B40229

# STATE OF INDIANA

**AN EQUAL OPPORTUNITY EMPLOYER**

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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, 2010 to December 31, 2010. 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, 2010, 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 twenty-four findings in the Single Audit Report, on pages 11 through 41. Nine of those findings represent deficiencies in internal control over financial reporting. Five of those nine findings represent material weaknesses. The auditors have issued a qualified opinion on compliance with applicable requirements for three of the five major federal programs.

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

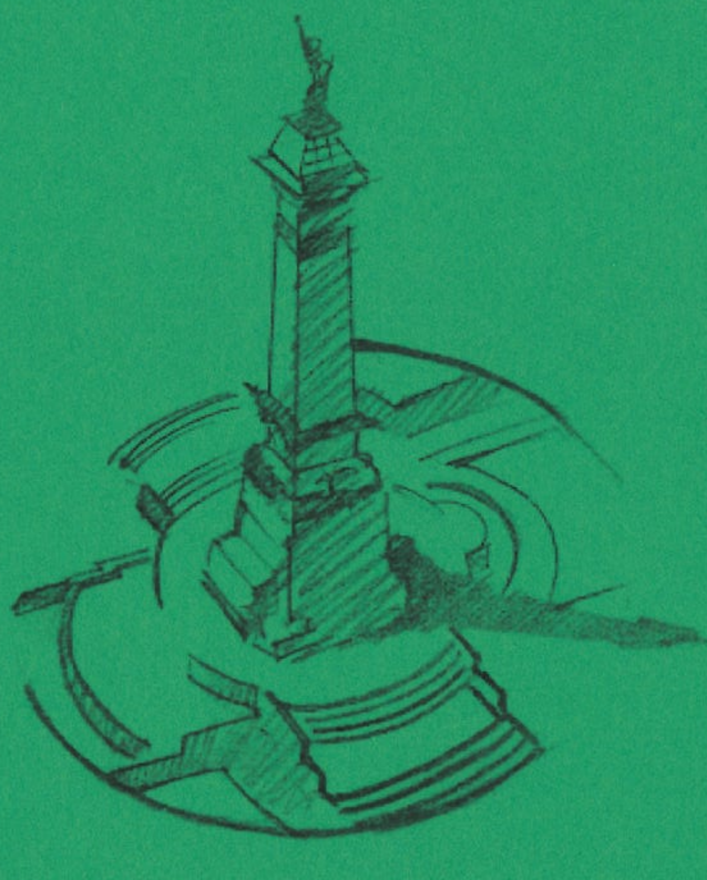
STATE BOARD OF ACCOUNTS

# The City of Indianapolis, Indiana

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

Gregory A. Ballard
Mayor

Jeffrey L. Spalding
Controller



## Comprehensive Annual Financial Report
Year Ended
December 31, 2010

# COMPREHENSIVE

# ANNUAL

# FINANCIAL

# REPORT

**City of Indianapolis, Indiana**

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

**Year Ended December 31, 2010**

**Office of Finance and Management**

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## TABLE OF CONTENTS (continued)

## TABLE OF CONTENTS (continued)

# Introductory Section

City of Indianapolis
Gregory A. Ballard, Mayor

July 20, 2011

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, 2010. 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 multiyear 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 2010, the economic development activity of the City surpassed previous years despite the lingering national economic downturn. With the assistance from our partners at Develop Indy, the City secured 15,861 job commitments (8,702 new jobs/7,159 retained jobs) and $933 million in private investment from 72 companies, resulting in the best year-end totals of the decade. Fifty-two of the 71 successful projects were with existing Indianapolis businesses and 19 were companies new to the City.

Although companies from all different industries were represented in the list of successful projects, the City remains focused on several targeted industry clusters. These include life sciences, advanced manufacturing, information technology, motorsports, logistics, and clean technology. Companies in these industries accounted for more than 80% of the 2010 new job commitments. The greatest number of new job commitments came from the life sciences industry with 3,761, followed by information technology with 1,466, and the logistics industry with 1,323. The average wage for new job commitments was $23.81 per hour, as compared to $21.48 in 2009.

Develop Indy also secured commitments from Indianapolis-based companies to retain 7,159 jobs with an average wage of $22.59 per hour, as compared to $21.83 in 2009. The greatest number of retained jobs was in the life sciences industry with 3,391 jobs. The second and third highest numbers of retained jobs were in advanced manufacturing with 1,168 and logistics with 1,043.

The commitment from companies to add and retain more than 15,000 jobs and invest millions of dollars in Indianapolis is a testament to the fact that the City, even during difficult economic times, remains a very competitive place to do business. Companies benefit from the City’s stable, affordable and pro-growth economic environment, overall low costs of doing business, skilled workforce, and central location.

Dow AgroSciences, Arcadia Health Care, AIT Laboratories, Hat World, Inc., Ascension Health, Beckman Coulter, Dallara, Clarian Health, USA Football, Exact Target, and Fusion Alliance were among the list of new and growing companies in Indianapolis in 2010.

More specifically, Ascension Health announced the organization’s plans for a professional service center in Indianapolis, creating up to 500 new jobs by 2013. With an investment of approximately $10.9 million, Ascension Health, the nation's largest Catholic and largest nonprofit health care system, will open its Ascension Health Ministry Service Center in Indianapolis. The new center will provide a variety of services in human resources, supply chain, and finance and accounting to support the nonprofit system’s 70 acute care hospitals and more than 400 related health care facilities in 20 states and the District of Columbia. Ascension Health is finalizing a lease on an office building in northwestern Indianapolis that will house the new center.

Another example is Dow AgroSciences’ decision to significantly expand its global headquarters in Indianapolis, creating up to 577 new jobs by 2015. The agriculture-based firm will invest more than $340 million to construct additions of its global headquarters over the next five years, with the first phase being a 14,000 square-foot greenhouse and a 175,000 square-foot research and development facility at its corporate campus on the City’s northwest side. Dow AgroSciences completed the greenhouse construction in late 2010, while the research and development facility is expected to open in early 2012, with other building projects coming according to a multiyear timeline.

Since 2008, Develop Indy has secured commitments from 187 companies to create and retain 44,670 jobs, and to invest more than $1.9 billion.

**LONG-TERM FINANCIAL PLANNING**

OFM is responsible for financial planning for the City and Marion County. OFM is also responsible for the annual budgets for all agencies, both their development and the execution. OFM employs a sophisticated modeling system to estimate property tax revenues for both the current budget year and looking several years forward. With this tool, we have more visibility into effects of property tax caps and tax increment capture than any other municipality in the State.

The City is expecting to experience a loss in property tax revenues due to property tax caps of approximately $26 million in 2011. For 2012, the projected revenue loss due to property tax caps drops to approximately $22 million based on estimates of assessed value (AV) available on the date this report was issued. This revenue loss is due to House Enrolled Act 1001, enacted by the Indiana General Assembly in 2008, which limits the property tax liability of each parcel. The law set a three (3) tiered cap on property tax liability covering the five (5) property classes – homesteads, other residential, agricultural, commercial, and industrial. These tiers are structured as follows: Maximum liability equals 1% of parcel AV – homesteads; Maximum liability equals 2% of parcel AV – agricultural and other residential; Maximum liability equals 3% of parcel AV – commercial and industrial. Since the enactment of the property tax caps, the City has more actively managed its budget and spending. In every budget cycle since 2008, all City departments have been required to reduce their budgets by 5% from the prior year with some exceptions for public safety functions. In each year, these budget reductions have yielded at least $10 million in savings.

In 2010, the property tax billing cycle for Marion County was restored to normal. Several major changes to property assessment laws, beginning with assessments in 2002, had disrupted billing cycles across that State as Assessors struggled to keep pace with all of the legal changes being made by the Indiana General Assembly. With a normal billing cycle restored, there was no need for the City to issue tax anticipation warrants in 2010 avoiding both the interest and associated administrative costs. Furthermore, there will be no need to issue tax anticipation warrants for the foreseeable future.

In Indiana, the State Department of Revenue serves as the collection agent for all County income taxes. Thus, each county relies on annual distributions of county income tax revenues from the State. The State Budget Agency, in collaboration with the State Department of Revenue, administers these annual distributions. These annual distributions are shared by the county government and all townships and municipalities located within the county, including the City. For Marion County, OFM is responsible to determining the proper allocation of county income tax revenues to all eligible entities. OFM works very closely with the State Budget Agency to track and forecast income tax collections from Marion County residents.

In 2011, Marion County is facing a steep decline in its local income tax revenue distribution of approximately $50 million. The City impact of this revenue drop is about $25 million in 2012 (and would have been worse if not for local income tax reserves held by the County Treasurer). This decline is due to the 2009 recession now impacting annual distributions of county income taxes. With the State functioning as an intermediary, the effects of economic events on income tax collections are not revealed in annual distributions to counties until two years later. So the recession of 2009 is now impacting county income tax distributions across the State, including Marion County. Since 2010 was also a weak year in the economy, we do not currently anticipate significant growth in county income tax distributions in 2012.

To prepare for this revenue weakness, approximately $20 million was transferred into the County Rainy Day Fund in 2010. These monies will be used to support operations during the revenue downturn. We anticipate that 2012 will be the low point for county income tax annual distributions.

## 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 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, public liability, and beginning in 2009 health insurance claims. Internal Service funds are used to record the premiums charged to the operating departments and the claims expense.

## MAJOR INITIATIVES

During 2009, the City embarked upon the upgrade of its 30 year old legacy accounting system. This effort continued in full force during 2010. The new integrated financial system will include applications for human capital management and financial applications of general ledger, cash management, accounts payable, and payroll. The City has a very aggressive timeline to complete the implementation by 2013. Significant operational productivity and financial management gains are expected.

In 2010, the City executed a lease agreement with a private vendor to operate and modernize its parking meters. The agreement specified an upfront payment to the City of $20 million, half of which was received in 2010. Additionally, all future revenues will be shared by the private operator and the City. As early as 2013, the City's share under the new structure may exceed the annual net revenues generated previously and continue to grow from there. This $20 million, plus the increased annual revenues, will support much needed investments in sidewalk and street repairs across the City.

Finally, continued emphasis on process improvement has been a major focus of the City under Mayor Ballard. Through the City's new internal process improvement program, a sixth wave of six sigma "green belt" training programs is now underway with the seventh wave scheduled for this Fall. Already paying dividends from these efforts are time and cost savings from process efficiencies identified and implement by the Department of Code Enforcement and reductions in the cycle time for repairing trash trucks by the Department of Public Works. These process improvements, along with many others, have helped enable the City to maintain customer service levels while experiencing revenue crunches for both property taxes and local income taxes.

## 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, 2010, the Audit Committee members were:

| | |
|---|---|
| Mr. William Sheldrake, Chairperson | President, Policy Analytics, LLC |
| Ms. Kristen Tusing | Director of Enterprise Development |
| Ms. Patricia Polis McCory | 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. Kathleen Whitehead | President, The Not-for-Profit Mentor, Inc. |

**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, 2009. 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, 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,

Jeffrey L. Spalding

**Jeffrey L. Spalding**

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, 2009

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

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 fourteenth largest city in the nation with a population of 807,584 and a metropolitan area population of approximately 1.8 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 (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 councillors elected from single-member districts and four councillors 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 1 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 XIV and XV 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 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** (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

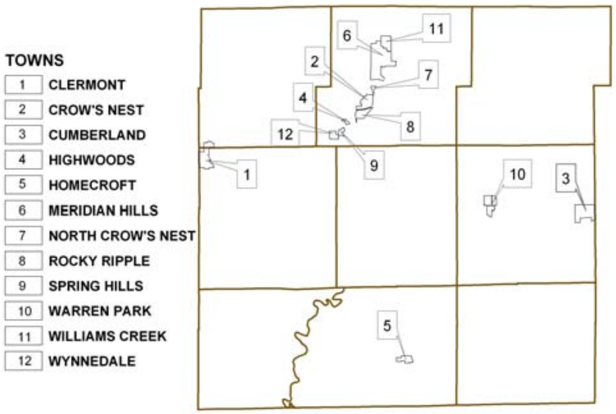
expansion, and from the City for the central maintenance garage. Minor portions of Authority facilities are leased to other units of government and private parties.

- 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 XVIII for the Unigov Organizational Chart and page XIX for the City of Indianapolis Organizational Chart.

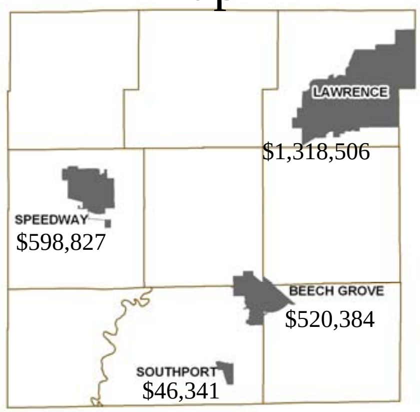
Map 1




**MARION COUNTY AND OTHER INCLUDED TOWNS**

Marion County $37,138,835

Map 2

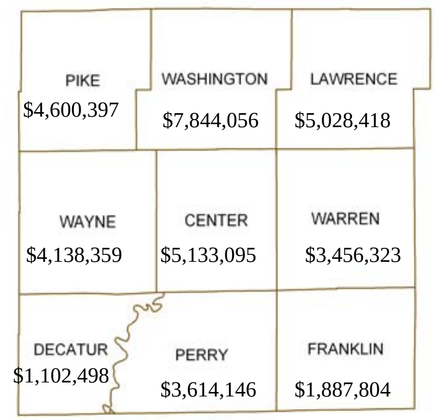



**CONSOLIDATED CITY OF INDIANAPOLIS**

City of Indianapolis $34,654,777

Excluded Cities and Towns $2,484,058

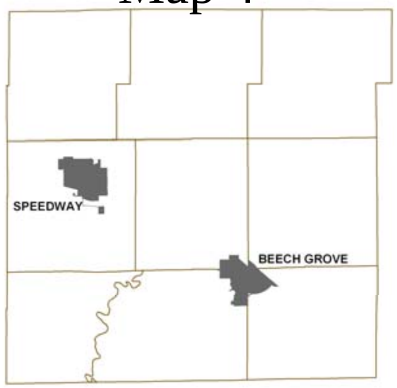
Map 3




**TOWNSHIPS**

**NOTE:** See Statistical Schedule 13 on pages 165, 166, and 167 of Part III of this annual report. The assessed valuation figures are for March 1, 2009 valuations for taxes collectible in 2010.

Map 4



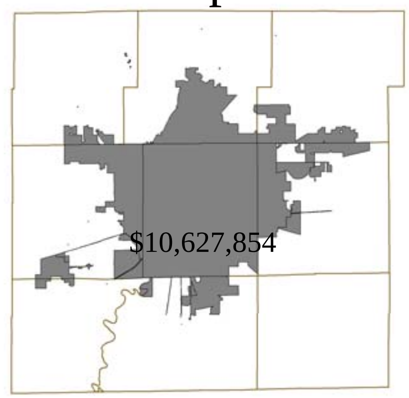

**LIBRARIES**

Beech Grove $493,827

Speedway $598,827

Marion County Libraries $36,046,182

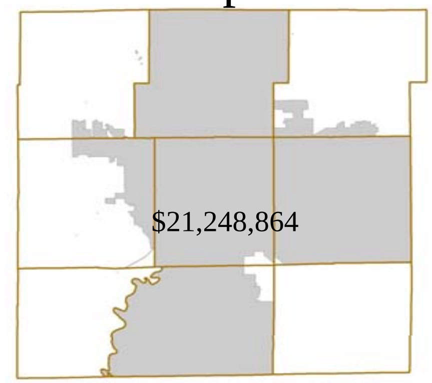
Map 5




**INDIANAPOLIS**

**POLICE SERVICE DISTRICT**

Map 6

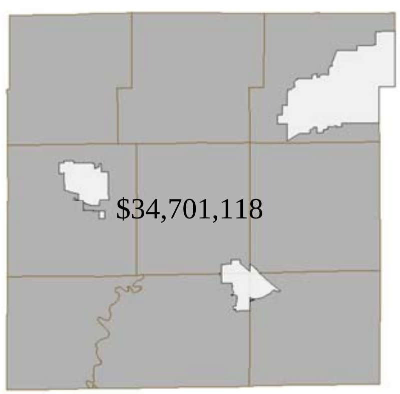



**INDIANAPOLIS**

**FIRE SERVICE DISTRICT**

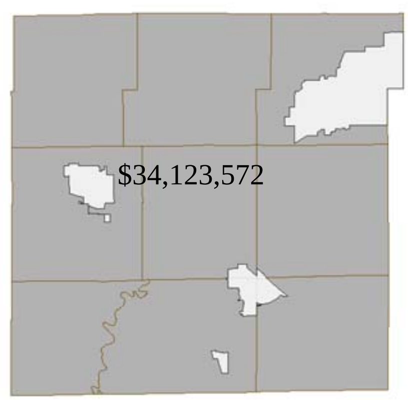
(Outside of this district, townships and excluded cities and towns provide the fire service)

Map 7




**INDIANAPOLIS SOLID WASTE SPECIAL SERVICE DISTRICT**

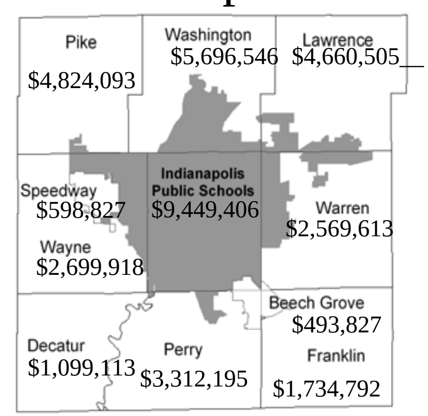
Map 8




**INDIANAPOLIS**

**SANITARY DISTRICT**

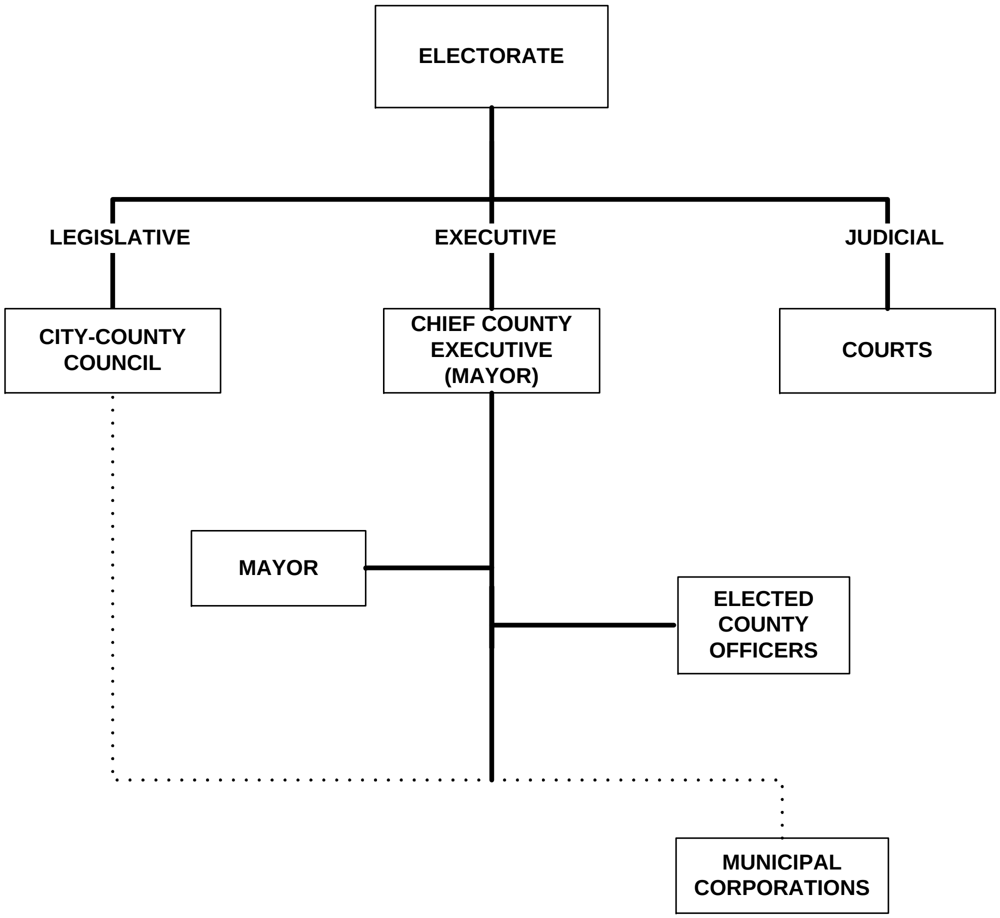
Map 9




**SCHOOL DISTRICTS**

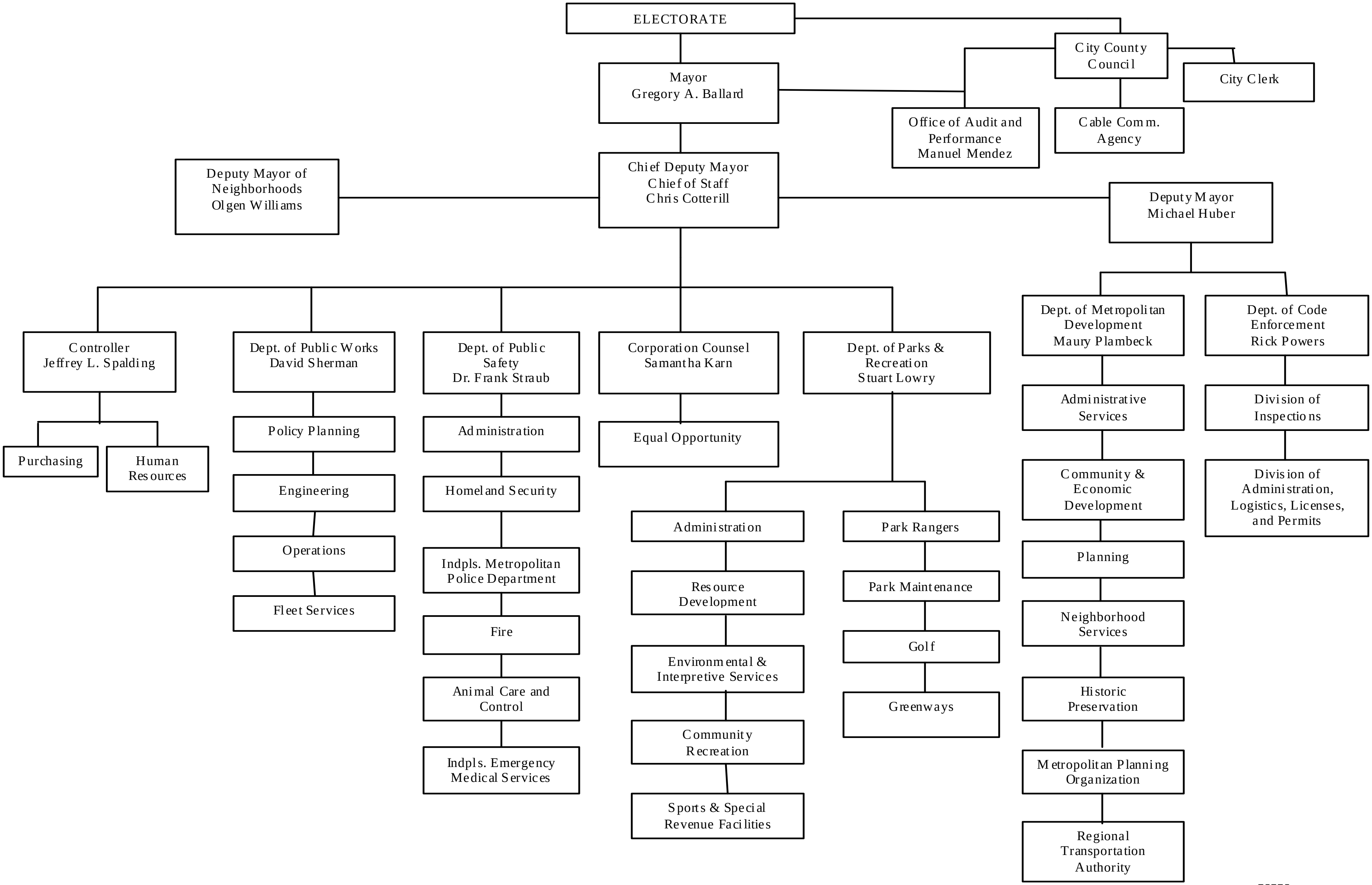
**NOTE:** See Statistical Schedule 13 on pages 165, 166, and 167 of Part III of this annual report. The assessed valuation figures are for March 1, 2009 valuations for taxes collectible in 2010.

**UNIGOV ORGANIZATIONAL CHART**
**CONSOLIDATED GOVERNMENT FOR INDIANAPOLIS – MARION COUNTY**



# City of Indianapolis Organizational Chart

December 31, 2010



# CITY OF INDIANAPOLIS

## SCHEDULE OF ELECTED AND APPOINTED OFFICIALS

## December 31, 2010

**ELECTED OFFICIALS***

| Name | Title | Service | Occupation |
|---|---|---|---|
| Gregory A. Ballard | Mayor | 3 | Mayor and Chief County Executive |
| Ryan Vaughn | City-County Council President | 4 | Associate Attorney, Barnes & Thornburg |
| Marilyn Pfisterer | City-County Council Vice President | 7 | Retired |
| Paul Bateman | City-County Councillor | 5 | Retired |
| Vernon Brown | City-County Councillor | 7 | Indianapolis Fire Department Battalion Chief |
| Virginia J. Cain | City-County Councillor | 7 | Homemaker and Community Organizer |
| Jeffrey Cardwell | City-County Councillor | 3 | Small Business Owner |
| Bob Cockrum | City-County Councillor | 15 | Retired |
| Ed Coleman | City-County Councillor | 3 | Nurse |
| N. Susie Day | City-County Councillor | 7 | Claims Specialist, Department of Workforce Development |
| Jose Evans | City-County Councillor | 3 | CEO, Evans & Associates |
| Aaron Freeman | City-County Councillor | 1 | Self-Employed Attorney at Law |
| Monroe Gray, Jr. | City-County Councillor | 19 | Retired |
| Ben Hunter | City-County Councillor | 3 | Public Safety Director, Butler University |
| Maggie Lewis | City-County Councillor | 3 | Executive Director, Dove Recovery House for Women |
| Robert Lutz | City-County Councillor | 4 | Self-Employed Attorney at Law |
| Brian Mahern | City-County Councillor | 3 | Policy Analyst, Indiana Utility Regulatory Commission |
| Dane Mahern | City-County Councillor | 7 | Human Resource Consultant, City of Indianapolis |
| Barbara Malone | City-County Councillor | 3 | Self-Employed Attorney at Law |
| Angela Mansfield | City-County Councillor | 7 | Attorney and Certified Public Accountant |
| Janice McHenry | City-County Councillor | 3 | Retired |
| Michael McQuillen | City-County Councillor | 3 | Owner, PoliticalParade.com |
| Doris Minton-McNeil | City-County Councillor | 3 | Executive Assistant, Indianapolis Public Schools |
| Mary Bridget Moriarty Adams | City-County Councillor | 23 | Human Resources Manager, Marion County Assessor's Office |
| Jackie Nytes | City-County Councillor | 11 | Executive Director, Mapleton Fall Creek Development Corp. |
| William C. Oliver | City-County Councillor | 7 | Retired |
| Angel Rivera | City-County Councillor | 1 | Salesman |
| Joanne Sanders | City-County Councillor | 11 | International Representative, Alliance of Theatrical Stage Employees |

# CITY OF INDIANAPOLIS

## SCHEDULE OF ELECTED AND APPOINTED OFFICIALS (Cont.)

## December 31, 2010

| Name | Title | Service | Occupation |
|---|---|---|---|
| Jack Sandlin | City-County Councillor | 1 | Small Business Owner |
| Christine Scales | City-County Councillor | 3 | Homemaker and Community Organizer |
| Michael A. Rodman | Ex-Officio City Treasurer | 7 | 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, 2012.

**APPOINTED OFFICIALS**

| Name | Position | Number of Years in This Position | Number of Years Associated with City of Indianapolis – Marion County |
|---|---|---|---|
| Chris Cotterill | Chief Deputy Mayor/Chief of Staff | 2 | 3 |
| Olgen Williams | Deputy Mayor of Neighborhoods | 3 | 3 |
| Michael Huber | Deputy Mayor | 1 | 3 |
| Jeffrey Spalding | Controller-Office of Finance and Management | 1 | 1 |
| Samantha Karn | Corporation Counsel | 2 | 3 |
| Maury Plambeck | Director of Metropolitan Development | 11 | 22 |
| David Sherman | Director of Public Works | 3 | 3 |
| Frank Straub | Director of Public Safety | 1 | 1 |
| Stuart Lowry | Director of Parks and Recreation | 3 | 3 |
| Rick Powers | Director of Code Enforcement | 1 | 10 |
| Melissa Thompson | Clerk of the City-County Council | 3 | 11 |
| Manuel Mendez | Director of Office of Audit and Performance | 1 | 2 |

**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 five departments as follows: Metropolitan Development, Public Works, Public Safety, Code Enforcement, 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 Audit and Performance 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. The Office of the Corporation Counsel is divided into four sections: Counseling, City Prosecutor, Equal Opportunity, and Litigation. 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 nonfiscal 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.

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 Human Resource division reports to the City Controller. This division is responsible for all personnel-related functions for the City, the County, the police department, and the fire department. HR provides analysis of personnel changes, recommendations for pay grades, performance reviews of employees, and upkeep of employee information, benefits, and job status.

The Grants division is a part of the Office of Finance and Management and combines various grant related functions throughout the City and County into one office.  The Grants Division is the lead group that assists agencies with grant application and submission as well as the tracking and reporting of grant funding.

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.

**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, Metropolitan Planning Organization, 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 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 subfund of the General Fund.

*METROPOLITAN PLANNING ORGANIZATION*

Previously a section within the Division of Planning, this group became a separate division in 2010. The division is responsible for transportation planning activities as the Metropolitan Planning Organization (MPO) for the Indianapolis Urbanized Area. 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 semiautonomous 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 reuse 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.

*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 Code Enforcement**

The Department of Code Enforcement (DCE) efficiently enforces land use requirements, business licensing, and environmental laws and facilitates responsible development, through permits, licenses, inspections, and enforcement efforts. This comprehensive strategy results in a safer environment as well as an improvement in the quality of life for the citizens of the Consolidated City of Indianapolis-Marion County.

*DEPARTMENT STRUCTURE*

DCE comprises two divisions, each with its own operational goals and activities while being unified by a common vision.

*ADMINISTRATION, LOGISTICS, LICENSES, AND PERMITS DIVISION*

This division provides service through the following bureaus: the Bureau of Administration and Financial Services provides administrative support for DCE and is responsible for providing financial and operational support; the Bureau of Logistical Services is responsible for DCE facilities management, technology management, document management, and information systems management; and the Bureau of Licenses and Permit Services is responsible for issuance of licenses, registrations, and permits.

*INSPECTIONS DIVISION*

This division provides service through the following bureaus: the Bureau of Construction Services performs inspections in construction areas for the purpose of securing safe construction in addition to ensuring proper safety and maintenance of existing structures and infrastructure; the Bureau of Environmental Services is responsible for conducting inspections and enforcing applicable provisions of statutes and/or ordinances relating to the protection of the environment; and the Bureau of Property Safety and Maintenance Services performs inspections and enforces provisions relating to the development, condition, maintenance, and/or use of real estate.

**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, and environmental remediation. DPW also has responsibility for the acquisition and maintenance of vehicles and heavy equipment used by City and County agencies. Park maintenance and Forestry are also included in the DPW's set of responsibilities and duties. 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 Storm Water Management 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 financial reporting 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 and Strategic Planning Sections assists the DPW and the City by arranging and executing public meetings, media services, public speaking, departmental presentations, and neighborhood coordination. Jointly, they provide 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 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) was restructured, during 2009, with the management of air quality, water and land pollution abatement, and environmental remediation projects being redistributed to the State of Indiana's Department of Environmental Management (IDEM) and the recently created Department of Code Enforcement. The former OES staff involved with water quality was moved to the Engineering Division. Their function is now more closely aligned with the design, build, and operations section associated with wastewater and storm water management. The household hazardous waste program and other land pollution abatement programs are now with the Solid Waste section. 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 streetlights. 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 Storm Water 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 storm water 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.

Since 2008, there has been some blending of the Engineering and Operations Divisions. 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 backups, 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.
7. *Park Maintenance and Forestry*. Maintains the grounds and facilities of the City's park system. Also manages the urban canopy through the Forestry Section.

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 pickup 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 Consolidated County Transportation, Park, 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, Homeland Security, Animal Care and Control, and Indianapolis Emergency Medical Services. 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 Police, Fire, and Emergency Medical Services 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 nonstatutory 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 comprises 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 functions 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. A portion of police operations are funded through Special Revenue Funds, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund. 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 HOMELAND SECURITY*

This division functions as the local Department of Homeland Security. It coordinates all government and nongovernment 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, Metropolitan Police, and Fire subfunds 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.

*INDIANAPOLIS EMERGENCY MEDICAL SERVICES (IEMS)*

This division was formed to continue and advance high-quality emergency medical services care and create efficiencies for these services in Marion County. IEMS is the primary provider of ambulance and emergency medical services in Marion County. The division was formed through a collaborative effort between the Department of Public Safety and the Health and Hospital Corporation of Marion County. IEMS began operations on December 26, 2010.

**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 8 greenways, 25 recreation centers, 20 aquatic centers, 13 golf courses, 440 sports fields and courts, and 126 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 seven divisions including Administration, Community Recreation, Sports and Special Revenue Facilities, Golf, Environmental and Interpretive Services, Resource Development, and Greenways. Transactions for this department are recorded in the Parks and Consolidated County subfunds of the General Fund, Parks Special Recreation Non Reverting Fund, the City Cumulative Capital Projects 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 FACILITIES 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 rink, 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.

*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 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 (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) program, 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. Jeffrey L. Spalding, 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, 2010, 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 provide 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, 2010, 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 2 to the financial statements, during 2010, the City entered into two asset purchase agreements to sell the City's water utility and the City's wastewater collection and treatment facilities.

In accordance with *Government Auditing Standards,* we have also issued our report dated July 20, 2011 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 18, the budgetary comparison information and notes to required supplementary information on pages 102, and 106 through 108, and the schedules of funding progress and employer contributions on pages 103 through 105 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 109 through 149 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 20, 2011

# Management's
# Discussion and Analysis

**CITY OF INDIANAPOLIS**
**Management's Discussion and Analysis**
**Year ended December 31, 2010**

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, 2010 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, 2010 by $651.6 million. Included in this net asset amount is a $622.7 million unrestricted deficit due mainly to an unfunded net pension and postemployment obligations.
- Governmental activities had net assets of $636.5 million and business-type activities had net assets of $15.2 million.
- On a government-wide basis, for 2010, the City's total expenses were $1,176.4 million or $42.4 million more than the $1,134.0 million generated in charges for services, grants, taxes, and other revenues.
- As of December 31, 2010, the City's governmental funds reported combined ending fund balances of $631.8 million. Of this amount, $236.3 million was unreserved and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was $133.8 million or 22% of total general fund expenditures.
- The general fund revenues were $29.9 million lower than original budget estimates.
- In 2010, the City issued $236.7 million in governmental activities debt, which included $36.6 million for redevelopment, $159.5 million for improvements funded by PILOT revenue bonds, $8.5 million drawdowns of State Revolving Fund debt, and $32.1 million governmental activities notes. There was a net increase of $137.2 million or 10% in bond debt for governmental activities during 2010.
- On August 11, 2010, the City entered into two Asset Purchase Agreements with Citizens Energy Group ("CEG") to sell the City's water utility and the wastewater collection and treatment facilities. On October 20, 2010, Veolia, the City, and the Department of Public Utilities for the City of Indianapolis signed a settlement agreement to transfer management and operations of the City's water utility and wastewater collection and treatment facilities to CEG. The management agreement between Veolia and the City for the operation and maintenance of the waterworks system was terminated effective September 30, 2010. Recorded in the government-wide statements as a special item is a liability of $29.0 million for the termination payment that will be made to Veolia (see further discussion on the asset purchase agreement and termination of the management agreement in Note 2 to the basic financial statements).
- Effective December 22, 2010, the City entered into an agreement with a concessionaire to operate and maintain the City's parking meter system. The objective of entering into this agreement was to modernize the parking meter system and to provide residents and visitors with more convenient parking options and to provide the City with funding for infrastructure improvements. The City received $20.0 million for entering into this agreement, which is recorded as a deferred inflow of resources on the government-wide statement of net assets (see further discussion on the agreement in Note 16 to the basic financial statements).

## 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, Insight Development Corporation. The remaining discussions and analysis focus 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, cultural 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 that 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, revenue debt service fund, sanitary district capital projects fund, and PILOT revenue bonds 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, employee health insurance, 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 required supplementary information pertaining to the City's progress in funding its obligation to provide pension and postretirement 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, 2010 and 2009 were $651.6 million and $723.0 million, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

**Schedule of Net Assets**
**December 31, 2010 and 2009**
**(Dollars in thousands)**

| | Governmental activities 2010 | Governmental activities 2009 | Business-type activities 2010 | Business-type activities 2009 | Total 2010 | Total 2009 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Current and other assets | $ 918,942 | $ 878,957 | $ 343,470 | $ 385,170 | $ 1,262,412 | $ 1,264,127 |
| Capital assets, net of accumulated depreciation | 2,043,748 | 1,967,988 | 671,189 | 633,293 | 2,714,937 | 2,601,281 |
| Total assets | 2,962,690 | 2,846,945 | 1,014,659 | 1,018,463 | 3,977,349 | 3,865,408 |
| **Liabilities:** | | | | | | |
| Long-term liabilities | 2,077,637 | 1,901,046 | 966,103 | 953,417 | 3,041,500 | 2,854,463 |
| Other liabilities | 248,597 | 228,083 | 33,393 | 59,905 | 284,230 | 287,988 |
| Total liabilities | 2,326,234 | 2,129,129 | 999,496 | 1,013,322 | 3,325,730 | 3,142,451 |
| **Net assets:** | | | | | | |
| Invested in capital assets, net of related debt | 961,358 | 920,186 | 99,657 | 92,683 | 1,061,015 | 1,012,869 |
| Restricted | 209,948 | 214,479 | 3,338 | 1,956 | 213,286 | 216,435 |
| Unrestricted (deficit) | (534,850) | (416,849) | (87,832) | (89,498) | (622,682) | (506,347) |
| Total net assets | $ 636,456 | $ 717,816 | $ 15,163 | $ 5,141 | $ 651,619 | $ 722,957 |

## 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 $651.6 million in 2010 as compared to $723.0 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., net book value of land, buildings, equipment, and infrastructure) less related outstanding debt used to acquire those assets. The 2009 balance was $1.0 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 $213.3 million, versus $216.4 million in 2009, which represents resources that are subject to external restrictions on how they may be used.

All net assets generated by governmental activities are externally restricted, restricted by enabling legislation, or invested in capital assets. Consequently, unrestricted governmental net assets showed a $534.9 million deficit at the end of the year as compared to a $416.8 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 $386.4 million for police and firefighters hired before May 1, 1977 and postemployment obligation of $59.2 million.

Unrestricted net assets of the business-type activities were $87.8 million deficit at the end of the year as compared to a $89.5 million deficit for the prior year.

**Changes in net assets.** The City's total revenue on a government-wide basis for 2010 was $1,134.0 million and $1,027.8 million for 2009. Taxes represent 43% of the City's revenue (41% for 2009). There was an increase in local income tax of $70.1 million due to an increase in income tax collections. Another 33% of revenue (34% in 2009) came from fees charged for services, and the remainder came from grants and contributions, interest earnings, and miscellaneous revenues. The increase in grants and contributions of $19.5 million was due to an increase in grant contributions from the federal government under the American Reinvestment and Recovery Act ("ARRA").

The total cost of all programs and services was $1,176.4 million for 2010 ($1,186.1 million for 2009). The City's expenses cover a range of typical city/county services.

**CITY OF INDIANAPOLIS**
**Management's Discussion and Analysis**
**Year ended December 31, 2010**

**Schedule of Changes in Net Assets**
**Year Ended December 31, 2010 and 2009**
**(Dollars in thousands)**

| | Governmental activities 2010 | Governmental activities 2009 | Business-type activities 2010 | Business-type activities 2009 | Total 2010 | Total 2009 |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Program revenues | | | | | | |
| Charges for services | $ 224,569 | $ 224,047 | $ 147,913 | $ 129,602 | $ 372,482 | $ 353,649 |
| Operating grants and contributions | 157,126 | 137,557 | 61,364 | 46,252 | 218,490 | 183,809 |
| Capital grants and contributions | 25,652 | 32,637 | 14,124 | 6,023 | 39,776 | 38,660 |
| General revenues: | | | | | | |
| Property tax | 265,801 | 274,655 | — | — | 265,801 | 274,655 |
| Other taxes | 219,314 | 151,154 | — | — | 219,314 | 151,154 |
| Other general revenues | 17,104 | 20,310 | 1,057 | 5,590 | 18,161 | 25,900 |
| Total revenues | 909,566 | 840,360 | 224,458 | 187,467 | 1,134,024 | 1,027,827 |
| **Expenses:** | | | | | | |
| General government | 65,883 | 60,044 | — | — | 65,883 | 60,044 |
| Public safety | 428,230 | 395,465 | — | — | 428,230 | 395,465 |
| Public works | 276,331 | 267,286 | — | — | 276,331 | 267,286 |
| Health and welfare | 4,079 | 5,112 | — | — | 4,079 | 5,112 |
| Cultural and recreation | 30,275 | 33,506 | — | — | 30,275 | 33,506 |
| Urban redevelopment and housing | 48,407 | 34,813 | — | — | 48,407 | 34,813 |
| Economic development and assistance | 45,441 | 28,491 | — | — | 45,441 | 28,491 |
| Interest | 63,280 | 74,039 | — | — | 63,280 | 74,039 |
| Swap termination payment | — | 28,780 | — | — | — | 28,780 |
| Waterworks | — | — | 145,074 | 195,340 | 145,074 | 195,340 |
| Housing Agency | — | — | 69,362 | 63,230 | 69,362 | 63,230 |
| Total expenses | 961,926 | 927,536 | 214,436 | 258,570 | 1,176,362 | 1,186,106 |
| Special item – termination payment | (29,000) | — | — | — | (29,000) | — |
| Change in net assets | (81,360) | (87,176) | 10,022 | (71,103) | (42,338) | (158,279) |
| Net assets, beginning of year, as orginally restated | 717,816 | 804,992 | 5,141 | 77,448 | 722,957 | 882,440 |
| Prior period adjustment | — | — | — | (1,204) | — | (1,204) |
| Net assets, beginning of year, as restated | 717,816 | 804,992 | 5,141 | 76,244 | 722,957 | 881,236 |
| Net assets, ending | $ 636,456 | $ 717,816 | $ 15,163 | $ 5,141 | $ 651,619 | $ 722,957 |

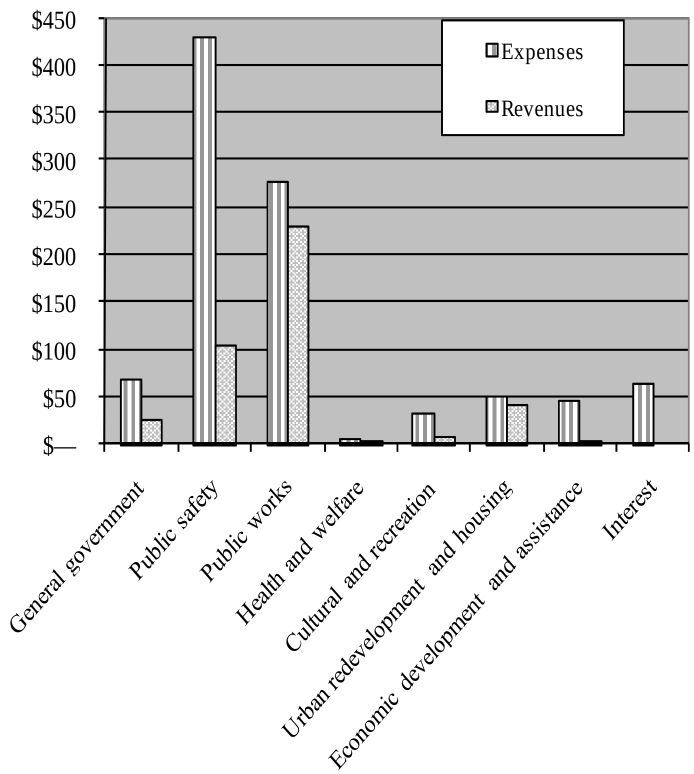
**Governmental activities.** Governmental activities decreased the City's net assets by $81.4 million compared to a decrease of $87.2 million in the prior year. The increase of $5.8 million is due to the increase of local income tax revenues of $70.1 million, which is offset by the increase in the unfunded postemployment benefit obligation of $17.6 million and $3.0 million increase in the unfunded net pension obligation. The City also recognized a liability in the amount of $29 million for the termination payment that will be paid to Veolia upon the final sale of the City's water utility and wastewater collection and treatment facilities (further discussion can be found in Note 2 to the basic financial statements). There was also a $10.0 million decrease in property tax due to the property tax "circuit breakers" enacted by the Indiana General Assembly. House Enrolled Act 1001-2008 limited the property tax bill liability based upon the class of property. This "circuit-breaker" limitation was 1.5% of the assessed valuation of the residential property in 2009 and 1.0% of the assessed valuation of the residential property in 2010. Commercial property was similarly limited to 3.5% of the assessed valuation of the commercial property in 2009 and 3.0% in 2010.

Total expenses for governmental activities for 2010 were $961.9 million, an increase of $34.4 million from the prior year mainly due to an increase in public safety expenses due to a $20.6 million increase in the post employment benefit and net pension obligations. In addition, there was a $13.6 million increase in urban redevelopment and housing expense due to increase in grant spending from the ARRA federal moneys. Economic development and assistance expense also increased by $16.9 million due to a number of economic development projects that began in 2010. There was a decrease in expense due to the one-time swap termination payment in 2009 for $28.7 million.

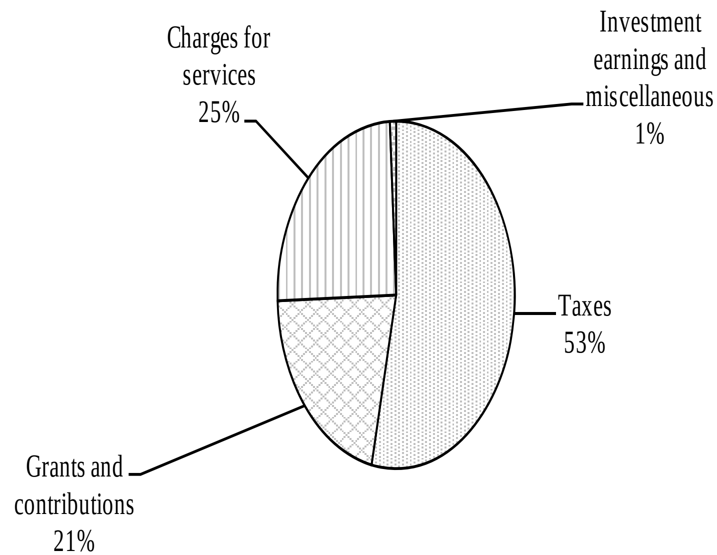
See page 26 for various other items contributing to the $81.4 million decrease in net assets versus the $49.8 million increase in fund balances.

