Food Service Program for Children	10.559	$ —	384,612
Total U.S. Department of Agriculture				—	384,612
U.S. Department of Housing and Urban Development:					
		Homeownership Zone Grant	14.179	—	2,452
		Community Development Block Grants / Entitlement Grants	14.218	5,356,279	10,773,732
		Emergency Shelter Grants Program	14.231	360,201	380,476
		Supportive Housing Program	14.235	1,767,988	1,796,827
		Shelter Plus Care	14.238	1,052,136	1,052,136
		Home Investment Partnerships Program	14.239	2,502,040	2,834,336
		Housing Opportunities for Persons with AIDS	14.241	759,948	781,530
Total U.S. Department of Housing and Urban Development				11,798,592	17,621,489
U.S. Department of Interior:					
U.S. Fish and Wildlife Service	301815J078: Mod #1, Mod #2, Mod #3	Fish and Wildlife Management Assistance	15.608	—	7,771
U.S. Fish and Wildlife Service	301810J026	North American Wetlands Conservation Fund	15.623	—	96,068
		Urban Park and Recreation Recovery Program	15.919	—	8,018
Total U.S. Department of Interior				—	111,857
U.S. Department of Justice:					
		Federal Equitable Share Law Enforcement	16.XXX	—	958,445
		Alcohol Tobacco and Firearms Joint Operations	16.XXX	—	35,552
		USM Overtime	16.XXX	—	4,634
		DEA Overtime	16.XXX	—	12,536
		FBI Overtime	16.XXX	—	45,537
		Safe Streets Gang Initiative	16.XXX	—	10,537
		Total 16.XXX		—	1,067,241
		Services for Trafficking Victims	16.320	73,910	265,191
Marion County Justice Agency	2005-JB-FX-0039, 2006-JB-FX-0024	Juvenile Accountability Block Grants	16.523	—	18,672
Indiana State Police	2003 MCCXK002	Missing Children's Assistance	16.543	—	(2,561)
		Gang-Free Schools and Communities-Community-Based Gang Intervention	16.544	—	(100)
		National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	—	85,567
Indiana Criminal Justice Agency	05VA158, 04VA160, 05VA143, 06VA132, 5ST308, 05VA083, and 06VA096	Crime Victim Assistance	16.575	—	178,584
Indiana Criminal Justice Agency	04-DB-0949, 02-DB-060, 03-DB-072	Edward Byrne Memorial Formula Grant Program	16.579	—	1,105
Marion County Justice Agency	05-DJ-068	Edward Byrne Memorial Formula Grant Program	16.579	—	(7,848)
		Total 16.579		—	(6,743)
		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	310,041	400,590
		Local Law Enforcement Block Grant Program	16.592	—	4,063
		Community Capacity Development Office	16.595	65,554	244,284
		Bulletproof Vest Partnership Program	16.607	—	15,280
Indiana Criminal Justice Agency	03-GPS-019, 03-GPS-022	Community Prosecution and Project Safe Neighborhoods	16.609	—	176,494
Indiana Criminal Justice Agency	03-GPS-021	State and Local Anti-Terrorism Training	16.614	—	1,594
		Public Safety Partnership and Community Policing Grants	16.710	—	4,520
		Gang Resistance Education and Training	16.737	—	121,700

(continued)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis – Marion County)

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2008

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
		Edward Byrne Memorial Justice Assistance Grant Program	16.738	$ —	1,474,606
Marion County Auditor	2007-DJ-BX-0018	Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	(58,834)
Indiana Criminal Justice Agency	05DJ017, 06DJ055, 05DJ087	Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	94,511
		Total 16.738		—	1,510,283
Indiana Criminal Justice Agency	06AGS001	Anti-Gang Initiative	16.744	—	37,248
Total U.S. Department of Justice				449,505	4,121,907
U.S. Department of Transportation					
Indiana Department of Transportation	0600068, 0710069, 0600790	Highway Planning and Construction	20.205	—	2,871,058
Indiana Department of Transportation	03C1090P	Federal Transit – Capital Investment Grants	20.500	—	148,667
Highway Planning and Construction Cluster:					
Indiana Criminal Justice Agency	PT-06-04-07-42	State and Community Highway Safety	20.600	—	(3,756)
Marion County Prosecutor	154HE2007080102, PT-08-04-01-06, 302BC9, and PT-08-04-01-07	State and Community Highway Safety	20.600	—	299,627
		Total 20.600		—	295,871
Indiana Criminal Justice Agency	K4-2009-03-03-20, 154AL-07-02-02-06	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	—	196,236
Marion County Prosecutor	K4-2009-03-02-05, 302BC9	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	—	129,656
		Total 20.601		—	325,892
Total U.S. Department of Transportation				—	3,641,488
U.S. Department of Treasury:					
		Alcohol Tobacco and Firearms Joint Operations	21.XXX	—	73,616
		Immigration and Customs Joint Operations	21.XXX	—	66,081
		Drug Enforcement Agency Task Force Joint Operation	21.XXX	—	36,131
		Federal Bureau Investigations Joint Operations	21.XXX	—	78,883
		Gang Task Force FBO Joint Operations	21.XXX	—	77,201
		Total 21.XXX		—	331,912
		Taxpayer Service	21.003	21,931	21,931
Total U.S. Department of Treasury				21,931	353,843
Environmental Protection Agency:					
Indiana Department of Environmental Management	305-05-3, A305-6-168	Air Pollution Control Program Support	66.001	—	387,693
		Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	—	87,300
Indiana Department of Environmental Management	A305-6-168	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	—	93,346
		Total 66.034		—	180,646
State of Indiana Budget Agency	CS18223301, CS18230501, CS18235801, CS18241201, Indy 6-2004 B, WW0501497, WW12/5 Indy Loan #8, Indy Loan 9, Indy Loan 10	Capitalization Grants for Clean Water State Revolving Funds	66.458	—	22,200,340
		Brownfields Assessment and Cleanup Cooperative Agreements	66.818	—	84,973
Total Environmental Protection Agency				—	22,853,652
U.S. Department of Education:					
Indianapolis Public Schools	U215J080108A	Twenty-First Century Community Learning Centers	84.287	—	138,899
		National Institute on Early Childhood Development and Education	84.307	—	720
Total U.S. Department of Education				—	139,619

(continued)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis – Marion County)

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2008

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
Department of Homeland Security:					
		DHS Law Enforcement Assistance	97.XXX	$ —	10,115
Homeland Security Grant Program Cluster:					
Indiana Department of Homeland Security	C44P-7-031	State Homeland Security Grant Program – FFY 2003 Funding	97.004	—	19,944
Indiana Department of Homeland Security	C44P-5-240 and C44P-7-405	Urban Areas Security Initiative Grant Program – FFY 2005 Funding	97.067	1,235,450	1,933,751
Indiana Department of Homeland Security	C44P-9-184A	Law Enforcement Terrorism Prevention Program - FFY 2006 Funding	97.067	—	153,992
Indiana Department of Homeland Security	C44P-7-406	Metropolitan Medical Response System – FFY 2006 Funding	97.067	—	189,692
Indiana Department of Homeland Security	C44P-9-338A	Metropolitan Medical Response System – FFY 2007 Funding	97.067	—	74,343
Indiana Department of Homeland Security	C44P-9-370A	Law Enforcement Terrorism Prevention Program - FFY 2007 Funding	97.067	—	1,270
		Total 97.067		1,235,450	2,353,048
Indiana Department of Homeland Security	C44P-9-217A, C44P-8-191A, C44P-7-328, C44P-7-474, and C44P-7-414	State Homeland Security Program (SHSP) FFY 2005 Funding	97.073	264,036	1,744,066
Indiana Department of Homeland Security	C44P-8-118A and C44P-9-349A	Law Enforcement Terrorism Prevention Program (LETPP) - FFY 2005 Funding	97.074	—	49,541
Total Homeland Security Grant Program Cluster				1,499,486	4,166,599
Indiana Department of Homeland Security	C44P-9-234	Urban Areas Security Initiative – FFY 2004 Funding	97.008	—	152,314
		National Urban Search and Rescue (US&R) Response System	97.025	—	2,685,556
Indiana Department of Natural Resources	EMC-2006-CA-7016	Flood Mitigation Assistance	97.029	—	96,421
Indiana Department of Fire and Building Services	EMW2003CA0103, EM3238	Disaster Grants – Public Assistance (Presidentially Declared)	97.036	—	1,155,964
Indiana Department of Homeland Security	C44P-8-L1104145A, C44P-8-218A, C44P-9-617A	Emergency Management Performance Grants	97.042	—	86,961
Indiana Department of Fire and Building Services	EMW-2005-FG-20986, EMW2006FG09967, EMW2006FG17192, and EMW2007FP01270	Assistance to Firefighters Grant	97.044	—	881,115
Indiana Department of Homeland Security	#18751967	Pre-Disaster Mitigation	97.047	—	(15,000)
Indiana Department of Homeland Security	C44P-6-007, C44P-9-442A	Citizen Corps	97.053	—	8,935
Indiana Department of Homeland Security	C44P-7-009	Buffer Zone Protection Plan (BZPP)	97.078	—	66,135
Indiana Department of Environmental Management	A305-6-168	Homeland Security Biowatch Program	97.091	—	134,556
Total Department of Homeland Security				1,499,486	9,429,671
Total Expenditures of Federal Awards				$ 13,769,514	58,658,138

N/A Pass-through grantor number not available
See accompanying notes to schedule of expenditures of federal awards and independent auditors' report.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2008

(1) General

The accompanying schedule of expenditures of federal awards (schedule) presents the activity of federal awards programs received by City of Indianapolis, Indiana (City), a component unit of the Consolidated City of Indianapolis – Marion County. The City's reporting entity is defined in note 1 to the City's financial statements. For the purposes of the schedule, federal awards include grants, contracts, loans, and loan guarantee agreements entered into directly between the City and agencies and departments of the federal government or passed through other government agencies or other organizations. The City's federal awards are defined as being those administered directly by the City.

(2) Basis of Accounting

The accompanying schedule has been prepared on an accrual basis of accounting as permitted by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and in conformity with U.S. generally accepted accounting principles.

(3) Basis of Presentation

The accompanying schedule does not include expenditures related to federal awards administered by the Indianapolis Housing Agency, an enterprise fund or the Partners for Affordable Housing, a discretely presented component unit of the City because their federal awards programs are reported upon separately.

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Indianapolis, IN 46204

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Mr. David P. Reynolds
Controller and the Audit Committee
City of Indianapolis, Indiana:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianapolis, Indiana (the City), a component unit of the Consolidated City of Indianapolis – Marion County, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 21, 2009. Our report was modified to include reference to other auditors, reference to the restatement of the January 1, 2008 net assets of the Indianapolis Housing Agency, an enterprise fund, and the discretely presented component unit, and the adoption of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and 27*, in 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Indianapolis Housing Agency, an enterprise fund, and the discretely presented component unit as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A significant deficiency is a deficiency, or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-10 through 08-13 to be significant deficiencies in internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the City's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 08-01 through 08-09 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated July 21, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

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

KPMG LLP

Indianapolis, Indiana
July 21, 2009

KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Mr. David P. Reynolds
Controller and the Audit Committee
City of Indianapolis, Indiana:

Compliance

We have audited the compliance of the City of Indianapolis, Indiana (City), a component unit of the Consolidated City of Indianapolis – Marion County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Indianapolis Housing Agency (Agency), an enterprise fund, and the discretely presented component unit, which are not included on the City's schedule of expenditures of federal awards during the year ended December 31, 2008. Our auditing procedures, described below, did not include the federal awards of the Agency and the discretely presented component unit because the Agency and the discretely presented component unit engaged other auditors to perform an audit in accordance with the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 08-16 and 08-17 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the City with the Home Investment Partnerships Program regarding matching, level of effort, earmarking, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. As described in items 08-14 and 08-15 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding eligibility and matching, level of effort, earmarking that are applicable to its Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Home Investment Partnerships Program regarding matching, level of effort, earmarking and, in our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to the Home Investment Partnerships Program for the year ended December 31, 2008. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-18, 08-19, and 08-20.

As described in items 08-25 and 08-29 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding matching, level of effort, earmarking; program income; and reporting that are applicable to its Community Development Block Grants/Entitlement Grants program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to the Community Development Block Grants/Entitlement Grants program for the year ended December 31, 2008. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-26, 08-27, 08-28, and 08-30.

As described in items 08-20 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding subrecipient monitoring that are applicable to its Homeland Security Grant Program Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to the Homeland Security Grant Program Cluster for the year ended December 31, 2008. However, the results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-31.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its Supportive Housing Program, Capitalization Grants for Clean Water State Revolving Funds program, and National Urban Search and Rescue (US&R) Response System program for the year ended December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-20, 08-22, 08-23, 08-24, and 08-32.

Internal Control over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-14 through 08-33 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-14, 08-15, 08-16, 08-17, 08-18, 08-20, 08-25, 08-29, and 08-33 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2008, and have issued our report thereon dated July 21, 2009. Our report on the basic financial statements was modified to include reference to other auditors, reference to the restatement of the January 1, 2008 net assets of the Indianapolis Housing Agency enterprise fund and the discretely presented component unit, and the adoption of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and 27*, in 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

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

KPMG LLP

Indianapolis, Indiana
December 23, 2009

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2008

(1) Summary of Auditors Results

(a) The type of report issued on the basic financial statements: **Unqualified Opinions**

(b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **Yes**

Material weaknesses: **Yes**

(c) Noncompliance which is material to the basic financial statements: **No**

(d) Significant deficiencies in internal control over major programs: **Yes**

Material weaknesses: **Yes**

(e) The type of report issued on compliance for major programs:

- Community Development Block Grants/Entitlement Grants (CFDA No. 14.218) **Qualified Opinion**
- Supportive Housing Program (CFDA No. 14.235) **Unqualified Opinion**
- Home Investment Partnerships Program (CFDA No. 14.239) **Qualified Opinion**
- Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) **Unqualified Opinion**
- National Urban Search and Rescue (US&R) Response System (CFDA No. 97.025) **Unqualified Opinion**
- Homeland Security Grant Program Cluster (CFDA Nos. 97.004/97.067/97.073/97.074) **Qualified Opinion**

(f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**

(g) Major programs:

- Community Development Block Grants/Entitlement Grants, U.S. Department of Housing and Urban Development (CFDA No. 14.218)
- Supportive Housing Program, U.S. Department of Housing and Urban Development (CFDA No. 14.235)
- Home Investment Partnerships Program, U.S. Department of Housing and Urban Development (CFDA No. 14.239)

(continued)

- Capitalization Grants for Clean Water State Revolving Funds, Environmental Protection Agency passed through State of Indiana Budget Agency (CFDA No. 66.458)
- National Urban Search and Rescue (US&R) Response System, Department of Homeland Security (CFDA No. 97.025)
- Homeland Security Grant Program Cluster, Department of Homeland Security direct and passed through the Indiana Department of Homeland Security (CFDA Nos. 97.004/97.067/97.073/97.074)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$1,759,744**

(i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

08-01 Management Review and Supervision of Recording of Transactions and over Financial Reporting Process – Material Weakness

Comment and Recommendation

The City's Office of Finance and Management (OFM) is primarily responsible for the financial reporting process. This process has been identified as a material weakness in prior years; however, we noted improvements made by the OFM in the current year to improve financial reporting. Throughout the year, the accounting entries for the City are typically recorded on a cash basis. At fiscal year-end, the OFM commences their financial reporting process whereby the cash basis financial amounts are converted to the modified accrual basis of accounting for the fund financial statements (except for the Waterworks enterprise fund, which is separately described below) by recording amounts for accounts receivable and payable, appropriately stating debt expenditure amounts, and making other various accounting entries. A manual conversion process that occurs outside of the financial accounting system is then utilized to convert the fund financial statements to the government-wide financial statements. During the current year, as part of our audit procedures, we identified a significant number of errors in the accounting entries made by the City. The primary causes of these errors is a lack of management review by an individual other than the individual calculating and recording the entries and a failure to comprehensively address unusual situations in normal year-end closing adjustments.

We recommend the City review individual responsibilities for the year-end financial reporting process to evaluate the appropriateness of the workload distribution. Additional internal controls should be implemented to ensure that management review is occurring for tasks/financial reporting areas that are more complex or that have resulted in audit differences in prior years (see separate findings listed below).

Views of Responsible Officials

Adding personnel is not an option available to the City to address the workload of the personnel who perform all of the activities in connection with the creation of the City's financials. Many of the issues we have are caused by the antiquated financial system we use. The City is addressing the latter as part of a search for a new financial system. In the meantime, we will examine the workload to determine how we can better meet the needs of the financial reporting process.

08-02 Waterworks Financial Reporting – Material Weakness

Comment and Recommendation

Numerous and significant financial statement audit adjustments were necessary to properly state Waterworks' financial statement amounts. While some of the specific accounts/processes are also individually described below as internal control weaknesses, we also determined that the overall financial reporting internal control process for Waterworks is weak. This overall weakness is due to the following circumstances:

- Limited formal review occurs related to recording of routine transactions, manual journal entries, significant estimates, or other accounting entries.
- Some Waterworks accounts are accounted for on the cash basis during the year and significant analysis is undertaken at year-end to record the accounts on the accrual basis of accounting for year-end financial reporting.
- The account structure used in the general ledger system is not conducive to accurate financial reporting.
- Inadequate review of the preparation of the financial statements occurs. In the current year, we identified errors in the presentation of the financial statements such as reversal of prior year accruals to wrong accounts and incorrect groupings of accounts for the financial statements.

We recommend the City undertake a comprehensive review of Waterworks financial reporting processes and procedures. This review should identify opportunities for improvement in tasks that can be more efficiently performed during the year to enhance the timeliness and accuracy of the year-end financial reporting process as well as improve the accuracy of interim financial information. Additionally, this review should identify opportunities to improve the internal review process so that an individual other than the one making accounting entries is assessing the accuracy of reported financial information. Waterworks general ledger system and the account structure that is utilized should be analyzed and restructured to improve financial reporting and enable more useful financial analysis by management. Lastly, these processes and procedures should be formally documented in an accounting procedures and financial reporting manual to ensure consistency from year to year.

Views of Responsible Officials

The management of the Department of Waterworks (Department) of the City of Indianapolis (City) has been working with its financial consultants to perform a comprehensive review of the financial accounting and reporting practices of the Department. This comprehensive review has included both the overall financial reporting as well as the procedures for processing revenues and expenses and creating journal entries to the financial statements. Opportunities for improvement will be documented and reviewed by the Department's new Chief Financial Officer (CFO) and implemented as needed. As processes are evaluated

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and changes are made, formal documentation will be assembled to ensure the process is implemented consistently both now and for future reporting periods.

08-03 Grant Accounting Including Related Deferred Revenue – Material Weakness

Comment and Recommendation

In the current year, the City revised and significantly improved their process for recording grant receivables and the related deferred and unearned revenue for year-end financial reporting purposes. These changes were made due to a significant errors identified during the audit in the prior year. The internal controls implemented with this new process appropriately and accurately calculated the amount of grant receivables to be recorded at year-end. However, the process did not fully consider the necessary procedures to record deferred revenue and thus audit adjustments were required to accurately state these amounts. Additionally, during our testing of grant expenditures, we identified expenditures that were recorded in an incorrect period (i.e., year). In one instance, the expenditure was not properly identified in the year it was incurred (i.e., a prior year) as a grant expenditure. In the current year, the related grant was reconciled and the expenditure was identified and corrected. The effect of this correction was a negative expenditure in the original fund and a positive expenditure in the federal grants fund to which this amount was significant.

We recommend the City review and enhance their year-end grant procedures related to the recording of deferred and unearned revenue. Adjustments should be made as necessary to ensure that errors identified in the current year are eliminated. These procedures should be formally documented to ensure consistency of performance from year to year. Ideally, the calculation of deferred amounts should be made by one individual with a management review occurring to ensure the accuracy of the recorded amounts. The City should also review internal controls in place to accurately record grant expenditures in the correct period. Additionally, all grants should be reconciled, at a minimum, at year-end. This reconciliation process should ensure that all amounts that have been incurred for each grant have been properly identified as such in the accounting system (i.e., tagged) in the correct period.

Views of Responsible Officials

We created a new process for reviewing the deferred and unearned revenue for grants that we believe substantially improved the process. We will continue to work towards the elimination of errors in recording these amounts.

08-04 Waterworks Contributed Capital Asset Transactions – Material Weakness

Comment and Recommendation

The Waterworks enterprise fund records capital asset additions, which include donations of infrastructure from developers. Typically, an agreement is signed with the developer and when the infrastructure in a new development is completed and an inspection has occurred, the capital asset is considered to be "in service." During our audit procedures, we identified instances whereby these capital assets were not recorded on a timely basis and, at times, in an incorrect fiscal year. We identified some developer-donated infrastructure that was not recorded by the City until many months, and in some cases several years, after the "in service" date. Given the often high dollar value of these capital assets, it is critical that the Waterworks record such transactions in the proper period.

Additionally, related to these developer-donated assets, the City is responsible for refunding a portion of the dollars collected from the developer as customers are added to the water system. The Waterworks enterprise fund records this liability as customer advances. We identified errors with the amount of the liability recorded by the City due to inaccurate calculations made by the City. We also noted certain projects whereby the amount refunded to date to the developers exceeded the maximum amount as calculated originally by the City.

We recommend the Waterworks implement procedures to ensure that these capital assets are recorded on a timely basis. Management should conduct a review of the issues surrounding the causes of delayed reporting and take adequate steps to ensure that these do not occur in the future. Given the often high dollar value of these capital assets, it is critical that the Waterworks record them in the proper period. Additionally, internal controls surrounding the recording of the related customer advances liability should be reviewed to ensure that amounts are recorded accurately. Additional management review of the amounts recorded and the calculation supporting such amounts will ensure that the errors we noted will be reduced. Unusual items, such as refunds exceeding original calculations, should be investigated to determine the cause of such items and whether procedures to estimate these amounts need to be revised.

Views of Responsible Officials

The management of the Department is committed to improvement in the area of capital asset reporting. The Department's financial consultants have recommended that one person from the accounting staff have specific responsibility for recording and processing entries related to capital asset transactions. The Department's new CFO will evaluate the amount of time that needs to be dedicated specifically to this task but, the intention is that the focus on capital asset reporting will address both the reporting of fixed asset additions in an accurate and timely manner and the recording and adjusting of developer liabilities.

08-05 Recording of Waterworks PILOT – Material Weakness

Comment and Recommendation

The Waterworks enterprise fund pays a payment in lieu of taxes (PILOT) to several counties in which the water utility serves customers. The liability at the end of the fiscal year is estimated based upon historical payments made and the City's estimate of any anticipated increases. During the current year audit, we noted several errors in the estimates of payments made that required adjustments in the financial statements.

We recommend the City evaluate their process for estimating such amounts to determine whether the information and assumptions currently being utilized are sufficient. Consideration may be given to discussion with the taxing authorities in the counties where significant PILOTs are made to enhance the estimation process. Finally, the final calculations should be reviewed by management to ensure that amounts were calculated accurately and that there is concurrence with the final amounts accrued given the significance of the year-end liability.

(continued)

Views of Responsible Officials

The Department, with the assistance of its financial consultant, has already implemented procedures whereby future PILOT payments are estimated with more detailed and accurate information. The Department works closely with the City's Controller's Office in order to estimate the annual amount of PILOT due to the City. One area that has caused significant estimating problems in the past few years has been that Marion County, Indiana and other Counties where PILOT payments are due have been behind on assessing and collecting annual property taxes on a current basis. Because of this, it has been difficult to accurately estimate PILOT payments that are due and payable. Based on discussions with officials from the various Counties involved, the Counties should have this problem resolved in the next couple of years.

08-06 Recording of Tax Revenues, Receivables, and Deferred Revenues – Material Weakness

Comment and Recommendation

Due to the delays experienced in recent years related to property tax billings, the final billings for fiscal 2008 were not issued until July of 2009. Due to this situation, it was necessary for the City to estimates the final receivable amounts. During our testwork over property taxes and other taxes receivable, we identified incomplete assumptions utilized in calculating the receivable for Tax Increment Financing property taxes to be received in 2009 related to the final 2008 billing. Based on these findings, the City recorded additional amounts to their property tax receivable amounts recorded in the financial statements. Additionally, due to delayed receipt of County Option Income Tax (COIT) funds received in 2008 relating to the prior year, the City did not properly record a receivable for COIT as of the prior year-end, thus leading to an overstatement of government-wide tax revenues in 2008.

As part of the year-end financial reporting, the City also records deferred revenue in the fund financial statements for tax receivables not received within their availability period (60 days for property taxes and 90 days for all other tax revenues). Due to the tax billing issues, the City received some tax revenues in early 2009 relating to 2008, which historically had been received by year-end. The City did not identify this unusual circumstance in order modify their "traditional" deferred revenue procedures and thus inappropriately deferred revenue that should have been recognized in the current year.

We recommend the City evaluate their process for estimating property tax receivables to determine whether the information and assumptions currently being utilized are sufficient. Consideration should be given to past collection history and taking into account current situations. Additionally, the City should evaluate their process of recording deferred revenues in the fund financial statements and modify internal controls where necessary to ensure that deferred revenues are recorded accurately. This process should include procedures to appropriately identify unusual circumstances and modify procedures where needed.

Views of Responsible Officials

The City is going through an unprecedented experience in regard to the billing and collection of property taxes. We will continue to review our procedures in calculation of the receivable amounts. When the billing process returns to normal, many of the issues will be mitigated.

08-07 Waterworks Debt Transactions – Material Weakness

Comment and Recommendation

The Waterworks enterprise fund has significant outstanding debt balances. Payments for principal and interest are made both from trust accounts established in accordance with the bond issuances and from Waterworks cash accounts. Audit adjustments were required to accurately state the year-end balances for outstanding bonds payable, interest expense, and accrued interest payable. It does not appear that the trust accounts are being reconciled on a timely basis and thus accounting entries to record debt payments are not being recorded when they are made. Additionally, the accounting entries and reconciliations are made by one individual and there is no adequate management review that is occurring to ensure that accounting entries are accurate.

We recommend Waterworks implement internal controls to ensure that debt transactions are accurately recorded. This process should include timely recording of trust account transactions, regularly performed reconciliations, and review of accounting entries by management personnel.

Views of Responsible Officials

The Department will reconcile the Trust Statements on a monthly basis with appropriate adjustments recorded on the Department's books and records.

08-08 Contributed Capital Assets – Material Weakness

Comment and Recommendation

The City has a significant number of infrastructure projects that are partially constructed with the City's funds and partially constructed with federal dollars received by the State of Indiana. The OFM relies on the reporting of these completed projects from the City's Department of Public Works (DPW). Upon completion of the projects, the costs that the City had recorded in construction in progress and the costs that represent the City's cash outlays for the project are transferred to completed infrastructure and a contributed capital contribution is recognized in the government-wide financial statements for the federal funding provided by the state. During our testwork on capital assets, we identified a large project that was completed but not reported to the OFM on a timely basis, and thus, the contributed capital contributions was recorded in the current year financial statements although it should have been recorded in the prior year. The City implemented additional internal controls in fiscal year 2009, which appear to be adequately designed and implemented and we noted that all completed projects had been appropriately recorded by the City as of December 31, 2008.

We recommend the City continue to ensure that internal controls in this area are appropriately in place and are operating effectively to record contributed infrastructure projects. Due to the unique nature of these transactions and the prior years' errors identified, the City should continually reassess their process due to the large dollar amounts involved in these transactions. The involvement of the City's Department of Public Works in this process is critical, as the information to record these transactions originates in these departments.

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Views of Responsible Officials

On Federal Highway Administration (FHWA) funded projects, we are continuing to implement the new internal controls we established last year. Additionally, we are now preparing a Substantial Completion form at the final inspection so as to be consistent with locally funded projects. This clearly and immediately identifies when completion has been achieved and we have beneficial use of the improvements. The State of Indiana, Department of Transportation (INDOT) continues to send us INDOT form IC 639, the report of final inspection and recommendation for acceptance by INDOT. The IC 639 is oftentimes not received by us until 9 to 12 months after the final inspection however. This is why we are preparing our own internal document.

We continue to require a copy of the final construction record accounting report/binder, which includes the final accounting spreadsheet, INDOT form IC 642. The final construction record binder is archived by the Project Manager (PM) and copies of the IC 642 and IC 639 are maintained in the Engineering Division and also forwarded to the Finance Division of DPW. INDOT audits every completed FHWA construction project. Because of the number of these each year, INDOT usually takes as much as 5 years to complete a final audit on a project so it is not unusual for us to be notified of changes to the final accounting long after the project completion.

The above controls for FHWA project completion and closeout are performance measures for all PMs assigned to these projects.

08-09 Sewer and Water Receivable Balances – Material Weakness

Comment and Recommendation

The City utilizes a third-party contractor to perform the billing and collection function for sewer and water services. For year-end financial statement reporting, the City receives information on customer account balances from the third-party contractor. This information is the primary source used to derive the amount of receivables recorded at year-end. Additionally, other receivable balances are recorded, which reflect amounts to be received from customers but which are outside of the normal billing process performed by the third-party contractor. These amounts are generally recorded based upon a review of cash receipts that have been received in the following fiscal year. The City also utilizes the information obtained from the third-party contractor to estimate the allowance for uncollectible receivables related to both sewer and water at year-end. During our current year audit procedures, we identified several audit adjustments necessary to accurately state these receivable balances as follows:

- The contractor issues refunds or credits for any incorrect billings that may occur related to both sewer and services. As part of our audit procedures, we tested subsequent year adjustments (which include refunds and credits) to determine whether any of the adjustments related to revenue earned in the current fiscal year. We determined that there were adjustments that related to 2008; however, the City had not identified these or recorded their effect in the 2008 financial statements.

- A significant adjustment was necessary to adjust the allowance for uncollectible accounts related to water receivables to its estimated amount.

- Several significant adjustments were required to adjust sewer and water receivables to their actual balances. These adjustments were related both to the receivables recorded based upon information received from the third-party contractor and for the receivables recorded outside this process.

We recommend additional internal controls be implemented to assure that sewer and water receivable balances are adequately recorded and can be supported by customer balances. This process should include an independent review of the calculations by a management level individual and be someone other than the individual calculating and recording the receivable balances. We also recommend the City implement a process to ensure that subsequent year adjustments for both sewer and water are evaluated to determine whether they affect current year revenue and that these amounts are appropriately reflected in the financial statements within the proper fiscal year.

Views of Responsible Officials

The Department's management agrees that accounting for customer billings and collections and also the resulting accounts receivable is an important part of the financial controls. The Department's new CFO will work with the third-party vendor to institute new procedures, with appropriate checks and balances, to assure that the monthly and year-end balances in customer accounts receivable are both accurate and reasonably expected to be collectible.