The following charts provide the City's governmental program revenues and expenses by function and revenues by source for 2010. As shown, public safety is the largest function of 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.

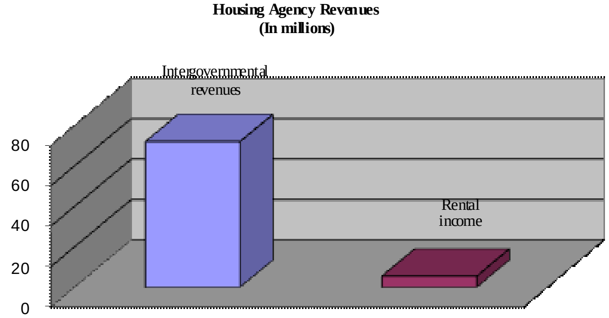
**Expenses and Program Revenues – Governmental Activities**
**(In millions)**

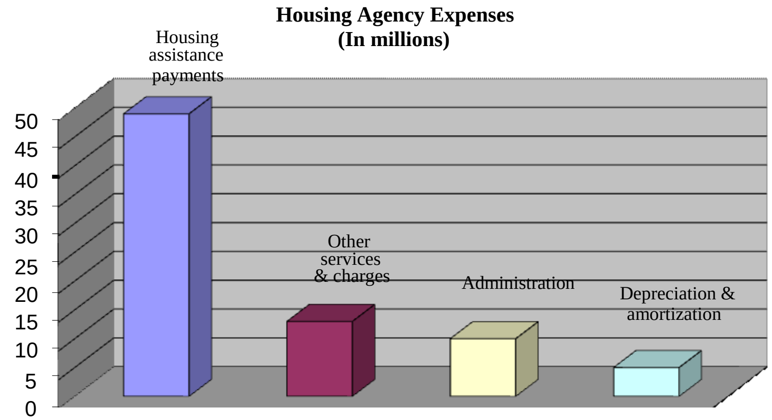


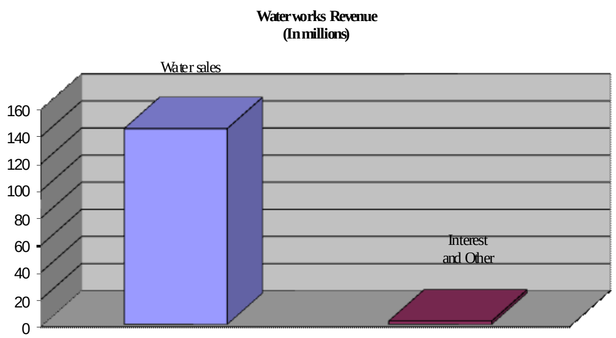

**Revenues by Source – Governmental Activities**

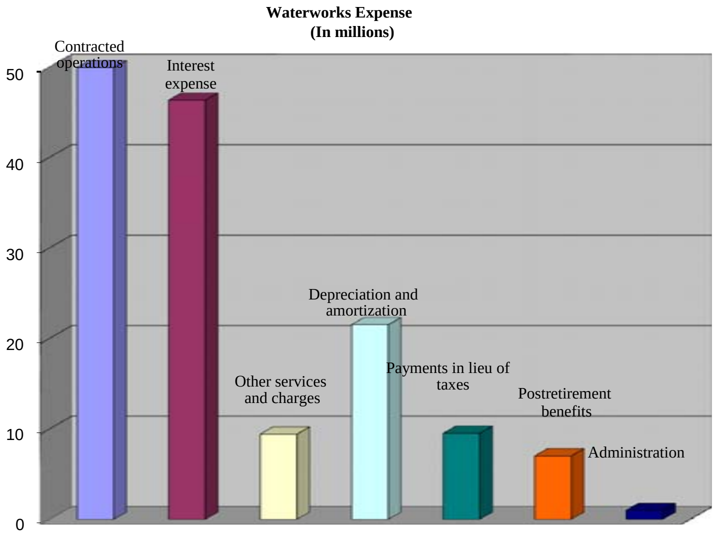


**Business-type activities.** For the Housing Agency, operating revenues were $3.5 million and operating expenses were $69.3 million including depreciation of $3.2 million. Nonoperating revenues and expenses included mainly $61.4 million of intergovernmental revenues and $1.9 million of loss on sale of capital assets. Capital contributions were $12.0 million. Operating revenues for the Waterworks were primarily from the sale of water of $144.4 million. Capital contributions were $2.2 million. In 2010, $49.9 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 $48.2 million. Nonoperating expenses include $46.3 million for interest expense and $0.7 million for amortization of bond issuance costs.



## 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, 2010, the unreserved fund balance of the general fund was $133.8 million (as compared to $162.6 million in 2009), while the total general fund balance was $166.6 million (as compared to $211.4 million in 2009). 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 19% of total general fund expenditures and transfers out of $699.3 million (as compared to 27% and $592.0 million for 2009), while total fund balance represents 24% (36% for 2009) of total general fund expenditures and transfers out. The fund balance in the City's general fund decreased by $(44.7) million or 21% from the prior year fund balance. This was due primarily to a transfer of $26 million to the Capital Asset Development Capital Projects Fund.

The revenue debt service fund ended the year with a $204.0 million fund balance (as compared to $193.2 million in 2009) reserved for debt service. The fund balance for the revenue debt service fund increased by $10.8 million due mainly to a decrease in debt service expenditures. The sanitary district capital projects fund ended the year with an unreserved fund balance of $(47.9) million ($38.3 million in 2009) and a total fund balance of $7.1 million ($112.4 million in 2009). The sanitary district capital projects fund balance decreased primarily due to the spend-down of Sanitary Revolving Fund (SRF) funds for construction of various sewer projects including addressing the issues of the combined sewer overflow problems within the district. PILOT revenue bonds capital projects fund ended the year with an unreserved fund balance of $95.2 million and a total fund balance of $146.9 million. The new fund was set up to account for proceeds associated with the issuance of the 2010 PILOT bond. The proceeds from the sale of the bond will be used to fund the cost of the construction, renovation, rehabilitation, and installation of certain improvements to the City's public roads, street and sidewalks, and other public facilities.

### 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 $103.2 million (deficit) ($107.8 million (deficit) in 2009) for Waterworks and $15.3 million ($18.3 million for 2009) for the Housing Agency. The internal service funds, which are used to account for certain risk management governmental activities, had $2.7 million in unrestricted net assets at year-end ($0.3 million in 2009).

### Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for police and firefighters hired before May 1, 1977. At the end of 2010, the net assets of these pension funds were $1.4 million, which represents an increase of $0.1 million in total net assets during the year. Effective January 1, 2009, all pension payments are 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. At the end of 2010, the combined gross assets of the agency funds totaled $18.9 million ($17.4 million in 2009). This amount is composed of 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 2010, there was a $18.4 million increase in appropriations to the original general fund budget consisting primarily of $10.5 million for capital outlays and $6.1 million for public works.

Excluding prior year encumbrances, the original general fund expenditures budget for 2010 was $529.5 million. The final general fund expenditures budget was $547.9 million. Actual expenditures were $525.8 million. Of the total $22.1 million underspent from the final budget, $3.7 million was in public safety, $1.4 million was in public works, $0.2 million was in health and welfare, $0.5 million was in cultural and recreation, $1.5 million was in urban redevelopment and housing, $6.2 million was in economic development and assistance, $7.5 million was in capital expenditures, and $1.2 million was in general government. General revenues were originally estimated at $606.7 million, final estimated at $607.4 million, and the actual was $576.8 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City had a net investment of $2.7 billion in capital assets at December 31, 2010 (net of accumulated depreciation of $3.2 billion) in a broad range of capital assets. This amount represents a net increase for the current year (including additions and deductions) of $113.7 million.

**Schedule of Capital Assets**
**Net of Depreciation**
**December 31, 2010 and 2009**
**(Dollars in thousands)**

| | Governmental activities 2010 | Governmental activities 2009 | Business-type activities 2010 | Business-type activities 2009 | Total 2010 | Total 2009 |
|---|---|---|---|---|---|---|
| Land | $ 49,421 | $ 45,791 | $ 33,729 | $ 37,416 | $ 83,150 | $ 83,207 |
| Construction in progress | 258,312 | 133,055 | 72,330 | 90,760 | 330,642 | 223,815 |
| Buildings | 378,196 | 396,088 | 51,622 | 29,137 | 429,818 | 425,225 |
| Improvements | 79,292 | 81,854 | — | — | 79,292 | 81,854 |
| Equipment | 76,922 | 60,305 | 14,521 | 15,811 | 91,443 | 76,116 |
| Infrastructure | 1,201,605 | 1,250,895 | 498,987 | 460,169 | 1,700,592 | 1,711,064 |
| Total | $ 2,043,748 | $ 1,967,988 | $ 671,189 | $ 633,293 | $ 2,714,937 | $ 2,601,281 |

Major capital asset additions in 2010 for governmental activities included the following:

- $160.3 million of additions to construction in progress, principally infrastructure and equipment. Reductions to construction in progress were $35.0 million.
- $6.1 million of additions to buildings, principally fire stations from the Franklin Township and Indianapolis Fire Department merger, and improvements to park facilities.
- $32.6 million of additions to equipment, principally for public safety and public works vehicles.
- $43.1 million of additions to infrastructure, principally $15.3 million for sewers and drains and $23.8 million for streets, curbs, and sidewalks.

Donated capital assets for governmental activities were $16.6 million, principally infrastructure and buildings. Depreciation expense for 2010 for governmental activities was $135.2 million.

Major capital asset additions for Waterworks were $34.8 million of net additions to the water distribution and treatment system (including construction in progress), which included $2.2 million of contributed capital assets.

At December 31, 2010, the City had commitments related to ongoing capital asset construction projects of $184.1 million.

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

## Long-Term Debt

At the end of 2010, the City had outstanding long-term debt and other long-term obligations for governmental activities of $2.08 billion, compared to $1.90 billion at December 31, 2009, as shown below:

**Schedule of Long-Term Debt Obligations**
**(Dollars in thousands)**

| | | December 31, 2010 | | December 31, 2009 | % Change | |
|---|---|---|---|---|---|---|
| **Governmental activities:** | | | | | | |
| Serial bonds payable | $ | 265,900 | $ | 293,756 | (9) | % |
| Tax increment bonds payable | | 536,092 | | 517,964 | 3 | |
| Revenue bonds payable | | 728,684 | | 590,715 | 23 | |
| Loss on refunding | | (7,001) | | (7,874) | (11) | |
| Deferred discounts | | (433) | | (450) | (4) | |
| Deferred premiums | | 32,086 | | 23,980 | 34 | |
| Long-term notes payable and certificates of participation | | 41,335 | | 25,816 | 60 | |
| Net pension obligation | | 387,593 | | 384,278 | 1 | |
| Postemployment benefit obligation | | 59,175 | | 43,196 | 37 | |
| Early retirement obligation | | 1,758 | | — | 100 | |
| Compensated absences | | 31,314 | | 28,531 | 10 | |
| Settlements payable | | 1,134 | | 1,134 | — | |
| Total | $ | 2,077,637 | $ | 1,901,046 | 9 | % |
| **Business-type activities:** | | | | | | |
| Housing Agency | $ | 15,637 | $ | 3,525 | 344 | % |
| Waterworks | | 950,466 | | 949,892 | — | |
| Total | $ | 966,103 | $ | 953,417 | 1 | % |

The increase in net pension obligation reflects that the pay-as-you-go pension plan is not funded and the obligation continues to grow each year.

During 2010, the City increased, by $8.5 million, the draws against twelve prior years' Sanitary District revenue bond issues under the State of Indiana Wastewater Loan Program. The outstanding balance of draws on these twelve bonds at December 31, 2010 was $458.6 million.

## Bonds

On June 3, 2010, the City issued its Redevelopment District Tax Increment Revenue Bonds, Series 2010 A, in the amount of $7.2 million. The proceeds from the sale of the bonds were used to pay the costs of issuance of the bonds and to perform infrastructure work in the Near East Redevelopment Area and St. Clair Place Neighborhood related to the Legacy Housing Project.

On July 8, 2010, the City issued its Economic Tax Increment Revenue Bonds, Series 2010 A, in the amount of $17.4 million. The proceeds from the sale of the bonds were used to acquire, construct, and equip the DOW AgroSciences global headquarters and research and development facilities in Marion County, Indiana.

On August 12, 2010, the City issued its PILOT Revenue Bonds, Series 2010 A, in the amount of $159.5 million. The proceeds from the sale of the bonds were used to fund the cost of the construction, renovation, rehabilitation, and installation of certain improvements to the City's public roads, street and sidewalks, and other public facilities and to pay for issuance costs.

On November 1, 2010, the City issued its Economic Development Tax Increment Revenue Bonds, Series 2010 D, in the amount of $5 million. The net proceeds will be used for improvement in connection with the relocation and expansion of American Institute of Toxicology, Inc. through construction and equipping of new offices and research and development buildings.

## Notes and Certificates of Participation

On April 29, 2010, the City entered into a Master Lease-Purchase Agreement with the Capital Asset Financing Corporation ("CAFCO"). CAFCO issued Certificates of Participation Series 2010 A and B for $6,010 and $1,360, respectively. The proceeds from the Certificates will be used to purchase vehicles for the City's Departments of Public Safety and Public Works.

On July 30, 2010, the City issued Redevelopment District Notes, Series 2010 C in the amount of $2,500. The proceeds from the sale of the Series 2010 C Notes, along with $197 of cash on hand, were used to pay off the Redevelopment District Limited Recourse Notes, Series 2005 C, which were outstanding in the amount of $2,500.

On August 9, 2010, the City issued Redevelopment District Notes, Series 2010 B in the amount of $3,200. The proceeds from the sale of the Series 2010 B Notes along with $2,856 of cash on hand, were used to pay off the Series 2005 A and B Redevelopment District Limited Recourse Notes, which were outstanding in the amount of $3,195 and $2,750, respectively.

On October 8, 2010, the City entered into an agreement with Fifth Third Leasing Company to issue notes in the amount of $18,800. The proceeds will be used to complete energy improvements at various City-owned properties.

During 2007, the City implemented the requirements of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement 45). At December 31, 2010, the net postemployment benefit obligation was $59.2 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, Aaa by Moody's, and AAA by Fitch. The City's other debt, principally revenue bonds and notes, typically have an original rating of AAA based on credit insurance or are rated to reflect the creditworthiness of the supporting revenue. As of May 2011, the Waterworks outstanding debt was rated A2 by Moody's, A+ by Standards & Poor's, and A by Fitch.

**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

During the year ended December 31, 2010, the remaining property tax anticipation notes were repaid in full. In 2010, first half of the year 2010 taxes were due and payable to the Treasurer in May 2010. The second half of the year 2010 taxes were due and payable to the Treasurer in November 2010.

On March 17, 2010, Sanitary District Limited Bond Anticipation Notes were issued with the amount not to exceed $85,000. The proceeds are being used to construct sewer improvements. These notes have a maturity date of March 17, 2012. At December 31, 2010, bond anticipation notes of $45.1 million were issued and outstanding.

## ECONOMIC FACTORS AND THE 2011 BUDGET

- The 2011 original budget for all annually budgeted funds, except revenue debt service funds, was $769.1 million. Revisions of $52.5 million have been made through July 2011.
- The 2011 general fund original budget was $533.9 million, an increase of 0.1% from the 2010 original general fund budget of $529.5 million. Revisions (additions) of $14.6 million have been made through July 2011.
- The City appropriated $12.5 million for the unreserved general fund balance at December 31, 2010 for spending in fiscal year 2011.
- Unemployment rates were as follows:

| | May 2011 | May 2010 |
|---|---|---|
| City of Indianapolis | 7.8% | 9.0% |
| State of Indiana | 8.2% | 10.0% |
| United States | 8.7% | 9.7% |

Source: United States Department of Labor, www.bls.gov

- The City has entered into two Asset Purchase Agreements with CEG to sell the City's water utility and the wastewater collection and treatment facilities. The transaction is anticipated to be finalized before December 31, 2011 (see further discussion on the asset purchase agreement in Note 2 to the basic financial statements).

## 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.

# Basic Financial Statements

# CITY OF INDIANAPOLIS
## Statement of Net Assets
December 31, 2010
*(In thousands)*

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental activities | Business-type activities | Total | Insight Development Corporation |
| **ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | | | | |
| **Assets:** | | | | |
| Equity in pooled cash | $ 274,562 | $ 4,890 | $ 279,452 | $ 2,205 |
| Cash and investments with fiscal agents | 393,458 | — | 393,458 | — |
| Investments | 128,504 | 1,917 | 130,421 | — |
| Accrued interest receivable | 178 | 64 | 242 | — |
| Property taxes receivable | 10,017 | — | 10,017 | — |
| Accounts receivable, less allowance for uncollectibles | 51,680 | 17,590 | 69,270 | 33 |
| Due from federal and state governments | 19,845 | 1,950 | 21,795 | 25 |
| Due from primary government | — | — | — | 1,190 |
| Internal balances | 22,254 | (22,254) | — | — |
| Other assets | — | 241 | 241 | 2,214 |
| Long-term receivables, less allowance for uncollectibles | 1,312 | 31,874 | 33,186 | 180 |
| Restricted assets | — | 65,555 | 65,555 | 4,800 |
| Deferred bond and note issuance costs | 16,438 | 15,843 | 32,281 | — |
| Deferred charges | — | 409 | 409 | — |
| Deferred charge – postretirement benefits | — | 33,474 | 33,474 | — |
| Capital assets: | | | | |
| Land | 49,421 | 33,729 | 83,150 | 303 |
| Infrastructure, net of accumulated depreciation | 1,201,605 | 498,987 | 1,700,592 | — |
| Other capital assets, net of accumulated depreciation | 534,410 | 66,143 | 600,553 | 14,451 |
| Construction in progress | 258,312 | 72,330 | 330,642 | 5,122 |
| Intangible assets, net of accumulated amortization | — | 191,917 | 191,917 | — |
| Total assets | 2,961,996 | 1,014,659 | 3,976,655 | 30,523 |
| Deferred outflow of resources | 694 | — | 694 | — |
| Total assets and deferred outflow of resources | $ 2,962,690 | $ 1,014,659 | $ 3,977,349 | $ 30,523 |

(Continued)

# CITY OF INDIANAPOLIS
## Statement of Net Assets
December 31, 2010
*(In thousands)*

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental activities | Business-type activities | Total | Insight Development Corporation |
| **LIABILITIES AND DEFERRED INFLOW OF RESOURCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable and other current liabilities | $ 119,469 | $ 15,949 | $ 135,418 | $ 948 |
| Accounts payable – restricted assets | — | 3,455 | 3,455 | — |
| Accrued interest payable | 28,086 | 6 | 28,092 | — |
| Due to component unit | — | 1,190 | 1,190 | — |
| Unearned revenue | 6,248 | — | 6,248 | — |
| Customer deposits | — | 99 | 99 | 23 |
| Payments in lieu of taxes | — | 12,694 | 12,694 | — |
| Bond anticipation notes | 45,100 | — | 45,100 | — |
| Other liabilities | 29,000 | — | 29,000 | 21 |
| Derivative instrument – interest rate swap | 694 | — | 694 | — |
| Long-term liabilities: | | | | |
| Due within one year | 106,510 | 6,783 | 113,293 | — |
| Due in more than one year | 1,971,127 | 959,320 | 2,930,447 | 13,997 |
| Total liabilities | 2,306,234 | 999,496 | 3,305,730 | 14,989 |
| Deferred inflow of resources | 20,000 | — | 20,000 | — |
| Total liabilities and deferred inflow of resources | 2,326,234 | 999,496 | 3,325,730 | 14,989 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 961,358 | 99,657 | 1,061,015 | 5,879 |
| Restricted for: | | | | |
| Debt service | 123,420 | — | 123,420 | — |
| Restricted for Section 8 vouchers and VASH | — | 3,338 | 3,338 | — |
| Other purposes by grantors | 4,269 | — | 4,269 | — |
| Other purposes by contributor – nonexpendable | 376 | — | 376 | — |
| Statutory restrictions | 81,883 | — | 81,883 | — |
| Unrestricted (deficit) | (534,850) | (87,832) | (622,682) | 9,655 |
| Total net assets | $ 636,456 | $ 15,163 | $ 651,619 | $ 15,534 |

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

## CITY OF INDIANAPOLIS
## Statement of Activities
Year ended December 31, 2010
*(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 | Insight Development Corporation |
| **Functions/Programs** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | $ 65,883 | $ 17,712 | $ 4,557 | $ 1,424 | $ (42,190) | $ — | $ (42,190) | $ — |
| Public safety | 428,230 | 16,911 | 79,734 | 7,378 | (324,207) | — | (324,207) | — |
| Public works | 276,331 | 181,742 | 30,468 | 15,710 | (48,411) | — | (48,411) | — |
| Health and welfare | 4,079 | 289 | 2,196 | — | (1,594) | — | (1,594) | — |
| Cultural and recreation | 30,275 | 4,179 | 1,747 | 737 | (23,612) | — | (23,612) | — |
| Urban redevelopment and housing | 48,407 | 3,259 | 36,866 | 403 | (7,879) | — | (7,879) | — |
| Economic development and assistance | 45,441 | 477 | 1,558 | — | (43,406) | — | (43,406) | — |
| Interest | 63,280 | — | — | — | (63,280) | — | (63,280) | — |
| Total governmental activities | 961,926 | 224,569 | 157,126 | 25,652 | (554,579) | — | (554,579) | — |
| Business-type activities: | | | | | | | | |
| Waterworks | 145,074 | 144,378 | — | 2,156 | — | 1,460 | 1,460 | — |
| Housing Agency | 69,362 | 3,535 | 61,364 | 11,968 | — | 7,505 | 7,505 | — |
| Total business-type activities | 214,436 | 147,913 | 61,364 | 14,124 | — | 8,965 | 8,965 | — |
| Total | $ 1,176,362 | $ 372,482 | $ 218,490 | $ 39,776 | (554,579) | 8,965 | (545,614) | — |
| **Component Unit** | | | | | | | | |
| Insight Development Corporation | $ 6,267 | $ 4,360 | $ 744 | $ 1,469 | | | | 306 |
| Total component units | $ 6,267 | $ 4,360 | $ 744 | $ 1,469 | | | | 306 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property tax | | | | | 265,801 | — | 265,801 | — |
| Wheel tax | | | | | 11,890 | — | 11,890 | — |
| Local income tax | | | | | 187,880 | — | 187,880 | — |
| Other taxes | | | | | 19,544 | — | 19,544 | — |
| Grants and contributions not restricted by function | | | | | 9,411 | — | 9,411 | — |
| Investment earnings not restricted by function | | | | | 3,743 | 2,898 | 6,641 | 17 |
| Miscellaneous | | | | | 3,950 | (1,841) | 2,109 | — |
| Total general revenues | | | | | 502,219 | 1,057 | 503,276 | 17 |
| Special item – termination payment | | | | | (29,000) | — | (29,000) | — |
| Change in net assets | | | | | (81,360) | 10,022 | (71,338) | 323 |
| Net assets, beginning of year | | | | | 717,816 | 5,141 | 722,957 | 15,211 |
| Net assets, ending | | | | | $ 636,456 | $ 15,163 | $ 651,619 | $ 15,534 |

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

**CITY OF INDIANAPOLIS**
**Balance Sheet – Governmental Funds**
December 31, 2010
*(In thousands)*

| | General | Revenue Debt Service | Sanitary District Capital Projects | PILOT Revenue Bonds Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Equity in pooled cash | $ 112,648 | $ 75,472 | $ 11,585 | $ — | $ 67,100 | $ 266,805 |
| Cash and investments with fiscal agents | 309 | 138,880 | 47,062 | 157,258 | 49,932 | 393,441 |
| Investments | 53,152 | 35,260 | 5,414 | — | 31,328 | 125,154 |
| Accrued interest receivable | 85 | 42 | 9 | — | 39 | 175 |
| Property taxes receivable | 8,631 | — | — | — | 1,386 | 10,017 |
| Accounts receivable, less allowance of $5,475 | 39,429 | 9 | 1,179 | — | 11,001 | 51,618 |
| Due from other funds | 27,257 | — | — | — | — | 27,257 |
| Due from federal and state governments | 141 | 403 | — | — | 19,301 | 19,845 |
| Long-term receivables | — | — | — | — | 1,312 | 1,312 |
| Total assets | $ 241,652 | $ 250,066 | $ 65,249 | $ 157,258 | $ 181,399 | $ 895,624 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities: | | | | | | |
| Matured bonds payable | $ — | $ 23,235 | $ — | $ — | $ 26,946 | $ 50,181 |
| Matured interest payable | — | 8,436 | — | — | 11,102 | 19,538 |
| Accounts payable and other accrued liabilities | 29,935 | 14,347 | 12,930 | 9,537 | 18,449 | 85,198 |
| Accrued payroll and payroll taxes | 26,766 | — | — | — | 190 | 26,956 |
| Due to other funds | — | — | — | 782 | 4,221 | 5,003 |
| Deferred revenue | 18,320 | 9 | 80 | — | 13,472 | 31,881 |
| Bond anticipation notes | — | — | 45,100 | — | — | 45,100 |
| Total liabilities | 75,021 | 46,027 | 58,110 | 10,319 | 74,380 | 263,857 |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Long-term receivables | — | — | — | — | 1,312 | 1,312 |
| Encumbrances | 32,866 | — | 54,992 | 51,690 | 38,583 | 178,131 |
| Debt service | — | 204,039 | — | — | 11,949 | 215,988 |
| Unreserved, reported in: | | | | | | |
| General fund | 133,765 | — | — | — | — | 133,765 |
| Special revenue funds | — | — | — | — | 14,442 | 14,442 |
| Debt service funds | — | — | — | — | 178 | 178 |
| Capital project funds | — | — | (47,853) | 95,249 | 40,179 | 87,575 |
| Permanent fund | — | — | — | — | 376 | 376 |
| Total fund balances | 166,631 | 204,039 | 7,139 | 146,939 | 107,019 | 631,767 |
| Total liabilities and fund balances | $ 241,652 | $ 250,066 | $ 65,249 | $ 157,258 | $ 181,399 | $ 895,624 |

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, 2010

*(In thousands)*

Amounts reported for governmental activities in the statement of net assets (page 20) are different because:

| | | |
|---|---|---|
| Fund balances – total governmental funds (page 22) | $ | 631,767 |
| Capital assets not reported in the fund statements (note 7) | | 2,043,748 |
| Net assets of internal service funds | | 2,740 |
| Internal service fund accounts payable reclassified to long-term liabilities in the statement of net assets | | 1,134 |
| Deferred inflow of resources | | (20,000) |
| Long-term liabilities not in the fund statements (note 21) | | (2,027,456) |
| Other liabilities not in the fund statements | | (29,000) |
| Deferred revenues in the fund statements not in the statement of net assets | | 25,633 |
| Deferred bond and note issuance costs not in the fund statements | | 16,438 |
| Accrued interest payable not in the fund statements | | (8,548) |
| Net assets of governmental activities (page 20) | $ | 636,456 |

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, 2010

*(In thousands)*

| | General | Revenue Debt Service | Sanitary District Capital Projects | PILOT Revenue Bonds Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Taxes | $ 320,156 | $ 71,650 | $ — | $ — | $ 83,129 | $ 474,935 |
| Licenses and permits | 12,488 | — | — | — | — | 12,488 |
| Charges for services | 196,356 | — | — | — | 2,267 | 198,623 |
| Intergovernmental revenues | 105,888 | 406 | — | — | 62,050 | 168,344 |
| Intragovernmental revenues | 2,674 | — | — | — | — | 2,674 |
| Traffic violations and court fees | 3,195 | — | — | — | 3,096 | 6,291 |
| Interest and other operating revenues | 8,593 | 2,801 | 342 | (205) | 3,613 | 15,144 |
| Total revenues | 649,350 | 74,857 | 342 | (205) | 154,155 | 878,499 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 37,992 | — | — | — | 4,454 | 42,446 |
| Public safety | 340,196 | — | — | — | 48,168 | 388,364 |
| Public works | 146,927 | — | — | — | 4,061 | 150,988 |
| Health and welfare | 1,790 | — | — | — | 2,263 | 4,053 |
| Cultural and recreation | 21,959 | — | — | — | 622 | 22,581 |
| Urban redevelopment and housing | 8,571 | — | — | — | 35,466 | 44,037 |
| Economic development and assistance | 9,511 | 8,000 | — | — | 24,600 | 42,111 |
| Debt service: | | | | | | |
| Redemption of bonds and notes | 418 | 59,343 | — | — | 34,032 | 93,793 |
| Interest on bonds and notes | 1,014 | 33,173 | — | — | 21,201 | 55,388 |
| Bond and note issuance costs | 1 | 202 | 160 | 2,907 | 1,717 | 4,987 |
| Operating lease payments and administration | 8 | 812 | — | — | 14,619 | 15,439 |
| Capital outlays | 48,072 | — | 114,448 | 16,893 | 46,805 | 226,218 |
| Total expenditures | 616,459 | 101,530 | 114,608 | 19,800 | 238,008 | 1,090,405 |
| Excess (deficiency) of revenues over (under) expenditures | $ 32,891 | $ (26,673) | $ (114,266) | $ (20,005) | $ (83,853) | $ (211,906) |

(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, 2010

*(In thousands)*

| | General | Revenue Debt Service | Sanitary District Capital Projects | PILOT Revenue Bonds Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| Other financing sources (uses): | | | | | | |
| Proceeds from execution of parking meter agreement | $ — | $ — | $ — | $ — | $ 20,000 | $ 20,000 |
| Sales of capital assets | 910 | — | — | — | — | 910 |
| Bonds, notes, and certificates of participation issued | — | 5,700 | 8,545 | 159,515 | 55,972 | 229,732 |
| Premium on bonds and notes issued | — | — | — | 10,483 | 610 | 11,093 |
| Transfers in | 4,275 | 42,185 | 418 | — | 61,479 | 108,357 |
| Transfers out | (82,806) | (10,413) | — | (3,054) | (12,084) | (108,357) |
| Total other financing sources (uses) | (77,621) | 37,472 | 8,963 | 166,944 | 125,977 | 261,735 |
| Net change in fund balances | (44,730) | 10,799 | (105,303) | 146,939 | 42,124 | 49,829 |
| Fund balances at beginning of year | 211,361 | 193,240 | 112,442 | — | 64,895 | 581,938 |
| Fund balances at end of year | $ 166,631 | $ 204,039 | $ 7,139 | $ 146,939 | $ 107,019 | $ 631,767 |

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, 2010

*(In thousands)*

| | |
|---|---|
| Amounts reported for governmental activities in the statement of activities (page 21) are different because: | |
| Net change in fund balances – total governmental funds (page 25) | $ 49,829 |
| Depreciation expense reported in the statement of activities but not in the fund statements | (135,221) |
| Capital outlay expenditures, exceeding capitalization threshold, reported in the fund statements but reported as additions to capital assets in the statement of activities | 197,547 |
| Donations of capital assets not recorded in the fund statements | 16,643 |
| Loss on disposal of capital assets not recorded in the fund statements | (3,210) |
| Revenues in the statement of activities that do not provide current financial resources and are deferred in the fund statements | 25,633 |
| Revenues in the fund statements but not in the current year statement of activities due to the current financial resources focus of the governmental funds | (12,046) |
| Bond and notes issued, including deferred premiums, reported as financing sources in the fund statements but as additions to long-term liabilities in the statement of activities (note 21) | (240,825) |
| 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 21) | 93,793 |
| Proceeds from parking meter agreement reported as financing sources in the fund statements but as a deferred inflow of resources in the statement of activities | (20,000) |
| Special item – termination payment not in fund statements due to liability being unmatured | (29,000) |
| Change in net assets of internal service funds reported with governmental activities | 2,457 |
| Amortization of bond premium, discount, and loss on refunding reported in the statement of activities but not in the fund statements | 2,097 |
| Increase in compensated absences that is not reported in the fund statements | (2,783) |
| Decrease in net pension asset that is not reported in the fund statements | (1,444) |
| 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 | (1,487) |
| Capital appreciation bond interest expense that is reported as interest accretes for the statement of activities but not the fund statements, as there is no cash outflow | (8,039) |
| Current year bond and note issuance costs that are deferred and amortized for the statement of activities but reported when paid in the fund statements | 4,987 |
| Accrued interest on bonds and notes payable through December 31, 2010 reported as expenses in the statement of activities but not the fund statements, net of matured interest payable | (8,548) |
| Accrued interest at December 31, 2009 not reported in the current year statement of activities but reported in the fund statements, as amounts were paid in the current year | 8,085 |
| Increase in the postemployment benefit obligation and early retirement obligation that is not reported in the fund statements | (17,737) |
| Increase in the net pension obligation that is not reported in the fund statements | (2,091) |
| Change in net assets of governmental activities (page 21) | $ (81,360) |

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

## CITY OF INDIANAPOLIS
## Statement of Net Assets
## Proprietary Funds
December 31, 2010
*(In thousands)*

| | Business-type activities – Enterprise Funds | | | Governmental activities – Internal Service Funds |
|---|---|---|---|---|
| | Waterworks | Housing Agency | Total | |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Equity in pooled cash | $ 6 | $ 4,884 | $ 4,890 | $ 7,757 |
| Cash and investments with fiscal agents | — | — | — | 17 |
| Investments | — | 1,917 | 1,917 | 3,350 |
| Accrued interest receivable | 64 | — | 64 | 3 |
| Accounts receivable, less allowance for uncollectibles of $2,625 | 17,445 | 145 | 17,590 | 62 |
| Current portion of long-term note receivable | 967 | 462 | 1,429 | — |
| Due from other funds | — | — | — | 3,530 |
| Due from federal and state governments | — | 1,950 | 1,950 | — |
| Other assets | — | 241 | 241 | — |
| Total current assets | 18,482 | 9,599 | 28,081 | 14,719 |
| Noncurrent assets: | | | | |
| Long-term notes receivable | 19,053 | 11,392 | 30,445 | — |
| Restricted cash and cash equivalents | 42,321 | 10,222 | 52,543 | — |
| Restricted investments | 13,012 | — | 13,012 | — |
| Deferred charges | 409 | — | 409 | — |
| Bond issuance costs | 15,843 | — | 15,843 | — |
| Deferred charge – postretirement benefits | 33,474 | — | 33,474 | — |
| Capital assets: | | | | |
| Land | 18,329 | 15,400 | 33,729 | — |
| Infrastructure, net of accumulated depreciation | 498,987 | — | 498,987 | — |
| Other capital assets, net of accumulated depreciation | 13,896 | 52,247 | 66,143 | — |
| Construction in progress | 68,801 | 3,529 | 72,330 | — |
| Intangible assets, net of accumulated amortization | 191,917 | — | 191,917 | — |
| Total noncurrent assets | 916,042 | 92,790 | 1,008,832 | — |
| Total assets | $ 934,524 | $ 102,389 | $ 1,036,913 | $ 14,719 |

(Continued)

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

**CITY OF INDIANAPOLIS**
**Statement of Net Assets**
**Proprietary Funds**
December 31, 2010
*(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 | $ 9,465 | $ 6,013 | $ 15,478 | $ 8,449 |
| Accounts payable – restricted assets | 3,455 | — | 3,455 | — |
| Due to other governmental units | — | 129 | 129 | — |
| FSS escrow, current | — | 306 | 306 | — |
| Accrued payroll and payroll taxes | 18 | 453 | 471 | — |
| Customer deposits | — | 99 | 99 | — |
| Leases payable, current portion | — | 162 | 162 | — |
| Interest payable | — | 6 | 6 | — |
| Short-term notes payable | 1,667 | — | 1,667 | — |
| Short-term revenue bonds payable | 4,485 | — | 4,485 | — |
| Payments in lieu of taxes | 12,694 | — | 12,694 | — |
| Unearned revenue | — | 34 | 34 | — |
| Due to other funds | 22,254 | — | 22,254 | 3,530 |
| Due to component unit | — | 1,190 | 1,190 | — |
| Total current liabilities | 54,038 | 8,392 | 62,430 | 11,979 |
| Noncurrent liabilities: | | | | |
| Compensated absences | — | 132 | 132 | — |
| Long-term notes payable | — | 10,149 | 10,149 | — |
| FSS escrow, net of current | — | 356 | 356 | — |
| Due to other governmental units | — | 1,627 | 1,627 | — |
| Lease payable, long-term portion | — | 536 | 536 | — |
| Customer advances | 14,515 | — | 14,515 | — |
| Other liabilities – unearned revenues | — | 2,206 | 2,206 | — |
| Accumulated postretirement benefit obligation | 81,139 | — | 81,139 | — |
| Long-term revenue bonds payable | 848,660 | — | 848,660 | — |
| Total noncurrent liabilities | 944,314 | 15,006 | 959,320 | |
| Total liabilities | 998,352 | 23,398 | 1,021,750 | 11,979 |
| **NET ASSETS (DEFICIT)** | | | | |
| Invested in capital assets, net of related debt | 39,328 | 60,329 | 99,657 | — |
| Restricted for Section 8 vouchers and VASH | — | 3,338 | 3,338 | — |
| Unrestricted | (103,156) | 15,324 | (87,832) | 2,740 |
| Total net assets (deficit) | $ (63,828) | $ 78,991 | $ 15,163 | $ 2,740 |

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, 2010
*(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 | $ 144,378 | $ — | $ 144,378 | $ — |
| Rental income | — | 2,775 | 2,775 | — |
| Charges to other funds | — | — | — | 19,572 |
| Other | — | 760 | 760 | — |
| Total operating revenues | 144,378 | 3,535 | 147,913 | 19,572 |
| Operating expenses: | | | | |
| Contracted operations | 49,879 | — | 49,879 | — |
| Housing assistance payments | — | 47,496 | 47,496 | — |
| Payments in lieu of taxes | 9,560 | — | 9,560 | — |
| Postretirement benefits | 7,086 | — | 7,086 | — |
| Other services and charges | 9,430 | 10,975 | 20,405 | — |
| Claims | — | — | — | 15,366 |
| Administration | 615 | 7,642 | 8,257 | 1,780 |
| Depreciation and amortization | 21,528 | 3,174 | 24,702 | — |
| Total operating expenses | 98,098 | 69,287 | 167,385 | 17,146 |
| Operating income (loss) | 46,280 | (65,752) | (19,472) | 2,426 |
| Nonoperating revenues (expenses): | | | | |
| Intergovernmental revenues | — | 61,364 | 61,364 | — |
| Interest income | 2,348 | 550 | 2,898 | 31 |
| Interest expense | (46,282) | (75) | (46,357) | — |
| Amortization of bond issuance costs | (694) | — | (694) | — |
| Gain (loss) on sales and impairment of capital assets | 8 | (1,867) | (1,859) | — |
| Other revenues (expenses) | — | 18 | 18 | — |
| Total nonoperating revenues (expenses) | (44,620) | 59,990 | 15,370 | 31 |
| Income (loss) before contributions | 1,660 | (5,762) | (4,102) | 2,457 |
| Capital contributions | 2,156 | 11,968 | 14,124 | — |
| Changes in net assets | 3,816 | 6,206 | 10,022 | 2,457 |
| Net assets (deficit), beginning of year | (67,644) | 72,785 | 5,141 | 283 |
| Total net assets (deficit), ending | $ (63,828) | $ 78,991 | $ 15,163 | $ 2,740 |

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

**CITY OF INDIANAPOLIS**
**Statement of Cash Flows**
**Proprietary Funds**
Year ended December 31, 2010
*(In thousands)*

| | Business-type activities – Enterprise Funds | | | Governmental activities – Internal Service Funds |
|---|---|---|---|---|
| | Waterworks | Housing Agency | Total Enterprise Funds | |
| Cash flows from operating activities: | | | | |
| Rental receipts | $ — | $ 2,809 | $ 2,809 | $ — |
| Receipts from users | — | — | — | 16,001 |
| Other operating receipts | — | 652 | 652 | — |
| Nonoperating receipts, net | — | 18 | 18 | — |
| Receipts from water sales | 140,339 | — | 140,339 | — |
| Receipts from interfund services provided | 781 | — | 781 | — |
| Cash payments to employees | (577) | (7,156) | (7,733) | — |
| Cash payments to suppliers of goods and services | (76,533) | (7,179) | (83,712) | (14,709) |
| Housing assistance payments | — | (47,496) | (47,496) | — |
| Payments in lieu of taxes | (18,522) | — | (18,522) | — |
| Payments for postretirement benefits | (2,690) | — | (2,690) | — |
| Tenant security and other deposits | (566) | 78 | (488) | — |
| Net cash provided by (used in) operating activities | 42,232 | (58,274) | (16,042) | 1,292 |
| Cash flows from noncapital financing activities: | | | | |
| Advances from other funds | 1,364 | — | 1,364 | — |
| Intergovernmental revenues received | — | 66,430 | 66,430 | — |
| Net cash provided by noncapital financing activities | 1,364 | 66,430 | 67,794 | — |
| Cash flows from capital and related financing activities: | | | | |
| Purchases and construction of capital assets | (33,151) | (31,650) | (64,801) | — |
| Contributions in aid of construction | 9 | 12,031 | 12,040 | — |
| Proceeds from sales of capital assets | 4 | — | 4 | — |
| Receipts on long-term note receivable | 915 | — | 915 | — |
| Proceeds of issuance of loans | — | 10,149 | 10,149 | — |
| Interest paid on capital debt | (47,255) | (77) | (47,332) | — |
| Payments on revenue bonds | (9,950) | — | (9,950) | — |
| Payments on capital leases | — | (154) | (154) | — |
| Proceeds from ground lease | — | 2,215 | 2,215 | — |
| Net cash used in capital and related financing activities | (89,428) | (7,486) | (96,914) | — |
| Cash flows from investing activities: | | | | |
| Long-term receivables issued | — | (1,665) | (1,665) | — |
| Sales and maturities of investments | — | — | — | 2,775 |
| Investment purchases | — | (2) | (2) | (3,350) |
| Interest on cash and investments | 2,381 | 62 | 2,443 | 31 |
| Net cash provided by (used in) investing activities | 2,381 | (1,605) | 776 | (544) |
| Net increase (decrease) in cash and cash equivalents | (43,451) | (935) | (44,386) | 748 |
| Cash and cash equivalents, beginning of year | 85,778 | 16,041 | 101,819 | 7,026 |
| Cash and cash equivalents, end of year | $ 42,327 | $ 15,106 | $ 57,433 | $ 7,774 |

(Continued)

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

# CITY OF INDIANAPOLIS
## Statement of Cash Flows
## Proprietary Funds
Year ended December 31, 2010

*(In thousands)*

| | Business-type activities – Enterprise Funds | | | Governmental |
|---|---|---|---|---|
| | Waterworks | Housing Agency | Total Enterprise Funds | activities – Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | $ 46,280 | $ (65,752) | $ (19,472) | $ 2,426 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization expense | 21,528 | 3,174 | 24,702 | — |
| Provision for uncollectible accounts | 333 | — | 333 | — |
| Change in assets and liabilities: | | | | |
| Accounts receivable | (3,377) | 34 | (3,343) | (3,571) |
| Other assets | — | (107) | (107) | — |
| Deferred charge – postretirement benefit | (6,694) | — | (6,694) | — |
| Accounts payable and other accrued liabilities | (17,538) | 4,286 | (13,252) | 2,437 |
| FSS escrow | — | 73 | 73 | — |
| Accrued payroll and payroll taxes | (2) | 84 | 82 | — |
| Compensated absences | — | (88) | (88) | — |
| Customer deposits | — | 22 | 22 | — |
| Payments in lieu of taxes | (8,962) | — | (8,962) | — |
| Customer advances | (566) | — | (566) | — |
| Due to other funds | 140 | — | 140 | — |
| Accumulated postretirement benefit obligation | 11,090 | — | 11,090 | — |
| Net cash provided by (used in) operating activities | $ 42,232 | $ (58,274) | $ (16,042) | $ 1,292 |
| Supplemental cash flow information: | | | | |
| Noncash transactions: | | | | |
| Contributions of capital assets | $ 2,156 | $ — | $ 2,156 | $ — |

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

## CITY OF INDIANAPOLIS
### Fiduciary Funds
### Statement of Fiduciary Net Assets
December 31, 2010

*(In thousands)*

| | Police and Firefighters Pension Trust Funds | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Equity in pooled cash | $ 954 | $ 13,630 |
| Investments (U.S. government agencies) | 457 | 5,097 |
| Accrued interest receivable | 2 | 5 |
| Accounts receivable | — | 201 |
| Total assets | 1,413 | $ 18,933 |
| **LIABILITIES** | | |
| Accounts payable and other accrued liabilities | 27 | $ 18,933 |
| Total liabilities | 27 | $ 18,933 |
| **NET ASSETS** | | |
| Held in trust for pension benefits | $ 1,386 | |

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 Firefighter Pension Trust Funds**
Year ended December 31, 2010
*(In thousands)*

| | | Police and Firefighters Pension Trust Funds |
|---|---|---|
| **ADDITIONS** | | |
| State of Indiana pension subsidy received from the General Fund | $ | 58,312 |
| Interest income and other | | 59 |
| | | 58,371 |
| **DEDUCTIONS** | | |
| Benefits | | 58,271 |
| Total deductions | | 58,271 |
| Change in plan net assets | | 100 |
| Net assets – beginning | | 1,286 |
| Net assets – ending | $ | 1,386 |

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.

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, 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.

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 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, Insight Development Corporation, Inc. ("Insight") (formerly known as Partners for Affordable Housing, Inc.), which is legally separate from the Housing Agency and which is exempt from federal income tax under Section 501(c)(3). The purpose of Insight is to foster low-income housing in and around Indianapolis. Insight has as its sole member the Housing Agency and its board consists of six members, two of which are Housing Agency board members. Insight is included as a discretely presented 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. The Housing Agency and Insight issue separate financial statements, which can be obtained by writing to Indianapolis Housing Agency, 1919 North Meridian Street, Indianapolis, Indiana 46202.

The City's financial reporting entity includes the Circle Area Community Development Corporation, which was incorporated on July 22, 1997 and is reported as a blended component unit. The purpose of the Corporation is to benefit, perform, and carry out the charitable, educational, and other public purposes of the City. The specific purpose includes to encourage, support, and assist in activities, projects and programs that promote the social welfare, beautify the public areas, and improve the effectiveness of infrastructure and foster, develop, and maintain economic development and rehabilitation in and around downtown Indianapolis.