08-10 Self-Insurance Liabilities (Workers' Compensation) – Significant Deficiency

Comment and Recommendation

The City records a liability for its estimate of the incurred but not paid and/or reported amount for workers' compensation claims as the City is self-insured for this risk. Management estimates this amount primarily by utilizing prior historical experience. However, no independent assessment is made as to the adequacy of the reserve recorded in prior years to assess the reasonableness of the City's methodology on an ongoing basis. During the current year, based upon our audit procedures, it was determined that the reserve for this self-insured risk was understated and an additional accrual was proposed.

We recommend the City evaluate their process for estimating year-end liability amounts for workers' compensation. Additional procedures should be designed and implemented to regularly assess the adequacy of the City's methodology by performing a look-back analysis of the adequacy of prior years' liability amount. Adjustments to the City's methodology can then be made to derive a more accurate estimate. The City should also implement procedures to ensure that if the liability is estimated early in the financial reporting process, it should be updated to reflect events and changes in circumstances occurring up to the issuance of the financial statements.

Views of Responsible Officials

The City will review its process for calculating this liability and determine the appropriateness of engaging a third party (actuary) to assist in the calculation.

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08-11 Timely Reconciliations of Cash and Trust Accounts – Significant Deficiency

Comment and Recommendation

The preparation of cash reconciliations is a key internal control in the financial accounting process. Reconciliations should be performed on a timely basis and appropriately reviewed and approved in order to be effective. The City maintains numerous trust accounts, which primarily are utilized to invest bond proceeds. The City receives monthly statements on these accounts; however, the City completed reconciliations on these accounts sporadically during the year and for most accounts only at year-end. This results in disbursements and interest income, which occur throughout the year, only being recorded during the year-end closing process. Additionally, the year-end financial reporting process takes more time due to the reconciliations being performed only once a year. Reconciliations for other cash accounts are also not occurring timely and management review is not taking place on a timely basis.

We recommend the City reconcile all cash and trust accounts on a timely basis. All reconciliations should be completed on a monthly basis and reviewed by an individual other than the preparer. This review should be formally documented on the reconciliation to evidence such review and approval.

Views of Responsible Officials

It is the intention of the Department of Waterworks that Trust Statements will begin being reconciled on a monthly basis with appropriate adjustments recorded on the books and records. Also, new procedures for the monthly reconciliation of fund balances will be implemented as well. These procedures will become part of the monthly closing of the books and records.

In regard to the other City accounts, in 2008, due to one vacancy caused by a staff member moving to another department and the only other staff person being on disability leave for six months, we were unable to perform the reconciliations on a timely basis. We will be current by year-end 2009.

08-12 Recording of Accounts Payable – Significant Deficiency

Comment and Recommendation

Accounts payable for financial reporting purposes are recorded primarily based on a review of subsequent year cash disbursements and determining whether such disbursements relate to the current year. OFM personnel review transaction coding for each disbursement subsequent to year-end to determine whether it should be accrued at year-end. During our testwork on subsequent year cash disbursements to determine the accuracy of the recorded accounts payable amounts, we identified several items that were not properly accrued or some that had been accrued but should not have been. An audit adjustment was needed to ensure that various City Funds, including the Waterworks fund accounts payable, were appropriately stated. No independent review is made of the accrual basis transactions other than by the individual originally making the adjustment, and thus, no review process is present to identify errors.

We recommend the City ensure that all amounts that should be accrued as accounts payable are appropriately accrued. Communication should be enhanced with the department personnel who are responsible for coding the expenditures and the OFM personnel entering the payment information into the accounting system of the importance of proper fiscal year coding. Additionally, current procedures should be enhanced to identify recurring items that have also been noted as errors in past years to ensure that these

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items are appropriately considered and accrued if necessary. An independent review process should be established for the recording of accrual basis transactions.

Views of Responsible Officials

Policies and procedures for the establishment and review of accounts payable will be established by the Department of Waterworks. Focus will be on the identification and recording of recurring payments on a monthly basis as well as the focus on additional items at fiscal year-end.

Again, for the remainder of the City funds, because of the system we currently use, it is a very manual process for us to create the accounts payable balances at year-end. We will review our process to see where we can improve it in the time before a new system is implemented.

08-13 IT System Program Change Management – Significant Deficiency

Comment and Recommendation

The City contracts with two third-party contractors for their information technology (IT) needs, which includes managing and updating the City's IT systems. For each IT system program change that is made, a Siebel ticket is created and a Production Implementation Plan is created and updated by the developer. Key components of the Production Implementation Plan are who requested, prepared, reviewed, approved, and implemented the requested program change. However, typically the components of who reviewed, approved, and implemented the plan are not completed. Additionally, developers have access to migrate changes to source code into production using batch processing by e-mailing a change request directly to Production Analysts. The Production Analysts place the code in a staging library and a job is run automatically to move to production. No formal authorization is obtained for this process and evidence of approvals is not obtained and reviewed by the Production Analysts prior to making the change.

We recommend the City review policies and procedures with the IT system third-party contractors to ensure that all program changes made to the Mainframe are properly reviewed and approved prior to migration into production. These approvals should be formally documented on the Production Implementation Plan. All change management policies should also be formally documented to provide guidance to both of the third-party contractors regarding the City's approval, testing, and implementation procedures. Furthermore, restrictions should be implemented to prevent developer's ability to directly move program changes into production.

Additionally, the City does not have effective controls around the provisioning and monitoring of end-user access. This includes activities such as removing terminated employees from Mainframe systems, conducting a formal review of user access on a periodic basis, and identifying and eliminating segregation of duties conflicts.

We recommend the City also review policies and procedures relating to Information Security and implement new processes or consistently enforce informal processes to remove users from the Mainframe in a timely manner, retain sufficient evidence supporting periodic review of user access rights, and identify and eliminate segregation of duties conflicts.

Views of Responsible Officials

After a discussion with the IT system third party, we understand that part of this recommendation has been implemented and the balance of the comment will be implemented by year-end.

OFM will determine and implement a process for the deletion of security for terminated employees and implement a process for the review of other employees' access.

(3) Findings and Questioned Costs Relating to Federal Awards

08-01 to 08-13

See Section (2) – Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards*.

08-14 Eligibility

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

The HOME program has income targeting requirements. Only low-income or very low-income persons, as defined in 24 CFR Section 92.2, can receive housing assistance. Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income, as provided for in 24 CFR Section 92.203. Participating jurisdictions must maintain records for each family assisted (24 CFR Section 92.508).

HOME-assisted units in a rental housing project must, pursuant to 24 CFR 92.216(a), be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The requirements also apply to the HOME-assisted non-owner-occupied single-family housing purchased with HOME funds. The maximum HOME rents are the lesser of: the fair market rent for comparable units in the area, as established by HUD under 24 CFR Section 888.111, or a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of the median income for the area as determined by the U.S. Department of Housing and Urban Development with adjustments for the number of bedroom units. In rental projects with five or more units, there are additional rent limitations. Twenty percent of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements: (1) the rent does not exceed 30% of the annual income of a family whose income equals 50% of the median income for the area, as determined by HUD, with adjustments for larger or smaller families; or (2) the rent does not exceed 30% of the families adjusted income (24 CFR Section 92.252).

Condition Found

The City did not have internal controls in place that were operating effectively to ensure that the eligibility requirements were being redetermined annually. We selected a sample of forty (40) tenants from five (5)

(continued)

different HOME projects. Issues noted included no annual certification provided or the certification was not current, no verification of annual income was provided or was incomplete, and amount provided by annual certification was not supported by documentation provided.

Questioned Costs

The questioned costs, if any, associated with this finding cannot be determined.

Possible Asserted Cause and Effect

Management asserts that the City does have internal controls that are designed appropriately to monitor the City's compliance with eligibility; however, due to shortage of staff, the control was not being performed during 2008. The effect of not having an internal control that is operating effectively is that HOME assistance could be provided to ineligible individuals.

Recommendation

We recommend the City ensure that internal controls are functioning effectively to monitor the City's compliance with the eligibility requirements. Additionally, communication with landlords should be evaluated to ensure that the landlords are aware of their responsibilities regarding compliance with eligibility.

Views of Responsible Officials

The City is aware of this finding and agrees that it must improve its performance in monitoring and tracking the submittal and review of Annual Recertification's of tenant income and occupancy from property owners and managers for each active project in the completed rental portfolio. A more focused effort is being made by staff to notify and follow up with property owners and managers to timely submit their annual recertification packages in the anniversary month of their project's completion. Associated with the recertifications, the City will be timely in performing the on-site tenant file reviews for those projects whose schedules rotate on an annual, every other year, or every third year inspection cycles.

08-15 Matching, Level of Effort, Earmarking

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to 24 CFR Sections 92.218 through 92.220, 92.222, and 92.508, each participating jurisdiction must provide eligible matching contributions of 25% of HOME funds drawn down during the fiscal year. The match must be provided by the end of the fiscal year. Participating jurisdictions are required to maintain records, including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contributions by project. Matching information is provided on the HOME Match Report (HUD-40107-A). Additionally, 24 CFR Section 92.221 indicates that the match should be credited generally in the year of disbursement.

Condition Found

For fiscal year ended December 31, 2008, the City reported $196,495 total match amounts on the HOME Match Report (HUD-40107-A). In our sample of ten (10) match items, which constituted 70% of the total match amount claimed by the City, we found exceptions in four (4) of the items totaling $108,165. Of this total amount, we determined that $108,165 of the match amounts did not have sufficient documentation for us to ascertain the appropriateness of the match source or amount. According to the HUD-40107-A report, the City's total match liability for 2008 was $494,154 and the City had excess match from the prior federal fiscal year of $6,940,928.

Questioned Costs

The questioned costs, if any, associated with this finding are not determinable.

Possible Asserted Cause and Effect

The cause of this finding is that City personnel are not obtaining adequate supporting documentation from the subrecipients, who provide the match amounts on behalf of the City. The effect of not obtaining appropriate documentation is that the City cannot evaluate the appropriateness and timing of the match, which is being reported. This may cause the City to report incorrect match amounts.

Recommendation

We recommend the City implement internal controls to ensure that the matching requirements are met and supported by appropriate documentation from the subrecipients. This process should include review by appropriate management personnel to ensure that match amounts are supported, timely, and from allowable sources.

Views of Responsible Officials

The Grant Analyst was new to the position and did not have a clear understanding of match and what was acceptable documentation. The City received a better understand from U.S. Department of Housing and Urban Development HUD as to what are acceptable forms of match documentation and has let all subreceipts know what is appropriate. This better understanding will help resolve this finding in the future.

08-16 Matching, Level of Effort, Earmarking – Rental Properties – Scope Limitation

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to 24 CFR section 92.216, each participating jurisdiction must invest HOME funds made available during a fiscal year so that, with respect to tenant-based rental assistance and rental units not less than 90% of (1) the families receiving assistance are families whose annual income do not exceed 60% of the median family income for the area, as determined and made available by HUD, with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later or (2) the dwelling units assisted with such funds are occupied by families having such incomes.

Condition Found

The City asserts that the primary internal control in place to ensure compliance with the earmarking compliance requirement for rental properties is the review of the HOME Rental Set-Up and Completion Form that is submitted to the City by the owner upon project completion and lease-up of the rental units. This form indicates and certifies that 90% of the families receiving assistance are families whose annual income does not exceed 60% of the median family income for the area. During 2008, the City listed six newly completed HOME projects. Information to support the low-income status of the tenants is maintained by the owners of the projects and we were not provided with access to the tenant information to test the eligibility of the tenants or the tenant files were provided but were incomplete or did not contain current information (annual recertification required) in order for us to ascertain compliance with this requirement.

Questioned Costs

The questioned costs, if any, associated with this finding are not determinable.

Possible Asserted Cause and Effect

Management asserts that the City does have internal controls that are designed appropriately to monitor the City's compliance with earmarking of rental properties; however, due to the unavailability or incompleteness of the tenant information, we were not able to test for compliance.

Recommendation

We recommend the City ensure that internal controls are operating effectively to monitor the City's compliance with the earmarking requirements for rental properties.

Views of Responsible Officials

The Project Agreement between the City and the owner/developer stipulates the minimum earmarking requirements that must be met before execution of the contract, and obtaining the HOME Rental Completion Report from the owner/developer after the project is completed. It is then reviewed, approved, and entered into IDIS. A HOME Rental Projects Earmarking spreadsheet has been created to track and monitor funded projects. A different staff person has been assigned to work on long-term compliance issues, which will help with the overall management of the rental component of HOME.

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08-17 Matching, Level of Effort, Earmarking – CHDOs – Scope Limitation

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to 24 CFR Section 92.300, each participating jurisdiction must invest at least 15% of each year's HOME allocation in projects, which are owned, developed, or sponsored by special nonprofit organizations called CHDOs.

Condition Found

CHDOs are formally approved by the City and that approval is communicated via a certification letter to the CHDO. The City reports its commitments and disbursements for CHDOs through IDIS. We obtained the IDIS report for fiscal year 2008 to test the amounts reported for CHDOs related to the 2008 HOME allocation. That report showed a total of $776,223 as the amount reserved for CHDOs, $135,289 as the amount committed, and $109,485 as the amount disbursed. It was determined that IDIS had not been properly maintained for amounts related to CHDOs and thus there were committed amounts that should have been entered in IDIS but were not and also amounts that were shown in IDIS as committed but were in error.

As a result of the above errors, we were unable to determine whether or not the City was in compliance with the earmarking: CHDO requirement.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The cause of this finding is a lack of internal controls over the entering of the CHDO information into IDIS. The effect of this finding is that the CHDO activities reported in IDIS may not be correct, and therefore, the City may not be in compliance with the earmarking requirement.

Recommendation

We recommend the City ensure that internal controls are implemented to assure that all contracted amounts for CHDOs are entered correctly into IDIS. Additionally, a review of actual disbursements in IDIS should be reconciled to the general ledger accounting system to ensure that all CHDO activities are appropriately classified in IDIS.

Views of Responsible Officials

The Grant analysts and Program Coordinator received training from HUD on how to correctly document CHDO activities in IDIS. Now that they have this understanding, the issue should resolve itself.

08-18 Reporting

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to 24 CFR Sections 135.3(a) and 135.90, for each grant over $200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002. There are several key line items that the 2008 Compliance Supplement identified for testing by auditors.

Condition Found

We compared the key line items identified in the 2008 Compliance Supplement to information maintained by the City to support the amounts and numbers submitted on the Form HUD 60002. Several differences were noted in these key line items as follows:

	Form HUD 60002	**City Supporting Documentation**
Dollar Amount of Award	$4,000,000	$4,174,818
Construction Contracts Awarded	$2,805,477	$2,657,460
Contracts Awarded to Section 3 Businesses	$786,780	$774,183
Number of Section 3 Businesses Receiving Construction Contracts	7	4
Non-Construction Contracts Awarded	$1,194,523	$1,179,523

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The cause of this finding is that the City is not performing a management review of the Form HUD 60002 prior to submission to ensure that the form is accurate and complete. The effect is that inaccurate reporting may be submitted to HUD.

(continued)

Recommendation

We recommend the City implement a management review of the HUD Form 60002 prior to its submission to ensure that complete and accurate information is used to compile the required form.

Views of Responsible Officials

A new staff person has been assigned to Section 3 and has meet with HUD staff to get a better understanding of the reporting requirements. Having a better understanding of how to report to HUD will eliminate future confusion.

08-19 Special Tests and Provisions – Housing Quality Standards

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to 24 CFR Sections 92.251, 92.252, and 92.504(b), during the period of affordability (i.e., the period for which the non-federal entity must maintain subsidized housing) for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.