### 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 discretely presented 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 local 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. Local income tax held by the State of Indiana ("State") is not recorded as revenue until amounts are approved for distribution by the State since the amounts are not estimable until that time. 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. 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.

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 *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 *PILOT revenue bonds capital projects fund* accounts for all the resources accumulated and payments made for construction, renovation, rehabilitation, and installation of certain improvements to the City's public roads, street and sidewalks, and other public facilities.

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, auto liability, and health 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 moneys 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 18). The City records expenditures for pension obligations as payments are made to pensioners or to the State of Indiana for state-administered plans

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, 2010 amount to $673. 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, 2010, the City has $50,982 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 involve 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 statute 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. An individual fund's negative position in the pool is reflected as an interfund liability.

**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, 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 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 $32,978 at December 31, 2010, 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 $11,370. Restricted assets at December 31, 2010 also include $10,985 of unspent Waterworks bond proceeds that are restricted for the construction of certain capital assets.

Restricted assets of the Housing Agency amounted to $10,222 at December 31, 2010 and relate to tenant deposits in the amount of $99, funds held in the Family Self-Sufficiency (“FSS”) Escrow in the amount of $662, overdraws of Section 8 Housing Assistance and Veterans Affairs Supportive Housing funds in the amount of $3,338, which are to be applied to subsequent years voucher/program payments, proceeds committed to various low-income housing capital projects in the amount of $2,752, and reserve accounts per terms of regulatory and operating partnership agreements in the amount of $3,371.

### 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, 2010, the intangible asset is $191,917, which is net of accumulated amortization of $53,083. Refer to Note 2 for Waterworks disclosure of asset purchase agreement.

### 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 asset lives are not capitalized.

<u>Governmental Activities</u>

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”).

Beginning January 1, 2010, assets such as computer software and easements are required to be reported as capital assets under GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. All permanent easements have historically been capitalized. Other intangible assets are capitalized if the historical cost or donated value is $100 or greater. The City has chosen not to report retroactively to 1980 intangible assets having indefinite useful lives and those considered to be internally generated, except for certain computer software and right-of-way easements to which recognition criteria could be effectively applied.

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, and 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. Depreciation lives are as follows (not in thousands):

| | |
|---|---|
| Buildings | 25 to 40 years individual depreciation |
| Building and site improvements | 20 years individual depreciation |
| Equipment and vehicles | 3 to 10 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 2010.

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 or loss on sale of capital assets.

Property not currently used in utility operations is included in other capital assets. Refer to Note 2 regarding disclosure of Waterworks asset purchase agreement.

**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, 2010, total customer advances amount to

$13,412, which includes the remaining original amount recorded upon purchase in addition to customer advances recorded since that date. Additionally customer accounts receivable that reflect a negative or "credit" balance on December 31, 2010 are also reported as customer advances. The amount of these credit balances at December 31, 2010 was $1,103.

In addition, the City historically 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 $52,611 at December 31, 2010 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 2010 amounted to $1,736.

**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 2010 property taxes were levied based on assessed valuations determined by the Auditor as of the 2009 assessed valuations, which were adjusted for estimated appeals, tax credits, and deductions. The lien date for the 2010 property taxes was March 1, 2009 (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. In 2010, first half of the year 2010 taxes were due and payable to the Treasurer in May 2010. Second half of the year 2010 taxes were due and payable to the Treasurer in November 2010. Property taxes outstanding at December 31, 2010, net of allowance for uncollectible accounts, are recorded as a receivable in the governmental fund and government-wide financial statements. However, for the governmental fund financial statements, all property tax receivable amounts are recorded as deferred revenues.

**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 $5,511 at December 31, 2010. 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 $6,021 at December 31, 2010.

**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, a high deductible health insurance plan, general liability (excluding certain other catastrophes), 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.

(In thousands)

The change in claims for 2009 and 2010, including an estimate of incurred but not reported claims, is as follows:

| | Auto liability reserve | Workers' compensation | Public liability self-insurance | Employee health insurance | Total |
|---|---|---|---|---|---|
| Unpaid claims, December 31, 2008 | $ 650 | $ 1,993 | $ 2,358 | $ — | $ 5,001 |
| Incurred claims and changes in estimates | 534 | 4,050 | 3,571 | 7,674 | 15,829 |
| Claims paid | (385) | (4,117) | (2,416) | (6,402) | (13,320) |
| Unpaid claims, December 31, 2009 | 799 | 1,926 | 3,513 | 1,272 | 7,510 |
| Incurred claims and changes in estimates | 11 | 4,417 | 3,495 | 7,321 | 15,244 |
| Claims paid | (260) | (4,476) | (2,028) | (7,541) | (14,305) |
| Unpaid claims, December 31, 2010 | $ 550 | $ 1,867 | $ 4,980 | $ 1,052 | $ 8,449 |

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.

Beginning in 2009, the City elected to become self-insured for a high deductible health insurance plan that is offered to current and eligible retired employees. There is a $100 stop-loss coverage for each employee per annum. The City has contracted with a third party to service its health insurance claims. The City records a liability for the estimated outstanding claims at year-end in the self-insurance fund, which 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.

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.

Housing Agency

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. 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 paid total premiums in 2010 of $690. The Housing Agency enterprise fund has an investment of $212 in the Group at December 31, 2010. 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. 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.

Waterworks

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, 2010.

**Q. 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.

**R. 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.

**S. 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.

**T. 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.

**U. 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.

**V. 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 PIH 2006-03 to require the presentation of Section 8 overdraws as restricted net assets. At December 31, 2010, net assets restricted for future Section 8 payments were $3,338.

The Housing Agency in 2005 and 2007 entered into agreements with HUD to repay Section 8 overdraws. The Housing Agency and HUD have agreed to follow the repayment plans and exclude the underlying liability from the treatment required by PIH 2006-03.

**W. Deferred Inflow of Resources**

In 2010, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangement*. The City records upfront payments received under concession arrangements as an other financing source in the statement of revenues, expenditures, and changes in fund balance of the nonmajor governmental funds and as a deferred inflow of resources on the government-wide statement of net assets. The deferred inflow of resources will be amortized using the straight-line method over the term of the agreement.

**X. 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."

**Y. Future Adoption of Accounting Pronouncements**

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* Statement No. 59, *Financial Instruments Omnibus,* Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34,* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The City intends to implement these GASB statements on their respective effective dates.

## 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, Liberty Water Corporation was sold in 2005, 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 304 customers (approximately eight hundred twenty-two thousand people) are 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.

On August 11, 2010, the City entered into two Asset Purchase Agreements with Citizens Energy Group ("CEG") to sell the City's water utility and the wastewater collection and treatment facilities. The primary assets to be sold include the Waterworks production and distribution systems, and the wastewater collection and treatment system, including the advanced wastewater treatment facilities. The agreements contemplate a number of financing transactions including an assumption/funding of all outstanding debt related to revenue bonds for the sanitary district and waterworks, an additional Payment in Lieu of Taxes from the wastewater system on an ongoing basis, and a cash payment at closing. CEG is governed by a five-member board of trustees and seven-member board of directors. The board of directors and trustees are fully accountable to state and local elected officials and regulators including the Indiana Utility Regulatory Commission ("IURC") and Indiana Department of Environmental Management. On July 26, 2010, the Council approved the sale. On August 11, 2010, a petition was filed with the IURC seeking approval of the transaction. The IURC assigned Cause No. 43936 to the transfer petition, and on August 27, 2010, the case in chief of the petitioner was filed for review. On July 13, 2011, the IURC approved the sale of the City's water utility and the wastewater collection and treatment facilities to CEG.

On October 20, 2010, Veolia, the City, and the Department of Public Utilities for the City of Indianapolis, d/b/a CEG, signed a settlement agreement to transfer management and operations of the City's water utility and wastewater collection and treatment facilities to CEG. The management agreement between Veolia and the City for the operation and maintenance of the waterworks system was terminated effective September 30, 2010. With the termination of the management agreement, Veolia is entitled to a termination payment of $29,000, which was mutually agreed upon by all parties, and such amount has been accrued as an other liability in the government-wide financial statements and as a special item on the statement of activities. The termination payment is not contingent on closing the sale and will be paid from the General Fund. The termination payment is accrued in the government-wide financial statements only because it is not a matured liability and thus is not recognized under the modified accrual basis of accounting. The termination payment is subject to a credit of 7.5% of the cost of all capital projects awarded to Veolia during the transition period in accordance with the settlement agreement and in accordance with the terms of the settlement agreement. The fee paid to Veolia during the transition period per the settlement agreement was set at $3,500 for October 2010, $4,500 for November 2010 through March 2011, and $5,500 for April through August 2011.

(In thousands)

**3. Cash and Investments**

A summary of all cash and investments for the primary government at December 31, 2010 including a reconciliation to the financial statement amounts is as follows:

| | Primary government (excluding Housing Agency) | Housing Agency | Total |
|---|---|---|---|
| Cash and investments | $ 403,072 | $ 6,801 | $ 409,873 |
| Cash and investments with fiscal agents | 393,458 | — | 393,458 |
| Restricted assets | 55,333 | 10,222 | 65,555 |
| Cash and investments – Fiduciary Funds | 20,138 | — | 20,138 |
| Total cash and investments | $ 872,001 | $ 17,023 | $ 889,024 |

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, 2010, funds were invested as follows (excluding Housing Agency):

| | | Investment maturities (in years) | | |
|---|---|---|---|---|
| **Investment type** | **Fair value** | **Less than 1** | **1-5** | **Greater than 10** |
| Federal Farm Credit Bank | $ 19,991 | — | 19,991 | — |
| Federal Home Loan Bank | 138,556 | 108,372 | 30,184 | — |
| Federal Home Loan Mortgage Corporation | 45,000 | — | 45,000 | — |
| Federal National Mortgage Association | 40,000 | 10,000 | 30,000 | — |
| United States Treasury Notes | 39,255 | 29,272 | 9,983 | — |
| Government Backed: | | | | |
| Guaranteed Investment Contracts | 14,076 | — | 1,064 | 13,012 |
| Money Market Funds | 185,172 | 185,172 | — | — |
| Repurchase Agreements | 129,926 | 129,926 | — | — |
| Mutual Funds | 29,953 | 29,953 | — | — |
| Commercial Paper | 14,632 | 14,632 | — | — |
| Corporate Notes | 9,979 | 9,979 | — | — |
| State External Investment Pool – TrustINdiana | 50,982 | 50,982 | — | — |
| | $ 717,522 | $ 568,288 | $ 136,222 | $ 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 two 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, 2010 amounted to $154,479.

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 that are rated to be rated in the three highest ratings categories by Moody's Investor Service ("Moody's"), Standard & Poor's Corporation ("Standard & Poor's"), or Fitch's Ratings Service ("Fitch").

(In thousands)

Investments were rated as follows by Moody's, Standard & Poor's, or Fitch at December 31, 2010:

| Investment type | | Fair value | Rating |
|---|---|---|---|
| Federal Farm Credit Bank | $ | 19,991 | AAA |
| Federal Home Loan Bank | | 138,556 | AAA |
| Federal Home Loan Mortgage Corporation | | 45,000 | AAA |
| Federal National Mortgage Association | | 40,000 | AAA |
| United States Treasury Notes | | 39,255 | AAA |
| Government Backed: | | | |
| Guaranteed Investment Contracts | | 14,076 | Not Rated |
| Money Market Funds | | 185,172 | AAA |
| Repurchase Agreements | | 129,926 | A-1+/P-1/F1+ |
| Mutual Funds | | 29,953 | AAA |
| Commercial Paper | | 14,632 | A-1+/P-1 |
| Corporate Notes | | 9,979 | Not Rated |
| State External Investment Pool – TrustINdiana | | 50,982 | Not Rated |
| | $ | 717,522 | |

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, 2010, 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 $242,597, 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, 2010.

(In thousands)

**Housing Agency**

A summary of all cash and investments for the Housing Agency at December 31, 2010 is as follows:

| | Carrying value |
|---|---|
| Cash | $ 4,884 |
| Investments | 1,917 |
| Restricted cash and cash equivalents | 10,222 |
| Total cash and investments | $ 17,023 |

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. Demand deposits are fully insured by the Federal Depository Insurance Corporation ("FDIC") 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 Agency has one certificate of deposit with a six-month maturity valued at $1,917 at December 31, 2010. The certificate of deposit had a Standard & Poor credit rating of A-1, a Moody's credit rating of P-1, and a Fitch credit rating of F1+.

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 Agency has one certificate of deposit with a six-month maturity valued at $1,917 at December 31, 2010.

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, 2010 is as follows:

| | | Carrying value |
|---|---|---|
| On deposit: | | |
| Insured by FDIC | $ | 1,268 |
| Insured by Indiana Public Deposits Insurance Fund | | 10,395 |
| Uninsured | | 3,443 |
| | $ | 15,106 |

(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 | $ 30,983 | $ 11,812 | $ 2,109 | $ 44,904 |
| Revenue debt service | — | 9 | — | 9 |
| Sanitary district capital projects | 853 | — | 326 | 1,179 |
| Other nonmajor governmental | 265 | 664 | 10,072 | 11,001 |
| Internal service | 62 | — | — | 62 |
| Total receivables | 32,163 | 12,485 | 12,507 | 57,155 |
| Allowance for uncollectible accounts | (5,475) | — | — | (5,475) |
| Total governmental activities | $ 26,688 | $ 12,485 | $ 12,507 | $ 51,680 |
| Amounts not scheduled for collection during the subsequent year | $ — | $ — | $ — | $ — |
| **Business-type activities:** | | | | |
| Waterworks | $ 20,070 | $ — | $ — | $ 20,070 |
| Allowance for uncollectible accounts | (2,625) | — | — | (2,625) |
| Total receivables | 17,445 | — | — | 17,445 |
| Housing Agency | 145 | | | 145 |
| Total business-type activities | $ 17,590 | $ — | $ — | $ 17,590 |
| Amounts not scheduled for collection during the subsequent year | $ — | $ — | $ — | $ — |

Accounts receivable includes amounts due from other governments, which represents local income tax and other taxes (excluding property taxes).

(In thousands)

**5. Due from Federal and State Governments**

Amounts due at December 31, 2010 were as follows:

| | Governmental activities | | | Business-type activities |
|---|---|---|---|---|
| | **General** | **Revenue debt service** | **Other nonmajor governmental** | **Housing Agency** |
| Reimbursements under federal grants from: | | | | |
| U.S. Department of Housing and Urban Development (HUD) | $ — | 403 | $ 7,935 | $ 1,318 |
| U.S. Department of Justice (DOJ) | 34 | — | 2,776 | 411 |
| Environmental Protection Agency (EPA) | — | — | 10 | — |
| U.S. Department of Transportation (DOT) | — | — | 2,244 | — |
| Federal Emergency Management Agency (FEMA) | — | — | 132 | — |
| U.S. Department of Education (DOE) | — | — | 128 | — |
| U.S. Department of Homeland Security (DHS) | — | — | 5,814 | — |
| Due from State of Indiana grants | 107 | — | 262 | 221 |
| | $ 141 | $ 403 | $ 19,301 | $ 1,950 |

At December 31, 2010, the City had available lines of credit or grant authorizations from HUD totaling $16,949.

**6. Long-term Receivables**

**A.** Long-term receivables as of December 31, 2010 consist of the following:

Governmental Activities

The City has U.S. Department of Housing and Urban Development ("HUD") loans outstanding at December 31, 2010 of $25,505 including accrued interest of $5,044. The City has provided a reserve of $24,193 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.

(In thousands)

Housing Agency

The Housing Agency has long-term loans receivable outstanding at December 31, 2010. 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.

| | Business-type activities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Housing Agency | | | | | | |
| | **Interest rate** | **Principal** | **Accrued interest** | **Unamortized discount** | **Allowance for loan loss** | **Net loans receivable** | **Maturity date** |
| Red Maple Grove Phase I | 4.84 % | $ 347 | $ 131 | $ — | $ — | $ 478 | 6/30/2044 |
| Red Maple Grove Phase IIA – Perm A and B | 0.00 – 5.36 | 3,876 | 153 | (2,654) | — | 1,375 | 12/31/2047 |
| Red Maple Grove Phase IIB – Perm A and B | 0.00 – 5.25 | 4,088 | 256 | (1,722) | — | 2,622 | 12/31/2049 |
| Georgetown IHA Partners II | 4.90 | 5,067 | 781 | — | — | 5,848 | 12/31/2055 |
| Tibbs I | 0.00 | 200 | — | — | (200) | — | 9/14/2036 |
| Tibbs II | 5.74 | 300 | — | — | (300) | — | 9/14/2038 |
| 16 Park, LP – Capital | 5.00 | 1,059 | 10 | — | — | 1,069 | 12/31/2060 |
| Trail Side | 0.00 | 462 | — | — | — | 462 | 1/31/2011 |
| Red Maple Grove – Second Mortgages | 0.00 | 229 | — | — | (229) | — | N/A |
| | | $ 15,628 | $ 1,331 | $ (4,376) | $ (729) | $ 11,854 | |

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 19 years. At December 31, 2010, the net present value of the extended payments due under the terms of this agreement is approximately $18,989. An effective interest rate of 4.88% was used to present value the note receivable.

A long-term note receivable with the Brown County Water Utility was acquired as part of the 2002 asset purchase of the Waterworks. The original amount of the note receivable was $2,250 and represented the cost of the water system modifications made to bring water to Brown County. The payment terms call for monthly payments of $22 for 25 years through January 2022. At December 31, 2010, the net present value of the extended payments due under the terms of this agreement is $1,697. An effective interest rate of 11% was used to calculate the present value of the note receivable. Brown County Water Utility is contesting the validity of this agreement. Due to the uncertainty of the outcome of this dispute, the Waterworks has elected to establish an allowance for this receivable in the amount $666 but will undertake all appropriate actions to collect amounts due under the agreement. At December 31, 2010, the note receivable in the net amount of $1,031 is recorded within long-term notes receivable within the financial statements.

(In thousands)

The future payments to be received under these agreements are as follows.

| | | Business-type activities |
|---|---|---|
| | | Waterworks |
| 2011 | $ | 2,064 |
| 2012 | | 2,064 |
| 2013 | | 2,064 |
| 2014 | | 2,064 |
| 2015 | | 2,064 |
| 2016 – 2020 | | 10,168 |
| 2021 – 2025 | | 9,443 |
| Total payments | | 29,931 |
| Less: net present value of interest earnings | | 9,245 |
| | | 20,686 |
| Less: current portion | | (967) |
| Less: allowance for uncollectibles | | (666) |
| Total long-term notes receivable | $ | 19,053 |

**B.** Long-term pledge receivable:

As of December 31, 2010, the City had a long-term pledge receivable amount outstanding of $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).

(In thousands)

## 7. Capital Assets

Following is a summary of changes in capital assets for the year ended December 31, 2010:

| | Balance, January 1, 2010 | Additions | Reductions | Balance, December 31, 2010 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 45,791 | $ 3,694 | $ 64 | $ 49,421 |
| Construction in progress | 133,055 | 160,298 | 35,041 | 258,312 |
| | 178,846 | 163,992 | 35,105 | 307,733 |
| Capital assets being depreciated: | | | | |
| Buildings | 784,381 | 6,142 | 539 | 789,984 |
| Improvements | 155,080 | 1,940 | — | 157,020 |
| Equipment | 148,693 | 32,592 | 11,351 | 169,934 |
| Infrastructure | 3,532,409 | 43,103 | 36,786 | 3,538,726 |
| | 4,620,563 | 83,777 | 48,676 | 4,655,664 |
| Less accumulated depreciation: | | | | |
| Buildings | 388,293 | 23,791 | 296 | 411,788 |
| Improvements | 73,226 | 4,502 | — | 77,728 |
| Equipment | 88,388 | 15,792 | 11,168 | 93,012 |
| Infrastructure | 2,281,514 | 91,136 | 35,529 | 2,337,121 |
| Total accumulated depreciation | 2,831,421 | 135,221 | 46,993 | 2,919,649 |
| Total capital assets being depreciated, net | 1,789,142 | (51,444) | 1,683 | 1,736,015 |
| Governmental activities capital assets, net | $ 1,967,988 | $ 112,548 | $ 36,788 | $ 2,043,748 |

(In thousands)

| | Balance, January 1, 2010 | Additions | Reductions | Balance, December 31, 2010 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| **Waterworks** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 18,107 | $ 222 | $ — | $ 18,329 |
| Construction in progress | 87,034 | 29,723 | 47,956 | 68,801 |
| Total capital assets not being depreciated | 105,141 | 29,945 | 47,956 | 87,130 |
| Capital assets being depreciated: | | | | |
| Water distribution and treatment system | 924,162 | 53,037 | 501 | 976,698 |
| Equipment | 24,624 | 282 | — | 24,906 |
| Total capital assets being depreciated | 948,786 | 53,319 | 501 | 1,001,604 |
| Less accumulated depreciation: | | | | |
| Water distribution and treatment system | 253,360 | 20,780 | 501 | 273,639 |
| Equipment | 10,030 | 980 | — | 11,010 |
| Total accumulated depreciation | 263,390 | 21,760 | 501 | 284,649 |
| Less acquisition adjustment | 156,295 | — | 4,834 | 151,461 |
| Less contributions in aid of construction (note 1.K) | 54,338 | 9 | 1,736 | 52,611 |
| Total capital assets being depreciated, net | 474,763 | 31,550 | (6,570) | 512,883 |
| Total Waterworks | $ 579,904 | $ 61,495 | $ 41,386 | $ 600,013 |
| **Housing Agency** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 19,309 | $ 59 | $ 3,968 | $ 15,400 |
| Construction in progress | 3,726 | — | 197 | 3,529 |
| Total capital assets not being depreciated | 23,035 | 59 | 4,165 | 18,929 |
| Capital assets being depreciated: | | | | |
| Buildings | 122,617 | 35,335 | 63,954 | 93,998 |
| Equipment | 5,848 | 344 | 2,471 | 3,721 |
| Total capital assets being depreciated | 128,465 | 35,679 | 66,425 | 97,719 |
| Less accumulated depreciation: | | | | |
| Buildings | 93,480 | 2,898 | 54,002 | 42,376 |
| Equipment | 4,631 | 276 | 1,811 | 3,096 |
| Total accumulated depreciation | 98,111 | 3,174 | 55,813 | 45,472 |
| Total capital assets being depreciated, net | 30,354 | 32,505 | 10,612 | 52,247 |
| Total Housing Agency | 53,389 | 32,564 | 14,777 | 71,176 |
| Business-type activities capital assets, net | $ 633,293 | $ 94,059 | $ 56,163 | $ 671,189 |

(In thousands)

Following is a summary of changes in intangible assets for the year ended December 31, 2010 (see note 1.I for additional information):

| | Balance, January 1, 2010 | Additions | Reductions | Balance, December 31, 2010 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Waterworks | | | | |
| Intangible assets | $ 198,042 | $ — | $ 6,125 | $ 191,917 |

Total depreciation and amortization expense for Waterworks of $21,528 reported on the proprietary funds statement of revenue, expenses, and changes in fund net assets consists of depreciation expense of $21,760, amortization expense of $6,125 for intangible assets, and amortization expense of $213 of deferred charges and is offset by negative amortization of $6,570 for the acquisition adjustment and contributions in aid of construction.

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

| | |
|---|---|
| **Governmental activities:** | |
| General government | $ 661 |
| Public safety | 13,592 |
| Public works | 108,845 |
| Health and welfare | 17 |
| Cultural and recreation | 5,057 |
| Urban redevelopment and housing | 4,311 |
| Economic development and assistance | 3,098 |
| | $ 135,581 |
| **Business-type activities:** | |
| Waterworks | $ 21,760 |
| Housing Agency | 3,174 |
| | $ 24,934 |

(In thousands)

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 $3,696 in 2010. Construction in progress at December 31, 2010 consists of several ongoing projects. These types of projects include but are not limited to regulatory upgrades, source water expansion, security upgrades, process improvements, and infrastructure improvements. At December 31, 2010, the City's commitments related to construction in progress are composed of the following:

| | Authorized | Accrued expenditures through December 31, 2010 | Committed |
|---|---|---|---|
| Department of Parks and Recreation | $ 4,226 | $ 2,537 | $ 1,689 |
| Department of Public Safety | 4,565 | 1,521 | 3,044 |
| Department of Public Works | 410,080 | 249,197 | 160,883 |
| Department of Metropolitan Development | 10,063 | 5,057 | 5,006 |
| Total governmental activities | $ 428,934 | $ 258,312 | $ 170,622 |
| Waterworks | $ 82,308 | $ 68,801 | $ 13,507 |
| Total business-type activities | $ 82,308 | $ 68,801 | $ 13,507 |

During 2010, the Housing Agency sold several properties to Indiana Limited Partnerships which were formed to develop, rehabilitate, own, maintain, and operate these developments. The Partnerships have received allocations of low-income housing tax credits from the State of Indiana. The Partnerships have entered into contracts with general contractors and at December 31, 2010, remaining contract commitments were $32,700.

(In thousands)

## 8. Accounts Payable and Other Current Liabilities Disaggregation

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 | $ 26,336 | $ 119 | $ — | $ 1,771 | $ 95 | $ 26,766 | $ 1,614 | $ 56,701 |
| Revenue debt service | — | — | 14,347 | — | — | — | — | 14,347 |
| Sanitary district capital projects | 12,930 | — | — | — | — | — | — | 12,930 |
| PILOT revenue bonds capital projects | 9,537 | — | — | — | — | — | — | 9,537 |
| Other nonmajor governmental | 12,662 | 5,000 | — | 599 | — | 190 | 188 | 18,639 |
| Internal service | — | — | — | — | 8,449 | — | — | 8,449 |
| | 61,465 | 5,119 | 14,347 | 2,370 | 8,544 | 26,956 | 1,802 | 120,603 |
| Adjustment to government-wide | — | — | — | — | (1,134) | — | — | (1,134) |
| Total governmental activities | $ 61,465 | $ 5,119 | $ 14,347 | $ 2,370 | $ 7,410 | $ 26,956 | $ 1,802 | $ 119,469 |
| Accounts not scheduled for payment during the subsequent year | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Business-type activities: | | | | | | | | |
| Waterworks | $ 12,920 | $ — | $ — | $ — | $ — | $ 18 | $ — | $ 12,938 |
| Housing Agency | 6,013 | — | — | — | — | 453 | — | 6,466 |
| Total business-type activities | $ 18,933 | $ — | $ — | $ — | $ — | $ 471 | $ — | $ 19,404 |
| Accounts not scheduled for payment during the subsequent year | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |

The adjustment to government-wide amount of $1,134 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 $16,312 for governmental activities and $370 for business-type activities in 2010. The minimum future payments as of December 31, 2010 on these operating leases are as follows:

| | Governmental activities | Business-type activities Housing Agency |
|---|---|---|
| 2011 | $ 16,105 | $ 275 |
| 2012 | 15,875 | — |
| 2013 | 15,827 | — |
| 2014 | 15,765 | — |
| 2015 | 15,736 | — |
| 2016 – 2020 | 18,665 | — |
| 2021 – 2025 | 537 | — |
| 2026 – 2030 | 455 | — |
| 2031 – 2035 | 329 | — |
| Total future payments | $ 99,294 | $ 275 |

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 2010 amounted to $14,218.

Housing Agency

The Housing Agency leases its main office under an operating lease; the office lease term was extended in 2010 until September 2011. Subsequent to 2010, the Housing Agency has entered into an agreement to purchase this property for $2,075 pending financing.

Subsequent to 2010, the Housing Agency has entered into leases for office equipment and vehicles with total financing of approximately $465.

(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 cost of the leased property is $2,655. As of December 31, 2010, the leased property had a carrying amount of $2,251 and current year depreciation of $55. These properties are leased for terms generally ranging from 5 to 50 years. Total rental income amounted to $701 in 2010.

The minimum future rental income to be received as of December 31, 2010 on these operating leases is as follows:

| | Governmental activities |
|---|---|
| 2011 | $ 621 |
| 2012 | 549 |
| 2013 | 416 |
| 2014 | 391 |
| 2015 | 391 |
| 2016 – 2020 | 729 |
| 2021 – 2025 | 614 |
| 2026 – 2030 | 614 |
| 2031 – 2035 | 614 |
| Total future receipts | $ 4,939 |

### 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. As of July 2011, the renewal option has not been exercised. 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 2010, the City was required to contribute additional subsidies to the Market of $244.

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, 2010:

| | Balance, January 1, 2010 | Additions | Reductions | Balance, December 31, 2010 | Due within one year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds payable | $ 293,756 | $ 1,073 | $ 28,929 | $ 265,900 | $ 27,681 |
| Tax increment bonds payable | 517,964 | 36,587 | 18,459 | 536,092 | 25,870 |
| Revenue bonds payable | 590,715 | 168,059 | 30,090 | 728,684 | 29,103 |
| Deferred amounts: | | | | | |
| Less: Deferred discounts | (450) | — | (17) | (433) | — |
| Loss on refunding | (7,874) | — | (873) | (7,001) | — |
| Plus: Deferred premiums | 23,980 | 11,093 | 2,987 | 32,086 | — |
| Total bonds payable | 1,418,091 | 216,812 | 79,575 | 1,555,328 | 82,654 |
| Notes payable and certificates of participation | 25,816 | 32,052 | 16,533 | 41,335 | 8,561 |
| Net pension obligation | 384,278 | 64,662 | 61,347 | 387,593 | — |
| Postemployment benefit obligation | 43,196 | 17,626 | 1,647 | 59,175 | — |
| Early retirement obligation | — | 1,758 | — | 1,758 | 879 |
| Compensated absences | 28,531 | 30,063 | 27,280 | 31,314 | 14,303 |
| Settlements payable – internal service fund | 1,134 | 113 | 113 | 1,134 | 113 |
| Total governmental activities | $ 1,901,046 | $ 363,086 | $ 186,495 | $ 2,077,637 | $ 106,510 |
| **Business-type activities:** | | | | | |
| Waterworks: | | | | | |
| Revenue bonds | $ 915,655 | $ — | $ 11,690 | $ 903,965 | $ 4,485 |
| Less: Loss on refunding | (60,269) | — | (2,871) | (57,398) | — |
| Deferred discounts | (14,537) | — | (322) | (14,215) | — |
| Plus: Deferred premiums | 22,246 | — | 1,453 | 20,793 | — |
| Total bonds payable | 863,095 | — | 9,950 | 853,145 | 4,485 |
| Notes payable | 1,667 | — | — | 1,667 | 1,667 |
| Customer advances | 15,081 | 938 | 1,504 | 14,515 | — |
| Accumulated postretirement benefit obligation | 70,049 | 14,006 | 2,916 | 81,139 | — |
| Housing Agency: | | | | | |
| Capital leases payable | 852 | — | 154 | 698 | 162 |
| Notes payable | — | 10,149 | — | 10,149 | — |
| FSS escrow | 589 | 208 | 135 | 662 | 306 |
| Due to other governmental units | 1,849 | 36 | 129 | 1,756 | 129 |
| Unearned revenues | — | 2,250 | 10 | 2,240 | 34 |
| Compensated absences | 235 | 220 | 323 | 132 | — |
| Total business-type activities | $ 953,417 | $ 27,807 | $ 15,121 | $ 966,103 | $ 6,783 |

(In thousands)

Included in additions to bonds payable is $8,039 representing accretion of capital appreciation, which is not included in the statement of revenues, expenditures, and changes in fund balance. That amount plus the $229,732 of bonds and notes issued on the statement of revenues, expenditures, and changes in fund balance amount to the $237,771 of related additions reflected in the rollforward above.

## 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 % | $ | 82,260 |
| Total Civil City Bonds | | | | | 82,260 |
| Redevelopment District Bonds: | | | | | |
| Redevelopment District of 1993: | | | | | |
| Capital appreciation | 03/04/1993 | 01/01/2013 | 6.050 – 6.300 | | 17,992 |
| Redevelopment District Refunding Bonds, Series 2009 A | 08/04/2009 | 01/01/2015 | 2.750 – 4.000 | | 1,250 |
| Total Redevelopment District Bonds | | | | | 19,242 |
| Sanitary District Bonds: | | | | | |
| Sanitary District of 1993 – 2nd | 03/04/1993 | 01/01/2013 | 5.700 – 5.900 | | 13,220 |
| Sanitary District of 2003 A Refunding | 07/09/2003 | 01/01/2018 | 4.500 – 5.500 | | 8,695 |
| 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 | | 703 |
| Sanitary District of 2009 A Refunding | 08/04/2009 | 01/01/2015 | 2.750 – 4.000 | | 2,420 |
| Total Sanitary District Bonds | | | | | 53,608 |
| Public Safety Comm Systems & | | | | | |
| Computer Facilities District Bonds, Series 2008 B | 12/18/2008 | 01/15/2024 | 2.350 – 5.600 | | 37,115 |
| Total Public Safety Comm System (MECA) | | | | $ | 37,115 |

(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 | % $ | 2,610 |
| Flood Control District Refunding Bonds, Series 2003 A | 07/09/2003 | 01/01/2018 | 4.500 – 5.250 | | 1,728 |
| 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 | | 140 |
| Flood Control District Refunding Bonds, Series 2009 A | 08/04/2009 | 01/01/2015 | 2.750 – 4.000 | | 850 |
| Total Flood Control District Bonds | | | | | 10,988 |
| Metropolitan Thoroughfare District Bonds: | | | | | |
| Metropolitan Thoroughfare District – 1993 – 2nd | 03/04/1993 | 01/01/2013 | 5.750 – 5.900 | | 10,075 |
| Metropolitan Thoroughfare District Refunding, Series 2003A | 07/09/2003 | 01/01/2018 | 4.500 – 5.500 | | 6,624 |
| Metropolitan Thoroughfare District, Series 2003 A | 07/09/2003 | 01/01/2018 | 4.500 – 5.500 | | 1,890 |
| 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 | | 536 |
| Total Metropolitan Thoroughfare District Bonds | | | | | 40,895 |
| Park District Bonds: | | | | | |
| Park District of 1993 – 2nd | 03/04/1993 | 01/01/2013 | 5.750 – 5.900 | | 5,630 |
| Park District of 1993 Refunding, Series 2003 A | 07/09/2003 | 01/01/2018 | 4.500 – 5.500 | | 3,703 |
| 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 | | 299 |
| Total Park District Bonds | | | | | 21,792 |
| Total general obligation bonds recorded in governmental activities | | | | | 265,900 |
| Less: Matured bonds payable recorded in the debt service funds | | | | | (23,836) |
| | | | | $ | 242,064 |

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, 2011 have been recorded as matured bonds payable and matured interest payable at December 31, 2010 within the fund financial statements.

(In thousands)

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 |
|---|---|---|---|---|---|---|---|---|
| 2011 | $ 5,545 | $ 3,968 | $ 6,595 | $ 37 | $ 5,758 | $ 2,587 | $ 1,206 | $ 523 |
| 2012 | 5,785 | 3,727 | 6,595 | 30 | 6,047 | 2,276 | 1,271 | 460 |
| 2013 | 6,045 | 3,468 | 6,600 | 23 | 6,378 | 1,943 | 1,341 | 392 |
| 2014 | 6,325 | 3,190 | 260 | 15 | 6,725 | 1,606 | 1,407 | 322 |
| 2015 | 6,625 | 2,892 | 265 | 5 | 7,046 | 1,267 | 1,473 | 253 |
| 2016 – 2020 | 38,385 | 9,182 | — | — | 21,654 | 1,674 | 4,290 | 331 |
| 2021 – 2025 | 13,550 | 722 | — | — | — | — | — | — |
| | 82,260 | 27,149 | 20,315 | 110 | 53,608 | 11,353 | 10,988 | 2,281 |
| Less deferred interest on capital appreciation bonds | — | — | (1,073) | — | — | — | — | — |
| | $ 82,260 | $ 27,149 | $ 19,242 | $ 110 | $ 53,608 | $ 11,353 | $ 10,988 | $ 2,281 |

| Year ending December 31 | Metropolitan Thoroughfare Principal | Metropolitan Thoroughfare Interest | Park Principal | Park Interest | MECA Principal | MECA Interest | Total Principal | Total Interest |
|---|---|---|---|---|---|---|---|---|
| 2011 | $ 4,235 | $ 2,009 | $ 2,257 | $ 1,071 | $ 2,085 | $ 1,751 | $ 27,681 | $ 11,946 |
| 2012 | 4,465 | 1,773 | 2,378 | 944 | 2,150 | 1,688 | 28,691 | 10,898 |
| 2013 | 4,707 | 1,519 | 2,510 | 808 | 2,220 | 1,618 | 29,801 | 9,771 |
| 2014 | 4,969 | 1,263 | 2,649 | 672 | 2,310 | 1,528 | 24,645 | 8,596 |
| 2015 | 5,223 | 1,006 | 2,778 | 535 | 2,420 | 1,423 | 25,830 | 7,381 |
| 2016 – 2020 | 17,296 | 1,339 | 9,220 | 712 | 13,875 | 5,317 | 104,720 | 18,555 |
| 2021 – 2025 | — | — | — | — | 12,055 | 1,375 | 25,605 | 2,097 |
| | 40,895 | 8,909 | 21,792 | 4,742 | 37,115 | 14,700 | 266,973 | 69,244 |
| Less deferred interest on capital appreciation bonds | — | — | — | — | — | — | (1,073) | — |
| | $ 40,895 | $ 8,909 | $ 21,792 | $ 4,742 | $ 37,115 | $ 14,700 | $ 265,900 | $ 69,244 |

(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, 2010 |
|---|---|---|---|---|
| Redevelopment District 1991: | | | | |
| Interest-bearing | 04/01/91 | 02/01/20 | 6.000 % | $ 20,755 |
| Capital appreciation | 04/24/91 | 02/01/14 | 7.100 – 7.250 | 10,050 |
| Less discount | | | | (967) |
| | | | | 9,083 |
| Redevelopment District 1992 | 04/01/92 | 02/01/14 | 6.750 – 6.800 | 56,215 |
| Redevelopment District 1999 Series B: | | | | |
| Interest-bearing | 07/15/99 | 02/01/11 | 4.700 – 5.000 | 750 |
| Capital appreciation | 08/12/99 | 02/01/29 | 5.650 – 5.820 | 241,640 |
| Less discount | | | | (129,341) |
| | | | | 112,299 |
| 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 | 12,020 |
| Redevelopment District 2004 Series A, Junior Subordinate | 10/28/04 | 02/01/19 | variable rate | 1,354 |
| Redevelopment District 2004 Series B | 10/28/04 | 08/01/14 | variable rate | 6,825 |
| Redevelopment District 2004 Series C | 10/28/04 | 02/01/16 | variable rate | 14,650 |
| Redevelopment District 2007 Series A | 12/13/07 | 02/01/21 | 4.000 – 4.125 | 7,840 |
| Redevelopment District 2007 Series (Ameriplex) | 12/28/07 | 02/01/23 | 6.200 | 4,770 |
| Redevelopment District 2007 Series (Glendale) | 05/10/07 | 02/01/27 | 5.450 – 6.210 | 5,160 |
| Redevelopment District 2008 Series B | 05/08/08 | 02/01/38 | 3.250 – 5.000 | 59,450 |
| Redevelopment District 2009 Series A | 09/02/09 | 02/01/20 | 3.000 – 5.000 | 145,780 |
| Redevelopment District 2009 Series B | 09/02/09 | 02/01/15 | 1.790 – 3.800 | 20,320 |
| Redevelopment District 2010 Series A | 06/03/10 | 02/01/25 | 5.000 | 7,036 |
| Redevelopment District 2010 Series (Dow AgroSciences) | 07/08/10 | 02/01/25 | 3.000 – 5.125 | 17,375 |
| Redevelopment District 2010 Series (AIT Laboratories) | 11/01/10 | 02/01/35 | 2.600 – 5.150 | 5,045 |
| Total Tax Increment Revenue Bonds | | | | $ 536,092 |

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, 2011 have been recorded as matured bonds payable and matured interest payable at December 31, 2010 in the fund financial statements.

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, 2010, the interest rate on the Series A was 1.403% and was based on the 30-day LIBOR. The interest rate on the Series 2004 B on December 31, 2010 was 1.361% and was based on the 30-day LIBOR.

The City has previously issued its Redevelopment District Bonds, 2004 Series C in the amount of $17,600 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Notes of 2004, and 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, 2010, the interest rate on the Series C was 1.361% and was based on the 30-day LIBOR.

Under the Redevelopment District 1991 Series A Tax Increment Bond, if the distributions from the tax incremental financing (“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, 2010, the City owes $11,527 to Lilly as reimbursement for these payments; additionally, $4,205 represents interest on this amount, and the entire amount of $14,347 has been recorded as accounts payable in the statement of net assets and governmental funds balance sheet. In 2011, the Redevelopment District 1991 Series A Tax Increment Bond was refunded and the balance owed to Lilly was repaid (see Note 24.C for further discussion).

On June 3, 2010, the City issued its Redevelopment District Tax Increment Revenue Bonds, Series 2010 A, in the amount of $7,200 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2010 C Bonds in the amount of $7,200. The proceeds from the sale of the bonds, as well as $3,351 of cash on hand, were used to redeem all the outstanding Redevelopment District Limited Recourse Notes, Series 2006 A in the amount of $5,000, perform infrastructure work in the Near East Redevelopment Area and St. Clair Place Neighborhood related to the Legacy Housing Project, and to pay the costs of issuance of the bonds.

On July 8, 2010, the City issued its Economic Development Tax Increment Revenue Bonds, Series 2010 A, in the amount of $17,375 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2010 D Bonds in the amount of $17,375. The proceeds from the sale of the bonds, as well of $4,500 of cash on hand, will be used to acquire, construct, and equip the DOW AgroSciences global headquarters and research and development facilities in Marion County, Indiana, and to pay costs of issuance.

On November 1, 2010, the City issued its Economic Development Tax Increment Revenue Bonds, Series 2010 D, in the amount of $5,045 to the Indianapolis Public Improvement Bond Bank, which issued its related Series 2010 E Bonds in the amount of $5,045. The net proceeds will be used for improvement in connection with the relocation and expansion of American Institute of Toxicology, Inc. through construction and equipping of new offices and research and development buildings.

Included in additions to tax increment bonds payable is $6,967 representing accretion of capital appreciation, which is not included in the statement of revenues, expenditures, and changes in fund balance. That amount, plus the $29,620 of bonds and notes described above, amount to the $36,587 of related additions reflected in Note 10.A.

(In thousands)

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

| Year ending December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $ 25,870 | $ 19,503 | $ 45,373 |
| 2012 | 28,728 | 18,380 | 47,108 |
| 2013 | 30,966 | 17,075 | 48,041 |
| 2014 | 38,440 | 15,588 | 54,028 |
| 2015 | 31,555 | 14,046 | 45,601 |
| 2016 – 2020 | 176,474 | 46,308 | 222,782 |
| 2021 – 2025 | 173,917 | 20,775 | 194,692 |
| 2026 – 2030 | 133,965 | 12,975 | 146,940 |
| 2031 – 2035 | 17,180 | 4,759 | 21,939 |
| 2036 – 2040 | 9,305 | 709 | 10,014 |
| | 666,400 | 170,118 | 836,518 |
| Less deferred interest on capital appreciation bonds | (130,308) | — | (130,308) |
| Total | $ 536,092 | $ 170,118 | $ 706,210 |

**D. Derivatives**

In fiscal year 2010, the City implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* In order to protect against the potential of rising interest rates, the Indianapolis Local Public Improvement Bond Bank on behalf of the City has entered one pay-fixed, receive variable interest rate swap agreement. The objective of the swap was to effectively change the City's variable interest rate of the bonds to a synthetic fixed rate. The notional amount of the interest rate swap is equal to the par amount of the related bonds, except for $3,000, which is not covered by the swap agreement. In addition, the swap was entered at the same time as the bonds were issued and terminate one year before the maturity of the bonds. No cash was paid or received when the original swap agreement was entered into.

**Terms, Fair Values, and Credit Risk:** The terms, including the fair value and credit ratings of the outstanding swap as of December 31, 2010, is as follows. The City's swap agreement contains 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 | Outstanding notional amount | Effective date | Fixed rate paid | Variable rate received | Fair value | Swap termination date | Counterparty credit rating S&P/Moody's/Fitch |
|---|---|---|---|---|---|---|---|
| Redevelopment District 2004 Series C | $ 11,650 | 4/23/2003 | 4.27% | 100% of USD – LIBOR – BBA | $ (694) | 2/1/2013 | A-/A3/A- |

(In thousands)

**Fair Value**: The City engaged a third party to calculate the ‘mark-to-market’ or ‘market value’ of the swap agreement. The fair value is derived from the counterparty proprietary models based upon well-recognized financial principles, which provide a reasonable approximation of the fair value. Because interest rates declined, the swap had a negative fair value as of December 31, 2010. The negative fair value 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, 2010, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s fair value.

The swap is held by one counterparty, Key Bank National Association. That counterparty is rated A-/A3/A-.

**Basis Risk:** The City is exposed to basis risk on the swap when the variable payment received is based on an index other than Securities Industry and Financial Markets Association (“SIFMA”). As of December 31, 2010, the SIFMA rate was 0.25%, whereas the 1-month LIBOR was 0.26% and 5-year LIBOR was 2.98%.

**Termination Risk:** The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap 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 negative fair value.

**Interest Rate Risk:** The change in interest rates exposes the City to the interest rate risk, which adversely affects the fair value of the swap agreement.

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

**Foreign Currency Risk:** The City is not exposed to foreign currency risk.

**Rollover risk:** The City is exposed to rollover risk on swap that mature or may be terminated prior to the maturity of the associated debt. When the swap terminates the City will not realize the synthetic rate offered by the swap on the underlying debt issues. The Redevelopment District 2004 C (Bonds) are exposed to termination risk since the swap termination date precedes the debt maturity date.