Condition Found

We tested a sample of 36 out of 43 properties that were required to have on-site inspections performed during 2008. Of these properties, four (4) of the inspections were not performed within the appropriate time guidelines according to the number of units in the property. Additionally, the City's policy is to perform inspections on 15% of the HOME eligible units within the property and for one (1) of the inspections, the required number of units was not inspected.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management asserts that the primary cause of this finding is a shortage of personnel to complete the inspections on a timely basis. The effect of this finding is that the City is not performing on-site inspections as required under the HOME program.

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Recommendation

We recommend the City implement procedures to ensure that on-site inspections are appropriately and timely performed to ensure compliance with the housing quality standards requirement of the HOME program.

Views of Responsible Officials

The new staff person assigned to Long-term Compliance, along with the Rehabilitation Staff, has worked out a schedule to ensure that all units are inspected by the end of the program year. All information is tracked on a spreadsheet and closely monitored.

08-20 Subrecipient Monitoring

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Various grant numbers

CFDA No. 14.235, *Supportive Housing Program*, U.S. Department of Housing and Urban Development; Various grant numbers

CFDA Nos. 97.004/97.067/97.073/97.074, *Homeland Security Grant Program Cluster*, Department of Homeland Security passed through the Indiana Department of Homeland Security; Grant Numbers C44P-7-031, C44P-5-240, C44P-7-405, C44P-9-184A, C44P-7-406, C44P-9-338A, C44P-9-370A, C44P-9-217A, C44P-8-191A, C44P-7-328, C44P-7-474, C44P-7-414, C44P-8-118A, and C44P-9-349A

Criteria

According to OMB Circular A-133 §__.400(d) and the 2008 Compliance Supplement, a pass-through entity is responsible for ensuring that the required subrecipient audits are completed, issuing management decisions on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that subrecipients take appropriate and timely corrective action on all audit findings.

Condition Found

The City does not have adequate internal controls in place that were operating effectively for 2008 to ensure that subrecipient audits are received or that the results of any audits are appropriately reviewed and documented. The City maintains a spreadsheet that tracks the receipt and review of each of the subrecipient audit reports; however, this spreadsheet was not accurately completed for 2008. Additionally, the City requires a form to be completed by each subrecipient indicating whether or not the subrecipient will be required to have an A-133 audit report completed.

For the HOME Investment Partnerships Program, the City had a total of nineteen (19) subrecipients with expenditures under this grant in 2008. These subrecipient expenditures amounted to $2,462,010 or 87% of total accrual basis expenditures during 2008. For a sample of nineteen (19) subrecipients that represented 100% of the population, the City did not have the subrecipient form on file to indicate whether or not the subrecipient was required to have an A-133 audit performed for five (5) of the subrecipients. Additionally,

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the tracking sheet described above was not properly maintained for 2008. Based on further follow-up by the City as a result of our procedures, the City had the A-133 reports for all of its subrecipients that were required to have A-133 audits performed.

For the Supportive Housing Program, the City had a total of twelve (12) subrecipients with expenditures under this grant in 2008. These subrecipient expenditures amounted to $1,775,147 or 98% of total accrual basis expenditures during 2008. The tracking sheet described above was not properly maintained for 2008. Based on further follow-up by the City as a result of our procedures, the City had the A-133 reports for all of its subrecipients that were required to have A-133 audits performed.

For the Homeland Security Grant Program Cluster, the City had a total of three (3) subrecipients with expenditures under this grant program in 2008. These subrecipient expenditures amounted to $1,499,486 or 36% of total accrual basis expenditures during 2008. For a sample of three (3) subrecipients that represented 100% of the population, the City did not yet have any of the A-133 reports for its subrecipients. The City determined that one (1) of the subrecipients had not yet issued their A-133 audit report; however, the City had performed a site visit during the year on this subrecipient. No follow up had been performed on the other two (2) subrecipients nor had any site visits or other monitoring procedures been performed. We did obtain the A-133 audit report for one (1) of these two (2) subrecipients and determined that the expenditures were not listed on the subrecipient's A-133 audit report for 2008.

Questioned Costs

There are no questioned costs associated with this finding for the HOME Investment Partnerships Program and the Supportive Housing Program. The questioned costs associated with this finding for the Homeland Security Grant Program are $199,169 and were computed as the total expenditures passed through to the two (2) subrecipients who were not monitored during 2008 and for which the A-133 audit reports were not obtained.

Possible Asserted Cause and Effect

Follow-up on obtaining and reviewing the subrecipient audit report(s) did not occur due to a turnover of personnel that performed this function. The effect of this finding is that subrecipient audit reports may indicate audit findings that the City is required to issue management decisions as the pass-through entity and they would not do so. Additionally, the City is required to assess the subrecipient's noncompliance to determine if it is necessary to report such noncompliance on the City's own audit report.

Recommendation

We recommend the City ensure that its designed and implemented internal controls are operating effectively to ensure that subrecipient audits are appropriately completed and received by the City. Documentation should include attestation from the subrecipient if they are not subject to OMB Circular A-133 requirements. Additionally, management should ensure internal control procedures are operating effectively to document the management review of the subrecipient audit reports, which would include the issuing of management decisions on any findings and the consideration of any subrecipient audit findings and their effect on the City's compliance and need to report such finding within its own audit report.

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Views of Responsible Officials

The City accepts this finding and will review internal controls to make revisions where oversight is needed to be in compliance in monitoring subrecipient's A-133 reports and including management decision and responses that will be reflected on the City's own A-133 report, if applicable.

08-21 Subrecipient Monitoring

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239, *Home Investment Partnerships Program,* U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to OMB Circular A-133 §__.400(d) and the 2008 Compliance Supplement, a pass-through entity is responsible for "during-the-award monitoring," which includes monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition Found

The City has several internal controls in place for during-the-award monitoring of its subrecipients. One of those internal controls is conducting site visits to review the subrecipient's compliance related to the Home Investment Partnerships Program. To ensure that all subrecipients are monitored in this manner, the City maintains a monitoring schedule of all subrecipients, which includes the name of each subrecipient, the date of the site visit, and the results of the site visit. For a total of nineteen (19) subrecipients tested, which represented 100% of the population of subrecipients with expenses in 2008, we determined that six (6) subrecipients were not properly listed on the City's monitoring schedule. We noted, however, that these subrecipients did have a monitoring visit performed during the year.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The possible asserted cause of this finding is that the monitoring spreadsheet is not adequately being reviewed by program management to ensure that it is complete. The effect of this finding is that the omission of subrecipients from the monitoring schedule may result in subrecipients not having a site visit conducted.

Recommendation

We recommend the City ensure that all subrecipients are appropriately included on the monitoring schedule. This will ensure that a complete review of the results and status of the site visits can be made by management.

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Views of Responsible Officials

The City is in compliance with federal guidelines for all subrecipients to be monitored. This finding is merely identifying six subrecipients not on a tracking list that is not required by compliance. The list is merely a backup of a monitoring schedule requested for audit purposes, but the process of monitoring all subrecipients is initiated by all open contracts that confirm they were all completed.

08-22 Reporting and Subrecipient Monitoring

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.235, *Supportive Housing Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to 24 CFR Section 583.125, HUD may provide grants to pay for a portion of the actual operating costs of supportive housing. Assistance for operating costs is available for up to 75% of the total cost in each year of the grant. The nonfederal entity must pay with its own funds, the percentage of the actual operating costs not funded by HUD. At the end of each operating year, the nonfederal entity must demonstrate that it has met its share of the costs for that year.

Additionally, according to 24 CFR Section 583.300 (g) and the 2008 Compliance Supplement, the report HUD-40118, *Annual Progress Report* (OMB No. 2506-0145), is due from each grantee 90 days after the end of each operating year. Separate reports are required for each grant received. The auditor is expected to test the financial data in:

(1) Part I – 15. Supportive Services

(2) Part II – 19. Supportive Housing Program: Leasing, Supportive Services, Operating Costs, HMIS Activities and Administration

(3) Part II – 20. Supportive Housing Program: Acquisition, Rehabilitation, and New Construction

Condition Found

Subrecipients of the City primarily incur expenditures that are used to provide the related matching amount required under the Supportive Housing Program. The subrecipients initially prepare the required HUD-40118, *Annual Progress Report*, which includes expenditures and matching amounts. These reports are submitted to the City and the management of the Supportive Housing Program review these reports, modify amounts as necessary to add direct City expenditures (primarily for administration) and approve and submit the reports to HUD. No information is obtained by the City from the subrecipients to support the amount recorded in “Part II – 19. Supportive Housing Program: Leasing, Supportive Services, Operating Costs, HMIS Activities and Administration,” and thus, we were not able to ensure that the amounts recorded were properly supported.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The cause of this finding is that the City is not ensuring that amounts compiled by the subrecipients are properly supported by qualifying subrecipient matching expenditures. The effect of this is that the City may be reporting amounts as matching expenditures that are not appropriately supported.

Recommendation

We recommend the City implement procedures to ensure that amounts compiled by subrecipients that are reported by the City as matching expenditures on the HUD-40118, *Annual Progress Report*, are accurate and complete.

Views of Responsible Officials

The current process in place does have an oversight to verify accuracy of figures. However, we will discuss the process to review the overall effectiveness of necessary documentation needed on hand to support the figures being reported.

08-23 Reporting

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.235, *Supportive Housing Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to 24 CFR Section 583.300 (g) and the 2008 Compliance Supplement, the report HUD-40118, *Annual Progress Report* (OMB No. 2506-0145), is due from each grantee 90 days after the end of each operating year. Separate reports are required for each grant received. The auditor is expected to test the financial data in:

(4) Part I – 15. Supportive Services

(5) Part II – 19. Supportive Housing Program: Leasing, Supportive Services, Operating Costs, HMIS Activities and Administration

(6) Part II – 20. Supportive Housing Program: Acquisition, Rehabilitation, and New Construction

(continued)

Condition Found

For a sample of 15 HUD-40118, *Annual Progress Report*, which represented 100% of such reports to be submitted, we found discrepancies between the amounts submitted on the HUD-40118 reports and the City's accounting records of such amounts. Differences were noted in five (5) of the submitted reports with total differences in those reports noted as follows:

- Leasing amounts reported as $83,797 on the relevant HUD-40118 reports and were $82,795 per the City's accounting records.
- Supportive services amounts reported as $565,572 on the relevant HUD-40118 reports and were $528,664 per the City's accounting records.
- Operating costs amounts reported as $181,088 on the relevant HUD-40118 reports and were $180,954 per the City's accounting records.
- Administration amounts reported as $15,545 on the relevant HUD-40118 reports and were $10,976 per the City's accounting records.

We also noted that one (1) of the fifteen (15) Annual Progress Reports was prepared using two years of information instead of the required one year and three (3) of the Annual Progress Reports had amounts reported for certain categories of costs that did not agree to the same amounts reported elsewhere in the same Annual Progress Report. Additionally, four (4) of the fifteen (15) Annual Progress Reports were not filed timely.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The cause of this finding is that the City is not ensuring that amounts compiled on the Annual Progress reports are properly supported by the City's accounting records. The effect of this is that the City may be reporting amounts that are not appropriately supported.

Recommendation

We recommend the City implement procedures to ensure that amounts compiled on the HUD-40118, *Annual Progress Report* are accurate and complete. Additionally, internal controls should be implemented to ensure that these reports are properly reviewed for accuracy and submitted within the program time requirements.

Views of Responsible Officials

Procedures have been put into place to adequately monitor all expenditures to ensure that our accounting system matches what is being reported.

 (continued)

08-24 Cash Management

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.235, *Supportive Housing Program*, U.S. Department of Housing and Urban Development; Various grant numbers

Criteria

According to the 2008 Compliance Supplement, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government. Additionally, according to the SHP Desk Guide Section F, grantees should draw funds within a reasonable period of time before needing to pay an invoice or salaries. The reasonable time period was deemed to be no more than 15 days.

Condition Found

In our sample of sixty (60) expenditures, we found that one (1) expenditure had a disbursement date that was in excess of fifteen (15) days after the date of the related drawdown of the federal funds. The total associated dollar amount of this expenditure was $25,473 or 3.3% of the total sampled population.

Questioned Costs

The most likely questioned costs associated with this finding are $59,171 and were computed by multiplying the 3.3% error rate as calculated in our sample population to the total of the program expenditures of $1,803,986.

Possible Asserted Cause and Effect

The asserted cause of this finding is that there was a delay in the actual payment of the invoice by the City's accounts payable division and thus the federal drawdown was executed by the grant personnel prior to the City's payment. The effect of this finding is that the City be drawing down funds in excess of the number of days deemed to be reasonable in requesting such funds.

Recommendation

We recommend that the City review their procedures for requesting reimbursement of federal funds to ensure that reimbursement requests are made after the payment of the expenditure with local funds.

Views of Responsible Officials

DMD/CED has implemented changes in 2009 to ensure compliance with the 15 day requirement. Currently all paperwork sent to Accounts Payable (AP) must have an AP tag attached to it before it will be accepted. After meeting with AP staff, a new policy was implemented that would require DMD/CED staff to also include a pink tag on all grant claims. The pink tag is labeled "GRANTS" at the top and includes the name and number of the person to contact with any questions about the claim. When AP receives a claim that has a pink tag, it will let them know that claim is to be a priority for the day. If there are any issues/problems with the claim, AP will contact the appropriate person immediately to get the issue

(continued)

resolved. Staff also checks FAMIS once a week to make sure checks have been cut for all claims submitted to AP in the last 7 days.

08-25 Reporting and Program Income

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2008, U.S. Department of Housing and Urban Development, Grant Numbers B-08-MC-18-007 and B-07-MC-18-007

Criteria

The Community Development Block Grant program requires the City to report federal expenditures under the program both through the Integrated Data Investment System (IDIS) and in the filing of a quarterly financial report under the Payment Management System (Form 272). The 2008 Compliance Supplement indicates that the auditor should trace the amounts reported to accounting records that support the audited financial statements and the schedule of expenditures of federal awards and verify agreement.

Condition Found

During 2008, the City reported that $10,073,662 was disbursed in IDIS while $10,528,805 was reported in the quarterly submitted Form 272 for 2008. The City's general ledger accounting system reported accrual basis expenditures of $10,671,761 during the fiscal year ended December 31, 2008. Additionally, the City reported $1,274,834 of program income in IDIS and $1,312,565 per the quarterly submitted Form 272 related to 2008. In 2008, the City recorded $1,739,576 of program income in the general ledger accounting system. While the City prepared reconciliations of these amounts, the City also reported $372,776 of adjustments on the Form 272, however, was not able to provide any documentation to support this reported amount. As a result of the unsupported adjustments, we could not determine that the reconciliations for disbursements or program income were prepared accurately.

Questioned Costs

The questioned costs associated with this finding are not able to be determined as the City could not determine whether the amount of program income reported in IDIS was correctly reported, which would affect the amount drawn down to reimburse the City for expenditures incurred under the program.

Possible Asserted Cause and Effect

The effect of this condition is that the City may not have properly reported the expenditures and program income under this program in their federal reporting, in IDIS, or in the general ledger accounting system.

Recommendation

We recommend that the City implement procedures to ensure that reconciliations are regularly prepared between IDIS and the general ledger accounting system for both expenditures and program income. These reconciliations should be completed prior to the completion and submission of the Form 272 to ensure that amounts that are reported are appropriate. Additionally, documentation relating to any adjustments that are reported on the Form 272 should be maintained to support such amounts.

(continued)

Views of Responsible Officials

Reporting processes are being updated to improve internal control and overall management of all grant requirements. City personnel will ensure that quarterly financial reports are properly reconciled to IDIS and the Form 272.