**Swap Payments and Associated Debt:** As of December 31, 2010, 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 |
|---|---|---|---|---|
| 2011 | $ 3,600 | $ 113 | $ 405 | $ 4,118 |
| 2012 | 3,900 | 61 | 252 | 4,213 |
| 2013 | 4,150 | 5 | 89 | 4,244 |
| Total | $ 11,650 | $ 179 | $ 746 | $ 12,575 |

(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, 2010 |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Indy Roads Revenue Bonds — 2003 Series | 11/25/03 | 01/01/19 | 3.000 – 5.000 | $ | 13,410 |
| Redevelopment District — 2002 Series A | 11/21/02 | 02/01/12 | 3.150 – 3.850 | | 895 |
| Facilities Revenue Bonds of 2006 | 02/16/06 | 01/15/21 | 4.000 – 5.000 | | 13,790 |
| Facilities Revenue Bonds of 2007 | 12/17/07 | 07/15/21 | 3.750 – 4.125 | | 3,025 |
| Stormwater District Revenue Bonds, Series 2006 A | 03/21/06 | 01/01/26 | 4.000 – 5.000 | | 41,530 |
| Sanitary District Bonds — 1998 Series A | 12/30/98 | 01/01/19 | 3.500 | | 12,765 |
| Sanitary District Bonds — 2000 Series A | 06/30/00 | 01/01/21 | 3.500 | | 19,000 |
| Sanitary District Bonds — 2001 Series A | 08/23/01 | 01/01/23 | 4.000 | | 30,079 |
| Sanitary District Bonds — 2002 Series B | 08/30/02 | 01/01/24 | 4.000 | | 31,535 |
| Sanitary District Bonds — 2004 Series A | 06/30/04 | 01/01/24 | 3.580 | | 6,620 |
| Sanitary District Bonds — 2004 Series B | 08/24/04 | 01/01/26 | 4.130 | | 20,730 |
| Sanitary District Bonds — 2004 Series C | 12/29/04 | 01/01/26 | 3.690 | | 58,980 |
| Sanitary District Bonds — 2005 Series I | 12/29/05 | 01/01/27 | 2.900 | | 77,606 |
| Sanitary District Bonds — 2006 Series A | 06/30/06 | 01/01/28 | 3.080 | | 30,543 |
| Sanitary District Bonds — 2006 Series B | 12/15/06 | 01/01/28 | 2.900 | | 33,195 |
| Sanitary District Bonds — 2007 Series A | 03/06/07 | 01/01/27 | 3.000 – 5.000 | | 32,060 |
| Sanitary District Refunding Bonds — 2007 Series B | 11/01/07 | 01/01/21 | 4.000 – 4.750 | | 7,230 |
| Sanitary District Bonds — 2007 Series E | 12/15/07 | 01/01/27 | 4.400 | | 73,440 |
| Sanitary Bonds Revenue — 2009 Series A | 07/06/09 | 01/01/30 | 2.580 | | 32,050 |
| PILOT Revenue Bonds — 2010 Series A | 08/12/10 | 01/01/40 | 5.000 | | 159,515 |
| Enhanced Emergency System — 2001 Series D | 08/30/01 | 07/01/11 | 5.000 | | 1,630 |
| 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 | | 19,256 |
| Total revenue bonds recorded in governmental activities | | | | | 728,684 |
| Less matured bonds payable recorded in debt service funds | | | | | (26,345) |
| | | | | $ | 702,339 |

(In thousands)

| | Issue dates | Final maturity dates | Effective interest rates | | Balance December 31, 2010 |
|---|---|---|---|---|---|
| Business-type activities: | | | | | |
| Waterworks District, two issues | 04/30/02 | 01/01/07 – 01/01/35 | 4.150 – 5.450 % | $ | 23,040 |
| Waterworks District, Series 2005 F | 11/17/05 | 01/01/35 | 3.500 – 5.000 | | 69,965 |
| 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 | | 102,830 |
| Waterworks District, Series 2009 A | 08/06/09 | 01/01/38 | 3.000 – 5.750 | | 559,890 |
| Total Waterworks | | | | | 903,965 |
| Total revenue bonds recorded in business-type activities | | | | $ | 903,965 |

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, 2011 and January 15, 2011 have been recorded as matured bonds payable and matured interest payable at December 31, 2010.

On June 30, 2000, the City issued its 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 $140 during 2010, and the outstanding balance of draws at December 31, 2010 was $19,000.

On August 23, 2001, the City issued its 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 $76 during 2010 and the outstanding balance of draws at December 31, 2010 was $30,079.

On August 30, 2002, the City issued its 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 $505 draws in 2010 and the outstanding balance of draws at December 31, 2010 was $31,535.

On August 24, 2004, the City issued its Sanitary District Revenue Bonds of 2004, Series B, 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 $409 during 2010 and the outstanding balance of draws at December 31, 2010 was $20,730.

On December 29, 2004, the City issued its Sanitary District Revenue Bonds of 2004, Series C, in the amount of $70,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 C 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 $0 during 2010 and the outstanding balance of draws at December 31, 2010 was $58,980.

On December 29, 2005, the City issued its 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 $5,859 during 2010 and the outstanding balance of draws at December 31, 2010 was $77,606.

On June 30, 2006, the City issued its 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 $1,555 during 2010 and the outstanding balance of draws at December 31, 2010 was $30,543.

On July 6, 2009, the City issued its 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 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 $0 in 2010 and the outstanding balance of draws at December 31, 2010 was $32,050.

On August 12, 2010, the City issued its PILOT Revenue Bonds, Series 2010 A, in the amount of $159,515 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2010 F Bonds in the amount of $159,515. The proceeds from the sale of the bonds will be used to fund the cost of the construction, renovation, rehabilitation, and installation of certain improvements to the City's public roads, streets, and sidewalks and other public facilities, and to pay for issuance costs. The principal source of the debt service on the bonds is to come from certain payments in lieu of taxes ("PILOTs") paid to the City. Pursuant to the bond ordinance, the City has fixed PILOTs to be paid through 2039 and covenants to establish and maintain sufficient PILOT revenues to comply with and satisfy all covenants contained in the bond ordinance.

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, 2010 is 1.7%.

Business-type Activities

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 and 2009, the Waterworks did not meet this bond covenant coverage requirement. The bond documents indicate that the Waterworks must petition for a rate increase so that the covenant will be met in the following fiscal year, which it did so as discussed in the following paragraph. The Waterworks met the bond covenant coverage requirement at December 31, 2010.

(In thousands)

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 Indiana 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. An emergency rate increase of 10.80% was granted on September 8, 2009. On September 30, 2009, Waterworks filed testimony and exhibits requesting a 34.97% increase over the revenues approved in the emergency rate phase of the case. The IURC issued an order on February 2, 2011, granting an overall rate increase of 25.99%.

On September 16, 2010, Waterworks issued its Waterworks District Subordinate Taxable Notes, Series 2010 in the amount of $318 through the State of Indiana Drinking Water State Revolving Loan Program. These funds are in the form of a forgivable loan to be used for the installation of water service to low income areas within Marion County. The notes mature on March 31, 2014. As of December 31, 2010, no drawdown of funds has occurred and thus, no amounts are shown as outstanding on the proprietary fund statement of net assets.

Revenue bond debt service requirements to maturity are as follows:

| | Governmental activities | | Business-type activities Waterworks | | Total | |
|---|---|---|---|---|---|---|
| **Year ending December 31** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2011 | $ 29,103 | $ 27,668 | $ 4,485 | $ 23,905 | $ 33,588 | $ 51,573 |
| 2012 | 28,456 | 27,728 | 16,780 | 47,360 | 45,236 | 75,088 |
| 2013 | 29,146 | 26,716 | 17,545 | 46,592 | 46,691 | 73,308 |
| 2014 | 30,233 | 25,680 | 18,475 | 45,772 | 48,708 | 71,452 |
| 2015 | 31,243 | 24,533 | 16,415 | 44,914 | 47,658 | 69,447 |
| 2016 – 2020 | 183,505 | 102,911 | 114,750 | 208,789 | 298,255 | 311,700 |
| 2021 – 2025 | 192,970 | 63,925 | 131,145 | 176,360 | 324,115 | 240,285 |
| 2026 – 2030 | 96,253 | 34,446 | 178,780 | 135,665 | 275,033 | 170,111 |
| 2031 – 2035 | 47,735 | 21,332 | 232,545 | 80,239 | 280,280 | 101,571 |
| 2036 – 2040 | 60,040 | 7,695 | 173,045 | 13,676 | 233,085 | 21,371 |
| | $ 728,684 | $ 362,634 | $ 903,965 | $ 823,272 | $ 1,632,649 | $ 1,185,906 |

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, 2010.

(In thousands)

**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, 2010 | Pledged revenues for fiscal year ended December 31, 2010 | Total principal and interest remaining on debt |
|---|---|---|---|---|---|---|
| Tax increment revenue | Infrastructure investment in various special taxing districts | Through 2038 | Property tax increment | $ 36,754 | $ 66,615 | $ 836,516 |
| Transportation revenue | Construction, reconstruction, and repair of roads, streets, and sidewalks | Through 2019 | Wheel tax and state transportation distributions | 4,332 | 11,890 | 16,541 |
| 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 | 467 | 475 | 930 |
| Facilities revenue | Improvements and repairs to various city and county–owned buildings | Through 2021 | Rent charged back to City and County agencies | 1,929 | 2,210 | 21,285 |
| Stormwater | Improvements of stormwater handling capabilities | Through 2026 | Net revenues of the stormwater system | 3,060 | 3,060 | 62,821 |
| Sanitary revenue | Construction of additions and improvements to the sewage works system | Through 2028 | Net revenues of the sewer system | 40,006 | 81,081 | 609,640 |
| Enhanced emergency telephone system | Upgrade and improvements to the enhanced emergency telephone system (E-911) | Through 2011 | E-911 fees | 1,692 | 1,371 | 1,691 |
| Economic development | Provide financial incentives and assistance to a private developer for the construction of a downtown hotel | Through 2039 | Parking garage fees | 1,482 | 1,654 | 53,976 |
| Waterworks | Purchase of and capital improvements to the public water utility | Through 2038 | Net revenues of the public water system | 57,972 | 70,025 | 1,727,237 |
| PILOT | public roads, street and sidewalks, and other public facilities. | Through 2040 | Payments in lieu of taxes | 3,054 | 5,574 | 324,436 |

## G. Notes Payable and Certificates of Participation

1. The City has outstanding notes payable related to HUD Section 108 loan proceeds. The notes payable, with an original amount of $5,700, 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, 2010, $3,000 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, 2010, $11 was still outstanding.

3. 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, 2010, the balance owed was $1,743.

4. 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. The term for this agreement is 60 months, with the first principal payment due November 10, 2008. At December 31, 2010, the balance owed was $246 and $380.

5. On September 25, 2007, the City 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 are payable at maturity on September 25, 2012. 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. For the year ended December 31, 2010, the City had drawn down $182 on the note and the outstanding balance was $4,685 at December 31, 2010. The interest rate in effect at December 31, 2010 was 1.56%.

6. On April 29, 2010, the City entered into a Master Lease-Purchase Agreement with the Capital Asset Financing Corporation (“CAFCO”). CAFCO is an Indiana Leasing Trust who acts as the lessor of the equipment, with the City as lessee. A Trustee has been appointed to collect and disburse all amounts due under the lease agreements.

   CAFCO issued Certificates of Participation Series 2010 A and B for $6,010 and $1,360, respectively. The proceeds from the Certificates will be used to purchase vehicles for the City’s Departments of Public Safety and Public Works. The basic rent payments and, consequently, the principal and interest components payable to the owners of Certificates are payable on June 1 and December 1, with the Certificates fully maturing on June 1, 2018. The outstanding balance at December 31, 2010 is $6,770. The principal amount of the Certificates has been included in notes payable and certificates of participation obligations.

7. On July 30, 2010, the City issued Redevelopment District Notes, Series 2010 C in the amount of $2,500. The proceeds from the sale of the Series 2010 C Notes, along with $197 of cash on hand, were used to pay off the Redevelopment District Limited Recourse Notes, Series 2005 C, which were outstanding in the amount of $2,500. 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 3.92%. The outstanding balance at December 31, 2010 is $2,500, which will mature on July 30, 2015.

8. On August 9, 2010, the City issued Redevelopment District Notes, Series 2010 B in the amount of $3,200. The proceeds from the sale of the Series 2010 B Notes, along with $2,856 of cash on hand, were used to pay off the Series 2005 A and B Redevelopment District Limited Recourse Notes, which were outstanding in the amount of $3,195 and $2,750, respectively. Principal and interest will be paid from tax increment revenues collected in the Fall Creek/Citizens Consolidated Housing Tax Increment (“HOTIF”) area.

   The Series 2010 B Notes interest and principal are payable annually on February 1 and August 1 commencing on February 1, 2011 and fully maturing on August 1, 2030. The notes bear interest at a per annum rate of 3.75%. The outstanding balance at December 31, 2010 is $3,200.

9. On October 8, 2010, the City entered into an agreement with Fifth Third Leasing Company to issue notes in the amount of $18,800. The proceeds will be used to complete energy improvements at various City owned properties. The notes are payable over a 15-year period beginning on January 1, 2013 and fully mature on July 31, 2027. The stated interest rate is 3.23%. The provision of the not agreement guarantees that the City will realize sufficient energy savings to fully cover the note’s debt service. The outstanding balance at December 31, 2010 is $18,800.

(In thousands)

10. 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 $3,333 has been repaid. At December 31, 2010, the outstanding balance on this note is $1,667. On June 30, 2009, the IURC's emergency rate case order issued its ruling that the third and final payment of $1,667 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. The IURC issued an order on February 2, 2011 that found that allowing for the recovery of final installment of $1,667 was not in the public's interest. Because the amount is currently in dispute and in arbitration, it remains recorded as a note payable as of December 31, 2010.

11. Housing Agency notes payable consist of 5 zero interest loans at December 31, 2010 between tax credit limited partnerships controlled by the Housing Agency and Indiana Housing Community Development Agency ("IHCDA") related to tax credit assistance programs and Section 1602 tax credit exchange programs. Tax credit assistance program ("TCAP") note payments begin on the Conversion Date (or no later than December 31, 2012). One fifteenth of the principal balance of Section 1602 tax credit exchange program notes will be forgiven each year beginning with the first anniversary of the Conversion Date if the projects stay in compliance. The mortgages are secured by the buildings of the projects located in Indianapolis, Indiana. Balances of TCAP and Section 1602 loans at December 31, 2010 were $6,160 and $3,989, respectively.

Annual amounts due on notes payable and certificates of participation to maturity are as follows:

| | Governmental activities | | Business-type activities | |
|---|---|---|---|---|
| | | | Waterworks | Housing Agency |
| | Principal | Interest | Principal | Principal |
| 2011 | $ 8,721 | $ 707 | $ 1,667 | $ — |
| 2012 | 1,665 | 503 | — | 6,266 |
| 2013 | 1,705 | 2,140 | — | 266 |
| 2014 | 2,793 | 1,033 | — | 426 |
| 2015 | 4,873 | 919 | — | 266 |
| 2016 – 2020 | 9,215 | 3,017 | — | 1,330 |
| 2021 – 2025 | 8,091 | 1,466 | — | 1,330 |
| 2026 – 2030 | 4,272 | 242 | — | 265 |
| | $ 41,335 | $ 10,027 | $ 1,667 | $ 10,149 |

**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 2010) plus the City's share of building operating and maintenance costs ($1,680 in 2010).

(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 and 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. For the year ended December 31, 2010, the City had paid $387 in maintenance operation costs.

Housing Agency

The Housing Agency has an agreement with Energy Systems Group ("ESG") for capital improvements to Housing Agency-owned properties to enhance energy efficiency ("Energy Savings Project"). The agreement called for the project to be financed through a separate lease purchase agreement with payments made semiannually over a 12-year period. Payments for the Energy Savings Project are to be made from energy cost savings achieved through the capital improvements or from guaranteed payments from ESG should the desired energy cost savings not be achieved. Accrued interest payable totaled $6 at December 31, 2010. At December 31, 2010, the total capitalized cost, net of related depreciation, of this project was $1,741.

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, 2010.

| | Business-type activities Housing Agency |
|---|---|
| 2011 | $ 195 |
| 2012 | 195 |
| 2013 | 195 |
| 2014 | 194 |
| | 779 |
| Less: amount representing interest | (81) |
| Present value of net minimum lease payments | $ 698 |

**I.** **Unfunded Pension Obligations:** As discussed in Note 18, 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 postemployment healthcare benefits for Police and Firefighters. Civilian employees may continue healthcare coverage but are required to contribute 100% of their annual premium.

**K.** **Early Retirement Obligation:** In November 2010, the City offered an early retirement incentive plan to those employees who were eligible for full retirement as of December 31, 2010, and which required them to retire as of December 31, 2010. For each year of service, the employee is to receive $1.5 per year of service up to a maximum of $45. The individuals will receive equal installments of one-third of the total amount each on January 31, 2011, 2012, and 2013. Forty-six employees accepted the plan for a total cost of $2,637 of which $879 is recorded on the balance sheet of the General Fund and on the government-wide statement of net assets as accrued payroll and represents the amounts to be paid on January 31, 2011. The remaining liability of $1,758 is recorded in the government-wide statement of net assets as a long-term liability.

**L.** **Compensated Absences Payable:** A long-term liability for benefit and sick leave earned but not paid of $31,314 at December 31, 2010 is recorded in the government-wide statements. Compensated absences are generally liquidated by the General Fund.

(In thousands)

**M. 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 $1,134 outstanding at December 31, 2010 is payable over the next 10 years.

**N. 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, 2010, the City-County Council had approved 99 series of Economic Development Revenue Bonds for a total not to exceed $1,206,053. In 2010, of the not-to-exceed amount of $93,800 that was approved by the City-County Council, bonds in the amount of $53,700 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, 2010 on bonds issued since 2001 is $285,445.

**O. HUD Section 8 Overdraws (Due to Other Governmental Units):** The Housing Agency has two agreements with HUD to repay Section 8 overdraws in equal installments over ten-year periods beginning in 2006 and 2016. These agreements totaled $1,756 at December 31, 2010. Future minimum payments on these repayment agreements are as follows:

| | Business-type activities |
|---|---|
| | Housing Agency |
| 2011 | $ 129 |
| 2012 | 129 |
| 2013 | 129 |
| 2014 | 129 |
| 2015 | 129 |
| 2016 – 2020 | 1,507 |
| Total future minimum payments | 2,152 |
| Less: Amount representing present value discount | (396) |
| | $ 1,756 |

**P. Unearned Revenues – Ground Lease:** Effective 2010, the Housing Agency entered into a ground lease with an Indiana Limited Partnership whereby property described as 16 Park is leased for $2,215 for a term of 90 years. The entire ground lease payment for the term was paid in 2010. The Housing Agency has reported deferred ground lease revenue for $2,240 at December 31, 2010 to be recognized over the remainder of the lease term.

(In thousands)

## 11. Short-Term Debt Analysis

Tax Anticipation Warrants are typically issued on the taxes levied in the prior year and collected in the current year. 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.

On March 17, 2010, Sanitary District Limited Bond Anticipation Notes were issued in an amount not to exceed $85,000. At December 31, 2010, $45,100 had been drawn down. The proceeds are being used to construct sewer improvements. These notes have a maturity date of March 17, 2012 and the outstanding notes bear interest at 66% of 1-month LIBOR plus 85 basis points. It is the intent of the City to issue long-term debt payable from sewer revenues in order to redeem the notes during fiscal year 2011; however no financing plan was in place at December 31, 2010.

| Tax anticipation warrants | Balance, January 1, 2010 | Issued | Redeemed | Balance, December 31, 2010 |
|---|---|---|---|---|
| Park General | $ 15,860 | $ — | $ 15,860 | $ — |
| Solid Waste Collection General | 5,743 | — | 5,743 | — |
| Fire General | 30,140 | — | 30,140 | — |
| Metropolitan Police General | 34,199 | — | 34,199 | — |
| Metropolitan Thoroughfare District Debt Service | 2,238 | — | 2,238 | — |
| Park District Debt Service | 1,379 | — | 1,379 | — |
| Redevelopment District Debt Service | 2,830 | — | 2,830 | — |
| MECA Debt Service | 415 | — | 415 | — |
| City Cumulative Capital Development Capital Projects | 3,102 | — | 3,102 | — |
| | $ 95,906 | $ — | $ 95,906 | $ — |
| **Bond anticipation notes** | | | | |
| Sanitary District Capital Projects | $ — | $ 45,100 | $ — | $ 45,100 |
| | $ — | $ 45,100 | $ — | $ 45,100 |

(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 | $ 4,659 | $ 19,773 | $ 24,432 |
| Redevelopment | 538 | 8,604 | 9,142 |
| Solid Waste Collection | 1,676 | 5,647 | 7,323 |
| Solid Waste Disposal | 1,236 | 2,188 | 3,424 |
| Sanitation | 6,593 | 87,244 | 93,837 |
| Transportation | 8,260 | (9,455) | (1,195) |
| Fire | 931 | 5,985 | 6,916 |
| Park | 1,158 | 2,696 | 3,854 |
| Metropolitan Police | 371 | 844 | 1,215 |
| Storm Water Management | 7,444 | 10,239 | 17,683 |
| Total | $ 32,866 | $ 133,765 | $ 166,631 |

## 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 2010, the City contributed $1,647 to the plan. Plan members receiving benefits contribute 40% of their premium costs. In fiscal year 2010, total member contributions were $845, or .31% 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 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, 2009. 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, 2010:

| | | |
|---|---|---|
| Annual required contribution | $ | 16,963 |
| Interest on net OPEB obligation | | 1,728 |
| Amortization | | (1,065) |
| Annual OPEB cost (expense) | | 17,626 |
| Contributions made | | (1,647) |
| Increase in net OPEB obligation | | 15,979 |
| Net OPEB obligation – beginning of year | | 43,196 |
| Net OPEB obligation – end of year | $ | 59,175 |

(In thousands)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2009, and 2008 were as follows:

| Fiscal year ended | Annual OPEB cost | Employer contributions | Percentage of OPEB cost contributed | Net OPEB obligation |
|---|---|---|---|---|
| 2010 | $ 17,626 | $ 1,647 | 9.34 % | $ 59,175 |
| 2009 | 18,409 | 1,404 | 7.62 | 43,196 |
| 2008 | 14,139 | 1,158 | 8.19 | 26,191 |

**D. Funded Status and Funding Progress**

The funded status of the plan based on the last actuarial valuation, which was as of December 31, 2009, was as follows:

| | | |
|---|---|---|
| Actuarial accrued liability | $ | 140,288 |
| Actuarial value of plan assets | | — |
| Unfunded actuarial accrued liability | $ | 140,288 |
| Funded ratio | | 0% |
| Covered payroll | $ | 269,790 |
| Unfunded actuarial accrued liability as a percentage of covered payroll | | 52.00% |

The projection of future benefit payments for an ongoing plan involves 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 accompanying 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.

(In thousands)

### 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:

| | |
|---|---|
| Actuarial valuation date | December 31, 2009 * |
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Closed |
| Remaining amortization period | 26 years (as of December 31, 2010) |
| | |
| Actuarial Assumptions: | |
| Discount rate | 4.00% effective annual rate |
| Projected salary increases | 3.00% |
| Healthcare inflation rate | 6.80% gradually decreasing down to 4.70% over a period of 52 years |

* In accordance with GASB Statement 45, the City obtains actuarial valuations biennially. The next valuation will be completed as of December 31, 2011.

## 14. Joint Venture

The 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 2010, the City paid approximately $4,063 in rent. The amount of the Building Authority's principal's current portion and long-term debt portion at June 30, 2010 was $2,480 and $16,180, respectively. The amount of accumulated net revenues retained in operation accounts at June 30, 2010 was $63,980, and the amount of accumulated net revenues retained and used for building, site, and project costs and related debt service was $28,220.

A copy of the separately issued financial statements of the Building Authority for the year ended June 30, 2010, 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 for public liability self-insurance was estimated to be $4,980. 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 $6,755, as the loss is not both probable and estimable. Additionally, Waterworks has several lawsuits pending for which management has determined that there is a reasonable possibility of an adverse outcome in the range of $2,050 to $3,500. No accrual has been made in the financial statements 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.

**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. While the City has no intention to do so, if the agreements were terminated at December 31, 2010, the total termination payments due would be $5,598.

**E.** The City has an 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, which commenced on 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 2010, the base service fee is $28,242 and the potential incentive payments are $7,530. Reconciliation of incentive payments will be completed in the second quarter of 2011. In addition, the City will provide at least $2,000 to the contractor to perform certain minor capital improvements.

**F.** The Waterworks 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 2010, the total amount paid to Veolia under the management agreement was $49,879, of which $6,985 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, 2010 was 1.78%. On June 30, 2009, the IURC ordered that the adjustment be lowered to 0% effective January 1, 2009. Included in accounts payable and other accrued liabilities at December 31, 2010 is $5,246 for unpaid fixed fees and estimated incentive payments of $1,108 and $4,138 respectively.

Veolia asserts that the NCPI adjustment should be based on a different interpretation of index computation. The Waterworks does not agree with Veolia's assertion and intends to vigorously defend its position. If the Veolia NCPI computation had been used, the estimated amount of the cumulative unpaid liability for current and prior years at December 31, 2010 would total $3,637 representing fixed fee increases and estimated incentive payments of $3,014 and $623, respectively. Under the terms of Veolia's settlement agreement - the City and Veolia have agreed to submit to binding arbitration any claims by Veolia for amounts that Veolia contends are owed under the management agreement, as of September 30, 2010, including any receivables that are owed under the 1st amendment to the management agreement and are specifically disallowed for rate making purposes. Veolia's award for such claims through arbitration cannot be greater than $3,500. No decision has been rendered as of the issuance of the financial statements. Refer to Note 2 for disclosure regarding Waterworks asset purchase agreement.

**G**. The City entered into a Consent Decree with the U.S. Department of Justice and the Indiana Department of Environmental Management ("IDEM"), 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 $1.3 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 2010 for the contract was $11,092.

**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, 2010, regulatory assets amounting to $673 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. Refer to Note 2 for disclosure regarding Waterworks asset purchase agreement.

**I**. The Waterworks is subject to pollution control and water quality control regulations, including those issued by the EPA, 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.

**J**. The State of Indiana collects all county option income tax for all counties that have enacted the tax. Each year, the State certifies a distribution to each affected government for the following year. The distribution is done in accordance with State statute and once the amounts are certified they must be distributed. Two years after the year of the distribution, the State is able to calculate the final tax collections based on actual income tax returns and compare that amount to the amount actually distributed. The distributions in subsequent years are adjusted for any excess or deficit of the actual to the certified amounts. As distribution amounts are not measurable (i.e., estimatable) until the State certifies and distributes the taxes, the City does not record a receivable or payable for any county option income tax amounts at December 31, 2010.

**K.** The Housing Agency entered into two repayment agreements with HUD in September 2010 with regard to noncompliance with program requirements. HUD has agreed that the Housing Agency may satisfy these obligations totaling $3,172 by investing future nonfederal funds in a task force, which performs various duties to support compliance with program requirements. The Housing Agency established a tracking account and monthly reports showing the amount paid, hours worked, and goals accomplished by the task force. Task force performance (prorated to include past and current task force performance) shall offset annual payments starting January 1, 2011. The Housing Agency is contingently liable in connection with claims and contracts arising in the normal course of its activities. The Housing Agency management is of the opinion that the outcome of any such matters will not have a material effect on the financial statements.

## 16. Parking Meter Concession Agreement

Effective December 22, 2010, the City entered into an agreement with a concessionaire to operate and maintain the City's parking meter system, including collecting parking meter revenues and issuing parking tickets for violations related to the parking meter system and residential parking permits. The objective of entering into this agreement was to modernize the parking meter system and to provide residents and visitors with more convenient parking options and to provide the City with funding for infrastructure improvements. In addition to operating and maintaining the City's parking meter system, the concessionaire is responsible for making all capital improvements required to be completed during the 50-year term of the agreement, including implementing multi-space meters in certain locations and installing meters that are capable of accepting electronic payments. The City has accounted for this transaction under the requirements of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.

The City collected $10,000 in cash in December 2010 and recorded a $10,000 receivable at December 31, 2010, which was collected in January 2011. The City will receive a share of all revenues generated from the parking meter system. Beginning on the effective date, the City's annual share of the revenue is 30% for parking meter revenues collected between $0 and $583 and 60% for all such amounts above $583 (each tier amount will be adjusted for inflation beginning on January 1, 2012). Under the agreement, the City must compensate the concessionaire to offset its losses for certain events, which include, but are not limited to, the City's removal or temporary closure of parking meters, material changes in the rules and regulations affecting the parking meters or residential permits and the City's ownership or operation of certain off-street parking developed after the effective date and located within a quarter of a mile of a parking meter space. The City may terminate the concessionaire agreement but would be required to make a termination payment ranging from $8,000 to $19,800 based on the date of termination.

At December 31, 2010, the $20,000 received or receivable from the concessionaire is recorded as an other financing source in the statement of revenues, expenditures and changes in fund balance of the nonmajor governmental funds and as a deferred inflow of resources on the government-wide statement of net assets. The deferred inflow of resources will be amortized using the straight-line method over the 50-year term of the agreement.

## 17. 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 $13,608 in costs, of which approximately $1,288 is due to the County at December 31, 2010 for these services; the City also paid the County $11,413 to support the cost and implementation of an Enterprise Resource Planning system, which will be used to support the operations of both the City and the County. In 2010, the County paid $1,902 of E-911 dispatch fees to the City. At December 31, 2010, the County owed the City $96 for fuel charges and $360 for court costs. At December 31, 2010, the County owed the City $2,500 for capital improvement funds. In addition, the City and County both act in capacities of pass through and subrecipient agents for federal and state grants.

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.

In 2010, the City entered into an agreement to provide $8,000 annually of economic development support to the Capital Improvement Board of Managers. The first payment under this agreement was made in 2010 and is recorded in the Revenue Debt Service Fund as the source of funds used to pay this amount was from tax increment financing revenues recorded in this fund. The term of the agreement is through December 31, 2011, and absent six months notice given to the other party will automatically renew from year to year under the same terms.

## 18. Pension Plans

### 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 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, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204.

Covered employees are required to contribute 6.0% 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 19.5% of each employee's annual compensation. The City's contributions to the plan for the years ended December 31, 2010, 2009, and 2008 were $28,660, $24,994, and $24,818, 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 2010. As these salaries increase year by year, benefits are directly adjusted. Since the City still must pay the benefits under the plans and be reimbursed by the State, this is still considered to be a "pay-as-you-go" plan. The payments from the State will be estimated each year and any overage and underage will be adjusted in the next year. 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.

Indiana's deferred retirement option plan (DROP), which was enacted into law in 2002, is available to all members of the employees of the police and firefighters (City) plans. 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 (PERF) 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 Sherriff 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, 2010 and, with regard to contributions for 2010, based on the January 1, 2010 actuarial report for the Police and Firefighters (City) plans and June 30, 2010 for the other two PERF plans.

Census data for the four plans are as follows:

| | **Police and firefighters (City)** (3) | **Police and firefighters (PERF)** | **All other City employees (PERF)** |
|---|---|---|---|
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits (2) | 1,780 | 178 | 362 (1) |
| Current employees: | | | |
| Vested (2) | 64 | 679 | 955 |
| Nonvested (2) | — | 1,549 | 946 |
| Total | 64 | 2,228 | 1,901 |

(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.

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 (PERF)** |
|---|---|---|---|
| Rate of return on present and future assets | 6.00% | 7.25% | 7.00% |
| Inflation rate | 2.75% for converted and 4.00% for nonconverted | 2.25% | 1.00% |
| Salary increase | 4.00% | 4.00% | 4.00%* |
| Asset valuation method | N/A | Smoothed basis | 4-year smoothing of gains/losses on market value |
| Amortization method | Level dollar | Level dollar | Level dollar |
| Amortization period | Closed – 30 years | Open – 30 years | Open – 30 years |

* Based on PERF experience 2000 – 2005.

(In thousands)

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, 2010 | | |
| Annual required contribution | $ 34,328 | $ 32,887 | $ 67,215 |
| Interest on net pension obligation | 12,554 | 10,503 | 23,057 |
| Adjustment to annual required contribution | (16,368) | (13,693) | (30,061) |
| Annual pension cost | 30,514 | 29,697 | 60,211 |
| Contributions made | 30,594 | 27,526 | 58,120 |
| Increase (decrease) in net pension obligation | (80) | 2,171 | 2,091 |
| Net pension obligation – beginning of year | 209,239 | 175,040 | 384,279 |
| Net pension obligation – end of year | $ 209,159 | $ 177,211 | $ 386,370 |

| | All other City employees (PERF) |
|---|---|
| Actuarial valuation date | July 1, 2010 |
| Annual required contribution | $ 4,669 |
| Interest on net pension obligation | (16) |
| Adjustment to annual required contribution | 18 |
| Annual pension cost | 4,671 |
| Contributions made | 3,227 |
| Increase in net pension obligation | 1,444 |
| Net pension asset – beginning of year | (221) |
| Net pension obligation – end of year | $ 1,223 |

(In thousands)

### C. Contribution Requirements and Contributions Made

Except for the Police and Firefighters (City) Plans, the funding policies of the Public Employees Retirement System 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 All Other City Employees (PERF) 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) Plans | Pay-As-You-Go | 30 |
| Police and Firefighters (PERF) Plan | Entry Age Normal Cost | 30 |
| All Other City Employees (PERF) 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 $808,776 as of January 1, 2010. In 2010, the State of Indiana contributed $58,312 of pension relief to the Police and Firefighters (City) Plans.

For the year ended December 31, 2010, the City's total payroll for all employees consists of the following:

| | | |
|---|---|---|
| Police and Firefighters (City) Plans | $ | 5,718 |
| Police and Firefighters (PERF) Plan | | 161,903 |
| All Other City Employees (PERF) Plan | | 79,427 |
| Former Marion County Sheriff Deputies Plan | | 22,742 |
| Noncovered employees | | 2,604 |
| Total payroll | $ | 272,394 |

(In thousands)

**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, 2010 annual report.

| Fiscal year ending | Annual pension cost | Percentage of APC contributed | Net pension obligation (asset) |
|---|---|---|---|
| Police (City) Plan: | | | |
| 2010 | $ 30,514 | 100.3 % | $ 209,159 |
| 2009 | 29,270 | 98.7 | 209,239 |
| 2008 | 28,123 | 100.5 | 208,853 |
| Firefighters (City) Plan: | | | |
| 2010 | 29,697 | 92.7 | 177,211 |
| 2009 | 29,712 | 92.1 | 175,040 |
| 2008 | 21,109 | 125.0 | 172,685 |
| All Other City Employees (PERF) Plan: | | | |
| 2010 | 4,671 | 69.1 | 1,223 |
| 2009 | 3,053 | 100.1 | (221) |
| 2008 | 2,667 | 108.0 | (218) |

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

**CITY OF INDIANAPOLIS**
**Fiduciary Funds**
**Combining Statement of Pension Trust Funds Net Assets**
December 31, 2010
*(In thousands)*

| | Police Pension | Firefighters Pension | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash | $ 526 | $ 428 | $ 954 |
| Investments (U.S. government agencies) | 249 | 208 | 457 |
| Accrued interest receivable | 1 | 1 | 2 |
| Total assets | 776 | 637 | 1,413 |
| **LIABILITIES** | | | |
| Accounts payable and other accrued liabilities | — | 27 | 27 |
| Total liabilities | — | 27 | 27 |
| **NET ASSETS** | | | |
| Held in trust for pension benefits | $ 776 | $ 610 | $ 1,386 |

**CITY OF INDIANAPOLIS**
**Combining Statement of Changes in Fiduciary Net Assets**
**Police and Firefighter Pension Trust Funds**
Year ended December 31, 2010
*(In thousands)*

| | Pension Trust Funds | | |
|---|---|---|---|
| | **Police Pension** | **Firefighters Pension** | **Total** |
| **ADDITIONS** | | | |
| State of Indiana pension subsidy received from the General Fund | $ 30,594 | $ 27,718 | $ 58,312 |
| Interest income and other | 34 | 25 | 59 |
| | 30,628 | 27,743 | 58,371 |
| **DEDUCTIONS** | | | |
| Benefits | 29,761 | 28,510 | 58,271 |
| Total deductions | 29,761 | 28,510 | 58,271 |
| Change in plan net assets | 867 | (767) | 100 |
| Net assets – beginning | (91) | 1,377 | 1,286 |
| Net assets – ending | $ 776 | $ 610 | $ 1,386 |

**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 1/1/2010 | $ — | $ 446,400 | $ 446,400 | — % | $ 1,825 | 24,459 % |
| Firefighters (City) Plan 1/1/2010 | — | 423,741 | 423,741 | — | 2,832 | 14,962 |
| All Other City Employees (PERF) Plan 7/1/2010 | 95,376 | 126,997 | 31,621 | 75 | 78,585 | 40 |

The projection of future benefit payments for an ongoing plan involves 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 accompanying 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.

## 19. 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, 2010, there were 334 (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 creditors of the City. In the event that the Trust assets are no longer needed to pay for Retiree Benefits, the assets must be paid to ratepayers. At December 31, 2010, $11,370 is held in the Trust and included in restricted assets in the accompanying statement of net assets of the Waterworks.

The information that follows on the postretirement benefit plan was obtained from the actuarial valuation of the plan for the year ended December 31, 2010.

(In thousands)

The following table sets forth the change in the plan's accumulated postretirement benefit obligation ("APBO") as of December 31, 2010:

| | | |
|---|---|---|
| Accumulated postretirement benefit obligation at beginning of year | $ | 70,049 |
| Service cost | | 1,274 |
| Interest cost | | 3,773 |
| Benefits paid | | (2,916) |
| Actuarial loss | | 8,960 |
| Accumulated postretirement benefit obligation at end of year | $ | 81,139 |

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, 2002 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, 2010 is as follows:

| | | |
|---|---|---|
| Fair value of plan assets at beginning of year | $ | — |
| City contributions | | 2,916 |
| Benefits paid | | (2,916) |
| 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) | $ | 81,139 |
| Unrecognized transition obligation | | (1,511) |
| Unrecognized net loss | | (31,963) |
| Amount recognized as deferred charge – postretirement benefits | | (33,474) |
| Net amount recognized | $ | 47,665 |

A discount rate of 5.00% and a pre-Medicare medical trend rate of 8.50% declining to a long-term rate of 4.50% in 2024 were used to determine the APBO at December 31, 2010.

Net periodic postretirement benefit costs for the year ended December 31, 2010 include the following components:

| | | |
|---|---|---|
| Service cost | $ | 1,274 |
| Interest cost | | 3,773 |
| Amortization of transition obligation | | 756 |
| Unrecognized gain | | 1,511 |
| | $ | 7,314 |

(In thousands)

Assumptions used in the determination of 2010 net periodic postretirement benefits costs were as follows:

| | |
|---|---|
| Discount rate | 5.50 % |
| Rate of increase in compensation levels | 4.00 |
| Assumed annual rate of increase in healthcare benefits | 9.50 |
| 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 ABPO at December 31, 2010 by approximately $13,581 and increase the aggregate of the service and interest cost components of plan costs by approximately $979 for the year ended December 31, 2010. Amounts disclosed above could be changed significantly in the future by changes in healthcare costs, work demographics, interest rates, or plan changes.

## 20. 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, 2010 is as follows:

| Receivable fund | Payable fund | Amount |
|---|---|---|
| General | Nonmajor Governmental | $ 4,221 |
| Internal Service Auto Liability | Internal Service Workers' Compensation | 3,530 |
| General | Waterworks | 22,254 |
| General | PILOT Revenue Bonds Capital Projects | 782 |
| | | $ 30,787 |

Interfund transfers for the year ended December 31, 2010 consisted of the following:

| | Transfers in | | | | |
|---|---|---|---|---|---|
| Transfers out | General Fund | Revenue Debt Service Fund | Sanitary District Capital Projects Fund | Nonmajor governmental funds | Total |
| General Fund | $ — | $ 37,744 | $ — | $ 45,062 | $ 82,806 |
| Revenue Debt Service Fund | 2,183 | — | — | 8,230 | 10,413 |
| PILOT Revenue Bonds Capital Projects Fund | — | — | — | 3,054 | 3,054 |
| Nonmajor governmental funds | 2,092 | 4,441 | 418 | 5,133 | 12,084 |
| Total transfers out | $ 4,275 | $ 42,185 | $ 418 | $ 61,479 | $ 108,357 |

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)

## 21. 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, 2010 were as follows:

| | | |
|---|---|---|
| Bonds and notes payable and certificates of participation | $ | 1,572,011 |
| Deferred premiums, net of discounts | | 31,653 |
| Deferred amount from refunding | | (7,001) |
| Amounts recorded as matured bonds payable at December 31, 2010 | | (50,181) |
| Net pension obligation | | 387,593 |
| Postemployment benefit obligation | | 59,175 |
| Early retirement obligation | | 1,758 |
| Compensated absences | | 31,314 |
| Settlements payable | | 1,134 |
| Combined adjustment | $ | 2,027,456 |

Proceeds from issuance of debt are 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, excluding capital appreciation accretion of $1,073 | $ | — |
| Tax increment bonds, excluding capital appreciation accretion of $6,966 | | 29,621 |
| Revenue bonds | | 168,059 |
| Notes payable and certificates of participation | | 32,052 |
| Deferred premiums | | 11,093 |
| Combined adjustment | $ | 240,825 |
| Repayments: | | |
| Bond principal, including decrease in matured bonds payable of $218 | $ | 77,260 |
| Notes payable and certificates of participation | | 16,533 |
| Combined adjustment | $ | 93,793 |

(In thousands)

## 22. Deficit Fund Balances and Net Assets

Negative fund balances by fund are as follows:

| Deficit fund balances | | December 31, 2010 |
|---|---|---|
| **Special Revenue Funds** | | |
| Federal Grants | $ | (3,529) |
| | $ | (3,529) |
| **Debt Service Funds** | | |
| Flood Control District | $ | (13) |
| | $ | (13) |
| **Internal Service Funds** | | |
| Workers' Compensation | $ | (5,351) |
| | $ | (5,351) |
| **Enterprise Funds** | | |
| Waterworks | $ | (63,828) |
| | $ | (63,828) |

The deficit fund balance for the special revenue fund will be covered by future grant reimbursements from the federal government. The deficit fund balance for the debt service fund will be covered by a future transfer that will cover the debt service payments. The workers' compensation internal service fund negative fund balance will be covered by future charges to City departments. The deficit fund balance for the enterprise fund is a result of inadequate water rates to cover ongoing operating expenses and debt service payments. The Department of Waterworks initiated a request for a water rate increase from the Indiana Utility Regulatory Commission to address the deficit fund balance and on February 2, 2011, the IURC granted a 25.99% increase, effective February 1, 2011. In addition, the City has entered into an asset purchase agreement subject to approval from the IURC to sell the water utility and wastewater collection and treatment facilities; for further discussion see Note 2.

(In thousands)

## 23. Discretely Presented Component Unit – Insight Development Corporation, Inc (Insight)

Insight is presented as a discrete component unit of the City. Insight funding primarily comes from capital grant funding and intergovernmental funding. The following items are significant disclosures for Insight. During 2010, Insight changed its name from Partners for Affordable Housing to Insight Development Corporation Inc.

### A. Cash and Investments

Insight 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, 2010 is as follows:

| | | Carrying value |
|---|---|---|
| On deposit: | | |
| Insured by FDIC | $ | 319 |
| Uninsured | | 6,686 |
| | $ | 7,005 |

Insight has one institutional money market deposit account valued at $93 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 a Fitch rating of AAA.

Restricted assets of $4,800 are included in the above balance. Restricted assets primarily consist of amounts per the terms of regulatory and operating agreements, which totaled $3,428. The remaining restricted assets totaling $1,372 relate to tenant security deposits, commitments to low-income housing projects, and developer fee accounts that are restricted until the related project agreement is completed.

### B. Loans Receivable

Insight has long-term loans receivable outstanding at December 31, 2010. 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.

| | Interest rate | Principal | Unamortized discount | Allowance for Loan Loss | Net loans receivable | Maturity date |
|---|---|---|---|---|---|---|
| Red Maple Grove Phase I | 0.00 % | $ 331 | $ (234) | $ — | $ 97 | 12/31/2036 |
| Red Maple Grove Phase IIA – Perm A and B | 0.00 | 318 | (287) | — | 31 | 12/31/2047 |
| Red Maple Grove Phase IIB – Perm A and B | 0.00 | 290 | (238) | — | 52 | 12/31/2049 |
| | | $ 939 | $ (759) | $ — | $ 180 | |

(In thousands)

### C. Capital Assets

A summary of Insight capital assets at December 31, 2010 follows:

| | Balance, January 1, 2010 | Additions | Reductions | Balance, December 31, 2010 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 898 | $ — | $ 595 | $ 303 |
| Construction in progress | 202 | 4,992 | 72 | 5,122 |
| Total capital assets not being depreciated | 1,100 | 4,992 | 667 | 5,425 |
| Capital assets being depreciated: | | | | |
| Buildings | 21,579 | 395 | 5,078 | 16,896 |
| Equipment | 261 | 44 | 138 | 167 |
| Total capital assets being depreciated | 21,840 | 439 | 5,216 | 17,063 |
| Less accumulated depreciation: | | | | |
| Buildings | 3,762 | 746 | 1,957 | 2,551 |
| Equipment | 51 | 27 | 17 | 61 |
| Total accumulated depreciation | 3,813 | 773 | 1,974 | 2,612 |
| Total capital assets being depreciated, net | 18,027 | (334) | 3,242 | 14,451 |
| Total Insight Development Corporation Inc. | $ 19,127 | $ 4,658 | $ 3,909 | $ 19,876 |

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

### D. Long-Term Liabilities

| | Balance, January 1, 2010 | Additions | Reductions | Balance, December 31, 2010 | Due within one year |
|---|---|---|---|---|---|
| Loans payable | $ 6,639 | $ 8,930 | $ 1,572 | $ 13,997 | $ — |
| Total | $ 6,639 | $ 8,930 | $ 1,572 | $ 13,997 | $ — |

(In thousands)

Loans payable consist of three loans at December 31, 2010:

- A second mortgage in the original amount of $5,067 bears interest at 4.9% per annum and matures on December 31, 2055. As of December 31, 2010, the entire balance of the loan is outstanding. Starting on the date of the first advance on the note and ending on the maturity date, December 31, 2055, interest shall be accrued and compounded annually at a rate of 4.9% per annum. Annual payments of interest shall be made in an amount equal to the lessor of (1) all accrued and unpaid interest on the loan or, (2) the net available operating cash flow amount, as defined in the Partnership Agreement. The outstanding principal and any unpaid interest shall be due and payable on the maturity date. The loan is collateralized by real estate held for lease and an assignment of rents and leases. Accrued interest payable totaled $781 at December 31, 2010. The total outstanding balance at December 31, 2010 was $5,848.

- 16 Park, LP entered into a capital funds loan with the Housing Agency for up to $4,425 with a fixed interest rate of 5.0%, compounding annually. No principal or interest payments are due until the maturity date of December 31, 2060. The mortgage is secured by the apartment buildings of the project located in Indianapolis, Indiana. The amount borrowed and outstanding at December 31, 2010 was $1,069.

- 16 Park, LP entered into a Section 1602 tax credit exchange program note with IHCDA for $7,080 with an interest rate of 0%. One fifteenth of the principal balance will be forgiven each year beginning with the first anniversary of the Conversion Date if the project stays in compliance. The mortgage is secured by the apartment buildings of the project located in Indianapolis, Indiana. The balance outstanding at December 31, 2010 was $7,080.

Scheduled maturities on loans payable as of December 31, 2010 are as follows:

| | | |
|---|---|---|
| 2011 | $ | — |
| 2012 | | 472 |
| 2013 | | 472 |
| 2014 | | 472 |
| 2015 | | 472 |
| 2016 – 2020 | | 2,360 |
| 2021 – 2025 | | 2,360 |
| 2026 – 2030 | | 472 |
| 2031 – 2050 | | — |
| 2051 – 2055 | | 5,848 |
| 2056 – 2060 | | 1,069 |
| Total | $ | 13,997 |

## 24. Subsequent Events

### A. Lawrence Township Fire Merger

On October 4, 2010, the City-County Council approved the consolidation of the Lawrence Township Fire Department into the Indianapolis Fire Department, effective January 1, 2011. The purpose of the consolidation is to enhance fire protection services.

### B. Indiana Utility Regulatory Commission Rate Case

On February 2, 2011, the Indiana Utility Regulatory Commission approved a final order in Cause No. 43645 granting an overall increase in rates and charges of 25.99% for Waterworks. The effective date of the increase was February 1, 2011.

### C. Debt Issuance

On March 8, 2011, the City issued Redevelopment District Tax Increment Bonds, Series 2011 A in the amount of $39,000. The proceeds of the bonds were used to refund the Redevelopment Tax Increment Revenue Bonds of 1991 in the amount of $24,176 and to repay Lilly in the amount of $14,824. The bonds are payable in annual principal installments ranging from $290 to $3,970 and fully mature on August 1, 2024. The bonds bear interest at rates ranging from 1.00% to 5.00%.

On April 7, 2011, the City issued Economic Development Revenue Bonds, Series 2011 A and B in the amount of $81,640 and $15,310 respectively. The proceeds of the bonds are being used by the City to fund the construction of certain public improvements to support the North South Project, which will include a boutique hotel, retail and office space, upscale apartments, and parking which will be owned by the developer, Buckingham Companies. The Series 2011 A bonds are payable in annual principal installments ranging from $2,725 to $7,430 commencing on February 1, 2021 and fully maturing on February 1, 2036 and bear interest rates ranging from 5.52% to 5.75%. The Series 2011 B bonds are payable in annual principal installments ranging from $670 to $3,075 commencing on February 1, 2015 and fully maturing on February 1, 2021 and bear interest rates ranging from 2.91% to 4.81%.

On May 18, 2011, the City issued Redevelopment District Tax Increment Bonds, Series 2011 C in the amount of $25,425. The proceeds of the bonds will be used to construct, renovate, improve, and equip the new Indiana University Health Neurosciences Center of Excellence. The bonds are payable in annual principal installments of $695 to $1,860 commencing on February 1, 2015 and fully maturing on February 1, 2036. The bonds bear interest at rates ranging from 3.00% to 5.75%.

On May 26, 2011, the City issued Waterworks District Net Revenue Bonds, Series 2011 A in the amount of $58,790. The proceeds of the bonds will be used for the construction of capital projects as identified in the recently concluded rate case before the IURC. The bonds are payable in annual principal installments ranging from $600 to $3,655 and fully mature on January 1, 2041. The bonds bear interest rates ranging from 2.00% to 5.13%.

On June 29, 2011, Sanitary District Limited Bond Anticipation Notes, Series 2011 A were issued in an amount not to exceed $40,000. The proceeds will be used to construct sewer improvements. These drawdown notes have a maturity date of March 17, 2012 and the notes bear interest at 66% of 1-month LIBOR plus 85 basis points. It is the intent of the City to issue long-term debt payable from sewer revenues in order to refinance the notes in 2011.

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, 2010
*(In thousands)*

| | Original budget | Final budget | Actual | Variance with final budget – positive (negative) |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ 350,820 | $ 315,032 | $ 319,914 | $ 4,882 |
| Licenses and permits | 14,103 | 14,103 | 12,306 | (1,797) |
| Charges for services | 173,843 | 191,985 | 187,613 | (4,372) |
| Intergovernmental revenues | 48,267 | 53,448 | 43,870 | (9,578) |
| Traffic violations and court fees | 2,374 | 8,180 | 3,151 | (5,029) |
| Intragovernmental revenues | 3,274 | 3,274 | 2,430 | (844) |
| Interest and other operating revenues | 14,020 | 21,422 | 7,527 | (13,895) |
| Total revenues | 606,701 | 607,444 | 576,811 | (30,633) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 27,717 | 27,717 | 26,530 | 1,187 |
| Public safety | 283,486 | 285,298 | 281,616 | 3,682 |
| Public works | 135,033 | 141,141 | 139,766 | 1,375 |
| Health and welfare | 2,073 | 2,073 | 1,914 | 159 |
| Cultural and recreation | 22,906 | 22,906 | 22,368 | 538 |
| Urban redevelopment and housing | 8,773 | 8,772 | 7,273 | 1,499 |
| Economic development and assistance | 15,711 | 15,711 | 9,498 | 6,213 |
| Capital outlays | 33,791 | 44,317 | 36,831 | 7,486 |
| Total expenditures | 529,490 | 547,935 | 525,796 | 22,139 |
| Excess of revenues over expenditures | 77,211 | 59,509 | 51,015 | (8,494) |
| Other financing sources (uses): | | | | |
| Sale and lease of property | 1,262 | 158 | 860 | 702 |
| Transfers out | (48,269) | (87,004) | (95,364) | (8,360) |
| Total other financing uses | (47,007) | (86,846) | (94,504) | (7,658) |
| Revenues over (under) expenditures and other financing sources (uses) | 30,204 | (27,337) | (43,489) | (16,152) |
| Unreserved fund balance at beginning of year | 109,325 | 128,649 | 167,026 | 38,377 |
| Cancellation of purchase orders and other | 2,147 | 4,106 | 4,592 | 486 |
| Unreserved fund balance at end of year | $ 141,676 | $ 105,418 | $ 128,129 | $ 22,711 |

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 | | | | | | |
| 1/1/2010 | $ — | $ 446,400 | $ 446,400 | — % | $ 1,825 | 24,459 % |
| 1/1/2009 | — | 434,034 | 434,034 | — | 1,593 | 27,246 |
| 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 |
| Firefighters (City) Plan | | | | | | |
| 1/1/2010 | — | 423,741 | 423,741 | — | 2,832 | 14,962 |
| 1/1/2009 | — | 427,480 | 427,480 | — | 2,596 | 16,467 |
| 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 |
| All Other City Employees (PERF) Plan* | | | | | | |
| 7/1/2010 | 95,376 | 126,997 | 31,621 | 75 | 78,585 | 40 |
| 7/1/2009 | 115,618 | 117,645 | 2,027 | 98 | 76,801 | 3 |
| 7/1/2008 | 126,800 | 112,664 | (14,136) | 113 | 71,787 | 20 |

* 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 June 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 |
|---|---|---|---|---|
| 2010 | $ 28,660 | 100 % | $ 4,669 | 69 % |
| 2009 | 24,994 | 100 | 3,051 | 100 |
| 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 |

| Plan year ended December 31 | Police (City) Annual required contribution | Police (City) Percentage contributed | Firefighters (City) Annual required contribution | Firefighters (City) Percentage contributed |
|---|---|---|---|---|
| 2010 | $ 34,328 | 89 % | $ 32,887 | 84 % |
| 2009 | 32,801 | 88 | 32,631 | 84 |
| 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 |

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) |
|---|---|---|---|---|---|---|
| 12/31/2009 * | $ — | $ 140,288 | $ 140,288 | — % | $ 269,790 | 52.00 % |
| 12/31/2009 | — | 140,288 | 140,288 | — | 251,005 | 55.89 |
| 12/31/2007 * | — | 137,738 | 137,738 | — | 236,782 | 58.17 |

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

See notes to required supplementary information.

## 1. Budgets and Budgetary Accounting

A) The City of Indianapoils ("City") is required by state statute and City-County Council ("Council") ordinance to adopt annual budgets for all subfunds of the General Fund; all Special Revenue Funds except the Cable Franchise PEG Grants Fund and the PILOT Revenue Bonds Capital Projects Fund; all Debt Service Funds; the City Cumulative Capital Development, the County Cumulative Capital Development, and the Fire Cumulative Capital Projects Funds; and the Police Pension and Firefighters Pension Trust Funds to the object level of control. These budgets require 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 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 Council appropriation process, is accomplished by the requirement that all disbursements of such funds be made only to a budgeted fund.

The 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, the following supplementary appropriations were properly approved:

| | | General Fund |
|---|---|---|
| Original appropriations | $ | 529,490 |
| Revisions | | 18,445 |
| Revised appropriations | $ | 547,935 |

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 with the exception of revenues received in the current year but budgeted for in a prior year and that encumbrances and certain accounts payable are treated as expenditures.

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 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 from 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.

(In thousands)

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.

4) Before Council budget ordinances are approved by the Council, they are advertised by the City 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 2010, the City exceeded the appropriation for the Revenue Debt Service Fund by $2,071. This was due to additional principal payments that were made in accordance with the bond provisions.

## 2. Budget/GAAP Reporting Differences

Adjustments necessary to convert the results of 2010 operations from a budgetary basis to a GAAP basis are as follows:

| | General Fund |
|---|---|
| Revenues over (under) expenditures and other financing sources and (uses) (budgetary basis) | $ (43,489) |
| Adjustments: | |
| Accrued revenues | 72,588 |
| Accrued expenditures | (80,078) |
| Transfers, net | 16,833 |
| Encumbrances | 39,972 |
| Expenditures from prior year encumbrances | (50,556) |
| Net change in fund balances (GAAP basis) | $ (44,730) |

**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 Police and Firefighters (PERF) Plan and the All Other City Employees (PERF) Plan. That report may be obtained by writing to Public Employees' Retirement Fund, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204.

# Additional
# Supplementary Information

**CITY OF INDIANAPOLIS**

**Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type**

December 31, 2010

*(In thousands)*

| | Nonmajor Special Revenue | Nonmajor Debt Service | Nonmajor Capital Projects | Nonmajor Permanent Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Equity in pooled cash | $ 8,847 | $ 27,012 | $ 31,241 | $ — | $ 67,100 |
| Cash and investments with fiscal agents | — | 10,575 | 38,981 | 376 | 49,932 |
| Investments | 4,141 | 12,603 | 14,584 | — | 31,328 |
| Accrued interest receivable | 10 | 6 | 23 | — | 39 |
| Property taxes receivable | — | 857 | 529 | — | 1,386 |
| Accounts receivable | 10,152 | 333 | 516 | — | 11,001 |
| Due from federal and state governments | 19,109 | — | 192 | — | 19,301 |
| Long-term receivables | 1,312 | — | — | — | 1,312 |
| Total assets | $ 43,571 | $ 51,386 | $ 86,066 | $ 376 | $ 181,399 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Matured bonds payable | $ — | $ 26,946 | $ — | $ — | $ 26,946 |
| Matured interest payable | — | 11,102 | — | — | 11,102 |
| Accounts payable and other accrued liabilities | 10,763 | 184 | 7,502 | — | 18,449 |
| Accrued payroll and payroll taxes | 190 | — | — | — | 190 |
| Due to other funds | 4,221 | — | — | — | 4,221 |
| Deferred revenue | 11,620 | 1,027 | 825 | — | 13,472 |
| Total liabilities | 26,794 | 39,259 | 8,327 | — | 74,380 |
| Fund balances: | | | | | |
| Reserved for long-term receivables | 1,312 | — | — | — | 1,312 |
| Reserved for encumbrances | 1,023 | — | 37,560 | — | 38,583 |
| Reserved for debt service | — | 11,949 | — | — | 11,949 |
| Unreserved | 14,442 | 178 | 40,179 | 376 | 55,175 |
| Total fund balances | 16,777 | 12,127 | 77,739 | 376 | 107,019 |
| Total liabilities and fund balances | $ 43,571 | $ 51,386 | $ 86,066 | $ 376 | $ 181,399 |

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, 2010

*(In thousands)*

| | Nonmajor Special Revenue | Nonmajor Debt Service | Nonmajor Capital Projects | Nonmajor Permanent Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Taxes | $ 35,933 | $ 32,684 | $ 14,512 | $ — | $ 83,129 |
| Charges for services | 2,267 | — | — | — | 2,267 |
| Intergovernmental revenues | 61,045 | — | 1,005 | — | 62,050 |
| Traffic violations and court fees | 3,096 | — | — | — | 3,096 |
| Interest and other operating revenues | (42) | 3,083 | 572 | — | 3,613 |
| Total revenues | 102,299 | 35,767 | 16,089 | — | 154,155 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 4,454 | — | — | — | 4,454 |
| Public safety | 48,168 | — | — | — | 48,168 |
| Public works | 4,061 | — | — | — | 4,061 |
| Health and welfare | 2,263 | — | — | — | 2,263 |
| Cultural and recreation | 622 | — | — | — | 622 |
| Urban redevelopment and housing | 35,466 | — | — | — | 35,466 |
| Economic development and assistance | 1,215 | — | 23,385 | — | 24,600 |
| Debt service: | | | | | |
| Redemption of bonds and notes | 21 | 31,606 | 2,405 | — | 34,032 |
| Interest on bonds and notes | 1 | 20,890 | 310 | — | 21,201 |
| Bond and note issuance costs | — | — | 1,717 | — | 1,717 |
| Operating lease payments and administration | — | 14,619 | — | — | 14,619 |
| Capital outlays | 9,983 | — | 36,822 | — | 46,805 |
| Total expenditures | 106,254 | 67,115 | 64,639 | — | 238,008 |
| Deficiency of revenues under expenditures | (3,955) | (31,348) | (48,550) | — | (83,853) |
| Other financing sources (uses): | | | | | |
| Proceeds from execution of parking meter agreement | 20,000 | — | — | — | 20,000 |
| Bonds, notes, and certificates of participation issued | — | — | 55,972 | — | 55,972 |
| Premium on bonds and notes issued | — | — | 610 | — | 610 |
| Transfers in | — | 30,417 | 31,062 | — | 61,479 |
| Transfers out | (2,092) | (1,821) | (8,171) | — | (12,084) |
| Total other financing sources | 17,908 | 28,596 | 79,473 | — | 125,977 |
| Net change in fund balances | 13,953 | (2,752) | 30,923 | — | 42,124 |
| Fund balances at beginning of year | 2,824 | 14,879 | 46,816 | 376 | 64,895 |
| Fund balances at end of year | $ 16,777 | $ 12,127 | $ 77,739 | $ 376 | $ 107,019 |

# 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 that 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 |

# CITY OF INDIANAPOLIS

## Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund

December 31, 2010

*(In thousands)*

| | General Fund Total | Intrafund Eliminations | Consolidated County | Redevelop-ment | Solid Waste Collection | Solid Waste Disposal | Sanitation |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Equity in pooled cash | $ 112,648 | $ — | $ 12,246 | $ 6,327 | $ 6,844 | $ 3,097 | $ 58,863 |
| Cash and investments with fiscal agents | 309 | — | — | — | — | — | — |
| Investments | 53,152 | — | 6,260 | 2,963 | 3,199 | 1,454 | 27,504 |
| Accrued interest receivable | 85 | — | 13 | 5 | 4 | 1 | 50 |
| Property taxes receivable | 8,631 | — | 771 | 14 | 967 | — | — |
| Accounts receivable | 44,904 | — | 4,821 | 24 | 346 | 1,341 | 25,527 |
| Allowance for estimated uncollectibles – accounts receivable | (5,475) | — | — | — | — | (30) | (4,663) |
| Due from other funds | 27,257 | (2,829) | 29,560 | — | — | — | — |
| Due from federal and state governments | 141 | — | — | — | — | — | — |
| Total assets | $ 241,652 | $ (2,829) | $ 53,671 | $ 9,333 | $ 11,360 | $ 5,863 | $ 107,281 |
| **LIABILITIES AND FUND BALANCE** | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable and other accrued liabilities | $ 29,935 | $ — | $ 7,680 | $ 152 | $ 2,511 | $ 1,155 | $ 9,362 |
| Accrued payroll and payroll taxes | 26,766 | — | 20,190 | 21 | 271 | — | 78 |
| Due to other funds | — | (2,829) | — | — | — | — | — |
| Deferred revenue | 18,320 | — | 1,369 | 18 | 1,255 | 1,284 | 4,004 |
| Total liabilities | 75,021 | (2,829) | 29,239 | 191 | 4,037 | 2,439 | 13,444 |
| Fund balances: | | | | | | | |
| Reserved for encumbrances | 32,866 | — | 4,659 | 538 | 1,676 | 1,236 | 6,593 |
| Unreserved | 133,765 | — | 19,773 | 8,604 | 5,647 | 2,188 | 87,244 |
| Total fund balances (deficits) | 166,631 | — | 24,432 | 9,142 | 7,323 | 3,424 | 93,837 |
| Total liabilities and fund balances | $ 241,652 | $ (2,829) | $ 53,671 | $ 9,333 | $ 11,360 | $ 5,863 | $ 107,281 |

(Continued)

## CITY OF INDIANAPOLIS
## Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund
December 31, 2010

*(In thousands)*

| | Transportation | Fire | Park | Metropolitan Police | Storm Water Management |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Equity in pooled cash | $ 7 | $ 6,116 | $ 3,320 | $ 2,771 | $ 13,057 |
| Cash and investments with fiscal agents | 309 | — | — | — | — |
| Investments | — | 2,853 | 1,524 | 1,288 | 6,107 |
| Accrued interest receivable | (4) | — | — | — | 16 |
| Property taxes receivable | — | 3,117 | 636 | 3,126 | — |
| Accounts receivable | 7,413 | 1,357 | 203 | 872 | 3,000 |
| Allowance for estimated uncollectibles – accounts receivable | — | — | — | — | (782) |
| Due from other funds | — | — | — | — | 526 |
| Due from federal and state governments | — | — | 107 | 34 | — |
| Total assets | $ 7,725 | $ 13,443 | $ 5,790 | $ 8,091 | $ 21,924 |
| **LIABILITIES AND FUND BALANCE** | | | | | |
| Liabilities: | | | | | |
| Accounts payable and other accrued liabilities | $ 5,422 | $ 488 | $ 674 | $ 588 | $ 1,903 |
| Accrued payroll and payroll taxes | 464 | 2,407 | 401 | 2,814 | 120 |
| Due to other funds | 2,829 | — | — | — | — |
| Deferred revenue | 205 | 3,632 | 861 | 3,474 | 2,218 |
| Total liabilities | 8,920 | 6,527 | 1,936 | 6,876 | 4,241 |
| Fund balance: | | | | | |
| Reserved for encumbrances | 8,260 | 931 | 1,158 | 371 | 7,444 |
| Unreserved | (9,455) | 5,985 | 2,696 | 844 | 10,239 |
| Total fund balances (deficits) | (1,195) | 6,916 | 3,854 | 1,215 | 17,683 |
| Total liabilities and fund balances | $ 7,725 | $ 13,443 | $ 5,790 | $ 8,091 | $ 21,924 |

See accompanying independent auditors' report.

**CITY OF INDIANAPOLIS**
**Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund**
Year ended December 31, 2010
*(In thousands)*

| | General Fund Total | Intrafund eliminations | Consolidated County | Redevelop-ment | Solid Waste Collection | Solid Waste Disposal | Sanitation |
|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | |
| Taxes | $ 320,156 | $ — | $ 25,357 | $ 1,697 | $ 30,727 | $ — | $ — |
| Licenses and permits | 12,488 | — | 8,271 | — | — | — | 3,882 |
| Charges for services | 196,356 | — | 13,432 | 48 | 272 | 8,611 | 139,656 |
| Other intergovernmental revenues: | | | | | | | |
| Federal revenues | 893 | — | 67 | — | — | — | 314 |
| State revenues | 94,680 | — | 3,348 | 750 | — | — | — |
| Other revenues | 10,315 | — | 2,271 | — | — | — | — |
| Intragovernmental revenue | 2,674 | — | 2,674 | — | — | — | — |
| Traffic violations and court fees | 3,195 | — | 1,782 | — | — | — | 12 |
| Interest and other operating revenues | 8,593 | — | 2,354 | 369 | 377 | 226 | 474 |
| Total revenues | 649,350 | — | 59,556 | 2,864 | 31,376 | 8,837 | 144,338 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 37,992 | — | 37,992 | — | — | — | — |
| Public safety | 340,196 | — | 12,908 | — | — | — | — |
| Public works | 146,927 | — | 3,867 | — | 25,979 | 10,871 | 64,562 |
| Health and welfare | 1,790 | — | 64 | — | 705 | — | 1,020 |
| Cultural and recreation | 21,959 | — | 1,000 | — | 201 | — | — |
| Urban redevelopment and housing | 8,571 | — | 5,554 | 2,375 | — | — | — |
| Economic development and assistance | 9,511 | — | 659 | 8,852 | — | — | — |
| Debt service: | | | | | | | |
| Redemption of bonds and notes | 418 | — | 241 | — | — | — | — |
| Interest on bonds and notes | 1,014 | — | 25 | — | 85 | — | 20 |
| Bond and note issuance costs | 1 | — | 1 | — | — | — | — |
| Operating lease payments and administration | 8 | — | — | — | — | — | 8 |
| Capital outlay | 48,072 | — | 11,810 | 94 | 460 | — | 4,554 |
| Total expenditures | 616,459 | — | 74,121 | 11,321 | 27,430 | 10,871 | 70,164 |
| Excess (deficiency) of revenues over (under) expenditures | 32,891 | — | (14,565) | (8,457) | 3,946 | (2,034) | 74,174 |
| Other financing sources (uses): | | | | | | | |
| Sales of capital assets | 910 | — | 710 | 58 | — | — | — |
| Transfers in | 4,275 | (20,472) | 3,487 | 1,484 | — | — | — |
| Transfers out | (82,806) | 20,472 | (34,312) | (100) | (3,472) | — | (60,549) |
| Total other financing sources (uses) | (77,621) | — | (30,115) | 1,442 | (3,472) | — | (60,549) |
| Net change in fund balance | (44,730) | — | (44,680) | (7,015) | 474 | (2,034) | 13,625 |
| Fund balances (deficits) at beginning of year | 211,361 | — | 69,112 | 16,157 | 6,849 | 5,458 | 80,212 |
| Fund balances (deficits) at end of year | $ 166,631 | $ — | $ 24,432 | $ 9,142 | $ 7,323 | $ 3,424 | $ 93,837 |

(Continued)

# CITY OF INDIANAPOLIS

## Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund

Year ended December 31, 2010

*(In thousands)*

| | Transportation | Fire | Park | Metropolitan Police | Storm Water Management |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Taxes | $ 6,960 | $ 114,704 | $ 20,569 | $ 120,142 | $ — |
| Licenses and permits | — | 19 | — | 316 | — |
| Charges for services | 3,921 | 3,574 | 3,632 | 2,256 | 20,954 |
| Other intergovernmental revenues: | | | | | |
| Federal revenues | 432 | — | 43 | 37 | — |
| State revenues | 28,230 | 28,275 | — | 34,077 | — |
| Other revenues | 396 | 7,535 | — | 113 | — |
| Intragovernmental revenue | — | — | — | — | — |
| Traffic violations and court fees | — | — | — | 1,401 | — |
| Interest and other operating revenues | 3,449 | 73 | 715 | 401 | 155 |
| Total revenues | 43,388 | 154,180 | 24,959 | 158,743 | 21,109 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | — | — | — | — | — |
| Public safety | — | 150,865 | — | 174,799 | 1,624 |
| Public works | 34,869 | — | — | — | 6,779 |
| Health and welfare | 1 | — | — | — | — |
| Cultural and recreation | 5 | — | 20,753 | — | — |
| Urban redevelopment and housing | 642 | — | — | — | — |
| Economic development and assistance | — | — | — | — | — |
| Debt service: | | | | | |
| Redemption of bonds and notes | — | — | 177 | — | — |
| Interest on bonds and notes | — | 347 | 277 | 260 | — |
| Bond and note issuance costs | — | — | — | — | — |
| Operating lease payments and administration | — | — | — | — | — |
| Capital outlay | 20,046 | 420 | 527 | 39 | 10,122 |
| Total expenditures | 55,563 | 151,632 | 21,734 | 175,098 | 18,525 |
| Excess (deficiency) of revenues over (under) expenditures | (12,175) | 2,548 | 3,225 | (16,355) | 2,584 |
| Other financing sources (uses): | | | | | |
| Sales of capital assets | — | — | — | 103 | 39 |
| Transfers in | 327 | 3,600 | 699 | 15,150 | — |
| Transfers out | — | — | — | — | (4,845) |
| Total other financing sources (uses) | 327 | 3,600 | 699 | 15,253 | (4,806) |
| Net change in fund balance | (11,848) | 6,148 | 3,924 | (1,102) | (2,222) |
| Fund balances (deficits) at beginning of year | 10,653 | 768 | (70) | 2,317 | 19,905 |
| Fund balances (deficits) at end of year | $ (1,195) | $ 6,916 | $ 3,854 | $ 1,215 | $ 17,683 |

See accompanying independent auditors' report.

**CITY OF INDIANAPOLIS**

**General Fund**

**Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual – Budgetary Basis**

Year ended December 31, 2010

*(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 | $ 315,032 | $ 319,914 | $ 23,716 | $ 25,297 | $ 1,493 | $ 1,695 | $ 28,404 | $ 30,653 |
| Licenses and permits | 14,103 | 12,306 | 9,528 | 8,111 | — | — | — | — |
| Charges for services | 191,985 | 187,613 | 14,069 | 11,588 | 50 | 46 | 405 | 257 |
| Other intergovernmental revenues: | | | | | | | | |
| Federal revenues | 95 | 41 | 95 | — | — | | — | — |
| State revenues | 42,257 | 35,235 | 4,500 | 2,552 | 500 | 750 | — | — |
| Other revenues | 11,096 | 8,594 | 2,744 | 2,312 | — | — | — | — |
| Traffic violations and court fees | 8,180 | 3,151 | 1,895 | 1,782 | 5,325 | — | — | — |
| Intragovernmental revenues | 3,274 | 2,430 | 3,274 | 2,430 | — | — | — | — |
| Interest and other operating revenues | 21,422 | 7,527 | 2,415 | 2,420 | 5,713 | 359 | 210 | 348 |
| Total revenues | 607,444 | 576,811 | 62,236 | 56,492 | 13,081 | 2,850 | 29,019 | 31,258 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 27,717 | 26,530 | 27,717 | 26,530 | — | — | — | — |
| Public safety | 285,298 | 281,616 | 13,062 | 12,767 | — | — | — | — |
| Public works | 141,141 | 139,766 | 4,390 | 3,896 | — | — | 25,935 | 26,059 |
| Health and welfare | 2,073 | 1,914 | 167 | 165 | — | — | 728 | 707 |
| Cultural and recreation | 22,906 | 22,368 | 1,000 | 1,000 | — | — | 343 | 177 |
| Urban redevelopment and housing | 8,772 | 7,273 | 6,586 | 5,268 | 1,779 | 1,622 | — | — |
| Economic development and assistance | 15,711 | 9,498 | 755 | 628 | 14,956 | 8,870 | — | — |
| Capital outlays | 44,317 | 36,831 | 1,876 | 1,596 | 181 | 95 | 327 | 218 |
| Total expenditures | 547,935 | 525,796 | 55,553 | 51,850 | 16,916 | 10,587 | 27,333 | 27,161 |
| Excess (deficiency) of revenues over (under) expenditures | 59,509 | 51,015 | 6,683 | 4,642 | (3,835) | (7,737) | 1,686 | 4,097 |
| Other financing sources (uses): | | | | | | | | |
| Sales of capital assets | 158 | 860 | 100 | 671 | — | 57 | — | — |
| Transfers in (out) | (87,004) | (95,364) | (44,597) | (41,504) | 245 | 233 | (138) | (3,472) |
| Total other financing sources (uses) | (86,846) | (94,504) | (44,497) | (40,833) | 245 | 290 | (138) | (3,472) |
| Revenues over (under) expenditures and other financing sources and (uses) | (27,337) | (43,489) | (37,814) | (36,191) | (3,590) | (7,447) | 1,548 | 625 |
| Unreserved fund balance at beginning of year | 128,649 | 167,026 | 28,852 | 52,556 | 8,248 | 16,140 | 3,954 | 6,144 |
| Cancellation of purchase orders and other | 4,106 | 4,592 | 18,531 | 4,765 | 2,043 | 39 | 469 | 638 |
| Unreserved fund balances at end of year | $ 105,418 | $ 128,129 | $ 9,569 | $ 21,130 | $ 6,701 | $ 8,732 | $ 5,971 | $ 7,407 |

(Continued)

## CITY OF INDIANAPOLIS

### General Fund
### Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
### Budget and Actual – Budgetary Basis

Year ended December 31, 2010

*(In thousands)*

| | Solid Waste Disposal | | Sanitation | | Transportation | | Metropolitan Police | |
|---|---|---|---|---|---|---|---|---|
| | Final budget | Actual | Final budget | Actual | Final budget | Actual | Final budget | Actual |
| Revenues: | | | | | | | | |
| Taxes | $ — | $ — | $ — | $ — | $ 9,350 | $ 7,194 | $ 121,374 | $ 120,011 |
| Licenses and permits | — | — | 4,205 | 3,865 | | | 345 | 310 |
| Charges for services | 8,815 | 8,611 | 136,645 | 134,208 | 3,400 | 2,526 | 2,265 | 2,252 |
| Other intergovernmental revenues: | | | | | | | | |
| Federal revenues | — | — | — | 7 | — | 34 | — | — |
| State revenues | — | — | — | — | 33,005 | 27,808 | 3,692 | 3,568 |
| Other revenues | — | — | — | — | 140 | 264 | 919 | 116 |
| Traffic violations and court fees | — | — | — | 9 | — | — | 960 | 1,360 |
| Intragovernmental revenues | — | — | — | — | — | — | — | — |
| Interest and other operating revenues | 223 | 171 | 984 | 566 | 10,625 | 2,589 | 212 | 198 |
| Total revenues | 9,038 | 8,782 | 141,834 | 138,655 | 56,520 | 40,415 | 129,767 | 127,815 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | — | — | — | — | — | — | — | — |
| Public safety | — | — | — | — | — | — | 145,929 | 144,106 |
| Public works | 9,671 | 9,018 | 62,080 | 61,849 | 32,957 | 32,849 | — | — |
| Health and welfare | — | — | 1,138 | 1,042 | 40 | — | — | — |
| Cultural and recreation | — | — | — | — | 11 | 11 | — | — |
| Urban redevelopment and housing | — | — | — | — | 407 | 383 | — | — |
| Economic development and assistance | — | — | — | — | — | — | — | — |
| Capital outlays | — | — | 5,032 | 4,998 | 24,283 | 17,455 | 88 | 29 |
| Total expenditures | 9,671 | 9,018 | 68,250 | 67,889 | 57,698 | 50,698 | 146,017 | 144,135 |
| Excess (deficiency) of revenues over (under) expenditures | (633) | (236) | 73,584 | 70,766 | (1,178) | (10,283) | (16,250) | (16,320) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | — | — | 28 | — | — | — | — | 103 |
| Transfers in (out) | — | — | (58,397) | (65,543) | 1,227 | 327 | 15,288 | 15,143 |
| Total other financing sources (uses) | — | — | (58,369) | (65,543) | 1,227 | 327 | 15,288 | 15,246 |
| Revenues over (under) expenditures and other financing sources and (uses) | (633) | (236) | 15,215 | 5,223 | 49 | (9,956) | (962) | (1,074) |
| Unreserved fund balance at beginning of year | 2,952 | 2,610 | 61,663 | 64,395 | 1,435 | 2,017 | 3,862 | 4,668 |
| Cancellation of purchase orders and other | (331) | 335 | (5,257) | 2,851 | (9,625) | (2,268) | (320) | 128 |
| Unreserved fund balances (deficits) at end of year | $ 1,988 | $ 2,709 | $ 71,621 | $ 72,469 | $ (8,141) | $ (10,207) | $ 2,580 | $ 3,722 |

(Continued)

**CITY OF INDIANAPOLIS**

**General Fund**

**Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual – Budgetary Basis**

Year ended December 31, 2010

*(In thousands)*

| | Fire | | Park | | Storm Water Management | |
|---|---|---|---|---|---|---|
| | **Final budget** | **Actual** | **Final budget** | **Actual** | **Final budget** | **Actual** |
| Revenues: | | | | | | |
| Taxes | $ 111,777 | $ 114,545 | $ 18,918 | $ 20,519 | $ — | $ — |
| Licenses and permits | 25 | 20 | — | — | — | — |
| Charges for services | 3,835 | 3,576 | 4,501 | 3,614 | 18,000 | 20,935 |
| Other intergovernmental revenues: | | | | | | |
| Federal revenues | — | — | — | — | — | — |
| State revenues | 560 | 557 | — | — | — | — |
| Other revenues | 7,293 | 5,902 | — | — | — | — |
| Traffic violations and court fees | — | — | — | — | — | — |
| Intragovernmental revenues | — | — | — | — | — | — |
| Interest and other operating revenues | (24) | 53 | 864 | 662 | 200 | 161 |
| Total revenues | 123,466 | 124,653 | 24,283 | 24,795 | 18,200 | 21,096 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | — | — | — | — | — | — |
| Public safety | 124,495 | 122,997 | — | — | 1,812 | 1,746 |
| Public works | — | — | — | — | 6,108 | 6,095 |
| Health and welfare | — | — | — | — | — | — |
| Cultural and recreation | — | — | 21,552 | 21,180 | — | — |
| Urban redevelopment and housing | — | — | — | — | — | — |
| Economic development and assistance | — | — | — | — | — | — |
| Capital outlays | 832 | 787 | 1,171 | 1,166 | 10,527 | 10,487 |
| Total expenditures | 125,327 | 123,784 | 22,723 | 22,346 | 18,447 | 18,328 |
| Excess (deficiency) of revenues over (under) expenditures | (1,861) | 869 | 1,560 | 2,449 | (247) | 2,768 |
| Other financing sources (uses): | | | | | | |
| Sale of capital assets | — | — | — | — | 30 | 29 |
| Transfers in (out) | 3,600 | 3,598 | 699 | 699 | (4,931) | (4,845) |
| Total other financing sources (uses) | 3,600 | 3,598 | 699 | 699 | (4,901) | (4,816) |
| Revenues over (under) expenditures and other financing sources and (uses) | 1,739 | 4,467 | 2,259 | 3,148 | (5,148) | (2,048) |
| Unreserved fund balance at beginning of year | 7,020 | 3,308 | 114 | 220 | 10,549 | 14,968 |
| Cancellation of purchase orders and other | (3,637) | 780 | (300) | (39) | 2,533 | (2,637) |
| Unreserved fund balances at end of year | $ 5,122 | $ 8,555 | $ 2,073 | $ 3,329 | $ 7,934 | $ 10,283 |

## CITY OF INDIANAPOLIS
## General Fund
## Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2010
*(In thousands)*

| Department and Division | Budgetary account | Final budget | Actual | Variance |
|---|---|---|---|---|
| Executive and Legislative | | | | |
| Office of the Mayor | Consolidated County | | | |
| Personal services | | $ 3,900 | $ 3,762 | $ 138 |
| Supplies | | 13 | 12 | 1 |
| Other services and charges | | 1,539 | 1,469 | 70 |
| Capital outlay | | 17 | 9 | 8 |
| Internal charges | | (986) | (990) | 4 |
| Total | | 4,483 | 4,262 | 221 |
| Office of Audit and Performance | Consolidated County | | | |
| Personal services | | 755 | 646 | 109 |
| Supplies | | 4 | 3 | 1 |
| Other services and charges | | 174 | 126 | 48 |
| Capital outlay | | 3 | 1 | 2 |
| Internal charges | | 3 | 1 | 2 |
| Total | | 939 | 777 | 162 |
| City–County Council | Consolidated County | | | |
| Personal services | | 1,062 | 1,040 | 22 |
| Supplies | | 4 | 4 | — |
| Other services and charges | | 686 | 673 | 13 |
| Total | | 1,752 | 1,717 | 35 |
| Cable Franchise Board | Consolidated County | | | |
| Personal services | | 349 | 345 | 4 |
| Supplies | | 8 | 4 | 4 |
| Other services and charges | | 138 | 136 | 2 |
| Capital outlay | | 26 | 26 | — |
| Internal charges | | 1 | 1 | — |
| Total | | 522 | 512 | 10 |
| Office of the Corporation Counsel | Consolidated County | | | |
| Personal services | | 2,787 | 2,731 | 56 |
| Supplies | | 7 | 6 | 1 |
| Other services and charges | | 1,713 | 1,616 | 97 |
| Capital outlay | | 5 | 2 | 3 |
| Internal charges | | (1,781) | (1,677) | (104) |
| Total | | 2,731 | 2,678 | 53 |

(Continued)

**CITY OF INDIANAPOLIS**
**General Fund**
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**
Year ended December 31, 2010
*(In thousands)*

| Department and Division | Budgetary account | Final budget | Actual | Variance |
|---|---|---|---|---|
| Office of Finance and Management | Consolidated County | | | |
| Personal services | | $ 4,234 | $ 4,218 | $ 16 |
| Supplies | | 14 | 11 | 3 |
| Other services and charges | | 3,199 | 3,199 | — |
| Capital outlay | | 5 | 4 | 1 |
| Internal charges | | 1 | 1 | — |
| Total | | 7,453 | 7,433 | 20 |
| Office of Finance and Management | Solid Waste Collection | | | |
| Other services and charges | | 93 | 85 | 8 |
| Total – Executive and Legislative | | $ 17,973 | $ 17,464 | $ 509 |
| Department of Metropolitan Development | Consolidated County | | | |
| Personal services | | $ 2,203 | $ 2,050 | $ 153 |
| Supplies | | 13 | 10 | 3 |
| Other services and charges | | 4,345 | 3,119 | 1,226 |
| Capital outlay | | 121 | 35 | 86 |
| Internal charges | | (124) | (119) | (5) |
| Total | | 6,558 | 5,095 | 1,463 |
| Department of Metropolitan Development | Transportation | | | |
| Personal services | | 239 | 229 | 10 |
| Supplies | | 1 | 1 | — |
| Other services and charges | | 144 | 129 | 15 |
| Internal charges | | 24 | 24 | — |
| Total | | 408 | 383 | 25 |
| Department of Metropolitan Development | Redevelopment | | | |
| Personal services | | 627 | 572 | 55 |
| Supplies | | 3 | 1 | 2 |
| Other services and charges | | 16,530 | 10,312 | 6,218 |
| Capital outlay | | 181 | 95 | 86 |
| Internal charges | | (425) | (393) | (32) |
| Total | | 16,916 | 10,587 | 6,329 |
| Total – Department of Metropolitan Development | | $ 23,882 | $ 16,065 | $ 7,817 |

(Continued)

**CITY OF INDIANAPOLIS**

**General Fund**

**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**

Year ended December 31, 2010

*(In thousands)*

| Department and Division | Budgetary account | Final budget | Actual | Variance |
|---|---|---|---|---|
| Department of Code Enforcement | Consolidated County | | | |
| Personal services | | $ 6,487 | $ 6,289 | $ 198 |
| Supplies | | 78 | 43 | 35 |
| Other services and charges | | 6,439 | 5,439 | 1,000 |
| Capital outlay | | 61 | 38 | 23 |
| Internal charges | | 1,007 | 956 | 51 |
| Total – Department of Code Enforcement | | $ 14,072 | $ 12,765 | $ 1,307 |
| Department of Public Works | Consolidated County | | | |
| Personal services | | $ 9,790 | $ 9,674 | $ 116 |
| Supplies | | 15,303 | 14,935 | 368 |
| Other services and charges | | 5,910 | 5,701 | 209 |
| Capital outlay | | 1,474 | 1,335 | 139 |
| Internal charges | | (27,427) | (26,728) | (699) |
| Total | | 5,050 | 4,917 | 133 |
| Department of Public Works | Transportation | | | |
| Personal services | | 14,144 | 14,144 | — |
| Supplies | | 4,724 | 4,708 | 16 |
| Other services and charges | | 9,220 | 9,144 | 76 |
| Capital outlay | | 24,283 | 17,455 | 6,828 |
| Internal charges | | 4,919 | 4,864 | 55 |
| Total | | 57,290 | 50,315 | 6,975 |
| Department of Public Works | Solid Waste Collection | | | |
| Personal services | | 8,592 | 8,592 | — |
| Supplies | | 159 | 157 | 2 |
| Other services and charges | | 14,175 | 14,052 | 123 |
| Capital outlay | | 327 | 218 | 109 |
| Internal charges | | 3,987 | 4,057 | (70) |
| Total | | 27,240 | 27,076 | 164 |
| Department of Public Works | Solid Waste Disposal | | | |
| Other services and charges | | 9,254 | 8,751 | 503 |
| Internal charges | | 417 | 267 | 150 |
| Total | | 9,671 | 9,018 | 653 |

(Continued)

**CITY OF INDIANAPOLIS**

**General Fund**

**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**

Year ended December 31, 2010

*(In thousands)*

| Department and Division | Budgetary account | Final budget | Actual | Variance |
|---|---|---|---|---|
| Department of Public Works | Sanitation | | | |
| Personal services | | $ 3,042 | $ 3,041 | $ 1 |
| Supplies | | 76 | 59 | 17 |
| Other services and charges | | 57,237 | 57,156 | 81 |
| Capital outlay | | 5,032 | 4,998 | 34 |
| Internal charges | | 2,863 | 2,635 | 228 |
| Total | | 68,250 | 67,889 | 361 |
| Department of Public Works | Storm Water Management | | | |
| Personal services | | 2,922 | 2,922 | — |
| Supplies | | 39 | 37 | 2 |
| Other services and charges | | 3,271 | 3,250 | 21 |
| Capital outlay | | 10,527 | 10,487 | 40 |
| Internal charges | | 1,688 | 1,632 | 56 |
| Total | | 18,447 | 18,328 | 119 |
| Total – Department of Public Works | | $ 185,948 | $ 177,543 | $ 8,405 |
| Department of Public Safety | Consolidated County | | | |
| Personal services | | $ 4,209 | $ 4,111 | $ 98 |
| Supplies | | 195 | 175 | 20 |
| Other services and charges | | 5,723 | 5,575 | 148 |
| Capital outlay | | 164 | 146 | 18 |
| Internal charges | | 702 | 687 | 15 |
| Total | | 10,993 | 10,694 | 299 |
| Indianapolis Fire Department | Fire | | | |
| Personal services | | 113,941 | 113,172 | 769 |
| Supplies | | 1,810 | 1,691 | 119 |
| Other services and charges | | 5,079 | 4,476 | 603 |
| Capital outlay | | 832 | 787 | 45 |
| Internal charges | | 3,665 | 3,658 | 7 |
| Total | | 125,327 | 123,784 | 1,543 |
| Total – Department of Public Safety | | $ 136,320 | $ 134,478 | $ 1,842 |
| Department of Parks and Recreation | Consolidated County | | | |
| Other services and charges | | $ 1,000 | $ 1,000 | $ — |
| Total | | 1,000 | 1,000 | — |

(Continued)

**CITY OF INDIANAPOLIS**
**General Fund**
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**
Year ended December 31, 2010
*(In thousands)*

| Department and Division | Budgetary account | Final budget | Actual | Variance |
|---|---|---|---|---|
| Department of Parks and Recreation | Park | | | |
| Personal services | | $ 13,200 | $ 12,896 | $ 304 |
| Supplies | | 827 | 776 | 51 |
| Other services and charges | | 6,620 | 6,605 | 15 |
| Capital outlay | | 1,171 | 1,164 | 7 |
| Internal charges | | 905 | 905 | — |
| Total | | 22,723 | 22,346 | 377 |
| Total – Department of Parks and Recreation | | $ 23,723 | $ 23,346 | $ 377 |
| Indianapolis Metropolitan Police Department | Metropolitan Police | | | |
| Personal services | | $ 123,370 | $ 122,018 | $ 1,352 |
| Supplies | | 784 | 738 | 46 |
| Other services and charges | | 12,015 | 11,640 | 375 |
| Capital outlay | | 88 | 29 | 59 |
| Internal charges | | 9,760 | 9,710 | 50 |
| Total | | 146,017 | 144,135 | 1,882 |
| Total – Indianapolis Metropolitan Police Department | | $ 146,017 | $ 144,135 | $ 1,882 |
| Total – General Fund – by Department and Division | | $ 547,935 | $ 525,796 | $ 22,139 |

See accompanying independent auditors' report.