08-26 Procurement and Suspension and Debarment

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2008, U.S. Department of Housing and Urban Development, Grant Numbers B-08-MC-18-007 and B-07-MC-18-007

Criteria

According to the 2008 Compliance Supplement, all nonfederal entities shall follow federal laws and implementing regulations applicable to procurements, as noted in federal agency implementation of the A-102 Common Rule. These regulations require the following:

- Contract files should exist and contain appropriate cost or price analysis that was performed in connection with procurement actions, including contract modifications and this analysis should support the procurement action (A-102 Common Rule §__.36(f)).

- Contract files should document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis of contract price (A-102 Common Rule §__.36(b)(9)).

- Procurements should provide full and open competition (A-102 Common Rule §__.36(c)(1)).

- Documentation should be maintained in support of the rationale to limit competition in those cases where competition was limited and justified (A-102 Common Rule §__.36(b)(1)).

Additionally, nonfederal entities are prohibited from contracting with parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded that are expected to equal or exceed $25,000 or meet certain other specified criteria.

Condition Found

In our sample of fifteen (15) vendors, we found that four (4) vendors had no documentation supporting the procurement actions, including bid recipients or analysis of such bids or documentation/justification supporting that competition was to be limited.

For suspension and debarment, we tested the same fifteen (15) vendors from our procurement testing. For one (1) of the vendors, the City did not maintain documentation in support of their required check for suspension and debarment.

(continued)

Questioned Costs

The known questioned costs associated with this finding are $83,960 and were computed as the amount of expenditures in 2008 related to these vendors. The most likely questioned costs are $85,672 and were computed by multiplying the ratio of the known questioned costs of $83,960 to the tested population of $1,940,160 by the entire population of $1,979,720.

There are no questioned costs associated with the suspension and debarment finding.

Possible Asserted Cause and Effect

The effect of the lack of documentation is that open competition for procurements under federal awards is not achieved. Additionally, the effect of not having internal controls functioning properly over suspension and debarment, is that federal awards may be spent with a nonqualifying vendor.

Recommendation

We recommend the City implement internal control procedures to ensure that all procurements under federal awards are assured to follow federal and state regulations, as applicable. All procurement actions should have a contract file that documents the history of the individual procurement, including bid solicitations, bid receipts, and analysis of such bid receipts. If procurements are not competitively bid, the rationale should be formally documented in the contract file. Additionally, the City should ensure that internal controls are operating effectively to ensure that qualifying vendors are not suspended or debarred. Documentation should be retained to support such vendor checks.

Views of Responsible Officials

Procurement and suspension and debarment monitoring processes have been reviewed to improve internal control and overall management of all grant requirements.

08-27 Reporting

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2008, U.S. Department of Housing and Urban Development, Grant Numbers B-08-MC-18-007 and B-07-MC-18-007

Criteria

According to 24 CFR Sections 135.3(a), 135.90, and 570.607, for each grant over $200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002. There are several key line items that the 2008 Compliance Supplement identified for testing by auditors.

Condition Found

We compared the key line items identified in the 2008 Compliance Supplement to information maintained by the City to support the amounts and numbers submitted in the Form HUD 60002. Several differences were noted in these key line items as follows:

	Form HUD 60002	**City Supporting Documentation**
Dollar Amount of Award	$9,300,000	$9,492,006
Construction Contracts Awarded	$5,131,851	$6,281,766
Contracts Awarded to Section 3 Businesses	$1,276,526	$1,215,662
Non-Construction Contracts Awarded	$4,168,149	$3,964,417

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The cause of this finding is that the City is not performing a management review of the Form HUD 60002 prior to submission to ensure that the form is accurate and complete. The effect is that inaccurate reporting may be submitted to HUD.

Recommendation

We recommend the City implement a management review of the HUD Form 60002 prior to its submission to ensure that complete and accurate information is used to compile the required form.

Views of Responsible Officials

A new staff person has been assigned to Section 3 and has meet with HUD staff to get a better understanding of the reporting requirements. Having a better understanding of how to report to HUD will eliminate future confusion.

(continued)

08-28 Subrecipient Monitoring

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2008, U.S. Department of Housing and Urban Development, Grant Numbers B-08-MC-18-007 and B-07-MC-18-007

Criteria

According to OMB Circular A-133 §__.400(d)(1) and the 2008 Compliance Supplement, a pass-through entity is responsible for award identification. At the time of the award, the pass-through entity must identify to the subrecipient the federal award information, which includes the CFDA title and number, award name, name of federal agency, and applicable compliance requirements.

Condition Found

The City typically utilizes a standard agreement with their subrecipients, which communicates the above requirements. However, the City included the name of the federal program, but not the related CFDA number on agreements for one (1) of the nineteen (19) subrecipients for the Community Development Block Grants/Entitlement Grants program.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The cause of this finding is that the City did not utilize their standard subrecipient agreement for the subrecipient. The effect of this finding is that the subrecipient of the City does not have the complete identifying information required. The identification of all federal award information is vital so that the subrecipient is fully aware of the federal origin of the grant funding and hence the compliance requirements.

Recommendation

We recommend the City ensure that all agreements with subrecipients include the CFDA number to ensure that the subrecipient is aware of the source and requirements of the funds that they are receiving.

Views of Responsible Officials

The City agrees with this finding and will ensure that all loan agreements include the CFDA number. City will notify the subrecipient of the CFDA number.

(continued)

08-29 Matching, Level of Effort, Earmarking

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2008, U.S. Department of Housing and Urban Development, Grant Numbers B-08-MC-18-007 and B-07-MC-18-007

Criteria

According to 24 CFR Sections 570.200(a)(3) and 570.208(a) and the 2008 Compliance Supplement, not less than 70% of the program funds must be used over a period of up to three years, as specified by the grantee in its certification, for activities that benefit low- and moderate-income persons.

Condition Found

The City's Integrated Disbursement and Information System (IDIS) report C04PR26 indicates on line 22 that the "percent of low/mod credit" is 75.33% which is in excess of the 70% threshold noted above. However, included in that calculation is an adjustment amount of $728,755, which is reported on line 20 of the C04PR26 report and is entitled "adjustment to compute total low/mod credit." The City could not provide any documentation to support the source of this adjustment, and therefore, we were not able to verify its accuracy. We noted that without this adjustment amount, the City would not have met the 70% required earmarking requirement.

Questioned Costs

The questioned costs, if any, associated with this finding cannot be determined.

Possible Asserted Cause and Effect

The cause of this finding is that the City did not maintain adequate documentation to support amounts entered into IDIS for this adjustment. The effect is that inaccurate information may have been reported in IDIS.

Recommendation

We recommend the City implement internal controls to ensure that there is appropriate review of amounts entered into IDIS and that adequate support is maintained for all adjustment amounts.

Views of Responsible Officials

The City will establish internal controls that will provide support for any adjustments made to the CO4PR26 Report.

08-30 Special Tests and Provisions – Environmental Reviews

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2008, U.S. Department of Housing and Urban Development, Grant Numbers B-08-MC-18-007 and B-07-MC-18-007

Criteria

According to 24 CFR Sections 58.1, 58.22, 58.34, 58.35, and 570.604, projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from Request for Release of Funds and environmental certification requirements.

Condition Found

The City did not have internal controls that were operating effectively to ensure that all projects had the required environmental reviews. The City maintains a schedule of Community Development Block Grants/Entitlement Grants projects and documents their environmental review status. This schedule was not complete in that not all projects were appropriately listed for 2008. As a result, the City did not perform environmental reviews for six (6) of seventy-seven (77) planned reviews.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The cause of this finding is that the City did not properly maintain their environmental tracking schedule to ensure that all projects were properly included. The effect is that certain projects did not have environmental reviews as required.

Recommendation

We recommend the City ensure that their designed internal controls are operating effectively by ensuring that a review is performed to ensure that the schedule listing the required environmental reviews is complete and accurate.

Views of Responsible Officials

The City does have internal controls in place to ensure that all projects subject to an environmental review have the review. There was a change in staff last year, which led to confusion regarding what had already been completed and what needed to be completed. The new staff did not know where the former staff stored the required documentation. The process that is place will be more than adequate to ensure compliance in future years.

(continued)

08-31 Procurement and Suspension and Debarment

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA Nos. 97.004/97.067/97.073/97.074, *Homeland Security Grant Program Cluster*, Department of Homeland Security passed through the Indiana Department of Homeland Security; Grant Numbers C44P-7-031, C44P-5-240, C44P-7-405, C44P-9-184A, C44P-7-406, C44P-9-338A, C44P-9-370A, C44P-9-217A, C44P-8-191A, C44P-7-328, C44P-7-474, C44P-7-414, C44P-8-118A, and C44P-9-349A

Criteria

According to the 2008 Compliance Supplement and §__.36(b)(9), §__.36(c)(1), §__.36(b)(1), and §__.36(d)(4), procurements should conform to the following criteria:

- The contract file should document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.
- The procurement should provide full and open competition.
- The procurement should document the rationale to limit competition in those cases where competition was limited.

Condition Found

For procurement, we tested nine (9) vendors with total expenditures of $1,835,505 and which encompassed 74% of the total expenditures under this program subject to this compliance requirement. Of these total vendors, two (2) did not have sufficient information in the contract file to detail the bids or quotes obtained to evidence full and open competition. There was also no formal documentation that indicated a rationale to limit competition.

Questioned Costs

The known questioned costs associated with the procurement finding were $47,676 and were computed as the entire 2008 expenditures for the vendors for which no bid or quote information was present or there was no documentation to evidence the appropriateness of the rationale to limit competition. The most likely questioned costs were $64,102 and were computed by extrapolating the error rate percentage of 2.6% found in our sample to the relevant population of $2,467,900.

Possible Asserted Cause and Effect

The possible asserted cause of this finding is that procurement documentation is not being adequately maintained for professional services or for procurements that are not competitively bid for other reasons. The effect of the lack of documentation is that open competition for procurements under federal grants is not achieved or that documentation supporting the limitation on competition is not adequately maintained to support the justification.

Recommendation

We recommend that the City implement internal control procedures to ensure that all procurements under federal grant awards are assured to follow federal and state regulations, as applicable. If procurements are not competitively bid, the rationale for such should be formally documented in the contract files.

Views of Responsible Officials

Procurement and suspension and debarment monitoring processes are being reviewed to improve internal control and overall management of all grant requirements. The two (2) exceptions were reviewed and followed up on. The City recognizes that proper documentation such as sole source approval through the grantor should have been obtained to justify the procurement for one of the exceptions, which involves a vendor for the design and hosting of the public safety training web site and to augment the existing distance learning web site that was originally designed by this vendor. The City has ensured proper documentation to justify procurements during 2009 fiscal year. Also for the second exception, the vendor was selected based on the City's Request for Qualification procurement method, however, was not properly documented to show responses received and any evaluations. The City has ensured proper documentation to justify procurements during 2009 fiscal year.

08-32 Allowable Costs/Cost Principles

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 97.025, *National Urban Search and Rescue (US&R) Response System*, Department of Homeland Security, Grant Numbers EMW-2006-CA-0219, EMW-2008-CA-1493, EMW-2007-CA-0219, and EMW-2008-CA-0522

Criteria

Per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Paragraph 8(h)(3) and (4), where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, which (1) reflects an after-the-fact distribution of the actual activity of each employee; (2) accounts for the total activity for which each employee is compensated; (3) is prepared at least monthly and must coincide with one or more pay periods; and (4) must be signed by the employee.

Condition Found

We selected a sample of 30 expenditures under the program that included payroll and payroll-related expenditures. Of this sample, seven of the sample items were for payroll-related expenditures. Six of the seven payroll-related sample items, which represented $14,446 of the total $120,810 of payroll-related items in our sample did not have complete time certifications on file. These six sample items were for employees working solely on the grant programs and only an annual certification statement indicating that

(continued)

100% of their time was spent on that grant was completed. The certifications should have been executed at least semiannually for these employees.

Questioned Costs

The amount of most likely questioned costs is $116,428 and was computed as one-half of the payroll-related expenditures for the year for the employees who charged 100% of their time to the grant program.

Possible Asserted Cause and Effect

Management indicated that when employees' time is charged 100% to a respective grant, management was not aware of the requirement for the employees to complete semiannual time certifications. The effect of this finding is that time may be charged to the grant that does not represent actual time spent on grant activities.

Recommendation

We recommend that management strengthen the City's processes and controls to help ensure that payroll charges are supported by after-the-fact personnel activity reports or that semiannual certification statements (at a minimum) are executed for all employees charging time to federal grants stating that 100% of their time is spent on a particular grant.

Views of Responsible Officials

Both the Grant Manager and Program Manager have attended grant management training and were aware of the required certifications. After completing the grant management courses early in 2008, processes were reviewed and systems were put into place to ensure that requirements were being met.

2CFR225 Appendix B Section 8 paragraph h.3 states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee." Because 2CFR225 is not explicit as to how the semiannual certifications are to be carried out or what language is to be included we feel that this requirement was met in a few ways.

One certification was completed by the employees for January 1, 2008 – December 31, 2008. The additional certifications required were completed by personnel having first-hand knowledge of the work performed by each employee while performing periodic tasks for the grant program. One periodic task is the quarterly completion of the PSC272 reports. The CFR does not state that financial reports cannot be used to certify effort for the grant program. This particular financial report is different from the 269's and other reports used by various federal agencies in that it certifies more than the accuracy of the report. The PSC 272 includes a certification, which states, "I certify to the best of my knowledge and belief that this report is true in all respects and that all disbursements have been made for the purpose and conditions of the grant or agreement." That statement is signed by an individual who has first-hand knowledge of all work hours charged to the grant program. Because the statement certifies all disbursements and

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specifically states that all have been made for the purpose and conditions of the grant or agreement we feel that these financial reports met the certification requirement in 2008. In addition, the three individuals employed by Indiana Task Force One are fully aware that their positions are grant funded and understand that they cannot be compensated for hours that do not support program activities. To ensure that this fact is understood, a standard operating procedure was drafted early in 2008 stating that when employees sign their time cards they also certify that 100% of the effort supported the grant program. Those time cards are also signed by an individual who has first-hand knowledge of all work activities and would not sign if the hours worked did not support the program. Finally, we are structured in such a way that individuals assigned to Indiana Task Force One do not work in any other units of the Indianapolis Fire Department (IFD) or any projects that do not support USAR functions. Both the Chief and the CFO for IFD are fully aware that the task force positions are grant funded and that employees cannot be assigned to other departments or work on projects that do not support the grant program.

We will comply with the recommendation. Even though we believe that this requirement is being met, the recommendation is reasonable and would not require much effort to complete. The additional certification has been added to our process and will be completed when our semiannual progress reports are due.

08-33 Procurement, Suspension, and Debarment

Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number

CFDA No 66.458 Capitalization Grants for Clean Water State Revolving Fund, U.S. Department of Agriculture passed through State of Indiana Budget Agency; Grant Numbers CS18223301, CS18230501, CS18235801, CS18241201, Indy 6-2004 B, WW0501497, WW12/5 Indy Loan #8, Indy Loan 9, Indy Loan 10

Criteria

Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services awarded that are expected to equal or exceed $25,000 or which meet certain other specified criteria and all nonprocurement transactions (e.g., subawards to subrecipients).

When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition Found

During our Procurement and Suspension and Debarment testwork, we noted that the City did not have internal controls in place to assure that its contractors that met the requirements were not suspended and/or debarred.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The effect of this condition is that the City could enter into procurement transactions with vendors that are suspended or debarred. During our testing, we found that none of the vendors were suspended or debarred.

Recommendation

We recommend that the City implement policies and procedures to make sure that all vendors are reviewed for debarred and/or suspended status or that certification is received to that extent or that documentation is maintained of the City's check of the EPLS. The EPLS check should be performed prior to the City contracting with the vendor.

Views of Responsible Officials

Procurement and suspension and debarment monitoring processes were reviewed and updated at the end of 2007 calendar year. The agreements in questions date back to 2001. The vendors in question will be verified for suspension and debarment immediately. However, we can not go back in time to provide documentation for when these loans went into affect. As of the beginning of 2008, all agreements include suspension and debarment language and once executed the vendors are verifying that they are not debarred. For all multi year contracts the internal process will be updated to verify the suspension and debarment checks for every year the contract is in effect by the awarded grantee. It is also the City's perception that there was grantor approval during all of this process in the last nine years or the loans would have been null and no reimbursement would have been received.

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS––MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
03-01 **04-01** **05-01** **06-01** **07-01**	**Financial Reporting for Waterworks** Items for which the City is accounting for on the cash basis of accounting should be re-evaluated so that these activities may be properly reflected on the accrual basis of accounting. Or, procedures should be implemented to ensure that these activities are properly converted to the accrual basis of accounting for year-end reporting.	Correction in progress. See current year findings. 08-02, 08-04, 08-05, 08-07, 08-09, 08-11, 08-12, and 08-13.	Rob Erney (317) 327-4296 rerney@indygov.org
05-3 **05-7**	**Procurement and Suspension and Debarment – Public Safety Partnership and Community Policing Grants and Community Development Block Grants** Suspension and debarment verification is not being certified according to internal controls in place.	Correction in progress; see current year finding 08-26.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
06-01 **07-01**	**Management Review and Supervision Over Financial Reporting Process** Significant errors, both in number and amount, were noted in the accounting entries made by the City during the financial reporting process. Additional internal controls should be implemented to ensure that management review is occurring for tasks/financial reporting areas that are more complex or that have resulted in audit differences in prior years.	The City has added additional staff to address this issue for future financial statements which should allow for more internal review of the audit tasks. Correction in progress. See current year finding 08-01.	Chuck White (317) 327-4302 cwhite@indy.gov
06-02 **07-02**	**Recording of Debt Transactions** Numerous audit adjustments were required to ensure accuracy in financial reporting for bond and debt related activities. This occurred for both the governmental activities and the Waterworks proprietary fund.	The City will continue to work with the Indianapolis Bond Bank to improve communication and intend to have the entries properly recorded for future financial statements. Correction in progress. See current year finding 08-07.	Chuck White (317) 327-4302 cwhite@indy.gov
06-05 **07-03**	**Contributed Infrastructure and Redevelopment Properties** The City records infrastructure that are partially constructed with the City's funds and partially funded with federal dollars received by the State of Indiana. There were several projects that were completed but recorded in the financial statements on a timely basis which affected both capital assets and contributed capital.	The City agrees that additional controls should be implemented to ensure that completed infrastructure projects and redevelopment property disposals are recorded on a timely basis. Policy and procedures will be reviewed with management of departments involved to enhance current	Chuck White (317) 327-4302 cwhite@indy.gov

Reference	Finding	Status	Contact Person(s)
	The City purchases redevelopment properties that are used for economic development initiatives which are often subsequently sold to developers to accomplish the City's objectives. In 2006, a review of these properties was undertaken to determine whether the City continued to be the owner of such properties. Many were found to be in error and others were not determinable however, until further investigation, the City has continued to include these in the financial statements.	procedures and strengthen internal control, so transactions occur on a timelier basis. Advances have been accomplished in reporting infrastructure and redevelopment properties in the current year. Correction in progress; see current year finding 08-08.	
06-07 **07-04**	**Self Insurance Liabilities** The City records a liability for its estimate of the incurred but not paid and/or reported amount for worker's compensation and auto liability claims as the City is self-insured for both risks. Management estimates this amount primarily by utilizing prior historical experience. However, no independent assessment is made as to the adequacy of the reserve recorded in prior years to assess the reasonableness of the City's methodology on an ongoing basis. For public liability self-insurance risks, the City estimates a liability for outstanding legal cases which they believer are susceptible to accrual. This process occurs during the financial reporting process (i.e. after year end), but usually a significant amount of time prior to the issuance of the financial statements. No process is in place for City management to monitor or update this liability after this initial assessment.	The issue has been corrected for auto and public liability insurance claims. Correction in progress for worker's compensation claims. The City is reviewing its process for calculating this liability and determining the appropriateness of engaging a third party (ie: actuary) to assist in the calculation. See current year finding 08-10.	Chuck White (317) 327-4302 cwhite@indy.gov
06-08 **07-05**	**Long-Term Notes Receivable Balances** The City often enters into agreements with other entities whereby a long-term note receivable is executed for the achievement of the City's economic development initiatives. In 2006, the City entered into several of these agreements and a long-term note receivable was recorded for the entire agreement amount even though the funds had not yet been disbursed by the City. Additionally, it was determined that some of the long-term notes receivable, which had been executed in prior years, were not collectible and thus they were written off. For these notes receivable, it was determined that the City was not performing a regular review to confirm the ownership of the underlying assets used as collateral. These properties had been sold without proper notification to the City and thus the City had no collateralized means to collect the receivable.	Corrected.	Chuck White (317) 327-4302 cwhite@indy.gov

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS––MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
	In 2007, it was discovered through the audit procedures, that the City, also had long term notes receivable recorded that were doubtful of collection and thus needed to be written off.		
06-11 **07-06**	**Timely Reconciliations of Cash and Trust Accounts** Cash reconciliations should be performed on a timely basis and appropriately reviewed and approved in order to be an effectively operating internal control. During 2006, reconciliations were not performed timely, did not always have evidence of a proper review being performed, and related adjustments to the financial statements were not recorded timely. In 2007, reconciliations were also not performed timely and reconciliations for the City's trust accounts were often performed only at year end. Audit adjustments were recorded to correct inappropriate investments income entries and errors in the City's Waterworks fund accounts evidencing a lack of effective management review.	Correction in progress; see current year finding 08-11.	Chuck White (317) 327-4302 cwhite@indy.gov
06-13 **07-07**	**Recording of Accounts Payable** Accounts payable for financial reporting purposes are recorded primarily based on a review of subsequent year cash disbursements and determining whether or not such disbursements relate to the current year. Errors were determined for several items that were not properly accrued.	Correction in progress; see current year finding 08-12.	Chuck White (317) 327-4302 cwhite@indy.gov
06-15 **07-15**	**Reporting – Community Development Block Grants** In 2006, differences were found between the amounts reported on Form PMS-272, the amounts in the Integrated Data Investment System (IDIS), and the amounts recorded in the City's general ledger system for expenditures and program income. The City could not reconcile the amounts. In 2007, differences in these amounts were also noted and the City was able to reconcile these amounts. However, the City also reported $372,776 of adjustments on the Form SF-272 but was not able to provide any documentation supporting this amount.	Reporting processes are being updated to improve internal control and overall management of all grant requirements. City personnel met with HUD on October 22, 2009 to discuss the proper way to fill out the SF-272 form. It was discovered that the form being used was not the most recent form. Going forward the correct form has been downloaded from HUD's website, all reports for 2009 were re-calculated and re-submitted and properly reconciled to IDIS and the city's general ledger system.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
		Correction in progress; see current year finding 08-25.	
05-04 06-16 07-20	**Subrecipient Monitoring –Home Investment Partnerships Program and Homeland Security Grant Program Cluster** The City did not include the CFDA number in the grant agreements with subrecipients.	Corrected.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
06-17	**Cash Management – Supportive Housing Program** In a sample of thirty expenditures, two were found which had disbursement dates that were after the date of the related drawdown of the federal funds. The elapsed time for these two items was 4 and 25 days respectively. The total associated dollar amount of these expenditures was $29,004 or 4.6% of the total population of expenditures of $2,353,068.	Accounts Payable (AP) Manager will implement a process that includes immediate communication to any department for any documentation AP receives that is unable to be processed at the time of review. Correction in progress; see current year finding 08-24.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
06-18 07-30	**Procurement and Suspension and Debarment – Urban Areas Security Initiative and Homeland Security Grant Program** The City did not have internal controls in place to assure that its subrecipients and vendors, which met the requirements, were not suspended and/or debarred.	Corrected.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
06-22 07-29	**Subrecipient Monitoring – Urban Areas Security Initiative and Homeland Security Grant Program Cluster** The City does not have adequate internal controls in place to ensure that subrecipient audits are received or that the results of any audits are appropriately reviewed and documented.	Subrecipient processes are being reviewed to improve internal control and overall management of all grant requirements. Correction in progress; see current year finding 08-20.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
06-23 07-30	**Procurement and Suspension and Debarment – Urban Areas Security Initiative and Homeland Security Grant Program Cluster** The City did not appropriately obtain any price or rate quotations of some vendors relating to procurement nor was there any documentation to justify the limiting of competition.	Procurement and suspension and debarment monitoring processes are being reviewed to improve internal control and overall management of all grant requirements. Correction in progress; see current year finding 08-26 and 08-31.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
06-24 **07-22**	**Subrecipient Monitoring – Home Investment Partnerships Program** The City maintains a monitoring schedule of all HOME subrecipients to facilitate annual site visits to fulfill the during-the-award monitoring requirements. Not all subrecipients were appropriately listed on the monitoring schedule and thus some subrecipients did not have site visits performed during 2006. In 2007, six subrecipients were excluded from the monitoring schedule although each had a monitoring visit conducted.	All 2006 sites have been monitored per requirements and the missing 2007 listings have been added to the monitoring sheet. Correction in progress; see current year finding 08-21.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
06-26	**Special Tests and Provisions-Housing Quality Standards – Home Investment Partnerships Program** For 2006, a total of 8 projects in our sample of 30 projects (total population of 33 projects) were not inspected within the appropriate guidelines.	Every effort is made to include all projects that are scheduled for inspection, based on total project size, for annual, every other year and every third year inspection cycles. The City has several spreadsheets prepared which tracks projects to ensure the appropriate projects are properly scheduled for their inspection cycles. Staff will review and update spreadsheets to maintain current information. Staff will also strive to avoid any error in tracking and monitoring projects requiring on-site physical inspections in any given year. All projects inspected are subject to meeting Housing Quality Standards and the HOME Program Property Standards requirements. In 2009, a new staff has been assigned to this project to ensure that all units are inspected by the end of the program year. Correction in progress; see current year finding 08-19.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
06-27 **07-24**	**Eligibility – Home Investment Partnerships Program** The City did not have internal controls in place that were operating effectively to ensure that the eligibility requirements were being redetermined annually.	The City is aware of this finding and agrees that it must improve its performance in monitoring and tracking the submittal and review of Annual Recertification's of tenant income and occupancy	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

Reference	Finding	Status	Contact Person(s)
		from property owners and managers for each active project in the completed rental portfolio. A more focused effort is being made by staff to notify and follow-up with property owners and managers to timely submit their annual recertification packages in the anniversary month of their projects' completion. Associated with the recertification's we will be timely in performing the On-site Tenant File Reviews for those projects whose schedules rotate on annual, every other year or every third year inspection cycles. Internal controls for these activities include the word spreadsheets created to track annual recertification's and monitoring tenant file reviews by the project's anniversary month on the share drive under HOME/Rental Projects. These spreadsheets will be updated on an ongoing basis. Correction in progress; see current year finding 08-14.	
06-28 **07-27**	**Matching, Level of Effort, Earmarking – Rental Properties – Scope Limitation - Home Investment Partnerships Program** The City did not have internal controls in place that were operating effectively to ensure that the City complies with the earmarking requirements of each participating jurisdiction investing HOME funds with respect to tenant-based rental assistance and rental units not less than 90 percent of (1) the families receiving assistance are families whose annual income do not exceed 60 percent of the median family income for the area, as determined and made available by HUD, with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later or (2) the swelling units assisted with such funds are occupied by families having such incomes.	A re-organization has taken place where these specific duties are assigned to another staff member. All earmarking requirements will be met before the next audit is completed. Correction in progress; see current year scope limitation at finding 08-16.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS––MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
06-29 **07-26**	**Matching, Level of Effort, Earmarking - Home Investment Partnerships Program** For 2006, in a sample of 7 match items which constituted 98 percent of the total match amount claimed by the City, three of the items did not have adequate documentation to support the date of the match and a determination could not be made that these amounts were appropriately reported for 2006. They were determined to be from an allowable source. For 2007, the City reported $1,340,093 total match amounts. In a sample of 13 items which constituted 69% of the total match amount, 9 of the items totaling $633,013 did not have sufficient documentation, we could not determine if the amounts were from an appropriate match source, or the date of the match could not be verified.	The grant analyst receive additional training in this area in 2008 and this better understanding in the internal control process will remove this issue moving forward. Correction in progress; see current year finding 08-15.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
07-08	**Grant Accounting** The 2007 audit identified a number of entries that were required to properly state grant-related financial statement amounts. The majority of these errors is due to an inappropriate level of management review of the spreadsheet or incorrectly coded grant transactions which caused the City to improperly defer revenue related to grants.	The process to record grant receivables and deferred revenue was modified in 2008 which resulted in improvements to this process for the 2008 audit. The process is being refined in 2009 to further improve the process and address findings noted for the 2008 audit. Correction in progress; see current year finding 08-03.	Chuck White (317) 327-4302 cwhite@indy.gov
07-09	**Waterworks Contributed Capital Asset Transactions** The Waterworks proprietary fund records capital asset additions which represent donations of infrastructure from developers. The audit identified instances whereby these capital assets were not recorded on a timely basis and frequently in the wrong year. Also, the audit identified some developer donated infrastructure that was recorded by the City many months, and in some cases almost a year, after the "in service" date. Given the often high dollar value of these capital assets, it is critical that the Waterworks record them in the proper period.	Processes are being reviewed to improve waterworks transactions and overall efficiency of all internal processes by new management. Correction in progress; see current year finding 08-04.	Chuck White (317) 327-4302 cwhite@indy.gov

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
07-10	**Pension Trust Fund Transactions** Several errors were identified in the recording of Pension Trust Fund entries which were required to be corrected by the City. Additionally, the audit identified that the City had accrued twice for a portion of benefit payments made to recipients of the deferred retirement option plan (DROP).	Corrected.	Chuck White (317) 327-4302 cwhite@indy.gov
07-11	**Recording of Waterworks PILOT** Waterworks pays a payment in lieu of taxes (PILOT) to several counties. The liability at the end of the year is estimated based upon historical payments made and the City's estimate of any anticipated increases. The audit identified several errors in the estimates of payments made which required adjustments in the financial statements.	Processes are being reviewed to improve waterworks transactions and overall efficiency of all internal processes by new management. Correction in progress; see current year finding 08-05.	Chuck White (317) 327-4302 cwhite@indy.gov
07-12	**IT System Change Management** All of the Production Implementation Plans that were tested as part of the external audit's internal control testing were missing who reviewed, approved, and implemented the plan. Additionally, developers have access to migrate changes to program codes into production using batch processing by emailing a change code request directly to Production Analysts. No formal authorization is obtained for this process and evidence of approvals is not obtained and reviewed by the Production Analysts prior to making the change.	Processes have been reviewed to improve IT System and overall efficiency of all internal IT System processes, especially where the third-party contractors are concerned regarding the City's approval, testing and implementation procedures. Correction in progress; see current year finding 08-13.	Chuck White (317) 327-4302 cwhite@indy.gov
07-13	**Property Room Cash and Related Transactions** The City maintains possession of cash and other items derived from illegal activities in an agency fund until the ultimate disposition is decided by the courts. If it is determined that the assets ultimately will become the City's assets, the cash or other item is reduced out of the agency fund and recognized as revenue in the City's pension trust fund. During 2007, the City determined that a significant number of these cases were now closed and that these assets	Corrected.	Chuck White (317) 327-4302 cwhite@indy.gov