# Nonmajor Special Revenue Fund

The Special Revenue Funds include funds that 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 |
| **Federal Grants -** | to account for all grants received from the federal government |
| **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 |
| **Public Safety Income Tax -** | to account for public safety income tax receipts |

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## CITY OF INDIANAPOLIS
## Combining Balance Sheet – Nonmajor Special Revenue Funds
December 31, 2010
*(In thousands)*

| | Parking | Federal Grants | Cable Franchise PEG Grants | State of Indiana Grants | Public Safety Income Tax | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Equity in pooled cash | $ 7,736 | $ — | $ 56 | $ 1,034 | $ 21 | $ 8,847 |
| Investments | 3,615 | — | 27 | 485 | 14 | 4,141 |
| Accrued interest receivable | 2 | 4 | — | — | 4 | 10 |
| Accounts receivable | 10,068 | — | — | 84 | — | 10,152 |
| Due from federal and state governments | — | 18,847 | — | 262 | — | 19,109 |
| Long-term receivables, less allowance of $24,193 | — | 1,312 | — | — | — | 1,312 |
| Total assets | $ 21,421 | $ 20,163 | $ 83 | $ 1,865 | $ 39 | $ 43,571 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and other accrued liabilities | $ 2,869 | $ 7,769 | $ — | $ 125 | $ — | $ 10,763 |
| Accrued payroll and payroll taxes | 3 | 178 | — | 9 | — | 190 |
| Due to other funds | — | 4,221 | — | — | — | 4,221 |
| Deferred revenue | — | 11,524 | — | 96 | — | 11,620 |
| Total liabilities | 2,872 | 23,692 | — | 230 | — | 26,794 |
| Fund balances: | | | | | | |
| Reserved for long-term receivables | — | 1,312 | — | — | — | 1,312 |
| Reserved for encumbrances | 258 | 745 | — | 20 | — | 1,023 |
| Unreserved | 18,291 | (5,586) | 83 | 1,615 | 39 | 14,442 |
| Total fund balances (deficits) | 18,549 | (3,529) | 83 | 1,635 | 39 | 16,777 |
| Total liabilities and fund balances | $ 21,421 | $ 20,163 | $ 83 | $ 1,865 | $ 39 | $ 43,571 |

# CITY OF INDIANAPOLIS

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

Year ended December 31, 2010

*(In thousands)*

| | Parking | Federal Grants | Cable Franchise PEG Grants | State of Indiana Grants | Public Safety Income Tax | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Taxes | $ — | $ — | $ — | $ — | $ 35,933 | $ 35,933 |
| Charges for services | 2,267 | — | — | — | — | 2,267 |
| Other intergovernmental revenues: | | | | | | |
| Federal revenues | — | 60,487 | — | 33 | — | 60,520 |
| State revenues | — | — | — | 525 | — | 525 |
| Traffic violations and court fees | 1,575 | 75 | — | 1,446 | — | 3,096 |
| Interest and other operating revenues | 7 | (110) | — | 15 | 46 | (42) |
| Total revenues | 3,849 | 60,452 | — | 2,019 | 35,979 | 102,299 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | — | 4,442 | — | 12 | — | 4,454 |
| Public safety | 150 | 12,007 | — | 1,067 | 34,944 | 48,168 |
| Public works | 3,568 | 493 | — | — | — | 4,061 |
| Health and welfare | — | 2,222 | — | 41 | — | 2,263 |
| Cultural and recreation | — | 622 | — | — | — | 622 |
| Urban redevelopment and housing | — | 35,466 | — | — | — | 35,466 |
| Economic development and assistance | — | 962 | — | 253 | — | 1,215 |
| Debt service: | | | | | | |
| Redemption of bonds and notes | — | — | — | 21 | — | 21 |
| Interest on bonds and notes | — | — | — | 1 | — | 1 |
| Capital outlay | 745 | 8,794 | — | 444 | — | 9,983 |
| Total expenditures | 4,463 | 65,008 | — | 1,839 | 34,944 | 106,254 |
| Excess (deficiency) of revenues over (under) expenditures | (614) | (4,556) | — | 180 | 1,035 | (3,955) |
| Other financing sources (uses): | | | | | | |
| Proceeds from execution of parking meter agreement | 20,000 | — | — | — | — | 20,000 |
| Transfers out | (2,077) | — | (15) | — | — | (2,092) |
| Total other financing sources (uses) | 17,923 | — | (15) | — | — | 17,908 |
| Net change in fund balances | 17,309 | (4,556) | (15) | 180 | 1,035 | 13,953 |
| Fund balances (deficits) at beginning of year | 1,240 | 1,027 | 98 | 1,455 | (996) | 2,824 |
| Fund balances (deficits) at end of year | $ 18,549 | $ (3,529) | $ 83 | $ 1,635 | $ 39 | $ 16,777 |

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, 2010
*(In thousands)*

| | Parking | | Federal Grants | | State of Indiana Grants | | Public Safety Income Tax | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Final budget | Actual | Final budget | Actual | Final budget | Actual | Final budget | Actual | Final budget | Actual |
| Revenues: | | | | | | | | | | |
| Taxes | $ — | $ — | $ — | $ — | $ — | $ — | $ 35,788 | $ 35,933 | $ 35,788 | $ 35,933 |
| Charges for services | 2,400 | 2,266 | — | — | — | — | — | — | 2,400 | 2,266 |
| Other intergovernmental revenues: | | | | | | | | | | |
| Federal revenues | — | — | 134,296 | 33,366 | — | — | — | — | 134,296 | 33,366 |
| State revenues | — | — | — | — | 92 | 42 | — | — | 92 | 42 |
| Other revenues | — | — | 70 | 380 | 28 | 22 | — | — | 98 | 402 |
| Traffic violations and court fees | 1,800 | 1,516 | 1,600 | 62 | 1,100 | 1,360 | — | — | 4,500 | 2,938 |
| Interest and other operating revenues | 23 | 13 | 211 | 79 | — | 17 | — | 38 | 234 | 147 |
| Total revenues | 4,223 | 3,795 | 136,177 | 33,887 | 1,220 | 1,441 | 35,788 | 35,971 | 177,408 | 75,094 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | — | — | 10,605 | 7,202 | 34 | 34 | — | — | 10,639 | 7,236 |
| Public safety | 150 | 150 | 22,415 | 14,810 | 1,750 | 1,037 | 34,944 | 34,944 | 59,259 | 50,941 |
| Public works | 786 | 768 | 10 | (86) | — | — | — | — | 796 | 682 |
| Health and welfare | — | — | 3,615 | 3,465 | 57 | 38 | — | — | 3,672 | 3,503 |
| Cultural and recreation | — | — | 858 | 651 | — | — | — | — | 858 | 651 |
| Urban redevelopment and housing | — | — | 77,716 | 40,146 | — | — | — | — | 77,716 | 40,146 |
| Economic development and assistance | — | — | 3,242 | 4,479 | 28 | 22 | — | — | 3,270 | 4,501 |
| Capital outlays | 751 | 749 | 17,065 | 8,824 | 185 | 108 | — | — | 18,001 | 9,681 |
| Total expenditures | 1,687 | 1,667 | 135,526 | 79,491 | 2,054 | 1,239 | 34,944 | 34,944 | 174,211 | 117,341 |
| Excess (deficiency) of revenues over expenditures | 2,536 | 2,128 | 651 | (45,604) | (834) | 202 | 844 | 1,027 | 3,197 | (42,247) |
| Other financing sources (uses), net: | | | | | | | | | | |
| Proceeds from execution of parking meter agreement | — | 10,000 | — | — | — | — | — | — | — | 10,000 |
| Transfers out | (2,077) | (2,077) | — | (254) | — | — | — | — | (2,077) | (2,331) |
| Total other financing sources (uses) | (2,077) | 7,923 | — | (254) | — | — | — | — | (2,077) | (2,331) |
| Revenues over (under) expenditures and other financing sources (uses) | 459 | 10,051 | 651 | (45,858) | (834) | 202 | 844 | 1,027 | 1,120 | (44,578) |
| Unreserved fund balances (deficits) at beginning of year | 837 | 1,009 | — | — | 1,654 | 1,847 | — | (995) | 2,491 | 1,861 |
| Cancellation of purchase orders and other | (38) | 54 | (651) | 45,858 | (9) | (345) | (844) | (1) | (1,542) | 55,566 |
| Unreserved fund balances at end of year | $ 1,258 | $ 11,114 | $ — | $ — | $ 811 | $ 1,704 | $ — | $ 31 | $ 2,069 | $ 12,849 |

# CITY OF INDIANAPOLIS
## Special Revenue Funds
## Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2010

*(In thousands)*

| Department and Division | Fund | Final budget | Actual | Variance |
|---|---|---|---|---|
| Executive and Legislative | | | | |
| Office of Finance and Management | Federal Grants | | | |
| Personal services | | $ 108 | $ 19 | $ 89 |
| Total – Executive and Legislative | | $ 108 | $ 19 | $ 89 |
| Department of Metropolitan Development | Federal Grants | | | |
| Personal services | | $ 3,116 | $ 2,928 | $ 188 |
| Supplies | | 25 | 12 | 13 |
| Other services and charges | | 78,907 | 42,780 | 36,127 |
| Capital outlay | | 255 | 232 | 23 |
| Internal charges | | 467 | 458 | 9 |
| Total | | 82,770 | 46,410 | 36,360 |
| Department of Metropolitan Development | State of Indiana Grants | | | |
| Other services and charges | | 28 | 22 | 6 |
| Total | | 28 | 22 | 6 |
| Total – Department of Metropolitan Development | | $ 82,798 | $ 46,432 | $ 36,366 |
| Department of Code Enforcement | Federal Grants | | | |
| Other services and charges | | $ 122 | $ 122 | $ — |
| Total – Department of Code Enforcement | | $ 122 | $ 122 | $ — |
| Department of Public Works | Parking | | | |
| Personal services | | $ 281 | $ 281 | $ — |
| Supplies | | 86 | 70 | 16 |
| Other services and charges | | 524 | 524 | — |
| Capital outlay | | 751 | 750 | 1 |
| Internal charges | | 45 | 42 | 3 |
| Total | | $ 1,687 | $ 1,667 | $ 20 |

(Continued)

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, 2010
*(In thousands)*

| Department and Division | Fund | Final budget | Actual | Variance |
|---|---|---|---|---|
| Department of Public Works | Federal Grants | | | |
| Personal services | | $ 111 | $ — | $ 111 |
| Supplies | | 1 | — | 1 |
| Other services and charges | | 10,882 | 7,504 | 3,378 |
| Capital outlay | | 7,545 | 4,960 | 2,585 |
| Total | | 18,539 | 12,464 | 6,075 |
| Department of Public Works | State of Indiana Grants | | | |
| Other services and charges | | 91 | 72 | 19 |
| Total | | 91 | 72 | 19 |
| Total – Department of Public Works | | $ 20,317 | $ 14,203 | $ 6,114 |
| Department of Public Safety | Federal Grants | | | |
| Personal services | | $ 873 | $ 601 | $ 272 |
| Supplies | | 1,235 | 860 | 375 |
| Other services and charges | | 5,255 | 4,039 | 1,216 |
| Capital outlay | | 3,295 | 2,282 | 1,013 |
| Internal charges | | 15 | 9 | 6 |
| Total | | 10,673 | 7,791 | 2,882 |
| Total – Department of Public Safety | | $ 10,673 | $ 7,791 | $ 2,882 |

(Continued)

# CITY OF INDIANAPOLIS
## Special Revenue Funds
## Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2010

*(In thousands)*

| Department and Division | Fund | | Final budget | | Actual | | Variance |
|---|---|---|---|---|---|---|---|
| Department of Parks and Recreation | Federal Grants | | | | | | |
| Personal services | | $ | 272 | $ | 206 | $ | 66 |
| Supplies | | | 3 | | 1 | | 2 |
| Other services and charges | | | 583 | | 444 | | 139 |
| Capital outlay | | | 160 | | 160 | | — |
| Total | | | 1,018 | | 811 | | 207 |
| Total – Department of Parks and Recreation | | $ | 1,018 | $ | 811 | $ | 207 |
| Indianapolis Metropolitan Police Department | Federal Grants | | | | | | |
| Personal services | | $ | 5,322 | $ | 4,249 | $ | 1,073 |
| Supplies | | | 1,304 | | 472 | | 832 |
| Other services and charges | | | 9,860 | | 5,963 | | 3,897 |
| Capital outlay | | | 5,810 | | 1,190 | | 4,620 |
| Total | | | 22,296 | | 11,874 | | 10,422 |
| Indianapolis Metropolitan Police Department | State of Indiana Grants | | | | | | |
| Personal services | | | 542 | | 304 | | 238 |
| Supplies | | | 91 | | 64 | | 27 |
| Other services and charges | | | 1,117 | | 669 | | 448 |
| Capital outlay | | | 185 | | 108 | | 77 |
| Total | | | 1,935 | | 1,145 | | 790 |
| Indianapolis Metropolitan Police Department | Public Safety Income Tax | | | | | | |
| Personal services | | | 34,944 | | 34,944 | | — |
| Total | | | 34,944 | | 34,944 | | — |
| Total – Indianapolis Metropolitan Police Department | | $ | 59,175 | $ | 47,963 | $ | 11,212 |
| Total – Special Revenue Funds – by Department and Division | | $ | 174,211 | $ | 117,341 | $ | 56,870 |

See accompanying independent auditors' report.

# 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 |
| **PILOT -** | to account for accumulation of resources, and payments of long-term debt principal, interest, and related costs of debt issued for certain projects for the Department of Public Works |

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## CITY OF INDIANAPOLIS
## Combining Balance Sheet – Nonmajor Debt Service Funds
December 31, 2010
*(In thousands)*

| | Civil City | Redevelopment District | MECA | Sanitary District | Flood Control District | Metropolitan Thoroughfare District | Park District | Economic Development District | PILOT | Total Nonmajor Debt Service Funds |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | |
| Equity in pooled cash | $ 3,244 | $ 4,551 | $ 1,202 | $ 6,357 | $ 2,392 | $ 3,658 | $ 1,941 | $ 1,950 | $ 1,717 | $ 27,012 |
| Cash and investments with fiscal agents | 6 | 4 | 987 | 33 | 12 | 33 | 11 | 6,435 | 3,054 | 10,575 |
| Investments | 1,523 | 2,119 | 554 | 2,978 | 1,122 | 1,690 | 900 | 914 | 803 | 12,603 |
| Accrued interest receivable | — | 3 | — | 1 | — | 1 | — | 1 | — | 6 |
| Property taxes receivable | 313 | 128 | 126 | — | — | 186 | 104 | — | — | 857 |
| Accounts receivable | 34 | 31 | 200 | — | — | 44 | 24 | — | — | 333 |
| Total assets | $ 5,120 | $ 6,836 | $ 3,069 | $ 9,369 | $ 3,526 | $ 5,612 | $ 2,980 | $ 9,300 | $ 5,574 | $ 51,386 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | | | | |
| Matured bonds payable | $ 2,745 | $ 6,600 | $ 1,840 | $ 7,048 | $ 2,221 | $ 4,235 | $ 2,257 | $ — | $ — | $ 26,946 |
| Matured interest payable | 2,008 | 26 | 924 | 2,117 | 1,307 | 1,081 | 585 | — | 3,054 | 11,102 |
| Accounts payable and other accrued liabilities | 6 | 50 | — | 89 | 11 | 20 | 8 | — | — | 184 |
| Deferred revenue | 348 | 159 | 161 | — | — | 231 | 128 | — | — | 1,027 |
| Total liabilities | 5,107 | 6,835 | 2,925 | 9,254 | 3,539 | 5,567 | 2,978 | — | 3,054 | 39,259 |
| Fund balances: | | | | | | | | | | |
| Reserved for debt service | 13 | 1 | — | 115 | — | — | — | 9,300 | 2,520 | 11,949 |
| Unreserved | — | — | 144 | — | (13) | 45 | 2 | — | — | 178 |
| Total fund balances (deficits) | 13 | 1 | 144 | 115 | (13) | 45 | 2 | 9,300 | 2,520 | 12,127 |
| Total liabilities and fund balances | $ 5,120 | $ 6,836 | $ 3,069 | $ 9,369 | $ 3,526 | $ 5,612 | $ 2,980 | $ 9,300 | $ 5,574 | $ 51,386 |

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, 2010

*(In thousands)*

| | Civil City | Redevelopment District | MECA | Sanitary District | Flood Control District | Metropolitan Thoroughfare District | Park District | Economic Development District | PILOT | Total Nonmajor Debt Service Funds |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Property taxes | $ 8,400 | $ 9,313 | $ 3,681 | $ — | $ — | $ 5,481 | $ 2,807 | $ 1,152 | $ — | $ 30,834 |
| Other taxes | 665 | 76 | 340 | — | — | 509 | 260 | — | — | 1,850 |
| Interest on investments | 4 | 42 | (4) | 7 | (3) | 1 | 1 | 11 | — | 59 |
| Other revenues | — | — | 1,371 | 63 | 12 | (103) | 27 | 1,654 | — | 3,024 |
| Total revenues | 9,069 | 9,431 | 5,388 | 70 | 9 | 5,888 | 3,095 | 2,817 | — | 35,767 |
| Expenditures: | | | | | | | | | | |
| Redemption of bonds and notes | 5,435 | 6,600 | 3,650 | 7,068 | 2,221 | 4,235 | 2,257 | 140 | — | 31,606 |
| Interest on bonds and notes | 4,083 | 83 | 1,886 | 4,129 | 2,599 | 2,156 | 1,152 | 1,748 | 3,054 | 20,890 |
| Operating lease payments and administration | 85 | 14,238 | 42 | 86 | 65 | 44 | 23 | 36 | — | 14,619 |
| Total expenditures | 9,603 | 20,921 | 5,578 | 11,283 | 4,885 | 6,435 | 3,432 | 1,924 | 3,054 | 67,115 |
| Excess (deficiency) of revenues over (under) expenditures | (534) | (11,490) | (190) | (11,213) | (4,876) | (547) | (337) | 893 | (3,054) | (31,348) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 250 | 1,825 | 1,175 | 12,788 | 4,845 | 1,342 | 678 | 1,940 | 5,574 | 30,417 |
| Transfers out | — | — | — | (1,821) | — | — | — | — | — | (1,821) |
| Total other financing sources | 250 | 1,825 | 1,175 | 10,967 | 4,845 | 1,342 | 678 | 1,940 | 5,574 | 28,596 |
| Net change in fund balances | (284) | (9,665) | 985 | (246) | (31) | 795 | 341 | 2,833 | 2,520 | (2,752) |
| Fund balances (deficits) at beginning of year | 297 | 9,666 | (841) | 361 | 18 | (750) | (339) | 6,467 | — | 14,879 |
| Fund balances (deficits) at end of year | $ 13 | $ 1 | $ 144 | $ 115 | $ (13) | $ 45 | $ 2 | $ 9,300 | $ 2,520 | $ 12,127 |

# 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, 2010

*(In thousands)*

| | Civil City | | Redevelopment District | | MECA | |
|---|---|---|---|---|---|---|
| | Final budget | Actual | Final budget | Actual | Final budget | Actual |
| Revenues: | | | | | | |
| Taxes | $ 9,376 | $ 9,065 | $ 17,849 | $ 9,383 | $ 4,070 | $ 4,028 |
| Charges for services | — | — | — | — | 1,200 | 1,337 |
| Other operating revenues | 3 | 12 | 19 | 51 | 13 | (2) |
| Total revenues | 9,379 | 9,077 | 17,868 | 9,434 | 5,283 | 5,363 |
| Expenditures: | | | | | | |
| Economic development and assistance | — | — | — | — | — | — |
| Debt service | 9,603 | 9,603 | 21,094 | 20,921 | 5,577 | 5,577 |
| Total expenditures | 9,603 | 9,603 | 21,094 | 20,921 | 5,577 | 5,577 |
| Deficiency of revenues under expenditures | (224) | (526) | (3,226) | (11,487) | (294) | (214) |
| Other financing sources, net: | | | | | | |
| Bond proceeds | — | — | — | — | — | — |
| Transfers in | — | 250 | — | 1,825 | — | 1,174 |
| Total other financing sources | — | 250 | — | 1,825 | — | 1,174 |
| Revenues over (under) expenditures and other financing sources | (224) | (276) | (3,226) | (9,662) | (294) | 960 |
| Unreserved fund balances (deficits) at beginning of year | 229 | 292 | 3,717 | 9,704 | 1,155 | (974) |
| Cancellation of purchase orders and other | (5) | — | (395) | 6 | (1,201) | 180 |
| Unreserved fund balances (deficits) at end of year | $ — | $ 16 | $ 96 | $ 48 | $ (340) | $ 166 |

(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, 2010
*(In thousands)*

| | Sanitary District | | Flood Control District | | Metropolitan Thoroughfare District | |
|---|---|---|---|---|---|---|
| | Final budget | Actual | Final budget | Actual | Final budget | Actual |
| Revenues: | | | | | | |
| Taxes | $ — | $ — | $ — | $ — | $ 5,925 | $ 5,976 |
| Charges for services | — | — | — | — | — | — |
| Other operating revenues | — | 78 | — | 13 | 36 | (96) |
| Total revenues | — | 78 | — | 13 | 5,961 | 5,880 |
| Expenditures: | | | | | | |
| Economic development and assistance | — | — | — | — | — | — |
| Debt service | 11,348 | 11,283 | 4,897 | 4,885 | 6,435 | 6,435 |
| Total expenditures | 11,348 | 11,283 | 4,897 | 4,885 | 6,435 | 6,435 |
| Deficiency of revenues under expenditures | (11,348) | (11,205) | (4,897) | (4,872) | (474) | (555) |
| Other financing sources, net: | | | | | | |
| Bond proceeds | — | — | — | — | — | — |
| Transfers in | 11,051 | 10,968 | 4,931 | 4,845 | 540 | 1,342 |
| Total other financing sources | 11,051 | 10,968 | 4,931 | 4,845 | 540 | 1,342 |
| Revenues over (under) expenditures and other financing sources | (297) | (237) | 34 | (27) | 66 | 787 |
| Unreserved fund balances (deficits) at beginning of year | 2,311 | — | 3 | 16 | 4 | (950) |
| Cancellation of purchase orders and other | (1,959) | 324 | 3 | 11 | (51) | 164 |
| Unreserved fund balances (deficits) at end of year | $ 55 | $ 87 | $ 40 | $ — | $ 19 | $ 1 |

(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, 2010
*(In thousands)*

| | Revenue | | Park District | | Economic Development | | PILOT | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Final budget** | **Actual** | **Final budget** | **Actual** | **Final budget** | **Actual** | **Final budget** | **Actual** | **Final budget** | **Actual** |
| Revenues: | | | | | | | | | | |
| Taxes | $ 54,820 | $ 71,696 | $ 3,087 | $ 3,059 | $ 564 | $ 1,152 | $ — | $ — | $ 95,691 | $ 104,359 |
| Charges for services | — | — | — | — | 2,075 | 1,654 | — | — | 3,275 | 2,991 |
| Other operating revenues | 2,581 | 2,885 | 4 | 31 | — | 12 | — | 1 | 2,656 | 2,985 |
| Total revenues | 57,401 | 74,581 | 3,091 | 3,090 | 2,639 | 2,818 | — | 1 | 101,622 | 110,335 |
| Expenditures: | | | | | | | | | | |
| Economic development and assistance | 8,000 | — | — | — | — | — | — | — | 8,000 | — |
| Debt service | 101,951 | 112,022 | 3,433 | 3,432 | 2,862 | 2,016 | 3,054 | 3,054 | 170,254 | 179,228 |
| Total expenditures | 109,951 | 112,022 | 3,433 | 3,432 | 2,862 | 2,016 | 3,054 | 3,054 | 178,254 | 179,228 |
| Excess (deficiency) of revenues over (under) expenditures | (52,550) | (37,441) | (342) | (342) | (223) | 802 | (3,054) | (3,053) | (76,632) | (68,893) |
| Other financing sources, net: | | | | | | | | | | |
| Bond proceeds | — | 5,700 | — | — | — | — | — | — | — | 5,700 |
| Transfers in | 38,410 | 31,061 | 175 | 678 | — | 1,940 | — | 5,574 | 55,107 | 59,657 |
| Total other financing sources | 38,410 | 36,761 | 175 | 678 | — | 1,940 | — | 5,574 | 55,107 | 65,357 |
| Revenues over (under) expenditures and other financing sources | (14,140) | (680) | (167) | 336 | (223) | 2,742 | (3,054) | 2,521 | (21,525) | (3,536) |
| Unreserved fund balances at beginning of year | 1,100 | 56,922 | 302 | 344 | 1,073 | 3 | — | — | 9,894 | 65,357 |
| Cancellation of purchase orders and other | 13,083 | (56,231) | (117) | (680) | 3,456 | (130) | 3,054 | — | 15,868 | (56,356) |
| Unreserved fund balances (deficits) at end of year | $ 43 | $ 11 | $ 18 | $ — | $ 4,306 | $ 2,615 | $ — | $ 2,521 | $ 4,237 | $ 5,465 |

# CITY OF INDIANAPOLIS
## Debt Service Funds
## Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2010

*(In thousands)*

| Department | Fund | Final budget | Actual | Variance |
|---|---|---|---|---|
| Department of Metropolitan Development | Revenue | | | |
| Other services and charges | | $ 506 | $ 506 | $ — |
| Total | | 506 | 506 | — |
| Executive and Legislative | Revenue | | | |
| Other services and charges | | 8,000 | 8,000 | — |
| Total | | 8,000 | 8,000 | — |
| Non Departmental | Flood Control District | | | |
| Other services and charges | | 4,897 | 4,885 | 12 |
| Total | | 4,897 | 4,885 | 12 |
| Non Departmental | Metropolitan Thoroughfare District | | | |
| Other services and charges | | 6,435 | 6,435 | — |
| Total | | 6,435 | 6,435 | — |
| Non Departmental | Park District | | | |
| Other services and charges | | 3,433 | 3,432 | 1 |
| Total | | 3,433 | 3,432 | 1 |
| Non Departmental | MECA | | | |
| Other services and charges | | 5,577 | 5,577 | — |
| Total | | 5,577 | 5,577 | — |
| Non Departmental | Civil City | | | |
| Other services and charges | | 9,603 | 9,603 | — |
| Total | | 9,603 | 9,603 | — |
| Non Departmental | Redevelopment District | | | |
| Other services and charges | | 21,094 | 20,921 | 173 |
| Total | | 21,094 | 20,921 | 173 |
| Non Departmental | Revenue | | | |
| Other services and charges | | 101,445 | 103,516 | (2,071) |
| Total | | 101,445 | 103,516 | (2,071) |
| Non Departmental | Sanitary District | | | |
| Other services and charges | | 11,348 | 11,283 | 65 |
| Total | | 11,348 | 11,283 | 65 |
| Non Departmental | Economic Development | | | |
| Other services and charges | | 2,862 | 2,016 | 846 |
| Total | | 2,862 | 2,016 | 846 |
| Non Departmental | PILOT | | | |
| Other services and charges | | 3,054 | 3,054 | — |
| Total | | 3,054 | 3,054 | — |
| Total – Debt Service Funds – by Department | | $ 178,254 | $ 179,228 | $ (974) |

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 |

(Continued)

| | |
|---|---|
| **Landmark Building Preservation -** | to account for all financial resources related to costs of major repairs to certain City properties |
| **Fire Cumulative -** | to account for all resources for the fire department accumulating from an 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 |
| **Storm Water -** | to account for all financial resources related to expenditures for construction of storm water removal infrastructure |
| **Energy Savings -** | to account for all financial resources related to expenditures for “energy upgrades” of City and County facilities |
| **Capital Asset Development -** | to account for revenues from operating agreements with outside contractors which are to be used to purchase capital assets for the benefit of the City |

**CITY OF INDIANAPOLIS**
**Combining Balance Sheet – Nonmajor Capital Projects Funds**
December 31, 2010
*(In thousands)*

| | Redevelopment District | | | | | City | County | |
|---|---|---|---|---|---|---|---|---|
| | | Tax | Economic | Metropolitan Thoroughfare | Park | Cumulative Capital | Cumulative Capital | Facilities Revenue |
| | General | Increment | Development | District | District | Development | Development | Bonds |
| **ASSETS** | | | | | | | | |
| Equity in pooled cash | $ 743 | $ 2,380 | $ — | $ 1,780 | $ 18 | $ 3,487 | $ 228 | $ — |
| Cash and investments with fiscal agents | — | 6,974 | 11,882 | — | — | — | — | 665 |
| Investments | 346 | 1,108 | — | 831 | — | 1,620 | 111 | — |
| Accrued interest receivable | — | 2 | — | 1 | — | 2 | 1 | — |
| Property taxes receivable | — | — | — | — | — | 423 | — | — |
| Accounts receivable | — | 21 | — | — | — | 234 | 250 | — |
| Due from federal and state governments | — | — | — | — | — | — | — | — |
| Total assets | $ 1,089 | $ 10,485 | $ 11,882 | $ 2,612 | $ 18 | $ 5,766 | $ 590 | $ 665 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | | |
| Accounts payable and other accrued liabilities | $ — | $ 1,878 | $ — | $ — | $ — | $ 490 | $ 431 | $ — |
| Deferred revenue | — | — | — | — | — | 515 | — | — |
| Total liabilities | — | 1,878 | — | — | — | 1,005 | 431 | — |
| Fund balances: | | | | | | | | |
| Reserved for encumbrances | 31 | 4,716 | — | 193 | 5 | 3,636 | 2,305 | — |
| Unreserved | 1,058 | 3,891 | 11,882 | 2,419 | 13 | 1,125 | (2,146) | 665 |
| Total fund balances | 1,089 | 8,607 | 11,882 | 2,612 | 18 | 4,761 | 159 | 665 |
| Total liabilities and fund balances | $ 1,089 | $ 10,485 | $ 11,882 | $ 2,612 | $ 18 | $ 5,766 | $ 590 | $ 665 |

(Continued)

# CITY OF INDIANAPOLIS

## Combining Balance Sheet – Nonmajor Capital Projects Funds

December 31, 2010

*(In thousands)*

| | Tax Revenue Note | MECA | Landmark Building Preservation | Fire Cumulative | Storm Water | Energy Savings | Capital Asset Development | Total Nonmajor Capital Projects Funds |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Equity in pooled cash | $ 39 | $ 5,799 | $ 9 | $ 818 | $ 3,301 | $ — | $ 12,639 | $ 31,241 |
| Cash and investments with fiscal agents | 1,726 | 12 | — | — | — | 17,722 | — | 38,981 |
| Investments | 28 | 2,701 | 14 | 374 | 1,537 | — | 5,914 | 14,584 |
| Accrued interest receivable | — | 5 | — | — | 2 | — | 10 | 23 |
| Property taxes receivable | — | — | — | 106 | — | — | — | 529 |
| Accounts receivable | — | — | — | 11 | — | — | — | 516 |
| Due from federal and state governments | — | 192 | — | — | — | — | — | 192 |
| Total assets | $ 1,793 | $ 8,709 | $ 23 | $ 1,309 | $ 4,840 | $ 17,722 | $ 18,563 | $ 86,066 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | | |
| Accounts payable and other accrued liabilities | $ 188 | $ 193 | $ — | $ 14 | $ 320 | $ 697 | $ 3,291 | $ 7,502 |
| Deferred revenue | — | 192 | — | 118 | — | — | — | 825 |
| Total liabilities | 188 | 385 | — | 132 | 320 | 697 | 3,291 | 8,327 |
| Fund balances: | | | | | | | | |
| Reserved for encumbrances | 1,467 | 1,007 | — | 514 | 1,345 | 16,851 | 5,490 | 37,560 |
| Unreserved | 138 | 7,317 | 23 | 663 | 3,175 | 174 | 9,782 | 40,179 |
| Total fund balances | 1,605 | 8,324 | 23 | 1,177 | 4,520 | 17,025 | 15,272 | 77,739 |
| Total liabilities and fund balances | $ 1,793 | $ 8,709 | $ 23 | $ 1,309 | $ 4,840 | $ 17,722 | $ 18,563 | $ 86,066 |

## CITY OF INDIANAPOLIS

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

Year ended December 31, 2010

*(In thousands)*

| | Redevelopment District General | Redevelopment District Tax Increment | Economic Development | Metropolitan Thoroughfare District | Park District | City Cumulative Capital Development | County Cumulative Capital Development | Facilities Revenue |
|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | |
| Taxes | $ — | $ — | $ — | $ — | $ — | $ 12,377 | $ — | $ — |
| Other intergovernmental revenues: | | | | | | | | |
| Federal revenues | — | — | — | — | — | 326 | 250 | — |
| Other revenues | — | — | — | — | — | — | — | — |
| Interest and other operating revenues | 110 | 8 | 1 | 13 | — | 26 | 9 | — |
| Total revenues | 110 | 8 | 1 | 13 | — | 12,729 | 259 | — |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Economic development and assistance | — | 9,138 | 13,539 | — | — | 25 | — | 683 |
| Redemption of bonds and notes | — | — | — | — | — | 2,196 | — | — |
| Interest on bonds and notes | 17 | — | — | 20 | — | 244 | — | — |
| Bond and note issuance costs | — | 128 | 1,183 | — | — | — | — | — |
| Capital outlays | — | 3,697 | — | 322 | — | 8,718 | 1,384 | — |
| Total expenditures | 17 | 12,963 | 14,722 | 342 | — | 11,183 | 1,384 | 683 |
| Excess (deficiency) of revenues over (under) expenditures | 93 | (12,955) | (14,721) | (329) | — | 1,546 | (1,125) | (683) |
| Other financing sources (uses): | | | | | | | | |
| Bonds, notes, and certificates of participation issued | — | 7,382 | 22,420 | — | — | — | — | — |
| Premium on bonds issued | — | — | 605 | — | — | — | — | — |
| Transfers in | — | — | 5,000 | — | — | — | — | — |
| Transfers out | — | (2,562) | (1,938) | (22) | — | (1,972) | (503) | — |
| Total other financing sources (uses) | — | 4,820 | 26,087 | (22) | — | (1,972) | (503) | — |
| Net change in fund balances | 93 | (8,135) | 11,366 | (351) | — | (426) | (1,628) | (683) |
| Fund balances at beginning of year | 996 | 16,742 | 516 | 2,963 | 18 | 5,187 | 1,787 | 1,348 |
| Fund balances at end of year | $ 1,089 | $ 8,607 | $ 11,882 | $ 2,612 | $ 18 | $ 4,761 | $ 159 | $ 665 |

(Continued)

**CITY OF INDIANAPOLIS**

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

Year ended December 31, 2010

*(In thousands)*

| | Tax Revenue Note | MECA | Landmark Building Preservation | Fire Cumulative | Storm Water | Energy Savings | Capital Asset Development | Total Nonmajor Capital Projects Funds |
|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | |
| Taxes | $ — | $ — | $ — | $ 2,135 | $ — | $ — | $ — | $ 14,512 |
| Other intergovernmental revenues: | | | | | | | | |
| Federal revenues | — | — | — | — | — | — | — | 576 |
| Other revenues | — | — | — | 429 | — | — | — | 429 |
| Interest and other operating revenues | — | 362 | — | — | 19 | 5 | 19 | 572 |
| Total revenues | — | 362 | — | 2,564 | 19 | 5 | 19 | 16,089 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Economic development and assistance | — | — | — | — | — | — | — | 23,385 |
| Redemption of bonds and notes | — | — | — | 209 | — | — | — | 2,405 |
| Interest on bonds and notes | — | — | — | 29 | — | — | — | 310 |
| Bonds and note issuance costs | 342 | — | — | — | — | 64 | — | 1,717 |
| Capital outlays | 5,495 | 1,415 | — | 2,072 | 1,194 | 1,716 | 10,809 | 36,822 |
| Total expenditures | 5,837 | 1,415 | — | 2,310 | 1,194 | 1,780 | 10,809 | 64,639 |
| Excess (deficiency) of revenues over (under) expenditures | (5,837) | (1,053) | — | 254 | (1,175) | (1,775) | (10,790) | (48,550) |
| Other financing sources (uses): | | | | | | | | |
| Bonds, notes, and certificates of participation issued | 7,370 | — | — | — | — | 18,800 | — | 55,972 |
| Premium on bonds issued | 5 | — | — | — | — | — | — | 610 |
| Transfers in | — | — | — | — | — | — | 26,062 | 31,062 |
| Transfers out | — | (1,174) | — | — | — | — | — | (8,171) |
| Total other financing sources (uses) | 7,375 | (1,174) | — | — | — | 18,800 | 26,062 | 79,473 |
| Net change in fund balances | 1,538 | (2,227) | — | 254 | (1,175) | 17,025 | 15,272 | 30,923 |
| Fund balances at beginning of year | 67 | 10,551 | 23 | 923 | 5,695 | — | — | 46,816 |
| Fund balances at end of year | $ 1,605 | $ 8,324 | $ 23 | $ 1,177 | $ 4,520 | $ 17,025 | $ 15,272 | $ 77,739 |

# 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, 2010

*(In thousands)*

| | City Cumulative Capital Development | | County Cumulative Capital Development | | Fire Cumulative | | Totals | |
|---|---|---|---|---|---|---|---|---|
| | **Final budget** | **Actual** | **Final budget** | **Actual** | **Final budget** | **Actual** | **Final budget** | **Actual** |
| Revenues: | | | | | | | | |
| Taxes | $ 11,840 | $ 12,335 | $ — | $ — | $ 1,938 | $ 2,135 | $ 13,778 | $ 14,470 |
| Interest and other operating revenues | 102 | 217 | 2,505 | 6 | — | — | 2,607 | 223 |
| Total revenues | 11,942 | 12,552 | 2,505 | 6 | 1,938 | 2,135 | 16,385 | 14,693 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | 20 | 20 | — | — | 549 | 494 | 569 | 514 |
| Public works | 206 | 205 | — | — | — | — | 206 | 205 |
| Cultural and recreation | 850 | 844 | — | — | — | — | 850 | 844 |
| Economic development and assistance | 25 | 25 | — | — | — | — | 25 | 25 |
| Capital outlays | 8,556 | 8,387 | 2,500 | 2,490 | 1,683 | 1,444 | 12,739 | 12,321 |
| Total expenditures | 9,657 | 9,481 | 2,500 | 2,490 | 2,232 | 1,938 | 14,389 | 13,909 |
| Excess (deficiency) of revenues over (under) expenditures | 2,285 | 3,071 | 5 | (2,484) | (294) | 197 | 1,996 | 784 |
| Other financing sources (uses), net: | | | | | | | | |
| Transfers out | (1,225) | (1,972) | — | (503) | — | — | (1,225) | (2,475) |
| Total other financing uses | (1,225) | (1,972) | — | (503) | — | — | (1,225) | (2,475) |
| Revenues over (under) expenditures and other financing sources (uses) | 1,060 | 1,099 | 5 | (2,987) | (294) | 197 | 771 | (1,691) |
| Unreserved fund balances (deficits) at beginning of year | 418 | (155) | 857 | 974 | (2,038) | (2,031) | (763) | (1,212) |
| Cancellation of purchase orders and other | (1,226) | 182 | (816) | 2,418 | 2,771 | 2,507 | 729 | 5,107 |
| Sales of capital assets | $ 252 | $ 1,126 | $ 46 | $ 405 | $ 439 | $ 673 | $ 737 | $ 2,204 |

# CITY OF INDIANAPOLIS
## Annually Budgeted Capital Projects Funds
## Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2010
*(In thousands)*

| Department and Division | Fund | Final budget | Actual | Variance |
|---|---|---|---|---|
| Executive and Legislative | | | | |
| Office of Finance and Management | City Cumulative Capital Improvement | | | |
| Other services and charges | | $ 25 | $ 25 | $ — |
| Total | | 25 | 25 | — |
| Total – Executive and Legislative | | $ 25 | $ 25 | $ — |
| Department of Public Works | City Cumulative Capital Improvement | | | |
| Other services and charges | | $ 206 | $ 205 | $ 1 |
| Capital outlay | | 2,100 | 2,093 | 7 |
| Total | | 2,306 | 2,298 | 8 |
| Department of Public Works | County Cumulative Capital Improvement | | | |
| Capital outlay | | 2,500 | 2,490 | 10 |
| Total | | 2,500 | 2,490 | 10 |
| Total – Department of Public Works | | $ 4,806 | $ 4,788 | $ 18 |
| Indianapolis Fire Department | Fire Cumulative | | | |
| Other services and charges | | $ 549 | $ 494 | $ 55 |
| Capital Outlay | | 1,683 | 1,444 | 239 |
| Total – Department of Public Safety | | $ 2,232 | $ 1,938 | $ 294 |
| Indianapolis Metropolitan Police Department | City Cumulative Capital Improvement | | | |
| Other services and charges | | $ 20 | $ 20 | $ — |
| Capital outlay | | 3,816 | 3,683 | 133 |
| Total – Indianapolis Metropolitan Police Department | | $ 3,836 | $ 3,703 | $ 133 |
| Department of Parks and Recreation | City Cumulative Capital Improvement | | | |
| Supplies | | $ 75 | $ 69 | $ 6 |
| Other services and charges | | 775 | 775 | — |
| Capital outlay | | 2,640 | 2,611 | 29 |
| Total | | 3,490 | 3,455 | 35 |
| Total – Department of Parks and Recreation | | $ 3,490 | $ 3,455 | $ 35 |
| Total – Capital Projects Funds – by Department and Division | | $ 14,389 | $ 13,909 | $ 480 |

See accompanying independent auditors' report.

# 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, Auto Liability, Public Liability Self-Insurance, and Employee Health Insurance Internal Service Funds.

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**CITY OF INDIANAPOLIS**
**Internal Service Funds**
**Combining Statement of Net Assets**
December 31, 2010
*(In thousands)*

| | Auto Liability Reserve | Workers' Compensation | Public Liability Self Insurance | Employee Health Insurance | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Equity in pooled cash | $ 457 | $ 2 | $ 6,406 | $ 892 | $ 7,757 |
| Cash and investments with fiscal agents | 17 | — | — | — | 17 |
| Investments | 207 | — | 2,991 | 152 | 3,350 |
| Accrued interest receivable | 1 | — | 2 | — | 3 |
| Accounts receivable | — | 44 | — | 18 | 62 |
| Due from other funds | 3,530 | — | — | — | 3,530 |
| Total assets | 4,212 | 46 | 9,399 | 1,062 | 14,719 |
| **LIABILITIES** | | | | | |
| Accounts payable and other accrued liabilities | 550 | 1,867 | 4,980 | 1,052 | 8,449 |
| Due to other funds | — | 3,530 | — | — | 3,530 |
| Total liabilities | 550 | 5,397 | 4,980 | 1,052 | 11,979 |
| **NET ASSETS** | | | | | |
| Unrestricted (deficit) | $ 3,662 | $ (5,351) | $ 4,419 | $ 10 | $ 2,740 |

See accompanying independent auditors' report.

# CITY OF INDIANAPOLIS
## Internal Service Funds
## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended December 31, 2010

*(In thousands)*

| | Auto Liability Reserve | Workers' Compensation | Public Liability Self Insurance | Employee Health Insurance | Total |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Charges to other funds | $ — | $ 3,007 | $ 6,885 | $ 9,680 | $ 19,572 |
| Operating expenses: | | | | | |
| Administration | 70 | 110 | — | 1,600 | 1,780 |
| Claims | 101 | 4,416 | 3,527 | 7,322 | 15,366 |
| Total operating expenses | 171 | 4,526 | 3,527 | 8,922 | 17,146 |
| Operating income (loss) | (171) | (1,519) | 3,358 | 758 | 2,426 |
| Nonoperating revenue: | | | | | |
| Interest on investments | 26 | (16) | 20 | 1 | 31 |
| Income (loss) | (145) | (1,535) | 3,378 | 759 | 2,457 |
| Change in net assets | (145) | (1,535) | 3,378 | 759 | 2,457 |
| Total net assets – beginning | 3,807 | (3,816) | 1,041 | (749) | 283 |
| Total net assets – ending | $ 3,662 | $ (5,351) | $ 4,419 | $ 10 | $ 2,740 |

See accompanying independent auditors' report.

**CITY OF INDIANAPOLIS**
**Internal Service Funds**
**Combining Statement of Cash Flows**
Year ended December 31, 2010
*(In thousands)*

| | Auto Liability Reserve | Workers' Compensation | Public Liability Self Insurance | Employee Health Insurance | Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Receipts from users | $ (3,526) | $ 2,978 | $ 6,887 | $ 9,662 | $ 16,001 |
| Payments for administration | (70) | (110) | — | (1,600) | (1,780) |
| Payments for claims | (350) | (2,977) | (2,060) | (7,542) | (12,929) |
| Net cash provided by (used in) operating activities | (3,946) | (109) | 4,827 | 520 | 1,292 |
| Cash flows from investing activities: | | | | | |
| Sales and maturities of investments | 1,320 | — | 1,305 | 150 | 2,775 |
| Investment purchases | (207) | — | (2,991) | (152) | (3,350) |
| Interest on investments | 26 | (16) | 20 | 1 | 31 |
| Net cash provided by (used in) investing activities | 1,139 | (16) | (1,666) | (1) | (544) |
| Net increase (decrease) in cash and cash equivalents | (2,807) | (125) | 3,161 | 519 | 748 |
| Cash and cash equivalents, beginning of year | 3,281 | 127 | 3,245 | 373 | 7,026 |
| Cash and cash equivalents, end of year | $ 474 | $ 2 | $ 6,406 | $ 892 | $ 7,774 |
| Reconciliation of operating income (loss) to net cash used in operating activities: | | | | | |
| Operating income (loss) | $ (171) | $ (1,519) | $ 3,358 | $ 758 | $ 2,426 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Changes in assets and liabilities: | | | | | |
| Decrease (increase) in accounts receivable | (3,526) | (29) | 2 | (18) | (3,571) |
| Increase (decrease) in accounts payable | (249) | 1,439 | 1,467 | (220) | 2,437 |
| Net cash provided by (used in) operating activities | $ (3,946) | $ (109) | $ 4,827 | $ 520 | $ 1,292 |

See accompanying independent auditors' report.

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# Fiduciary Funds

The Fiduciary Funds are classified into two 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. 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 Pension -** | 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 Pension -** | 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 be 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, 2010
*(In thousands)*

| | Police Pension | Firefighters Pension | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash | $ 526 | $ 428 | $ 954 |
| Investments (U.S government agencies) | 249 | 208 | 457 |
| Accrued interest receivable | 1 | 1 | 2 |
| Total assets | 776 | 637 | 1,413 |
| **LIABILITIES** | | | |
| Accounts payable and other accrued liabilities | — | 27 | 27 |
| Total liabilities | — | 27 | 27 |
| **NET ASSETS** | | | |
| Held in trust for pension benefits | $ 776 | $ 610 | $ 1,386 |

**CITY OF INDIANAPOLIS**
**Fiduciary Funds**
**Combining Statement of Changes in Fiduciary Net Assets**
**Police and Firefighters Pension Trust Funds**
Year ended December 31, 2010
*(In thousands)*

| | Pension Trust Funds | | |
|---|---|---|---|
| | Police Pension | Firefighters Pension | Total |
| **ADDITIONS** | | | |
| State of Indiana pension subsidy received from the General Fund | $ 30,594 | $ 27,718 | $ 58,312 |
| Interest income and other | 34 | 25 | 59 |
| Total additions | 30,628 | 27,743 | 58,371 |
| **DEDUCTIONS** | | | |
| Benefits | 29,761 | 28,510 | 58,271 |
| Total deductions | 29,761 | 28,510 | 58,271 |
| Change in plan net assets | 867 | (767) | 100 |
| Net assets – beginning | (91) | 1,377 | 1,286 |
| Net assets – ending | $ 776 | $ 610 | $ 1,386 |

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, 2010
*(In thousands)*

| | Police Pension | | | Firefighters Pension | | |
|---|---|---|---|---|---|---|
| | **Budget** | **Actual** | **Variance** | **Budget** | **Actual** | **Variance** |
| Revenues: | | | | | | |
| Taxes | $ — | $ 26 | $ 26 | $ — | $ 22 | $ 22 |
| Intergovernmental | 31,458 | 30,594 | (864) | 30,782 | 27,526 | (3,256) |
| Other | — | 7 | 7 | — | 2 | 2 |
| Total revenues | 31,458 | 30,627 | (831) | 30,782 | 27,550 | (3,232) |
| Expenditures: | | | | | | |
| Personal services | 31,458 | 29,785 | 1,673 | 30,782 | 28,483 | 2,299 |
| Total expenditures | 31,458 | 29,785 | 1,673 | 30,782 | 28,483 | 2,299 |
| Excess (deficiency) of revenues over (under) expenditures | $ — | $ 842 | $ 842 | $ — | $ (933) | $ (933) |

See accompanying independent auditors' report.

# CITY OF INDIANAPOLIS
## Fiduciary Funds
## Combining Statement of Agency Funds Net Assets
December 31, 2010
*(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 | $ 185 | $ 5,537 | $ 3,593 | $ 1,060 | $ 2,734 | $ 521 | $ 13,630 |
| Investments | 87 | 2,589 | 1,680 | 497 | — | 244 | 5,097 |
| Accrued interest receivable | — | — | 4 | 1 | — | — | 5 |
| Accounts receivable | — | — | 201 | — | — | — | 201 |
| Total assets | $ 272 | $ 8,126 | $ 5,478 | $ 1,558 | $ 2,734 | $ 765 | $ 18,933 |
| **LIABILITIES** | | | | | | | |
| Accounts payable and other accrued liabilities | $ 272 | $ 8,126 | $ 5,478 | $ 1,558 | $ 2,734 | $ 765 | $ 18,933 |
| Total liabilities | $ 272 | $ 8,126 | $ 5,478 | $ 1,558 | $ 2,734 | $ 765 | $ 18,933 |

See accompanying independent auditors' report.