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
	belonged to the City. Many of the cases had been closed over the past couple of years however; City personnel had not timely transferred the cash to the pension trust fund. Additionally, it was determined that through our inquiries that none of the cash in the property room had been initially recorded in the financial statements of the agency fund.		
07-14	**Sewer and Water Revenue Adjustments** The City utilizes a third-party contractor to perform the billing and collection function for sewer and water services. As part of this function, the contractor also issues refunds or credits for any incorrect billings that may occur related to these services. The City does not have a process in place to review or identify these adjustments and record corresponding amounts properly in the accounting system.	Processes are being reviewed to improve waterworks transactions and overall efficiency of all internal processes by new management. Correction in progress; see current year finding 08-09.	Chuck White (317) 327-4302 cwhite@indy.gov
07-16	**Cash Management - Community Development Block Grants** In a sample of sixty (60) expenditures, there were twenty-five (25) expenditures had disbursement dates that were after the date of the related drawdown of the federal funds.	Corrected.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
07-17	**Reporting - Community Development Block Grants** There are several key line items that the 2007 Compliance Supplement identified for testing by auditors that showed discrepancies from the Form HUD 60002 to the City supporting documentation.	A new staff person has been assigned to Section 3 and has meet with HUD staff to get a better understanding of the reporting requirements. Having a better understanding of how to report to HUD will eliminate future confusion. Correction in progress; see current year finding 08-27.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
07-18	**Reporting and Subrecipient Monitoring – Supportive Housing Program**	Starting in 2009, the Department of Metropolitan Development will require all SHP subrecipients to include a copy of all checks with the claims.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

Reference	Finding	Status	Contact Person(s)
	According to 24 CFR section 583.125, HUD may provide grants to pay for a portion of the actual operating costs of supportive housing. The non-Federal entity must pay with its own funds, the percentage of the actual operating costs not funded by HUD. At the end of each operating year, the non-Federal entity must demonstrate that it has met its share of the costs for that year. The City's subrecipient expenditures are used to meet this matching requirement. However, no information is obtained be the City from its subrecipients to support the amount recorded in "Part II-19. Supportive Housing Program: Leasing, Supportive Services, Operating costs, HMIS Activities and Administration."	Correction in progress; see current year 08-22 and 08-23.	
07-19	**Reporting and Subrecipient Monitoring – Supportive Housing Program** As part of the HUD-40118 *Annual Progress Report* (APR) the City is required to report the amount of administration expenses during the applicable time period. Many APRs submitted in 2007 had administration expenses that did not agree to the actual administration expenses for the period according to the City's accounting records.	Corrected.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
07-21	**Subrecipient Monitoring - Home Investment Partnerships Program** The City does not have adequate internal controls in place that were operating effectively for 2007 to ensure that subrecipient audits are received or that the results of any audits are appropriately reviewed and documented.	The City is in the process of reviewing internal controls to make revision where oversight is needed in monitoring subrecipients A-133 reports, including management decision and responses that will reflect on our own A-133 Report. Correction in progress; see current year 08-20.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
07-23	**Reporting - Home Investment Partnerships Program** There are several key line items that the 2007 Compliance Supplement identified for testing by auditors that showed discrepancies from the Form HUD 60002 to the City supporting	A new staff person has been assigned to Section 3 and has meet with HUD staff to get a better understanding of the reporting requirements. Having a better understanding of how to report to HUD will eliminate future confusion.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)
	documentation.	Correction in progress; see current year 08-18.	
07-25	**Reporting and Program Income - Home Investment Partnerships Program** During 2007, the City reported that $308,005 of program income was disbursed in IDIS while the City's general ledger accounting system reported accrual basis program income of $251,409. The City was not able to reconcile these amounts. Additionally, the City provided supporting documentation of program income which consisted of income received related to HOME supported properties. These items amounted to $320,000 which was all received in 2007; however the City was not able to reconcile this amount with either of the amounts indicated above.	Grant Analysts are performing reconciliations on a monthly basis which will eliminate this issue.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
07-28	**Matching, Level of Effort, Earmarking – CHDOs - Home Investment Partnerships Program** For two (2) of the sample items which totaled $425,000 in IDIS, the related agreements with the CHDOs showed that the actual commitment was $654,800 and the City was not able to reconcile this difference. Also, two (2) of the nine (9) CHDOs did not have a certification letter. There was a total of $531,660 reported in IDIS as actual disbursements in 2007 for the CHDO activities. For three (3) of the CHDO contracts with actual disbursements per IDIS of $279,203, the actual amounts shown as paid in the City's general ledger accounting system was $337,183. For four (4) other CHDOs, the amounts reported in IDIS of $103,769was not able to be reconciled to the City's general ledger accounting system.	The Grant Analysts and Program Coordinator received training from HUD on how to correctly document CHDO activities in IDIS. Now that they have this understanding, the issue should resolve itself. Correction in progress; see current year 08-17.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

CITY OF INDIANAPOLIS, INDIANA
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Status of Prior Year Findings

Year ended December 31, 2008

Reference	Finding	Status	Contact Person(s)

CITY OF INDIANAPOLIS, INDIANA
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Corrective Action Plan

Year ended December 31, 2008

Reference	Finding and Corrective Action	Contact Person(s)
08-01	**Management Review and Supervision of Recording of Transactions and over Financial Reporting Process – Material Weakness** The primary causes of material errors in the financial statement accounts is a lack of management review by an individual other than the individual calculating and recording the entries and a failure to comprehensively address unusual situations in normal year-end closing adjustments. Corrective Action: Adding personnel is not an option available to the City of Indianapolis to address the workload of the personnel who perform all of the activities in connection with the creation of the City's financials. Many of the issues the City has are caused by the antiquated financial system that is used. The City is addressing the latter as part of a search for a new financial system. In the meantime, the City will examine the workload to determine how we can better meet the needs of the financial reporting process.	Chuck White (317) 327-4302 cwhite@indy.gov
08-02	**Waterworks Financial Reporting – Material Weakness** Numerous and significant financial statement audit adjustments were necessary to properly state Waterworks' financial statement amounts. It was also determined that the overall financial reporting internal control process for Waterworks is weak. Corrective Action: The management of the Department of Waterworks (Department) of the City has been working with its financial consultants to perform a comprehensive review of the financial accounting and reporting practices of the Department. This comprehensive review has included both the overall financial reporting as well as the procedures for processing revenues and expenses and creating journal entries to the financial statements. Opportunities for improvement will be documented and reviewed by the Department's new Chief Financial Officer (CFO) and implemented as needed. As processes are evaluated and changes are made, formal documentation will be assembled to ensure the process is implemented consistently both now and for future reporting periods.	Ronald Miller (317) 263-6556 rjmiller@indy.gov
08-03	**Grant Accounting Including Related Deferred Revenue – Material Weakness** The City enhanced their process for recording grant receivables and the related deferred and unearned revenue for year-end financial reporting purposes. These changes were made due to significant errors identified during the audit in the prior year. This new process did not adequately consider the necessary procedures to record deferred revenue and thus audit adjustments were required to accurately state these amounts. Additionally, during testing of grant expenditures, KPMG identified expenditures which were recorded in an incorrect year. Corrective Action: A new process was created for reviewing the deferred and unearned revenue for grants which the City believes substantially improved the process. The City will continue to work towards the elimination of errors in recording these amounts.	Chuck White (317) 327-4302 cwhite@indy.gov

08-04	**Waterworks Contributed Capital Asset Transactions – Material Weakness** Instances were identified whereby capital assets were not recorded on a timely basis and, at times, in an incorrect fiscal year. Also some developer-donated infrastructure that was not recorded by the City until many months and in some cases several years after the "in service" date. Additionally, related to these developer-donated assets, the City is responsible for refunding a portion of the dollars collected from the developer as customers are added to the water system. The Waterworks enterprise fund records this liability as customer advances. The audit identified errors with the amount of the liability recorded by the City due to inaccurate calculations made by the City. Also, there were certain projects whereby the amount refunded to date to the developers exceeded the maximum amount as calculated originally by the City. Corrective Action: The management of the Department is committed to improvement in the area of capital asset reporting. The Department's financial consultants have recommended that one person from the accounting staff have specific responsibility for recording and processing entries related to capital asset transactions. The Department's new CFO will evaluate the amount of time that needs to be dedicated specifically to this task but, the intention is that the focus on capital asset reporting will address both the reporting of capital asset additions in an accurate and timely manner and the recording and adjusting of developer liabilities.	Chuck White (317) 327-4302 cwhite@indy.gov
08-05	**Recording of Waterworks PILOT – Material Weakness** Several errors were noted in the estimates of payments to be made for payments in lieu of taxes (PILOT) which required adjustments in the financial statements. Corrective Action: The Department, with the assistance of its financial consultant, has already implemented procedures whereby future PILOT payments are estimated with more detailed and accurate information. The Department works closely with the City's Controller's Office in order to estimate the annual amount of PILOT due to the City. One area that has caused significant estimating problems in the past few years has been that Marion County, Indiana and other Counties where PILOT payments are due have been behind on assessing and collecting annual property taxes on a current basis. Because of this, it has been difficult to accurately estimate PILOT payments that are due and payable. Based on discussions with officials from the various Counties involved, the Counties should have this problem resolved in the next couple of years.	Ronald Miller (317) 263-6556 rjmiller@indy.gov
08-06	**Recording of Tax Revenues, Receivables, and Deferred Revenues – Material Weakness** Incomplete assumptions utilized in calculating the receivable were identified for tax increment financing property taxes to be received in 2009 related to the final 2008 billing. Based on these findings, the City recorded additional amounts to their property tax receivable amounts recorded in the financial statements. Additionally, due to delayed receipt of County Option Income Tax (COIT) funds received in 2008 relating to the prior year, the City did not properly record a receivable for COIT as of the prior year end, thus leading to an overstatement of government-wide tax revenues in 2008. As part of the year-end financial reporting, the City also records deferred revenue in the fund financial statements for	Chuck White (317) 327-4302 cwhite@indy.gov

	tax receivables not received within their availability period (60 days for property taxes and 90 days for all other tax revenues). Due to the tax billing issues, the City received some tax revenues in early 2009 relating to 2008 which historically had been received by year-end. The City did not identify this unusual circumstance in order modify their "traditional" deferred revenue procedures and thus inappropriately deferred revenue that should have been recognized in the current year. Corrective Action: The City is going through an unprecedented experience in regards to the billing and collection of property taxes. The City will continue to review our procedures in calculation of the receivable amounts. When the billing process returns to normal, many of the issues will be mitigated.	
08-07	**Waterworks Debt Transactions – Material Weakness** It does not appear that the trust accounts are being reconciled on a timely basis and thus accounting entries to record debt payments are not being recorded when they are made. Additionally, the accounting entries and reconciliations are made by one individual and there is no adequate management review that is occurring to ensure that accounting entries are accurate. Corrective Action: The Department will reconcile the Trust Statements on a monthly basis with appropriate adjustments recorded on the Department's books and records.	Ronald Miller (317) 263-6556 rjmiller@indy.gov
08-08	**Contributed Capital Assets – Material Weakness** Several projects that were completed but not reported to the Office of Finance and Management on a timely basis, and thus, the contributed capital contributions were recorded in the current year financial statements although they should have been recorded in the prior year. Corrective Action: On Federal Highway Administration (FHWA) funded projects, the City is continuing to implement the new internal controls established last year. Additionally, the City is now preparing a Substantial Completion form at the final inspection so as to be consistent with locally funded projects. This clearly and immediately identifies when completion has been achieved and we have beneficial use of the improvements. The State of Indiana, Department of Transportation (INDOT) continues to send us INDOT form IC 639, the report of final inspection and recommendation for acceptance by INDOT. The IC 639 is often times not received by the City until 9 to 12 months after the final inspection however. This is why the City is preparing its own internal document. The City continues to require a copy of the final construction record accounting report/binder which includes the final accounting spreadsheet, INDOT form IC 642. The final construction record binder is archived by the Project Manager (PM) and copies of the IC 642 and IC 639 are maintained in the Engineering Division and also forwarded to the Finance Division of DPW. INDOT audits every completed FHWA construction project. Because of the number of these each year, INDOT usually takes as much as 5 years to complete a final audit on a project so it is not unusual for us to be notified of changes to the final accounting long after the project completion.	Bob Simmons (317) 327-5281 basimmon@indy.gov

	The above controls for FHWA project completion and closeout are performance measures for all PM's assigned to these projects.	
08-09	**Sewer and Water Receivable Balances – Material Weakness** There were significant adjustments required to accurately state accounts receivable balances related to water and sewer services. These adjustments included amounts related to the gross receivable balance as well as amounts for the reserve for doubtful accounts. Corrective Action: The Department's management agrees that accounting for customer billings and collections and also the resulting accounts receivable is an important part of the financial controls. The Department's new CFO will work with the third party vendor to institute new procedures, with appropriate checks and balances, to assure that the monthly and year-end balances in customer accounts receivable are both accurate and reasonably expected to be collectible.	Chuck White (317) 327-4302 cwhite@indy.gov
08-10	**Self-Insurance Liabilities (Worker's Compensation) – Significant Deficiency** The City records a liability for its estimate of the incurred but not paid and/or reported amount for worker's compensation claims as the City is self-insured for this risk. Management estimates this amount primarily by utilizing prior historical experience. However, no independent assessment is made as to the adequacy of the reserve recorded in prior years to assess the reasonableness of the City's methodology on an ongoing basis. During the current year, based upon audit procedures, it was determined that the reserve for this self-insured risk was understated and an additional accrual was proposed. Corrective Action: The City will review its process for calculating this liability and determine the appropriateness of engaging a third party (actuary) to assist in the calculation.	Chuck White (317) 327-4302 cwhite@indy.gov
08-11	**Timely Reconciliations of Cash and Trust Accounts – Significant Deficiency** The City maintains numerous trust accounts, which primarily are utilized to invest bond proceeds. The City receives monthly statements on these accounts; however, the City completed reconciliations on these accounts sporadically during the year and for most accounts only at year-end. This results in disbursements and interest income, which occur throughout the year, only being recorded during the year-end closing process. Additionally, the year-end financial reporting process takes more time due to the reconciliations being performed only once a year. Reconciliations for other cash accounts are also not occurring timely and management review is not taking place on a timely basis. Corrective Action: It is the intention of the Department of Waterworks that Trust Statements will begin being reconciled on a monthly basis with appropriate adjustments recorded on the books and records. Also, new procedures for the monthly reconciliation of fund balances will be implemented as well. These procedures will become part of the monthly closing of the books and records. In regards to the other City accounts, in 2008 due to one vacancy caused by a staff member moving to another department and the only other staff person being on disability leave for six months, the City was unable to perform the	Chuck White (317) 327-4302 cwhite@indy.gov

	reconciliations on a timely basis. These will be current by year end 2009.	
08-12	**Recording of Accounts Payable – Significant Deficiency** During test work on subsequent year cash disbursements to determine the accuracy of the recorded accounts payable amounts, several items were identified that were not properly accrued or some that had been accrued but should not have been. An audit adjustment was needed to ensure that various City funds, including the Waterworks fund, were appropriately stated. No independent review is made of the accrual basis transactions other than by the individual originally making the adjustment, and thus, no review process is present to identify errors. Corrective Action: Policies and procedures for the establishment and review of accounts payable will be established by the Department of Waterworks. Focus will be on the identification and recording of recurring payments on a monthly basis as well as the focus on additional items at fiscal year end. Again, for the remainder of the City funds, because of the system currently in use, it is a very manual process for the City to create the accounts payable balances at year end. The City will review our process to see where we can improve in the time before a new system is implemented.	Chuck White (317) 327-4302 cwhite@indy.gov
08-13	**IT System Program Change Management – Significant Deficiency** Key components of the Production Implementation Plan are who requested, prepared, reviewed, approved, and implemented the requested program change. However, typically the components of who reviewed, approved, and implemented the plan are not completed. Additionally, developers have access to migrate changes to source code into production using batch processing by emailing a change request directly to Production Analysts. The Production Analysts place the code in a staging library and a job is run automatically to move to production. No formal authorization is obtained for this process and evidence of approvals is not obtained and reviewed by the Production Analysts prior to making the change. Corrective Action: After a discussion with the IT system third party, the City understands that part of this recommendation has been implemented and the balance of the comment will be implemented by year end. The City's Office of Finance and Management will determine and implement a process for the deletion of security for terminated employees and implement a process for the review of other employees' access.	Chuck White (317) 327-4302 cwhite@indy.gov
08-14	**Eligibility - Home Investment Partnerships Program** The City did not have internal controls in place that were operating effectively to ensure that the eligibility requirements were being redetermined annually. In a sample of 40 tenant files, KPMG identified issues including no annual certification or the certification was not current, no verification of annual income provided or it was incomplete and amount provided by annual certification was not supported by documentation provided.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

	Corrective Action: The City is aware of this finding and agrees that it must improve its performance in monitoring and tracking the submittal and review of Annual Recertification's of tenant income and occupancy from property owners and managers for each active project in the completed rental portfolio. A more focused effort is being made by staff to notify and follow up with property owners and managers to timely submit their annual recertification packages in the anniversary month of their project's completion. Associated with the recertifications, the City will be timely in performing the on-site tenant file reviews for those projects whose schedules rotate on an annual, every other year, or every third year inspection cycles.	
08-15	**Matching, Level of Effort, Earmarking - Home Investment Partnerships Program** It was determined that $108,165 of a total reported $196,495 match amounts did not have sufficient documentation to ascertain the appropriateness of the match source or amount. According to the HUD-40107-A report, the City's total match liability for 2008 was $494,154 and the City had excess match from the prior federal fiscal year of $6,940,928. Corrective Action: The Grant Analyst was new to the position and did not have a clear understanding of match and what was acceptable documentation. The City received a better understand from U.S. Department of Housing and Urban Development (HUD) as to what are acceptable forms of match documentation and has let all sub-receipts know what is appropriate. This better understanding will help resolve this finding in the future.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-16	**Matching, Level of Effort, Earmarking-Rental Properties-Scope Limitation-Home Investment Partnerships Program** Information to support the low-income status of the tenants is maintained by the owners of the projects and KPMG was not provided adequate tenant information to test the eligibility of the tenants or the tenant files were provided but were incomplete or did not contain current information (annual recertification required) in order for KPMG to ascertain compliance with this requirement. Corrective Action: The Project Agreement between the City and the owner/developer stipulates the minimum earmarking requirements that must be met before execution of the contract, and obtaining the HOME Rental Completion Report from the owner/developer after the project is completed. It is then reviewed, approved, and entered into IDIS. A HOME Rental Projects Earmarking spreadsheet has been created to track and monitor funded projects. A different staff person has been assigned to work on long-term compliance issues which will help with the overall management of the rental component of HOME.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

Corrective Action Plan

Year ended December 31, 2008

08-17	**Matching, Level of Effort, Earmarking – CHDOs - Home Investment Partnerships Program** The IDIS report was obtained for fiscal year 2008 to test the amounts reported for CHDOs related to the 2008 HOME allocation. That report showed a total of $776,223 as the amount reserved for CHDOs, $135,289 as the amount committed, and $109,485 as the amount disbursed. It was determined that IDIS had not been properly maintained for amounts related to CHDOs and thus there were committed amounts that should have been entered in IDIS but were not and also amounts that were shown in IDIS as committed but were in error. As a result it was undetermined whether or not the City was in compliance with the Earmarking: CHDO requirement. Corrective Action: The Grant Analysts and Program Coordinator received training from HUD on how to correctly document CHDO activities in IDIS. Now that they have this understanding, the issue should resolve itself.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-18	**Reporting - Home Investment Partnerships Program** The City is not performing a management review of the Form HUD 60002 prior to submission to ensure that the form is accurate and complete. Several differences were noted in key line items on Form HUD 60002 between what was reported and the City's supporting documentation of such amounts. Corrective Action: A new staff person has been assigned to Section 3 and has met with HUD staff to get a better understanding of the reporting requirements. Having a better understanding of how to report to HUD will eliminate future confusion.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-19	**Special Tests and Provisions – Housing Quality Standards - Home Investment Partnerships Program** KPMG tested a sample of 36 out of 43 properties which were required to have on-site inspections performed during 2008. Of these properties, four (4) of the inspections were not performed within the appropriate time guidelines according to the number of units in the property. Additionally, the City's policy is to perform inspections on 15% of the HOME eligible units within the property and for one (1) of the inspections, the required number of units was not inspected. Corrective Action: The new staff person assigned to Long-term Compliance, along with the Rehabilitation Staff has worked out a schedule to ensure that all units are inspected by the end of the program year. All information is tracked on a spreadsheet and closely monitored.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-20	**Subrecipient Monitoring - Home Investment Partnerships Program, Supportive Housing Program, and Homeland Security Grant Program Cluster** The City does not have adequate internal controls in place that were operating effectively for 2008 to ensure that subrecipient audits are received or that the results of any audits are appropriately reviewed and documented. Corrective Action: The City will review internal controls to make revisions where oversight is needed to be in	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

	compliance in monitoring subrecipient's A-133 reports and including management decision and responses that will be reflected on the City's own A-133 report, if applicable.	
08-21	**Subrecipient Monitoring – Home Investment Partnerships Program** To ensure that all subrecipients are monitored, the City maintains a monitoring schedule of all subrecipients, which includes the name of each subrecipient, the date of the site visit, and the results of the site visit. For a total of nineteen (19) subrecipients tested, which represented 100 percent of the population of subrecipients with expenses in 2008, KPMG determined that six (6) subrecipients were not properly listed on the City's monitoring schedule. KPMG noted that this subrecipient did have a monitoring visit performed during the year. Corrective Action: The City is in compliance with federal guidelines for all subrecipients to be monitored. This finding is merely identifying six subrecipients not on a tracking list that is not required by compliance. The list is merely a backup of a monitoring schedule requested for audit purposes, but the process of monitoring all subrecipients is initiated by all open contracts that confirm they were all completed.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-22	**Reporting and Subrecipient Monitoring - Supportive Housing Program** Subrecipients of the City primarily incur expenditures that are used to provide the related matching amount required under the Supportive Housing Program. The subrecipients initially prepare the required HUD-40118, *Annual Progress Report*, which includes expenditures and matching amounts. These reports are submitted to the City and the management of the Supportive Housing Program review these reports, modify amounts as necessary to add direct City expenditures (primarily for administration) and approve and submit the reports to HUD. No information is obtained by the City from the subrecipients to support the amount recorded in "Part II – 19. Supportive Housing Program: Leasing, Supportive Services, Operating Costs, HMIS Activities and Administration," and thus, KPMG were not able to ensure that the amounts reordered were properly supported. Corrective Action: The current process in place does have an oversight to verify accuracy of figures. However, we will discuss the process to review the overall effectiveness of necessary documentation needed on hand to support the figures being reported.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-23	**Reporting - Supportive Housing Program** For a sample of 15 HUD-40118, *Annual Progress Reports*, which represented 100% of such reports to be submitted, KPMG found discrepancies between the amounts submitted on the HUD-40118 reports and the City's accounting records of such amounts. Differences were noted in five (5) of the submitted reports. KPMG also noted that one (1) of the fifteen (15) Annual Progress Reports was prepared using two years of information instead of the required one year and three (3) of the Annual Progress Reports had amounts reported for certain categories of costs that did not	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

	agree to the same amounts reported elsewhere in the same Annual Progress Report. Additionally, four (4) of the fifteen (15) Annual Progress Reports were not filed timely. Corrective Action: Procedures have been put into place to adequately monitor all expenditures to ensure that our accounting system matches what is being reported.	
08-24	**Cash Management - Supportive Housing Program** According to the 2008 Compliance Supplement, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government. Additionally, according to the SHP Desk Guide Section F, grantees should draw funds within a reasonable period of time period before needing to pay an invoice or salaries. The reasonable time period was deemed to be no more than 15 days. In our sample of sixty (60) expenditures, KPMG found that one (1) expenditure had a disbursement date that was in excess of fifteen (15) days after the date of the related drawdown of the federal funds. The total associated dollar amount of this expenditure was $25,473 or 3.3% of the total sampled population. Corrective Action: DMD/CED has implemented changes in 2009 to ensure compliance with the 15 day requirement. Currently all paperwork sent to Account Payable (AP) must have an AP tag attached to it before it will be accepted. After meeting with AP staff, a new policy was implemented that would require DMD/CED staff to also include a pink tag on all grant claims. The pink tag is labeled “GRANTS” at the top and includes the name and number of the person to contact with any questions about the claim. When AP receives a claim that has a pink tag, it will let them know that claim is to be a priority for the day. If there are any issues/problems with the claim, AP will contact the appropriate person immediately to get the issue resolved. Staff also checks FAMIS once a week to make sure checks have been cut for all claims submitted to AP in the last 7 days.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-25	**Reporting and Program Income – Community Development Block Grants** During 2008, the City reported that $10,073,662 was disbursed in IDIS while $10,528,805 was reported in the quarterly submitted Form 272 for 2008. The City’s general ledger accounting system reported accrual basis expenditures of $10,671,761 during the fiscal year ended December 31, 2008. Additionally, the City reported $1,274,834 of program income in IDIS and $1,312,565 per the quarterly submitted Form 272 related to 2008. In 2008, the City recorded $1,739,576 of program income in the general ledger accounting system. While the City prepared reconciliations of these amounts, the City reported $372,776 of adjustments on the Form 272 however, was not able to provide any documentation to support this reported amount. As a result of the unsupported adjustments, KPMG could not determine that the reconciliations for disbursements or program income were prepared accurately. Corrective Action: Reporting processes are being updated to improve internal control and overall management of all	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

	grant requirements. City personnel will ensure that quarterly financial reports are properly reconciled to IDIS and the financial accounting system.	
08-26	**Procurement and Suspension and Debarment - Community Development Block Grants** In a sample of fifteen (15) vendors, it was found that four (4) vendors had no documentation supporting the procurement actions, including bid recipients or analysis of such bids or documentation/justification supporting that competition was to be limited. For suspension and debarment, the same fifteen (15) vendors were tested from our procurement testing. For one (1) of the vendors, the City did not maintain documentation in support of their required check for suspension and debarment. Corrective Action: Procurement and suspension and debarment monitoring processes have been reviewed to improve internal control and overall management of all grant requirements.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-27	**Reporting - Community Development Block Grants** KPMG compared the key line items identified in the 2008 Compliance Supplement to information maintained by the City to support the amounts and numbers submitted in the Form HUD 60002. Several differences were noted in these key line items. Corrective Action: A new staff person has been assigned to Section 3 and has meet with HUD staff to get a better understanding of the reporting requirements. Having a better understanding of how to report to HUD will eliminate future confusion.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-28	**Subrecipient Monitoring - Community Development Block Grants** The City typically utilizes a standard agreement with their subrecipients, which communicates the above requirements. However, the City included the name of the federal program, but not the related CFDA number on agreements for one (1) of the nineteen (19) subrecipients for the Community Development Block Grants/Entitlement Grants program. Corrective Action: The City agrees with this finding and will ensure that all loan agreements include the CFDA number. City will notify the subrecipient of the CFDA number.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-29	**Matching, Level of Effort, Earmarking - Community Development Block Grants** The City's Integrated Disbursement and Information System (IDIS) report C04PR26 indicates on line 22 that the "percent of low/mod credit" is 75.33 percent which is in excess of the 70 percent threshold noted above. However,	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

	included in that calculation, is an adjustment amount of $728,755 which is reported on line 20 of the C04PR26 report and is entitled "adjustment to compute total low/mod credit". The City could not provide any documentation to support the source of this adjustment and therefore, KPMG was not able to verify its accuracy. KPMG noted that without this adjustment amount, the City would not have met the 70 percent required earmarking requirement. Corrective Action: The City will establish internal controls that will provide support for any adjustments made to the CO4PR26 Report.	
08-30	**Special Tests and Provisions – Environmental Reviews - Community Development Block Grants** The City did not have internal controls that were operating effectively to ensure that all projects had the required environmental reviews. The City maintains a schedule of Community Development Block Grants/Entitlement Grants projects and documents their environmental review status. This schedule was not complete in that not all projects were appropriately listed for 2008. As a result, the City did not perform environmental reviews for six (6) of seventy-seven (77) planned reviews. Corrective Action: The City does have internal controls in place to ensure that all projects subject to an environmental review have the review. There was a change in staff last year which led to confusion regarding what had already been completed and what needed to be completed. The new staff did not know where the former staff stored the required documentation. The process that is in place will be more than adequate to ensure compliance in future years.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-31	**Procurement and Suspension and Debarment –Homeland Security Grant Program Cluster** For procurement, nine (9) vendors were tested with total expenditures of $1,835,505. Of these total vendors, two (2) did not have sufficient information in the contract file to detail the bids or quotes obtained to evidence full and open competition. There was also no formal documentation that indicated a rationale to limit competition. Corrective Action: Procurement and suspension and debarment monitoring processes are being reviewed to improve internal control and overall management of all grant requirements. The two (2) remaining issues were reviewed and followed up on. The City recognizes that proper documentation such as sole source approval through the grantor should have been obtained to justify the procurement for one of the exceptions which was for the design and hosting of the public safety training website and to augment the existing distance learning website that was originally designed by the vendor. The City has ensured proper documentation to justify procurements during 2009 fiscal year. Also for the second exception, the vendor was selected based on the City's Request for Qualification procurement method, however, was not properly documented to show responses received and any evaluations. The City has ensured proper documentation to justify procurements during 2009 fiscal year.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov

08-32	**Allowable Costs/Cost Principles**– National Urban Serach and Rescue (US&R) Response System In a sample of 30 expenditures under the program that included payroll and payroll-related expenditures, seven of the sample items were for payroll related expenditures. Six of the seven payroll related sample items which represented $14,446 of the total $120,810 of payroll related items in the complete time certifications on file. These six sample items were for employees working solely on the grant programs and only an annual certification statement indicating that 100% of their time was spent on that grant was completed. The certifications should have been executed at least semi-annually for these employees. Corrective Action: An additional certification has been added to the City's process and will be completed when our semi-annual progress reports are due.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov
08-33	**Procurement and Suspension and Debarment – Capitalization Grants for Clean Water State Revolving Fund** During the Procurement and Suspension and Debarment testwork it was noted that the City did not have internal controls in place to assure that its contractors which met the requirements were not suspended and/or debarred. Corrective Action: Procurement and suspension and debarment monitoring processes were reviewed and updated at the end of 2007 calendar year. The agreements in questions date back to 2001. The vendors in question will be verified for suspension and debarment immediately. However, we can not go back in time to provide documentation for when these loans went into affect. As of the beginning of 2008, all agreements include suspension and debarment language and once executed the vendors are verifying that they are not debarred. For all multi year contracts the internal process will be updated to verify the suspension and debarment checks for every year the contract is in effect by the awarded grantee. It is also the City's perception that there was Grantor approval during all of this process in the last nine years or the loans would have been null and no reimbursement would have been received.	Jeanene Swiezy (317) 327-4143 jswiezy@indy.gov