# CITY OF INDIANAPOLIS
## Fiduciary Funds
## Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended December 31, 2010

*(In thousands)*

| | Balance January 1, 2010 | Additions | Deductions | Balance December 31, 2010 |
|---|---|---|---|---|
| **SANITATION 15 YEAR LAW FUND** | | | | |
| Assets: | | | | |
| Cash and investments | $ 267 | $ 6 | $ 1 | $ 272 |
| Total assets | $ 267 | $ 6 | $ 1 | $ 272 |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | $ 267 | $ 6 | $ 1 | $ 272 |
| Total liabilities | $ 267 | $ 6 | $ 1 | $ 272 |
| **UAL PERSONAL PROPERTY** | | | | |
| Assets: | | | | |
| Cash and investments | $ 8,130 | $ — | $ 4 | $ 8,126 |
| Total assets | $ 8,130 | $ — | $ 4 | $ 8,126 |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | $ 8,130 | $ — | $ 4 | $ 8,126 |
| Total liabilities | $ 8,130 | $ — | $ 4 | $ 8,126 |
| **E – 911 ALLOCATION** | | | | |
| Assets: | | | | |
| Cash and investments | $ 4,742 | $ 898 | $ 367 | $ 5,273 |
| Accrued interest receivable | 5 | (1) | — | 4 |
| Accounts receivable | 193 | 8 | — | 201 |
| Total assets | $ 4,940 | $ 905 | $ 367 | $ 5,478 |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | $ 4,940 | $ 905 | $ 367 | $ 5,478 |
| Total liabilities | $ 4,940 | $ 905 | $ 367 | $ 5,478 |

(Continued)

**CITY OF INDIANAPOLIS**
**Fiduciary Funds**
**Combining Statement of Changes in Assets and Liabilities – Agency Funds**
Year ended December 31, 2010
*(In thousands)*

| | Balance January 1, 2010 | Additions | Deductions | Balance December 31, 2010 |
|---|---|---|---|---|
| **DPS RETIREE HEALTH INSURANCE** | | | | |
| Assets: | | | | |
| Cash and investments | $ 1,134 | $ 2,550 | $ 2,127 | $ 1,557 |
| Accrued interest receivable | 2 | — | 1 | 1 |
| Total assets | $ 1,136 | $ 2,550 | $ 2,128 | $ 1,558 |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | $ 1,136 | $ 2,550 | $ 2,128 | $ 1,558 |
| Total liabilities | $ 1,136 | $ 2,550 | $ 2,128 | $ 1,558 |
| **IPD CONFISCATED CASH** | | | | |
| Assets: | | | | |
| Cash and investments | $ 2,177 | $ 2,996 | $ 2,439 | $ 2,734 |
| Total assets | $ 2,177 | $ 2,996 | $ 2,439 | $ 2,734 |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | $ 2,177 | $ 2,996 | $ 2,439 | $ 2,734 |
| Total liabilities | $ 2,177 | $ 2,996 | $ 2,439 | $ 2,734 |
| **OTHER** | | | | |
| Assets: | | | | |
| Cash and investments | $ 760 | $ 5 | $ — | $ 765 |
| Accrued interest receivable | 1 | — | 1 | — |
| Total assets | $ 761 | $ 5 | $ 1 | $ 765 |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | $ 761 | $ 5 | $ 1 | $ 765 |
| Total liabilities | $ 761 | $ 5 | $ 1 | $ 765 |
| **TOTAL – ALL AGENCY FUNDS** | | | | |
| Assets: | | | | |
| Cash and investments | $ 17,210 | $ 6,455 | $ 4,938 | $ 18,727 |
| Accrued interest receivable | 8 | (1) | 2 | 5 |
| Accounts receivable | 193 | 8 | — | 201 |
| Total assets | $ 17,411 | $ 6,462 | $ 4,940 | $ 18,933 |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | $ 17,411 | $ 6,462 | $ 4,940 | $ 18,933 |
| Total liabilities | $ 17,411 | $ 6,462 | $ 4,940 | $ 18,933 |

# 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.

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

| | Fiscal year | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Governmental activities: | | | | | | |
| Invested in capital assets, net of related debt | $ 964,135 | $ 968,197 | $ 1,009,258 | $ 963,536 | $ 920,186 | $ 961,358 |
| Restricted | 122,202 | 193,243 | 175,864 | 195,743 | 214,479 | 209,948 |
| Unrestricted (deficit) | (273,286) | (366,071) | (402,821) | (354,287) | (416,849) | (534,850) |
| Total governmental activities net assets | $ 813,051 | $ 795,369 | $ 782,301 | $ 804,992 | $ 717,816 | $ 636,456 |
| Business-type activities: | | | | | | |
| Invested in capital assets, net of related debt | $ 86,066 | $ 76,926 | $ 96,070 | $ 91,984 | $ 92,683 | $ 99,657 |
| Restricted | 2,807 | 443 | 11,800 | 12,812 | 1,956 | 3,338 |
| Unrestricted (deficit) | (20,333) | 11,585 | (9,352) | (27,348) | (89,498) | (87,832) |
| Total business-type activities net assets | $ 68,540 | $ 88,954 | $ 98,518 | $ 77,448 | $ 5,141 | $ 15,163 |
| Primary government: | | | | | | |
| Invested in capital assets, net of related debt | $ 1,050,201 | $ 1,045,123 | $ 1,105,328 | $ 1,055,520 | $ 1,012,869 | $ 1,061,015 |
| Restricted | 125,009 | 193,686 | 187,664 | 208,555 | 216,435 | 213,286 |
| Unrestricted (deficit) | (293,619) | (354,486) | (412,173) | (381,635) | (506,347) | (622,682) |
| Total primary government net assets | $ 881,591 | $ 884,323 | $ 880,819 | $ 882,440 | $ 722,957 | $ 651,619 |

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

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

| | Fiscal year | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Expenses** | | | | | | |
| Governmental activities: | | | | | | |
| General government | $ 43,646 | $ 45,133 | $ 46,890 | $ 34,652 | $ 88,824 | $ 65,883 |
| Public safety | 280,370 | 281,214 | 401,015 | 382,716 | 395,465 | 428,230 |
| Public works | 228,881 | 229,993 | 234,673 | 227,589 | 267,286 | 276,331 |
| Health and welfare | 4,598 | 4,962 | 5,621 | 5,354 | 5,112 | 4,079 |
| Cultural and recreation | 32,892 | 31,739 | 38,250 | 34,296 | 33,506 | 30,275 |
| Urban redevelopment and housing | 38,482 | 40,837 | 33,207 | 30,594 | 34,813 | 48,407 |
| Economic development and assistance | 11,804 | 14,126 | 22,315 | 26,247 | 28,491 | 45,441 |
| Interest | 56,192 | 63,262 | 62,178 | 73,774 | 74,039 | 63,280 |
| Total governmental activities expenses | $ 696,865 | $ 711,266 | $ 844,149 | $ 815,222 | $ 927,536 | $ 961,926 |
| | | | | | | |
| Business-type activities: | | | | | | |
| Waterworks | $ 120,856 | $ 119,289 | $ 141,257 | $ 146,488 | $ 195,340 | $ 145,074 |
| Housing Agency | 55,494 | 51,087 | 51,686 | 58,928 | 63,230 | 69,362 |
| Total business-type activities expenses | 176,350 | 170,376 | 192,943 | 205,416 | 258,570 | 214,436 |
| Total primary government expenses | $ 873,215 | $ 881,642 | $ 1,037,092 | $ 1,020,638 | $ 1,186,106 | $ 1,176,362 |

(Continued)

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

| **Program Revenues** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | |
| Charges for services: | | | | | | |
| General government | $ 12,471 | $ 13,672 | $ 14,025 | $ 13,980 | $ 14,816 | $ 17,712 |
| Public safety | 13,388 | 16,394 | 18,486 | 17,773 | 20,135 | 16,911 |
| Public works | 95,148 | 117,667 | 144,653 | 162,167 | 176,591 | 181,742 |
| Health and welfare | 952 | 864 | 864 | 901 | 375 | 289 |
| Cultural and recreation | 5,003 | 5,230 | 4,968 | 4,845 | 4,645 | 4,179 |
| Urban redevelopment and housing | 1,378 | 1,667 | 1,943 | 2,251 | 7,187 | 3,259 |
| Economic development and assistance | 1,450 | 1,033 | 966 | 675 | 298 | 477 |
| Operating grants and contributions | 113,844 | 123,417 | 142,344 | 107,546 | 137,557 | 157,126 |
| Capital grants and contributions | 93,315 | 63,466 | 69,657 | 31,167 | 32,637 | 25,652 |
| Total governmental activities program revenues | $ 336,949 | $ 343,410 | $ 397,906 | $ 341,305 | $ 394,241 | $ 407,347 |
| Business-type activities: | | | | | | |
| Charges for services: | | | | | | |
| Waterworks | $ 101,466 | $ 97,637 | $ 128,107 | $ 122,658 | $ 125,501 | $ 144,378 |
| Housing Agency | 3,808 | 4,646 | 3,691 | 3,885 | 4,101 | 3,535 |
| Operating grants and contributions | 51,127 | 51,139 | 47,733 | 51,415 | 46,252 | 61,364 |
| Capital grants and contributions | 35,848 | 24,925 | 16,039 | 12,601 | 6,023 | 14,124 |
| Total business-type activities program revenues | 192,249 | 178,347 | 195,570 | 190,559 | 181,877 | 223,401 |
| Total primary government program revenues | $ 529,198 | $ 521,757 | $ 593,476 | $ 531,864 | $ 576,118 | $ 630,748 |
| **Net (Expense) Revenue** | | | | | | |
| Governmental activities | $ (359,916) | $ (367,856) | $ (446,243) | $ (473,917) | $ (533,295) | $ (554,579) |
| Business-type activities | 15,899 | 7,971 | 2,627 | (14,857) | (76,693) | 8,965 |
| Total primary government net expenses | $ (344,017) | $ (359,885) | $ (443,616) | $ (488,774) | $ (609,988) | $ (545,614) |

(Continued)

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

| **General Revenues and Other Changes in Net Assets** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | |
| Taxes: | | | | | | |
| Property tax | $ 229,238 | $ 221,904 | $ 256,969 | $ 247,908 | $ 274,655 | $ 265,801 |
| Wheel tax | 13,396 | 12,921 | 12,756 | 13,432 | 13,549 | 11,890 |
| County option income tax | 45,489 | 57,452 | 110,426 | 188,486 | 117,764 | 187,880 |
| Other taxes | 18,469 | 17,769 | 16,947 | 19,040 | 19,841 | 19,544 |
| Grants and contributions not restricted by function | 6,708 | 16,945 | 13,503 | 4,872 | 11,916 | 9,411 |
| Investment earnings not restricted by function | 8,535 | 18,099 | 17,967 | 11,000 | 3,625 | 3,743 |
| Miscellaneous | 1,214 | 5,084 | 4,607 | 11,870 | 4,769 | 3,950 |
| Special item – termination payment | — | — | — | — | — | (29,000) |
| Total governmental activities | $ 323,049 | $ 350,174 | $ 433,175 | $ 496,608 | $ 446,119 | $ 473,219 |
| | | | | | | |
| Business-type activities: | | | | | | |
| Investment earnings not restricted by function | $ 2,125 | $ 5,489 | $ 4,724 | $ 4,168 | $ 5,559 | $ 2,898 |
| Miscellaneous | 151 | 6,954 | 2,213 | 655 | 31 | (1,841) |
| Prior period adjustment | — | — | — | (3,840) | (1,204) | — |
| Total business-type activities | 2,276 | 12,443 | 6,937 | 983 | 4,386 | 1,057 |
| Total primary government | $ 325,325 | $ 362,617 | $ 440,112 | $ 497,591 | $ 450,505 | $ 474,276 |
| | | | | | | |
| **Change in Net Assets** | | | | | | |
| Governmental activities | $ (36,867) | $ (17,682) | $ (13,068) | $ 22,691 | $ (87,176) | $ (81,360) |
| Business-type activities | 18,175 | 20,414 | 9,564 | (10,034) | (71,103) | 10,022 |
| Total primary government | $ (18,692) | $ 2,732 | $ (3,504) | $ 12,657 | $ (158,279) | $ (71,338) |

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Program Revenues by Function/Program**
Schedule 3
Last Six Fiscal Years
*(Accrual basis of accounting)*
*(In thousands)*

| | Fiscal year | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Function/Program** | | | | | | |
| Governmental activities: | | | | | | |
| General government | $ 12,535 | $ 14,154 | $ 14,459 | $ 14,595 | $ 16,372 | $ 23,693 |
| Public safety | 64,480 | 71,887 | 98,792 | 70,569 | 103,991 | 104,023 |
| Public works | 212,890 | 216,308 | 242,473 | 222,155 | 233,101 | 227,920 |
| Health and welfare | 3,106 | 2,939 | 3,503 | 3,755 | 2,000 | 2,485 |
| Cultural and recreation | 7,694 | 8,775 | 9,333 | 7,127 | 7,073 | 6,663 |
| Urban redevelopment and housing | 26,563 | 26,986 | 26,836 | 19,749 | 29,841 | 40,528 |
| Economic development and assistance | 9,681 | 2,361 | 2,510 | 3,355 | 1,863 | 2,035 |
| Total governmental activities | $ 336,949 | $ 343,410 | $ 397,906 | $ 341,305 | $ 394,241 | $ 407,347 |
| Business-type activities: | | | | | | |
| Waterworks | $ 134,389 | $ 116,908 | $ 133,751 | $ 124,354 | $ 127,546 | $ 146,534 |
| Housing Agency | 57,860 | 61,439 | 61,819 | 66,205 | 54,331 | 76,867 |
| Total business-type activities | 192,249 | 178,347 | 195,570 | 190,559 | 181,877 | 223,401 |
| Total primary government program revenues | $ 529,198 | $ 521,757 | $ 593,476 | $ 531,864 | $ 576,118 | $ 630,748 |

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**

**Fund Balances, Governmental Funds**

Schedule 4

Last Six Fiscal Years

*(Modified accrual basis of accounting)*

*(In thousands)*

| | Fiscal year | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| General Fund: | | | | | | |
| Reserved | $ 92,086 | $ 73,618 | $ 37,412 | $ 33,865 | $ 48,759 | $ 32,866 |
| Unreserved | 125,526 | 136,643 | 79,182 | 83,292 | 162,602 | 133,765 |
| Total general fund | $ 217,612 | $ 210,261 | $ 116,594 | $ 117,157 | $ 211,361 | $ 166,631 |
| All other governmental funds: | | | | | | |
| Reserved | $ 152,398 | $ 179,519 | $ 198,655 | $ 230,856 | $ 307,052 | $ 362,565 |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 1,558 | 511 | 148 | (503) | 184 | 14,442 |
| Capital projects funds | 19,132 | 75,784 | 100,381 | 103,328 | 64,895 | 87,575 |
| Debt service funds | — | — | — | — | (1,930) | 178 |
| Permanent fund | 336 | 345 | 361 | 377 | 376 | 376 |
| Total all other governmental funds | $ 173,424 | $ 256,159 | $ 299,545 | $ 334,058 | $ 370,577 | $ 465,136 |

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

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

| | Fiscal year | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Revenues:** | | | | | | |
| Taxes | $ 308,197 | $ 310,178 | $ 295,784 | $ 445,216 | $ 556,816 | $ 474,935 |
| Licenses and permits | 8,319 | 13,097 | 14,441 | 15,898 | 11,887 | 12,488 |
| Charges for services | 109,272 | 130,946 | 158,671 | 159,169 | 200,817 | 198,623 |
| Intergovernmental revenues | 122,092 | 131,323 | 158,782 | 112,674 | 152,128 | 168,344 |
| Intragovernmental revenues | 2,962 | 3,804 | 3,401 | 2,497 | 3,338 | 2,674 |
| Traffic violations and court fees | 4,320 | 4,441 | 4,185 | 11,309 | 13,602 | 6,291 |
| Interest and other operating revenues | 17,465 | 30,737 | 44,429 | 25,631 | 14,378 | 15,144 |
| Total revenues | 572,627 | 624,526 | 679,693 | 772,394 | 952,966 | 878,499 |
| **Expenditures:** | | | | | | |
| Current: | | | | | | |
| General government | 25,694 | 24,193 | 25,024 | 18,190 | 21,842 | 42,446 |
| Public safety | 251,297 | 261,140 | 343,222 | 345,965 | 352,790 | 388,364 |
| Public works | 116,336 | 117,032 | 129,584 | 131,156 | 133,258 | 150,988 |
| Health and welfare | 4,453 | 4,778 | 5,430 | 5,221 | 4,928 | 4,053 |
| Cultural and recreation | 26,017 | 25,501 | 28,883 | 28,085 | 25,431 | 22,581 |
| Urban redevelopment and housing | 29,827 | 27,946 | 28,355 | 23,962 | 30,093 | 44,037 |
| Economic development and assistance | 7,359 | 1,773 | 12,614 | 20,289 | 24,308 | 42,111 |
| Capital outlays | 82,928 | 117,918 | 194,529 | 138,879 | 138,754 | 226,218 |
| Debt service: | | | | | | |
| Redemption of bonds and notes | 64,270 | 96,412 | 92,076 | 78,811 | 78,607 | 93,793 |
| Interest on bonds and notes | 48,032 | 54,514 | 54,809 | 63,886 | 68,255 | 55,388 |
| Swap termination payment | — | — | — | — | 28,780 | — |
| Bond, note, and certificates of participation issuance costs | 1,616 | 2,026 | 3,760 | 1,160 | 2,758 | 4,987 |
| Advance funding escrow | — | — | — | — | 649 | — |
| Operating lease payments and administration | 19,213 | 19,054 | 19,636 | 15,399 | 15,167 | 15,439 |
| Total expenditures | 677,042 | 752,287 | 937,922 | 871,003 | 925,620 | 1,090,405 |
| Excess (deficiency) of revenues under expenditures | $ (104,415) | $ (127,761) | $ (258,229) | $ (98,609) | $ 27,346 | $ (211,906) |

(Continued)

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

| | Fiscal year | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Other financing sources (uses):** | | | | | | |
| Bond, note, and certificates of participation issuance costs | $ 158,971 | $ 199,999 | $ 198,915 | $ 129,675 | $ 87,281 | $ 229,732 |
| Proceeds from execution of parking meter contract | — | — | — | — | — | 20,000 |
| Premium on bonds and notes issued | — | 2,691 | 5,381 | 1,647 | 15,451 | 11,093 |
| Refunding bonds issued | — | — | 89,410 | — | 133,775 | — |
| Payment to refunded bond escrow agent | — | — | (86,697) | — | (133,775) | — |
| Sales of capital assets | 393 | 455 | 939 | 363 | 645 | 910 |
| Transfers in | 44,935 | 45,313 | 60,253 | 82,245 | 59,105 | 108,357 |
| Transfers out | (44,935) | (45,313) | (60,253) | (82,245) | (59,105) | (108,357) |
| Total other financing sources (uses) | 159,364 | 203,145 | 207,948 | 131,685 | 103,377 | 261,735 |
| Net change in fund balances (deficits) | $ 54,949 | $ 75,384 | $ (50,281) | $ 33,076 | $ 130,723 | $ 49,829 |
| Debt service as a percentage of noncapital expenditures | 7% | 9% | 9% | 8% | 10% | 8% |

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**

**Tax Revenues by Source, Governmental Funds**

Schedule 6

December 31, 2010

*(Modified accrual basis)*

*(In thousands)*

| Fiscal year | Property | | Local 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 |
| 2009 | 345,163 | (b) | 174,560 | 13,550 | 23,543 | 556,816 |
| 2010 | 255,772 | | 187,880 | 11,890 | 19,393 | 474,935 |

(a) Includes financial institution and other local taxes.

(b) Property tax revenue includes $115 million of 2008 property taxes that were not distributed until 2009 due to the delay in property tax billings.

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Assessed Value and Estimated Actual Value of Taxable Property**
Schedule 7
December 31, 2010
*(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 | 24,790,420 | 14,694,619 | 2,598,170 | 5,454,450 | 332,284 | 47,869,943 | 3.5490 | 47,869,943 | 100 |
| 2009 | 18,016,590 | 14,553,256 | 2,813,644 | 5,657,964 | 324,992 | 41,366,446 | 2.7548 | 41,366,446 | 100 |
| 2010 | 16,775,664 | 14,576,670 | 3,044,559 | 5,745,524 | 324,320 | 40,466,737 | 2.9796 | 40,466,737 | 100 |

Note: Tax-exempt property for 2010 of $2,967,697 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 2010, total taxable assessed value includes $3,307,912 of assessed valuation for Marion County Tax Increment Financing Districts.

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Direct and Overlapping Governments Property Tax Rates (a) (b)**
Schedule 8
Last Six Fiscal Years
*(Rate per $100 of assessed value)*

| | City of Indianapolis | | | Overlapping rates: County direct rates | | | Overlapping rates: Other direct rates | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Operating millage | Debt service millage | Total city millage | County | Municipal corporations | Total City-County Council approved | School | State | Other | Total direct and overlapping rates |
| 2005 | 0.9184 | 0.0369 | 0.9553 | 0.4163 | 0.3750 | 1.7466 | 1.6744 | 0.0024 | 0.0516 | 3.4750 |
| 2006 | 0.9056 | 0.0369 | 0.9425 | 0.3555 | 0.3751 | 1.6731 | 1.7172 | 0.1538 | 0.0523 | 3.5964 |
| 2007 | 0.8372 | 0.0374 | 0.8746 | 0.5741 | 0.3420 | 1.7907 | 1.8713 | 0.0024 | 0.0522 | 3.7166 |
| 2008 | 0.8683 | 0.0237 | 0.8920 | 0.4847 | 0.3521 | 1.7288 | 1.7668 | 0.0024 | 0.0510 | 3.5490 |
| 2009 | 0.8073 | 0.0561 | 0.8634 | 0.3513 | 0.3254 | 1.5401 | 1.1569 | 0.0000 | 0.0578 | 2.7548 |
| 2010 | 0.8041 | 0.0632 | 0.8673 | 0.3534 | 0.3282 | 1.5489 | 1.3692 | 0.0000 | 0.0615 | 2.9796 |

(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.

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**

**Principal Property Tax Payers**

Schedule 9

Current Fiscal Year and Nine Years Ago

*(In thousands)*

| | 2010 | | | | 2001 | | |
|---|---|---|---|---|---|---|---|
| Principal taxpayers | Taxable assessed value (a) | Rank | Percentage of total city taxable assessed value | Principal taxpayers | Taxable assessed value (c) (d) | Rank | Percentage of total city taxable assessed value |
| 1 Eli Lilly and Company | $ 2,261,447 | 1 | 6.089 % | Eli Lilly and Company | $ 190,469 | 1 | 0.0201 % |
| 2 Indianapolis Power and Light Co. | 361,036 | 2 | 0.972 | Indianapolis Power and Light Co. | 135,474 | 2 | 0.0143 |
| 3 Federal Express Corporation | 191,197 | 3 | 0.515 | Visteon Corporation (formerly Ford Motor Co.) | 60,198 | 3 | 0.0063 |
| 4 Allison Transmission Inc. | 184,486 | 4 | 0.497 | International Truck and Engine (formerly, Navistar International) | 55,209 | 4 | 0.0058 |
| 5 Indiana Bell Telephone Co. Inc. | 153,410 | 5 | 0.413 | General Motors Corporation | 41,059 | 5 | 0.0043 |
| 6 Circle Centre Development Co. | 152,746 | 6 | 0.411 | Indianapolis Water Company | 40,231 | 6 | 0.0042 |
| 7 Macquarie Office Monument Center I, LLC | 138,940 | 7 | 0.374 | Olin Corporation – Olin Brass | 37,355 | 7 | 0.0039 |
| 8 VV USA City, LP | 136,320 | 8 | 0.367 | Clarian Health Partners | 37,182 | 8 | 0.0039 |
| 9 Keystone Investors, LLC | 130,454 | 9 | 0.351 | Roche Diagnostics Corp. | 35,461 | 9 | 0.0037 |
| 10 American United Life | 116,215 | 10 | 0.313 | Bank One Corporation | 30,422 | 10 | 0.0032 |
| 11 Citizens Coke & Gas Utility | 86,643 | 11 | 0.233 | Marsh Supermarkets, Inc. | 24,136 | 11 | 0.0025 |
| 12 Methodist Hospital | 78,758 | 12 | 0.212 | Farm Bureau Insurance | 23,819 | 12 | 0.0025 |
| 13 Rolls Royce | 77,065 | 13 | 0.208 | Meijer, Inc. | 21,350 | 13 | 0.0022 |
| 14 Hub Properties GA, LLC | 71,188 | 14 | 0.192 | National Starch and Chemical Company | 21,247 | 14 | 0.0022 |
| 15 National Starch, LLC | 70,115 | 15 | 0.189 | Citizen's Gas & Coke Utility | 18,130 | 15 | 0.0019 |
| 16 BNP Paribas Leasing Corp | 68,270 | 16 | 0.184 | Marathon Oil Company | 17,928 | 16 | 0.0019 |
| 17 MT Acquisitions, LLC | 64,404 | 17 | 0.173 | Kroger Company | 16,388 | 17 | 0.0017 |
| 18 Crossroads Indiana, LLC | 60,589 | 18 | 0.163 | Diamler – Chrysler Corp. | 15,426 | 18 | 0.0016 |
| 19 Kite West 86th Street, LLC | 56,813 | 19 | 0.153 | Amtran (ATA) | 13,568 | 19 | 0.0014 |
| 20 Automotive Components Holdings, LLC | 56,440 | 20 | 0.152 | Allison Transmission/Division of GMC | (b) | 20 | N/A |
| | $ 4,516,536 | | 12.160 % | | $ 835,052 | | 8.800 % |

(a) Represents the March 1, 2009 valuations for taxes due and payable in 2010 as represented by the taxpayer. Amounts in thousands. Net assessed valuation was determined using public records from the Marion County Treasurer's Office.

(b) Data not available

(c) Represents the March 1, 2000 valuations for taxes due and payable in 2001 as represented by the taxpayer. Amounts in thousands. Net assessed valuation was determined using public records from the Marion County Treasurer's Office.

(d) Data presented as originally published in the 2001 CAFR.

**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 (d) | Total collections to date | | |
|---|---|---|---|---|---|---|---|
| | | Amount | Percentage of levy | | Amount (b) (e) | | Percentage of levy |
| 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 | (c) | 98.76 |
| 2006 | 175,485 | 168,359 | 95.9 | 4,501 | 172,860 | (c) | 98.50 |
| 2007 | 192,223 | 192,946 | 100.4 | 3,587 | 196,533 | (c) | 102.24 |
| 2008 | 196,824 | 189,069 | 96.1 | 5,584 | 194,653 | (c) | 98.90 |
| 2009 | 181,262 | 155,963 | 86.0 | 8,153 | 164,116 | (c) | 90.54 |
| 2010 | 192,072 | 169,653 | 88.3 | 17,891 | 187,544 | (c) | 97.64 |

(a) Taxes levied represent the total city less the tax increment replacement levy.
(b) Data presented on the cash basis in years prior to 2007.
(c) Total collections include refunds for prior years that were withheld from the City's final tax distribution.
(d) The County Treasurer does not provide actual breakdowns of current and prior year delinquent collections by taxing unit; therefore, delinquent collections is estimated based on the delinquent collections from all the taxing units in Marion County.
(e) Tax increment revenues are not included in the collected amounts because there is no separate tax levy for them.

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

| | Governmental activities | | | | | Business-type activities | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal year | Serial bonds | Tax increment bonds | Net revenue bonds | Notes payable and certificates of participation | Capital leases | Waterworks revenue bonds | Waterworks notes payable | Housing Agency 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 | 3.30 | 130 |
| 2009 | 293,756 | 517,964 | 590,715 | 25,816 | — | 915,655 | 1,667 | — | 852 | 2,346,425 | 3.49 | 135 |
| 2010 | 265,900 | 536,092 | 728,684 | 41,335 | — | 903,965 | 1,667 | 10,149 | 698 | 2,488,490 | 3.70 | 143 |

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

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Ratios of General Bonded Debt Outstanding**
Schedule 12
Last Six 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 |
| 2009 | 293,756 | 293,756 | 0.710 | 0.36 |
| 2010 | 265,900 | 265,900 | 0.657 | 0.33 |

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.

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

# CITY OF INDIANAPOLIS

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

Schedule 13

December 31, 2010

*(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 | $ 34,654,777 | 0.67% | $ 232,187 | $ 82,260 |
| Consolidated County | 1 | 37,138,835 | (c) | — | — |
| Park District | 1 | 37,138,835 | (h) | — | 21,792 |
| Redevelopment District | 2 | 34,654,777 | (h) | — | 19,225 |
| Flood Control District | 1 | 37,138,835 | 0.67% | 248,830 | 10,988 |
| Metropolitan Thoroughfare District | 1 | 37,138,835 | 1.33% | 493,947 | 40,895 |
| Sanitary District | 8 | 34,123,572 | 4.00% | 1,364,943 | 53,608 |
| Police Special Service District | 5 | 10,627,854 | (b) | — | — |
| Fire Special Service District | 6 | 21,248,864 | (b) | — | — |
| Solid Waste Collect Special Service District | 7 | 34,701,118 | (b) | — | — |
| Solid Waste Disposal District | 7 | 34,701,118 | 2.00% | 694,022 | — |
| Pub Safety Comm and Comp Facilities District | 1 | 37,138,835 | 0.67% | 248,830 | 37,115 |
| Total City Debt | | | | $ 3,282,759 | $ 265,883 |
| **Overlapping:** | | | | | |
| Marion County | 1 | $ 37,138,835 | 0.67% | $ 248,830 | $ — |
| Municipal Corporations: | | | | | |
| Airport Authority | 1 | 37,138,835 | 0.67% | $ 248,830 | $ — |
| Health & Hospital Corporation | 1 | 37,138,835 | 0.67% | 248,830 | 233,840 |
| Capital Improvement Board | 1 | 37,138,835 | 0.67% | 248,830 | — |
| Indpls-Marion Co. Building Authority | 1 | 37,138,835 | (d) | — | 17,405 |
| Indianapolis-Marion County Library | 4 | 36,046,182 | 0.67% | 241,509 | 100,345 |
| Indianapolis Public Transportation Corp. | 2 | 35,175,161 | 0.67% | 235,674 | 9,585 |
| Total Municipal Corporations | | | | $ 1,223,673 | $ 361,175 |
| **School Districts:** | | | | | |
| Beech Grove | 9 | $ 493,827 | (i) | $ 40,440 | $ 5,315 |
| Decatur | 9 | 1,099,113 | (i) | 171,922 | 8,770 |
| Franklin | 9 | 1,734,792 | (i) | 287,913 | 4,330 |
| Indianapolis Public Schools | 9 | 9,449,406 | (i) | 869,613 | 26,360 |
| Lawrence | 9 | 4,660,505 | (i) | 269,929 | 22,215 |
| Perry | 9 | 3,312,195 | (i) | 165,977 | 21,070 |
| Pike | 9 | 4,824,093 | (i) | 133,583 | 4,555 |
| Speedway | 9 | 598,827 | (i) | 11,977 | — |

(Continued)

**CITY OF INDIANAPOLIS**
**Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)**
Schedule 13
December 31, 2010
*(In thousands)*

| | Map reference (see introduction (g)) | Assessed value (f) | Bonding limit % | Bonding limit Dollar amount | Bonds outstanding |
|---|---|---|---|---|---|
| **School Districts (continued):** | | | | | |
| Warren | 9 | $ 2,569,613 | (i) | $ 163,742 | $ — |
| Washington | 9 | 5,696,546 | (i) | 157,316 | 11,445 |
| Wayne | 9 | 2,699,918 | (i) | 314,353 | 23,344 |
| Total School Districts | | $ 37,138,835 | | $ 2,586,765 | $ 127,404 |
| **Other Cities and Towns:** | | | | | |
| Beech Grove | 2 | $ 520,384 | 0.67% | $ 3,487 | $ 1,199 |
| Lawrence | 2 | 1,318,506 | 0.67% | 8,834 | 5,715 |
| Southport | 2 | 46,341 | 0.67% | 310 | 300 |
| Speedway | 2 | 598,827 | 0.67% | 4,012 | 1,530 |
| Total Other Cities and Towns | | $ 2,484,058 | | $ 16,643 | $ 8,744 |
| **Townships:** | | | | | |
| Center | 3 | $ 5,133,095 | 0.67% | $ 34,392 | $ — |
| Decatur | 3 | 1,102,498 | 0.67% | 7,387 | 2,199 |
| Franklin | 3 | 1,887,804 | 0.67% | 12,648 | — |
| Lawrence | 3 | 5,028,418 | 0.67% | 33,690 | — |
| Perry | 3 | 3,614,146 | 0.67% | 24,215 | — |
| Pike | 3 | 4,600,397 | 0.67% | 30,823 | — |
| Warren | 3 | 3,456,323 | 0.67% | 23,157 | — |
| Washington | 3 | 7,844,056 | 0.67% | 52,555 | — |
| Wayne | 3 | 4,138,359 | 0.67% | 27,727 | — |
| Total Townships | | $ 36,805,096 | | $ 246,594 | $ 2,199 |
| **Excluded Library Districts:** | | | | | |
| Beech Grove | 4 | $ 493,827 | 0.67% | $ 3,309 | $ — |
| Speedway | 4 | $ 598,827 | 0.67% | $ 4,012 | 205 |
| Total Excluded Library Districts | | | | | $ 205 |
| Ben Davis Conservancy District | | $ 898 | (e) | $ — | $ — |
| Total overlapping debt | | | | | $ 499,727 |
| Total direct and overlapping debt | | | | | $ 765,610 |

(Continued)

**CITY OF INDIANAPOLIS**
**Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)**
Schedule 13
December 31, 2010
*(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 Indianapolis-Marion County 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, 2009 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2010.
(g) See pages XIV and XV
(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)(d)**
Schedule 14
December 31, 2010
*(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 | $ 34,654,777 | 0.67% | $ 232,187 | $ 82,260 | $ 149,927 | $ — | $ 149,927 | 35.43% |
| Consolidated County | 37,138,835 | (a) | — | — | — | — | — | — |
| Park District | 37,138,835 | (b) | — | 21,792 | — | 2 | — | — |
| Redevelopment District | 34,654,777 | (b) | — | 19,225 | — | — | — | — |
| Flood Control District | 37,138,835 | 0.67% | 248,830 | 10,988 | 237,842 | (13) | 237,829 | 4.42% |
| Metropolitan Thoroughfare District | 37,138,835 | 1.33% | 493,947 | 40,895 | 453,052 | 45 | 453,097 | 8.27% |
| Sanitary District | 34,123,572 | 4.00% | 1,364,943 | 53,608 | 1,311,335 | — | 1,311,335 | 3.93% |
| Police Special Service District | 10,627,854 | (c) | — | — | — | — | — | — |
| Fire Special Service District | 9,878,431 | (c) | — | — | — | — | — | — |
| Solid Waste Collection Special Service District | 34,701,118 | (c) | — | — | — | — | — | — |
| Solid Waste Disposal District | 34,701,118 | 2.00% | 694,022 | — | 694,022 | — | 694,022 | — |
| Public Safety Communications and Computer Facilities District | 37,138,835 | 0.67% | 248,830 | 37,115 | 211,715 | — | 211,715 | 14.92% |

(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.
(d) Due to the extreme complexity of the taxing district structure, the City has not presented the required ten years of data as showing more than one year of data is extremely cumbersome. Previous years data can be found in the CAFRs from prior years.

# CITY OF INDIANAPOLIS
**Pledged-Revenue Coverage**
Schedule 15
Last Six 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 |
| 2009 | 120,452 | 56,047 | 64,405 | 19,978 | 16,667 | 1.76 |
| 2010 | 143,539 | 62,458 | 81,081 | 23,285 | 16,721 | 2.03 |

**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 |
| 2009 | 126,428 | 76,883 | 49,545 | 8,525 | 48,434 | 0.87 |
| 2010 | 144,378 | 74,353 | 70,025 | 11,690 | 46,282 | 1.21 |

| Fiscal year | **Wheel tax bonds** Wheel tax revenue (c) | Debt service Principal | Debt service Interest | Coverage | **Redevelopment revenue bonds** City cumulative funds (d) | Debt service Principal | Debt service Interest | Coverage | **Property tax increment bonds** Tax increment revenues (e) | Debt service Principal | Debt service Interest | Coverage |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | $ 14,406 | $ 4,775 | $ 1,913 | 2.15 | $ 520 | $ 390 | $ 107 | 1.05 | $ 56,932 | $ 18,697 | $ 21,278 | 1.42 |
| 2006 | 15,866 | 5,005 | 1,701 | 2.37 | 556 | 400 | 101 | 1.11 | 47,348 | 36,139 | 22,923 | 0.80 |
| 2007 | 15,712 | 3,180 | 1,144 | 3.63 | 522 | 410 | 83 | 1.06 | 32,325 | 24,208 | 21,253 | 0.71 |
| 2008 | 13,432 | 5,480 | 1,238 | 2.00 | 510 | 400 | 70 | 1.09 | 57,717 | 24,935 | 16,757 | 1.38 |
| 2009 | 12,367 | 5,740 | 983 | 1.84 | 375 | 440 | 57 | 0.75 | 112,951 | 16,275 | 25,772 | 2.69 (k) |
| 2010 | 11,890 | 3,570 | 762 | 2.74 | 475 | 425 | 42 | 1.02 | 66,615 | 21,054 | 15,700 | 1.81 |

| Fiscal year | **MECA bonds** E-911 fees (f) | Debt service Principal | Debt service Interest | Coverage | **Economic development bonds** Parking fees (g) | Debt service Principal | Debt service Interest | Coverage | **Golf bonds** Golf course revenue (h) | Debt service Principal | Debt service Interest | Coverage |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | $ 1,673 | $ 1,280 | $ 413 | 0.99 | $ 1,699 | $ — | $ 1,309 | 1.30 | $ 320 | $ 160 | $ 104 | 1.21 |
| 2006 | 1,368 | 1,330 | 367 | 0.81 | 1,940 | 100 | 1,487 | 1.22 | 405 | 175 | 100 | 1.47 |
| 2007 | 1,812 | 1,380 | 317 | 1.07 | 1,659 | — | 1,647 | 1.01 | 337 | 185 | 89 | 1.23 |
| 2008 | 1,643 | 1,445 | 251 | 0.97 | 2,060 | 60 | 1,898 | 1.05 | 353 | 1,698 | 153 | 0.19 (j) |
| 2009 | 1,440 | 1,520 | 178 | 0.85 | 2,250 | 135 | 1,994 | 1.06 | — | — | — | — |
| 2010 | 1,371 | 1,590 | 102 | 0.81 | 1,654 | 98 | 1,384 | 1.12 | — | — | — | — |

| Fiscal year | **Facilities revenue bonds** Charge back (i) | Debt service Principal | Debt service Interest | Coverage | **PILOT revenue bonds** Payments in lieu of taxes (l) | Debt service Principal | Debt service Interest | Coverage | **Stormwater revenue bonds** Net revenues of the stormwater system (m) | Debt service Principal | Debt service Interest | Coverage |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | $ NA | $ NA | $ NA | NA | $ NA | $ NA | $ NA | NA | $ NA | $ NA | $ NA | NA |
| 2006 | NA | NA | NA | NA | NA | NA | NA | NA | 1,650 | — | 1,650 | 1.00 |
| 2007 | 1,256 | 610 | 712 | 0.95 | NA | NA | NA | NA | 2,121 | — | 2,121 | 1.00 |
| 2008 | 1,593 | 885 | 834 | 0.93 | NA | NA | NA | NA | 3,051 | 930 | 2,121 | 1.00 |
| 2009 | 1,793 | 1,105 | 784 | 0.95 | NA | NA | NA | NA | 3,054 | 970 | 2,084 | 1.00 |
| 2010 | 2,210 | 1,190 | 739 | 1.15 | 5,574 | — | 3,054 | 1.83 | 3,060 | 1,015 | 2,045 | 1.00 |

(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
(k) Does not include $128,210 of refunding bonds.
(l) Payments in lieu of taxes wastewater system
(m) Improvements of stormwater handling capabilities

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Demographic and Economic Statistics**
Schedule 16
Last Six 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 | | 67,449,000 | | 39,318 | | 35.50 | | 12 | | 145,569 | | 5.60 | |
| 2009 | 808,466 | | 67,186,598 | | 38,532 | | 35.80 | | 12 | | 159,089 | | 8.50 | |
| 2010 | 807,584 | | 67,186,598 | (f) | 38,532 | (f) | 33.60 | | 12 | | 159,865 | | 8.40 | |

(a) U.S. Census Bureau
(b) Bureau of Economic Analysis
(c) Stats Indiana
(d) Indiana Department of Education
(e) Bureau of Labor Statistics
(f) This information will be released by the Bureau of Economic Analysis in August 2011; therefore, prior year numbers were utilized.

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Principal Employers**
Schedule 17
Current Fiscal Year and Nine Years Ago

| | 2010 (b) | | | | 2001 | | |
|---|---|---|---|---|---|---|---|
| **Employer** | **Employees** | **Rank** | **Percentage of total city employment (a)** | **Employer** | **Employees (c)** | **Rank** | **Percentage of total city employment (a)** |
| Clarian Health Partners Inc. | 12,763 | 1 | 3.13% | Clarian Health Partners Inc. | 11,237 | 1 | 2.53% |
| Eli Lilly and Company | 11,550 | 2 | 2.84% | Community Hospitals of Indianapolis, Inc. | 5,293 | 2 | 1.19% |
| St Vincent Hospitals & Health Services | 10,640 | 3 | 2.61% | IUPUI | 5,000 | 3 | 1.13% |
| IUPUI | 7,066 | 4 | 1.73% | Marsh Supermarkets, Inc. | 4,620 | 4 | 1.04% |
| FedEx | 6,311 | 5 | 1.55% | Allison Transmission/Div of GMC | 4,139 | 5 | 0.93% |
| Community Health Network | 5,341 | 6 | 1.31% | Anthem, Inc. | 3,285 | 6 | 0.74% |
| Rolls-Royce | 4,300 | 7 | 1.06% | Kroger Company | 3,104 | 7 | 0.70% |
| St. Francis Hospital & Health Centers | 4,152 | 8 | 1.02% | Visteon Corp. (formerly, Ford Motor Co.) | 2,681 | 8 | 0.60% |
| WellPoint, Inc. | 3,950 | 9 | 0.97% | General Motors Corp. | 2,452 | 9 | 0.55% |
| Allison Transmission/Div of GMC | 3,800 | 10 | 0.93% | Amtran (ATA) | 2,400 | 10 | 0.54% |

(a) Percentage of total City employment is calculated by using total 2010 & 2001 Employed Labor Force, which can be found at www.stats.indiana.edu.
(b) Largest employers can be found at www.indypartnership.com (Indy Partnership).
(c) Data presented as originally published in the 2001 CAFR.

**CITY OF INDIANAPOLIS**
**Full-Time Equivalent City Government Employees by Function/Program**
Schedule 18
December 31, 2010

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **General Government** | 250 | 264 | 268 | 266 | 236 |
| **Protection of People** | | | | | |
| Police Department | 1,465 | 1,666 | 1,871 | 1,915 | 1,923 |
| Fire Department | 792 | 978 | 1,092 | 1,116 | 1,300 |
| Other (Civilian) | 64 | 398 | 74 | 87 | 215 |
| **Public Works** | 647 | 648 | 637 | 618 | 670 |
| **Parks and Recreation** | 450 | 452 | 414 | 363 | 287 |
| **Redevelopment** | 218 | 227 | 244 | 222 | 98 |
| **Total full-time City employees** | 3,886 | 4,633 | 4,600 | 4,587 | 4,729 |

**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.

Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Operating Indicators by Function/Program**
Schedule 19
December 31, 2010

| Function/program | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **General government** | | | | | |
| Building permits issued | 48,858 | 41,470 | 34,517 | 33,619 | 33,915 |
| Building inspections conducted | 65,314 | 73,781 | 76,101 | 102,324 | 102,965 |
| Households assisted with entitlement grants | 3,767 | 4,131 | 5,168 | 6,872 | 3,430 |
| **Police** | | | | | |
| Physical arrests | 37,740 | 44,903 | 52,247 | 51,944 | NA |
| Parking violations | 22,335 | 12,692 | 10,912 | 8,575 | 8,953 |
| Traffic violations | 42,278 | 43,780 | 68,937 | 36,850 | 20,600 |
| **Fire** | | | | | |
| Emergency responses | 68,240 | 65,966 | 136,198 | 122,620 | 154,755 |
| Dispatched fire runs | 52,948 | 15,783 | 16,331 | 18,457 | 17,236 |
| Inspections | 2,155 | 4,552 | 4,663 | 4,663 | 6,936 |
| **Refuse collection** | | | | | |
| Refuse collected (tons per day) | 816 | 890 | 1,075 | 1,048 | 1,038 |
| Leaves collected (tons per year) | 10,341 | 6,762 | 6,741 | 7,610 | 6,044 |
| **Other public works** | | | | | |
| Street resurfacing (miles) | 99 | 99 | 155 | 237 | 515 |
| Pothole work orders completed (a) | 13,246 | 9,009 | 12,094 | 18,590 | 16,645 |
| **Parks and recreation** | | | | | |
| Number of facility and park inspections | 758 | 476 | 1,200 | 9,518 | 8,621 |
| Community park and facility attendance | 5,238,625 | 7,636,927 | 6,636,487 | 6,820,927 | 6,804,867 |
| **Water** | | | | | |
| Service repairs | 457 | 661 | 889 | 1,074 | 994 |
| Water main repairs | 407 | 783 | 593 | 559 | 704 |
| Average daily consumption (millions of gallons) | 139 | 152 | 138 | 146 | 137 |
| Total system pumpage (millions of gallons) | 50,633 | 55,369 | 50,347 | 53,143 | 50,121 |
| **Wastewater** | | | | | |
| Average daily sewage treatment (millions of gallons) | 206 | 183 | 190 | 181 | 166 |

Note: NA stands for not available.
(a) Work order can consist of one pothole or multiple potholes.



Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

**CITY OF INDIANAPOLIS**
**Capital Asset Statistics by Function/Program**
Schedule 20
December 31, 2010

| Function/program | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **Public Safety** | | | | | |
| Police stations | 5 | 6 | 7 | 7 | 6 |
| Police vehicles and other rolling stock | 1,778 | 2,057 | 2,015 | 2,005 | 2,309 |
| Fire stations | 26 | 35 | 35 | 38 | 45 |
| Fire vehicles and other rolling stock | 178 | 259 | 258 | 277 | 302 |
| Emergency management vehicles and other rolling stock | 11 | 10 | 9 | 12 | 12 |
| Animal control vehicles and other rolling stock | 28 | 31 | 29 | 27 | 27 |
| **Other Public Works** | | | | | |
| Streets (miles) | 3,161 | 3,193 | 3,215 | 3,233 | 3,238 |
| Sidewalks (miles) | 2,702 | 2,705 | 2,707 | 2,706 | 2,707 |
| Bridges | 512 | 513 | 512 | 512 | 512 |
| Traffic signal installations | 1,124 | 1,125 | 1,125 | 1,127 | 1,128 |
| Miles of sanitary sewers | 3,086 | 3,086 | 3,116 | 3,188 | 3,019 |
| Miles of storm sewers and drainage | 1,478 | 1,494 | 1,500 | 1,513 | 1,517 |
| Public works vehicle and other rolling stock | 538 | 551 | 537 | 582 | 546 |
| Wastewater treatment capacity (million gallons per day) | 320 | 320 | 320 | 320 | 320 |
| **Cultural and Recreation** | | | | | |
| Parks | 192 | 192 | 192 | 206 | 207 |
| Park properties – acreage | 11,018 | 11,140 | 11,160 | 11,140 | 11,168 |
| Playgrounds | 131 | 131 | 127 | 128 | 127 |
| Golf courses | 13 | 13 | 13 | 13 | 13 |
| Swimming pools – outdoors | 16 | 16 | 16 | 16 | 16 |
| Swimming pools – indoors | 6 | 6 | 8 | 5 | 5 |
| Recreational centers | 25 | 25 | 25 | 25 | 25 |
| **Waterworks** | | | | | |
| Treatment plants | 10 | 10 | 10 | 9 | 9 |
| Pumping stations | 18 | 24 | 18 | 20 | 20 |
| Water mains (miles) | 4,240 | 4,422 | 4,462 | 4,469 | 4,344 |
| Fire hydrants | 38,868 | 39,077 | 39,487 | 41,048 | 39,763 |
| Water storage tanks | 17 | 21 | 26 | 32 | 30 |
| Storage capacity (millions of gallons) | 78,960 | 78,960 | 78,960 | 77,850 | 77,850 |
| Waterworks vehicles and other rolling stock | 214 | 297 | 316 | 309 | 309 |

Sources: Various City department reports.



Note: In 2005, the City implemented GASB Statement No. 44. Only the last six years of data is presented since information from prior years is not available.

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**MARION COUNTY, 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, 2010

(With Independent Auditors' Reports Thereon)

**MARION COUNTY, 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, 2010

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**MARION COUNTY, INDIANA**
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards – Modified Cash Basis
For the Year Ended December 31, 2010

| 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 Justice | | | | | | |
| | | | Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM) | 16.203 | $ — | 53,408 |
| | City of Indianapolis, Indiana | 2005-VT-BX-1160 | Services for Trafficking Victims | 16.320 | — | 59,319 |
| | ICJI*** | 07-JB-001 | Juvenile Accountability Block Grants | 16.523 | — | 93,580 |
| | ICJI*** | 07-JB-002 | Juvenile Accountability Block Grants | 16.523 | — | 2,793 |
| | ICJI*** | 08-JB-012 | Juvenile Accountability Block Grants | 16.523 | — | 28,245 |
| | ICJI*** | 08-JB-013 | Juvenile Accountability Block Grants | 16.523 | — | 22,804 |
| | | | Total 16.523 | | — | 147,422 |
| | ICJI*** | 09-JF-015 | Juvenile Justice and Delinquency Prevention – Allocation to States – Reception, Assessment, and Intervention | 16.540 | — | 6,084 |
| | | | Title V – Delinquency Prevention Program – Youth Offender Reentry | 16.548 | — | 33,483 |
| | ICJI*** | 08-FS-002 | National Institute of Justice Research, Evaluation, and Development Project Grants – Paul Coverdell Forensics Science Grant 08 | 16.560 | — | 37,502 |
| | ICJI*** | 09-FS-002 | National Institute of Justice Research, Evaluation, and Development Project Grants – Paul Coverdell Forensics Science Grant 09 | 16.560 | — | 100,919 |
| | City of Indianapolis, Indiana | 2009-DN-BX-K045 | National Institute of Justice Research, Evaluation, and Development Project Grants – Cold Case Initiative 09 | 16.560 | — | 66,824 |
| | City of Indianapolis, Indiana | 2007-DN-BX-K022 | National Institute of Justice Research, Evaluation, and Development Project Grants – Solving Cold Cases with DNA | 16.560 | — | 27,653 |
| | | | National Institute of Justice Research, Evaluation, and Development Project Grants – Paul Coverdell Forensics Science Grant | 16.560 | 18,228 | 85,778 |
| | | | Total 16.560 | | 18,228 | 318,676 |
| | ICJI*** | 10=VAPR-148 | Crime Victim Assistance – Child Interviewer 10/11 | 16.575 | — | 34,746 |
| | ICJI*** | 10-VAPR-149 | Crime Victim Assistance – Victim Advocate10/11 | 16.575 | — | 112,353 |
| | ICJI*** | 08-VA-171 | Crime Victim Assistance – Child Interviewer 09/10 | 16.575 | — | 48,707 |
| | ICJI*** | 08-VA-172 | Crime Victim Assistance – Victim Advocate 09/10 | 16.575 | — | 132,611 |
| | | | Total 16.575 | | — | 328,417 |
| | | | Drug Court Discretionary Grant Program – Family Drug Treatment Court | 16.585 | — | 141,342 |
| | Indiana Supreme Court | 2010-DC-BX-0123 | Drug Court Discretionary Grant Program | 16.585 | — | 4,204 |
| | | | Total 16.585 | | — | 145,546 |
| | City of Indianapolis, Indiana | 2009-WS-QX-0153 | Community Capacity Development Office – Weed and Seed | 16.595 | — | 1,438 |
| | | | State Criminal Alien Assistance Program | 16.606 | — | 44,196 |
| | | | State Criminal Alien Assistance Program 05/06 | 16.606 | — | 1,526 |
| | | | State Criminal Alien Assistance Program 07/08 | 16.606 | — | 36,270 |
| | | | Total 16.606 | | — | 81,992 |
| | City of Indianapolis, Indiana | 09-DJ-021 | Edward Byrne Memorial Justice Assistance Grant Program – Metro Drug Task Force 2010 | 16.738 | — | 89,242 |
| | City of Indianapolis, Indiana | 2009-DJ-BX-0765 | Edward Byrne Memorial Justice Assistance Grant Program – Juvenile Prosecutors | 16.738 | — | 147,749 |
| | ICJI *** | 08(a)DJ-014 | Edward Byrne Memorial Justice Assistance Grant Program – Juvenile/Adult Alternative Placement | 16.738 | — | 1,915 |
| | ICJI *** | 09-DJ-032 | Edward Byrne Memorial Justice Assistance Grant Program – Juvenile/Adult Placement 2010 | 16.738 | — | 65,041 |
| | ICJI *** | 09-DJ-035 | Edward Byrne Memorial Justice Assistance Grant Program – Burglary Enforcement Team | 16.738 | — | 209,980 |
| | ICJI *** | 09-DJ-001 | Edward Byrne Memorial Justice Assistance Grant Program – Drug Treatment Diversion 2010 | 16.738 | — | 103,000 |
| | ICJI *** | 09-DJ-002 | Edward Byrne Memorial Justice Assistance Grant Program – Re-entry Court 2010 | 16.738 | — | 125,000 |
| | ICJI *** | 08(a)DJ-021 | Edward Byrne Memorial Justice Assistance Grant Program – Re-entry Court 2009 | 16.738 | — | 26,235 |
| | ICJI *** | 09-DJ-034 | Edward Byrne Memorial Justice Assistance Grant Program – Duvall Residential Addictions Treatment Program 2010 | 16.738 | — | 58,783 |
| | ICJI *** | 07-DJ-094 | Edward Byrne Memorial Justice Assistance Grant Program – Duvall Residential Addictions Treatment Program 2009 | 16.738 | — | 11,069 |
| | City of Indianapolis, Indiana | 2009-DJ-BX-0765 | Edward Byrne Memorial Justice Assistance Grant Program – Sex Offender | 16.738 | — | 97,560 |
| | ICJI*** | 09-DJ-027 | Edward Byrne Memorial Justice Assistance Grant Program – Indianapolis JDAI Project | 16.738 | — | 46,828 |
| | ICJI *** | 09-DJ-029 | Edward Byrne Memorial Justice Assistance Grant Program – Community Court 2010 | 16.738 | — | 51,550 |
| | | | Total 16.738 | | — | 1,033,952 |
| | | | Forensic DNA Backlog Reduction Program 10 | 16.741 | — | 15,434 |
| | | | Forensic DNA Backlog Reduction Program 09 | 16.741 | — | 142,579 |
| | | | Forensic DNA Backlog Reduction Program 08 | 16.741 | — | 75,085 |
| | | | Total 16.741 | | — | 233,098 |
| | ICJI *** | 2010-CD-BX-0063 | Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | — | 29,500 |

(continued)

**MARION COUNTY, INDIANA**
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards – Modified Cash Basis
For the Year Ended December 31, 2010

| Federal grantor | Pass-through grantor | Pass-through grantor number | Program title | CFDA number | Amount passed through to subrecipients | Total federal expenditures |
|---|---|---|---|---|---|---|
| | | | Forensic DNA Backlog Reduction Program 07 | 16.743 | $ — | 128,265 |
| | ICJI *** | 08-PG-012 | Anti-Gang Initiative – Open Air Initiative | 16.744 | — | 24,586 |
| | ICJI *** | 09-PG-026 | Anti-Gang Initiative – CAGI Transition Court 2010 | 16.744 | — | 20,000 |
| | ICJI *** | 08-PG-013 | Anti-Gang Initiative – CAGI Overtime | 16.744 | — | 2,201 |
| | ICJI *** | 08-PG-014 | Anti-Gang Initiative – G-RIDE | 16.744 | — | 3,518 |
| | ICJI *** | 08-PG-017 | Anti-Gang Initiative – CAGI Grant Coordinator #2 | 16.744 | — | 77,683 |
| | | | Total 16.744 | | — | 127,988 |
| | ICJI *** | 09-JRA-025 | ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 16.803 | — | 81,187 |
| | City of Indianapolis, Indiana | 2009-SU-B9-0047 | ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 16.803 | — | 24,124 |
| | | | Total 16.803 | | — | 105,311 |
| | City of Indianapolis, Indiana | 2009-SB-B9-1482 | ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government | 16.804 | 38,380 | 1,156,838 |
| | | | Federal Equitable Sharing Program | 16.xxx | — | 9,579 |
| **Total U.S. Department of Justice** | | | | | 56,608 | 4,000,316 |
| National Highway Traffic Safety Administration | | | | | | |
| *State and Community Highway Safety program Cluster:* | | | | | | |
| | ICJI*** | PT11-04-04-06 | State and Community Highway Safety – Big City County Belts 10/11 | 20.600 | — | 27,087 |
| | ICJI*** | K8-2011-03-02-05 | Alcohol Impaired Driving Countermeasures Incentive Grants – Fatal Alcohol Crash Team 10/11 | 20.601 | — | 16,138 |
| | ICJI*** | K4-2010-03-02-06 | Alcohol Impaired Driving Countermeasures Incentive Grants – Fatal Alcohol Crash Team 09/10 | 20.601 | — | 146,393 |
| | ICJI*** | K4-2010-08-01-14 | Alcohol Impaired Driving Countermeasures Incentive Grants – Aggressive Driving Enforcement 09/10 | 20.601 | — | 259,117 |
| | ICJI*** | PT-10-04-04-06 | Alcohol Impaired Driving Countermeasures Incentive Grants – Big City County Belts 07/08 | 20.601 | — | 173,783 |
| | ICJI*** | K8-2011-03-03-21 | Alcohol Impaired Driving Countermeasures Incentive Grants – DUI Task Force Enforcement 10/11 | 20.601 | — | 516 |
| | ICJI*** | K8-2010-03-03-20 | Alcohol Impaired Driving Countermeasures Incentive Grants – DUI Task Force Enforcement 09/10 | 20.601 | — | 221,979 |
| | ICJI*** | PT-2010-02-03-02 | Alcohol Impaired Driving Countermeasures Incentive Grants – OPO Equipment Award 09 | 20.601 | — | 9,825 |
| | | | Total 20.601 | | — | 827,751 |
| | | | Total State and Community Highway Safety Program Cluster | | — | 854,838 |
| **Total National Highway Traffic Safety Administration** | | | | | — | 854,838 |
| U.S. Department of Health and Human Services | | | | | | |
| | | | Substance Abuse and Mental Health Services_Projects of Regional and National Significance – Women's Assistance Program | 93.243 | — | 2,626 |
| | Indiana Department of Child Services | NA | Child Support Enforcement | 93.563 | — | 5,272,547 |
| | Indiana Department of Child Services | NA | ARRA – Recovery Act – Child Support Enforcement | 93.563 | — | 232,178 |
| | | | Total 93.563 | | — | 5,504,725 |
| | Indiana Judicial Center | CIP-10/11B | State Court Improvement Program – Juvenile 10/11 | 93.586 | — | 13,564 |
| | Indiana Judicial Center | CIP-08/11B | State Court Improvement Program – Juvenile 09/10 | 93.586 | — | 37,656 |
| | Indiana Judicial Center | CIP-08/10T | State Court Improvement Program – Workshop 10/11 | 93.586 | — | 17,142 |
| | | | Total 93.586 | | — | 68,362 |
| | Indiana Department of Child Services | NA | Children's Justice Grants to States – Child Advocates 2010 | 93.643 | — | 30,000 |
| | Indiana Supreme Court | NA | Children's Justice Grants to States – Family Court Project 07 | 93.643 | — | 5,270 |
| | | | Total 93.643 | | — | 35,270 |
| **Total U.S. Department of Health and Human Services** | | | | | — | 5,610,983 |
| Department of Homeland Security | | | | | | |
| | City of Indianapolis, Indiana | NA | Homeland Security Grant Program – Mass Casualty Forensics Lab | 97.067 | — | 240,008 |
| **Total Department of Homeland Security** | | | | | — | 240,008 |
| **Total Expenditures of Federal Awards** | | | | | $ 56,608 | 10,706,145 |

See accompanying notes to schedule of expenditures of federal awards and independent auditors' reports.
*** Indiana Criminal Justice Institute (ICJI)
NA Pass-through grantor number not available

**MARION COUNTY, INDIANA**
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Notes to Schedule of Expenditures of Federal Awards – Modified Cash Basis

For the year ended December 31, 2010

## (1) Basis of Presentation

The accompanying schedule of expenditures of federal awards – modified cash basis (schedule) presents the activity of federal awards programs received by Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County. The County's reporting entity is defined in note 1 to the County's financial statements. For the purposes of the schedule, federal awards include grants, contracts, loans, and loan guarantee agreements entered into directly between the County and agencies and departments of the federal government or passed through other government agencies or other organizations. The County's federal awards are defined as being those administered directly by the County.

## (2) Basis of Accounting

The accompanying schedule has been prepared on a modified cash 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 is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, expenditures are reported when paid by the County.

**KPMG LLP**
Suite 1500
111 Monument Circle
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*

The Honorable Gregory A. Ballard
Mayor, City of Indianapolis
and
The City-County Audit Committee
Marion County, Indiana:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 20, 2011. Our report on the basic financial statements was modified to include references to the County's preparation of the basic financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, modified to include reference to a note in the basic financial statements for which we expressed no opinion, and modified to include reference to the exclusion of Management's Discussion and Analysis, which is required supplementary information. 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.

### Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 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 County's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as findings 10-01 and 10-02 to be material weaknesses.

A significant deficiency is a deficiency, or a 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 deficiency described in the accompanying schedule of findings and questioned costs as finding 10-03 to be a significant deficiency in internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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*.

The County'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 County'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, 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
October 20, 2011

KPMG

**KPMG LLP**
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

The Honorable Gregory A. Ballard
Mayor, City of Indianapolis
and
The City-County Audit Committee
Marion County, Indiana:

## Compliance

We have audited Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct or material effect on each of the County's major federal programs for the year ended December 31, 2010. The County'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 County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Except as discussed in the following second 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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 County's compliance with those requirements.

As described in finding 10-06 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding subrecipient monitoring that is applicable to its National Institute of Justice Research, Evaluation, and Development Project Grants program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the County complied, in all material respects, with the requirements referred to above that could have a direct or material effect on the National Institute of Justice Research, Evaluation, and Development Project Grants program for the year ended December 31, 2010.

As described in finding 10-04 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the County with the Crime Victim Assistance program regarding reporting, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures. 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 County's compliance with the requirements of the Crime Victim Assistance program regarding reporting, the County complied, in all material respects, with the requirements referred to above that could have a direct or material effect on the Crime Victim Assistance program for the year ended December 31, 2010.

As described in findings 10-05 and 10-10 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding activities allowed or unallowed; allowable costs/cost principles; or procurement and suspension and debarment that are applicable to its Edward Byrne Memorial Justice Assistance Grant program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the County complied, in all material respects, with the requirements referred to above that could have a direct or material effect on the Edward Byrne Memorial Justice Assistance Grant program for the year ended December 31, 2010.

As described in findings 10-05, 10-06, 10-07, 10-08, and 10-10 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding activities allowed or unallowed; allowable costs/cost principles; subrecipient monitoring; special tests and provisions – subrecipient monitoring; reporting; or procurement and suspension and debarment that are applicable to its ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that could have a direct and material effect on the ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government program for the year ended December 31, 2010.

As described in findings 10-05, 10-09, 10-10, 10-11, and 10-12 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding activities allowed or unallowed; allowable costs/cost principles; procurement and suspension and debarment; or matching, level of effort, earmarking that are applicable to its Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement program for the year ended December 31, 2010.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct or material effect on the State and Community Highway Safety Program Cluster program for the year ended December 31, 2010.

**Internal Control over Compliance**

Management of the County 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 County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 10-04, 10-05, 10-06, 10-07, 10-08, 10-10, 10-12, and 10-13 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 10-09 and 10-11 to be significant deficiencies.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2010, and have issued our report thereon dated October 20, 2011. Our report on the basic financial statements was modified to include references to the County's preparation of the basic financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, modified to include reference to a note in the basic financial statements for which we expressed no opinion, and modified to include reference to the exclusion of Management's Discussion and Analysis, which is required supplementary information. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County'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 County'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 County'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, 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
November 7, 2011, except as to the paragraph relating
to the schedule of expenditures of federal awards,
which is as of October 20, 2011

**MARION COUNTY, INDIANA**
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2010

**(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: | |
| | National Institute of Justice Research, Evaluation, and Development Project Grants (CFDA No. 16.560) | **Qualified** |
| | Crime Victim Assistance (CFDA No. 16.575) | **Qualified** |
| | Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738) | **Qualified** |
| | ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments (CFDA No. 16.804) | **Adverse** |
| | State and Community Highway Safety Program Cluster (CFDA Nos. 20.600 and 20.601) | **Unqualified** |
| | Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement (CFDA No. 93.563) | **Adverse** |
| (f) | Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: | **Yes** |
| (g) | Major programs: | |

National Institute of Justice Research, Evaluation, and Development Project Grants, U.S. Department of Justice direct and passed through Indiana Criminal Justice Institute and City of Indianapolis, Indiana (CFDA 16.560)

Crime Victim Assistance, U.S. Department of Justice passed through Indiana Criminal Justice Institute (CFDA No. 16.575)

Edward Byrne Memorial Justice Assistance Grant Program, U.S. Department of Justice passed through Indiana Criminal Justice Institute and City of Indianapolis, Indiana (CFDA No. 16.738)

ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments, U.S. Department of Justice passed through City of Indianapolis, Indiana (CFDA No. 16.804)

State and Community Highway Safety Program Cluster, National Highway Traffic Safety Administration passed through Indiana Criminal Justice Institute (CFDA Nos. 20.600 and 20.601)

Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement, U.S. Department of Health and Human Services passed through Indiana Department of Child Services (CFDA No. 93.563)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$321,184**

(i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No**

## (2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

### 10-01 Bank Reconciliations – Material Weakness

***Comment and Recommendation***

Sound internal control over cash assets includes regular reconciliation of accounting records and interfund cash activity to bank account statements and independent review of bank reconciliations. Marion County (County), specifically the Clerk's Office, continued to experience delays in reconciling cash accounts during fiscal year 2010. Improvements in this area began during 2010 and by mid-2011, the Clerk's Office appears to be performing the reconciliations on a timely basis. When bank reconciliations for all agencies were audited, an adjustment was necessary to correct the financial statements. Additionally, the County maintains a significant number of cash accounts that are not maintained on the financial accounting system. Significant time and effort is incurred by County personnel in reconciling, summarizing, and recording amounts on the year-end financial statements. Moreover, there is no control in place to consolidate the reconciliations from the various County agencies and record amounts in the financial statements on a regular basis.

We recommend the County reconcile all accounts to the general ledger on a monthly basis and all accounting adjustments that are identified through the monthly reconciliation process be made prior to the close of each month's accounting activity. Additionally, all cash accounts maintained by the County should be recorded and accounted for on the County's general ledger system. We also recommend that an independent review of the bank reconciliations occur by a management-level individual with reconciling items being recorded on the reconciliation and in the general ledger, if necessary. Further, we recommend a control be designed to consolidate all reconciliations and record all cash in the financial statements.

***Views of Responsible Officials***

It is, and will continue to be, the County's policy to reconcile cash on a monthly basis. The County will continue to work toward moving any accounts that are not maintained on the County's general ledger system to the County's system, with the exception of one that by Indiana law does not require the elected official to maintain the account on the County's general ledger. The County is in the process of implementing an enterprise resource planning (ERP) system and will consider each of these remaining accounts during the implementation process. The implementation of the ERP system has various stages with the earliest beginning in April 2011 and continuing through the end of 2012. We anticipate substantial improvements with the implementation.

**10-02 Financial Reporting and Year-End Transactions – Material Weakness**

***Comment and Recommendation***

While we have noted significant improvements by County personnel in this area, audit adjustments were required in the current year to accurately state the financial statements. The primary cause of these adjustments is that management does not have a comprehensive and documented year-end financial reporting process in place that they can follow to accurately produce financial statements. Additionally, a formal review process is not in place that allows the County to self-identify errors or admissions in financial reporting entries and amounts. Specifically, internal control deficiencies were noted as follows:

- Inaccurate recording of additions and deductions in one of the agency funds
- Very limited or no management review of year-end accounting entries was being performed
- Very limited or no management review of financial statement notes to ensure appropriate presentation

We recommend the County establish appropriate procedures to provide for accurate financial statements. Management should critically review their year-end financial reporting process and implement procedures to ensure that year-end accounting entries are appropriate, complete, and accurate. All accounts should be reconciled on a monthly and timely basis. Monthly reconciliations should include posting adjustments identified each month. Appropriate and timely management review should occur for all reconciliations and financial reporting entries. All


(Continued)

financial reporting processes should be formally documented in an accounting procedures manual to allow for consistent implementation.

***Views of Responsible Officials***

As noted in the financial reporting finding in the 2009 report, enhancements are already in place to facilitate the reporting process. Training has been provided, additional coding has been created, and the compilation of the financial statements has been transitioned to the general ledger system through the use of months 13 and 14. Because the County operates on the cash basis for its day-to-day operations, transactions that may be posted in a particular manner due to budgetary requirements must be adjusted, as well as other similar entries that require a different presentation for financial reporting purposes. Adding to the difficulty in preparing the financial statements, the County moved from the accrual/modified accrual basis in 2005 to the modified cash basis in 2006 and will continue to issue modified cash basis reports through fiscal year 2011 in an effort to expedite the audits. This led to the need to become familiar with the requirements under the modified cash basis. We will continue to enhance the preparation of the financial statements to address the adjustments for the underlying transactions.

**10-03 IT System Program Change Management and User Access – Significant Deficiency**

***Comment and Recommendation***

The County contracts with two third-party contractors for their information technology (IT) needs, which includes managing and updating the County'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, many times, 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 County review policies and procedures with the IT system third-party contractors to ensure that all program changes made to the system are properly reviewed and approved prior to migration into production. This is especially critical given the system developers ability to move program changes 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 County'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 County 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 County also review policies and procedures relating to Information Security and implement new processes or consistently enforce informal processes to remove users who have left the County 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***

Due to the enterprise resource planning system that is currently being implemented, controls are being established under the new systems' technological requirements. The prior issues that we had under the Mainframe system will no longer be present or applicable under the new system. Use of the new system will begin January 1, 2012.

## (3) Findings and Questioned Costs Relating to Federal Awards

**10-01 to**
**10-03** See Section (2) – Findings related to the Financial Statements Reported in accordance with *Government Auditing Standards*.

### 10-04 Reporting

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.575, *Crime Victim Assistance*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Award Numbers 10-VAPR-148, 10-VAPR-149, 08-VA-171, and 08-VA-172

***Criteria***

The 2010 Compliance Supplement indicates that recipients shall submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information on each of the following:

- A comparison of actual accomplishments with the goals and objectives established for the period
- Reasons why established goals were not met, if appropriate
- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs

The County's grant agreements under this program requires them to submit periodic performance reports, which provide a narrative of the County's accomplishments and progress under the grant and which also provide certain statistical information as required by the grantor.

The 2010 Compliance Supplement indicates that for performance reports, the auditor is to trace the data to records that accumulate and summarize data and perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.

***Condition Found***

The County was not able to provide us with any information to support the statistical amounts reported in its performance reports for the Crime Victim Assistance program.

***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 management does not properly maintain or reconcile the information utilized to prepare the performance reports. The effect may be inaccurate reporting on which the grantor is relying.

***Recommendation***

We recommend the County implement procedures to ensure that the statistical information submitted on the performance reports is appropriately accumulated and summarized. This summary should be formally documented and should provide a basis to support the amounts reported on the performance reports. An individual other than the individual preparing each report should review and approve to ensure its accuracy.

***Views of Responsible Officials***

The County intends to work directly with the grantor to obtain an exemption on the statistical data included in the performance reports so that this data will no longer be subject to the single audit procedures.

**10-05 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.738, *Edward Byrne Memorial Justice Assistance Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and City of Indianapolis, Indiana; Various Award Numbers and Award Years

CFDA No. 16.804, *ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government*, U.S. Department of Justice passed through City of Indianapolis; Award Number 2009-SB-B9-1482; Award Year March 1, 2009 to February 28, 2013

CFDA No. 93.563, *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Department of Child Services; Award Numbers Not Available; Award Year January 1, 2010 to December 31, 2010

***Criteria***

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Paragraphs 8(h)(3) and (4), states that 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 semiannually and will be signed by the employee or supervisory official having firsthand 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***

During our testwork over the grant programs listed below, we selected a sample of expenditures that included payroll and fringe benefit expenditures. In general, most of the County employees work on a singular grant program. While we were able to obtain semiannual certification statements from employees indicating that 100% of their time was spent on that grant, many of the time certifications were not executed on a timely basis. For the exceptions that we found, the time certifications were executed in August and October 2011.

- Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738) – A total of fifty-four (54) payroll or payroll-related expenditures were selected for testing, which were incurred by the Courts, Prosecutor's Office, and various other County agencies. We determined that time certifications were not performed timely for thirty-two (32) of these sample items.

- ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (CFDA No. 16.804) – A total of sixty-seven (67) payroll or payroll-related expenditures were selected for testing, which were incurred by the Courts, Community Corrections, and various other County agencies. We determined that time certifications were not performed timely for eighteen (18) of these sample items.

- Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement (CFDA No. 95.563) – A total of eighty-one (81) payroll or payroll-related expenditures were selected for testing, which were incurred by the Clerk's Office, Prosecutor's Office, and Courts. We determined that time certifications were not performed timely for fifty (50) of these sample items.

***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

Management indicated that improvements to this process were implemented during the current fiscal year. While some of the certification statements were obtained on a timely basis, the process is not functioning properly to ensure that all of the certifications are performed on a timely basis. The effect of this finding is that expenditures related to employee's payroll may not be charged to a particular grant based on the employee's actual time and effort.

***Recommendation***

We recommend that management strengthen the organization's processes and controls to ensure that payroll charges are supported by after-the-fact personnel activity reports or certification statements as required by OMB Circular A-87 and these documents are executed on a timely basis.

***Views of Responsible Officials***

The County began requiring semiannual certification statements for all employees that work solely on a single federal grant stating that 100% of their time is spent on a particular grant. An employee whose work is on multiple grants or programs will be documented on their individual time sheet. Forms have been designed to help implement this requirement. This will be coordinated through the Auditor's Office and the grant managers within the individual agencies. There was major improvement during 2010; however, while agencies completed the semiannual certifications they were not completed in a timely manner. We will continue to work with the agencies so they understand the importance of not only completing the forms but doing so in a timely manner.

**10-06 Subrecipient Monitoring**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.560, *National Institute of Justice Research, Evaluation, and Development Project Grants*, U.S. Department of Justice direct and passed through Indiana Criminal Justice Institute and City of Indianapolis, Indiana; Award Numbers 08-FS-002, 09-FS-002, 2009-DN-BX-K045, 2007-DN-BX-K022, and 2009-CD-BX-0066

CFDA No. 16.804, *ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government*, U.S. Department of Justice passed through City of Indianapolis; Award Number 2009-SB-B9-1482; Award Year March 1, 2009 to February 28, 2013

***Criteria***

According to OMB Circular A-133 Subpart D §__.400(d), a pass-through entity is responsible for the following:

- Identifying to the subrecipient the federal award information (CFDA title and number, award name, and name of federal agency) and applicable compliance requirements
- Monitoring the subrecipient’s activities as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of grant agreements
- Ensuring required audits are performed by subrecipients
- Issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report and ensure that the subrecipient takes appropriate and timely corrective action
- Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable federal regulations

***Condition Found***

In 2010, the County had $18,228 and $38,380 of expenditures passed through to subrecipients for the National Institute of Justice Research, Evaluation, and Development Project Grants and the ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government programs, respectively. The County does not have a formal and comprehensive subrecipient monitoring program in place. While there are some internal controls in place to monitor subrecipient claims submitted for reimbursement, there is no overall system in place and no during-the-award monitoring takes place. For the National Institute of Justice Research, Evaluation, and Development Project Grants program, out of a total of one

(1) subrecipient, the County did not communicate the appropriate award information such as program name, CFDA number, and program requirements to the subrecipient through a formal grant agreement. Also, for the ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government program, out of a total of one (1) subrecipient, the County did not communicate the appropriate award information such as program name, CFDA number, and program requirements to the subrecipient through a formal grant agreement.

The County, through the Grants Division of the Office of Finance and Management, has indicated that it requests subrecipient audit reports from each of its subrecipients. However, there are no internal controls in place to follow up on nonresponses or to review the audit reports once they are received. The County did not have either of the subrecipient audit reports related to the above programs. Due to this overall lack of internal controls and compliance activities, the above-referenced programs were not fully or adequately monitored.

***Questioned Costs***

The questioned costs associated with this finding are the entire amount of funds passed through by the County to its subrecipients or $18,228 for the National Institute of Justice Research, Evaluation, and Development Project Grants program and $38,380 for the ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government program.

***Possible Asserted Cause and Effect***

The County does not have a uniform process in place, and thus, monitoring is up to each individual agency that administers a grant. There is no assigned individual to obtain and evaluate auditees' audit reports, and thus, this procedure is not enforced. The effect of this finding is that subrecipients are not properly monitored and the results of subrecipient findings in their A-133 audit reports are not followed up as required by the County, and those findings are also not considered in the County's A-133 audit report, as applicable.

***Recommendation***

We recommend the County establish a formalized and comprehensive subrecipient monitoring program that would include specific procedures and internal controls to appropriately monitor the activities and compliance of its subrecipients. These procedures should include properly executing subaward grant agreements with subrecipients, which include all of the required information, consideration of during-the-award monitoring of subrecipients, and review and evaluation of subrecipient A-133 audit reports.

***Views of Responsible Officials***

The Grants Division of the Office of Finance and Management is developing specific procedures for subrecipient monitoring. Along with the development of procedures, we plan to provide training to the agencies so they may have the proper tools and knowledge available to maintain compliance surrounding subrecipent monitoring requirements.

**10-07 Special Tests and Provisions – ARRA – Subrecipient Monitoring**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.804, *ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government*, U.S. Department of Justice passed through City of Indianapolis; Award Number 2009-SB-B9-1482; Award Year March 1, 2009 to February 28, 2013

***Criteria***

Under 2 CFR Section 176.210, for American Recovery and Reinvestment Act (ARRA) funding, federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the federal award number, CFDA number, and the amount of ARRA funds and (2) require their subrecipients to provide similar identification in their SEFA and data collection form.

***Condition Found***

The County did not communicate the required information to the subrecipient, including the fact that ARRA funding was involved, through the formal grant agreement or any other method.

***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

The possible asserted cause is that the County did not have adequate procedures in place to ensure that agreements with the appropriate award information were executed. The effect of this condition is that the subrecipients are not aware of the requirements associated with the funding that they have received from the County.

***Recommendation***

We recommend the County implement policies and procedures to ensure that appropriate agreements with all of the required information are executed with all of their subrecipients.



(Continued)

***Views of Responsible Officials***

The County did execute a subgrant agreement; however, did not specify the CFDA number within this agreement. We will work with the agencies involved so they are aware of the appropriate information that is required to be communicated to a subrecipient under this grant program.

**10-08 Reporting**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.804, *ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government*, U.S. Department of Justice passed through City of Indianapolis; Award Number 2009-SB-B9-1482; Award Year March 1, 2009 to February 28, 2013

***Criteria***

Section 1512 of ARRA includes reporting requirements applicable to awards under ARRA Division A.

***Condition Found***

The County does not have adequate internal controls that were designed and implemented to assure accurate reporting under Section 1512 of ARRA. We were not able to test the operating effectiveness of any internal controls for Section1512 reporting.

The City of Indianapolis, Indiana (City) is the prime recipient of this award and is responsible for the actual Section 1512 report submissions. To facilitate this process, the City requires the County to provide certain information to enable them to prepare the Section 1512 reports. We determined that in a sample of eight (8) reports submitted to the City, the amounts reported by the County to the City for the data element of “Total Sub-Award Funds Received” was incorrect for six (6) of the reports.

***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

The asserted cause of this finding is that the County did not adequately maintain support for items submitted to the City and may not have adequately understood the definition of the various data reporting elements. The effect of this finding is that the County has submitted incorrect information to the City for the City’s use in completing the actual Section 1512 reports.



(Continued)

***Recommendation***

We recommend that the County maintain appropriate documentation to adequately support all items reported to the City for each subaward and for each reporting period. Additionally, the County should implement internal control procedures to provide for a management review of such information prior to submission to the City. This approval should be formally documented so an assessment can be made as to the operating effectiveness of the internal control.

***Views of Responsible Officials***

This new grant program was created through the ARRA, which was enacted in 2009. The County is responsible for reporting information to the City of Indianapolis, who is the prime recipient of the award and responsible for submitting the Section 1512 report. There was miscommunication by the City of Indianapolis on how to report the information on Sub-Award funds received. The County has since corrected this data element of the report and resubmitted the information to the City of Indianapolis for 2010 in October 2011.

**10-09 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 93.563, *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Department of Child Services; Award Numbers Not Available; Award Year January 1, 2010 to December 31, 2010

***Criteria***

Pursuant to 45 CFR Section 304.23, unallowed activities include activities related to administering other titles of the Social Security Act. Additionally, per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Paragraphs 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 semiannually 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***

In 2010, the Circuit Court submitted $645,769 of payroll-related expenditures for which reimbursement of $426,208 was received (i.e., reduced for 34% County-matching requirement). During our testwork, we selected payroll expenditures from the Circuit Court and noted that the employees charged 100% of their time to the Child Support Enforcement program (see finding 10-05 above). However, based upon conversations with management in the Circuit Court in previous years and correspondence with the pass-through entity in prior years, it appears that employees in the Circuit Court actually spend a portion of their time on non-Title IV-D cases; however, they are not allocating any of the employees' time to these non-Title IV-D cases.

***Questioned Costs***

The amount of questioned costs is undetermined, as no accounting has been done of actual time spent by the employees. Total expenditures reimbursed (at 66% reimbursement rate) for the Circuit Court in 2010 were $426,208.

***Possible Asserted Cause and Effect***

County management is aware that the amount charged to the grant represents 100% of employee time although they acknowledge that a portion of employees' time is spent on non-Title IV-D cases. Management asserts that these employees are working a significant amount of overtime without compensation, and thus, the 100% reimbursement should be allowed. No approval from the pass-through entity has been obtained.

***Recommendation***

We recommend that the County obtain written documentation as to the allowability of these costs from the grantor. While the grantor is aware of this issue, no management decision from the grantor was provided to us for audit purposes.

***Views of Responsible Officials***

The Court is planning on conducting a case study in the second half of 2011. When completed, the Court will use this percentage for their payroll chargeable to the program.

**10-10 Procurement and Suspension and Debarment**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.738, *Edward Byrne Memorial Justice Assistance Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and City of Indianapolis, Indiana; Various Award Numbers and Award Years

CFDA No. 16.804, *ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government*, U.S. Department of Justice passed through City of Indianapolis; Award Number 2009-SB-B9-1482; Award Year March 1, 2009 to February 28, 2013

CFDA No. 93.563, *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Department of Child Services; Award Numbers Not Available; Award Year January 1, 2010 to December 31, 2010

***Criteria***

According to the 2010 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 the Edward Byrne Memorial Justice Assistance Grant Program, we selected five (5) vendors with total expenditures of $207,613 and which represented 66% of the total federal expenditures under this program subject to this compliance requirement. Of these vendors, one (1) of the five (5) vendors 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.

For the ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government program, we selected six (6) vendors with total expenditures of $452,683 and which represented 90% of the total federal expenditures under this program subject to this compliance requirement. Of these vendors, four (4) of the six (6) vendors 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.

For the Child Support Enforcement program, we selected four (4) vendors with total expenditures of $398,247 and which represented 76% of the total federal expenditures under this program subject to this compliance requirement for the Prosecuting Attorney. Of these vendors, none of the four (4) had 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***

For the Edward Byrne Memorial Justice Assistance Grant Program, the known questioned costs are $73,890 and were computed as the 2010 expenditures related to the one (1) vendor in our sample, which is described in the section above. The most likely questioned costs are $112,292 and were computed by extrapolating the error rate percentage of 36% found in our sample to the relevant population of $315,514.

For the ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government program, the known questioned costs are $297,983 and were computed as the 2010 expenditures related to the four (4) vendors in our sample, which is described in the section above. The most likely questioned costs are $330,253 and were computed by extrapolating the error rate percentage of 66% found in our sample to the relevant population of $501,706.

For the Child Support Enforcement program, the known questioned costs are $398,247 and were computed as the entire 2010 expenditures for the four (4) vendors in our sample. The most likely questioned costs are $520,897 and were computed by extrapolating the error rate percentage of 100% found in our sample to the relevant population of $520,897.

***Possible Asserted Cause and Effect***

The County asserts that the procurements are for professional services, and thus, a competitive bid process is not required. However, this was not formally documented as to the rationale for limiting competition and the basis for selection of the vendor. 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 the County 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***

We concur with this finding. The purchases under question were for contractual services, which under Indiana law are not required to be bid and, therefore, do not follow the standard public purchasing laws that govern purchase of goods. The agencies were following the rules required under Indiana law. The agencies have since been instructed that they must also be in compliance with federal law that requires that they obtain quotes or bids documenting full and open competition or document the rationale for limited competition, or be able to provide documentation indicating the rationale for limiting competition.

**10-11 Allowable Costs/Cost Principles**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 93.563, *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Department of Child Services; Award Numbers Not Available; Award Year January 1, 2010 to December 31, 2010

***Criteria***

According to OMB Circular A-87 (C)(j), costs must meet certain general criteria to be allowable, and one of those items is that the cost be adequately documented.

***Condition Found***

Based on findings and questioned costs reported in past single audit reports, we identified expenditures totaling $293,224 that related to internal data processing charges (i.e., information technology or IT charges) submitted for reimbursement. Costs are reimbursed at 66% for this program, and therefore, the total federal reimbursement received for 2010 related to these expenditures was $193,528. In prior years, the County determined its allocation of IT costs to each agency based upon a pro rata share of the entire budgeted costs of the central IT agency. Additionally, the County does not perform an after-the-fact determination as to the comparison of actual IT costs charged to the budgeted amount. In the current year, two (2) of our one hundred (100) total sample items was determined to be related to the data processing charges. In 2010, the County revised their methodology for allocating costs to each of the agencies and was not able to provide us any documentation to support such costs.

***Questioned Costs***

The questioned costs associated with this finding are $193,528 and were calculated as the entire amount of data processing costs charged to the program during 2010.

***Possible Asserted Cause and Effect***

Management is aware of these unsupported expenditures as this was a finding in the prior year; however, management has continued to submit them for reimbursement without appropriate supporting documentation. The effect is that costs are being charged to the federal programs, which are not adequately supported and, therefore, may not be accurate.

***Recommendation***

We recommend management ensure that all costs submitted for reimbursement are adequately documented and can be supported. Internal data processing charges should be appropriately documented, and the County should ensure that such costs are being allocated to the department/agency submitting the cost to be reimbursed. Additionally, if budgeted costs are being used to charge the federal program, management should ensure that a true up to actual costs is performed and any discrepancies are appropriately adjusted in the federal reimbursements.

***Views of Responsible Officials***

The Information Service Agency is responsible for the internal billing for data processing charges. It has been very difficult for them to provide sufficient support for the data processing charges by individual employee/agency. We will work with the Information Service Agency so they understand the importance of being able to provide us with the appropriate documentation to support their charges by agency.

**10-12 Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, Earmarking**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 93.563, *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Department of Child Services; Award Numbers Not Available; Award Year January 1, 2010 to December 31, 2010

***Criteria***

According to OMB Circular A-87 (C)(j), costs must meet certain general criteria to be allowable, and one of those items is that the cost be adequately documented.

There are restrictions imposed by federal and state law on the use of federal incentive funds. Specifically, 42 U.S.C. 658a(f) provides that a state to which a payment is made under this section shall expend the full amount of the payment to supplement, and not supplant, other funds used by the state (1) to carry out the state plan approved under this part; or (2) for any activity (including cost-effectiveness contracts with local agencies) approved by the federal agency Secretary, whether or not the expenditures for the activity are eligible for reimbursement under this part, which may contribute to improving the effectiveness or efficiency of the state program operated under this part. Also, Indiana Code 31-25-4-23(c) specifies that the amounts received as incentive payments must be used to supplement, rather than take the place of, other funds used for Title IV-D program activities.

***Condition Found***

The County receives incentive funds each year, which are passed through from the state and are based on the County's program performance compared to other counties within the state. These incentive funds must be used to pay for costs of the Child Support Enforcement program and must be used to supplement and not supplant program funds. The County deposits the incentive funds received in three (3) different funds — the General Fund, the Prosecutor's IV-D Incentive Fund, and the Clerk's IV-D Incentive Fund. The County was not able to identify the expenditures in 2010, which were utilized in spending the incentive funds received and deposited to the General Fund. Total incentive funds deposited in the General Fund in 2010 and reported on the schedule of expenditures of federal awards as 2010 expenditures were $418,940.

Additionally, the County did not have internal controls in place and could not provide evidence that they complied with the requirement to supplement and not supplant funding for any of the incentive funds received.

***Questioned Costs***

Known and most likely questioned costs for the finding related to the lack of identification of the expenditures related to the receipt and expenditure of the incentive funds allocated to the General Fund were $418,940 and represent the amount of incentive funds received by the County in 2010.

The known and most likely questioned costs for the finding related to the supplementing versus supplanting program funds were $866,809 and represent 100% of the incentive fund expenditures in 2010 from all three of the County's funds as noted in the condition section above. These expenditures include $418,940 of expenditures identified in the previous paragraph.

***Possible Asserted Cause and Effect***

The asserted cause of this finding is that overall program expenditures are in excess of total amounts received by the County in reimbursement of such expenditures (include incentive funds and regular monthly claims submitted by the County to the State); however, as these expenditures are all accounted for in the County's General Fund, specific identification of the incentive-related expenditures could not be accomplished. Additionally, management was not fully aware of the supplementing versus supplanting requirement for incentive funds, and thus, appropriate internal controls and procedures were not designed and implemented. The effect is that costs are being charged to the federal programs, which are not adequately identified, and which are not being monitored for the supplementing not supplanting requirement.

***Recommendation***

We recommend management ensure that all costs charged to the program are adequately identified. Additionally, the County should implement internal controls and procedures to ensure that the County is in compliance with the requirement that incentive funds must be used to supplement and not supplant program funding and that such compliance can be adequately demonstrated.

***Views of Responsible Officials***

Effective in 2011, the Indiana legislature enacted new legislative code regarding the handling of the incentive funds. As described in the "condition found," the funds, in 2010, were split in three different ways with one-third going into the general fund. With the new legislation in 2011, the funds that were previously going into the general fund are now required to be deposited in a separate special revenue fund. There are now three separate incentive funds, one that is identified as the Prosecutor's share, one that is identified as the Clerk's share (as mentioned in the finding), and now one that is simply identified as "Title IV-D Incentive-General". Previously under the code, the County was only required to maintain the receipt of the funds in the general fund in a separate account, which was managed through a revenue account. With the creation of the new fund, this will allow for separate and specific identification of the general portion as they are spent. As was mentioned in finding 10-01, the County is in the process of designing and implementing an enterprise resource planning system (ERP). The funds that now exist in our system will be converted and maintained in the new system, which will allow for better tracking and reporting of the various expenditures as they are made.

**10-13 Procurement and Suspension and Debarment**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.560, *National Institute of Justice Research, Evaluation, and Development Project Grants*, U.S. Department of Justice direct and passed through Indiana Criminal Justice Institute and City of Indianapolis, Indiana; Award Numbers 08-FS-002, 09-FS-002, 2009-DN-BX-K045, 2007-DN-BX-K022, and 2009-CD-BX-0066

CFDA No. 93.563, *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Department of Child Services; Award Numbers Not Available; Award Year January 1, 2010 to December 31, 2010

***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 determined that the County did not have adequate internal controls in place to assure that its contractors (vendors, subawards, and subrecipients), with whom the County engaged in covered transactions, were not suspended and/or debarred. We found the following exceptions:

- For the National Institute of Justice Research, Evaluation, and Development Project Grants program, in a sample of five (5) vendor contracts tested, we found exceptions in two (2) of the items whereby the County had not ascertained the suspended or debarred status of the vendor. We tested the compliance of all the five (5) vendor contracts selected in our initial sample plus three (3) additional vendors and found that none of the vendors were suspended or disbarred.

- For the Child Support Enforcement program, in a sample of four (4) vendor contracts tested, we found exceptions in one (1) of the items whereby the County had not ascertained the suspended or debarred status of the vendor. We tested the compliance of all the vendor contracts selected in our testwork and found that none of the vendors were suspended or disbarred.

***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

The asserted cause of this finding is that the some of the County's Purchasing Department policy is to check for suspension and debarment for vendor contracts of $50,000 or greater rather than the federal requirement of $25,000 or greater. Therefore, vendor contracts falling between these amounts are not always being properly checked. The effect of this condition is that the County 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 County implement policies and procedures to ensure that all vendors who meet the federal requirements are reviewed for debarred and/or suspended status or that certification is received to that extent or that documentation is maintained of the County's check of the EPLS. The EPLS check should be performed prior to the County contracting with the vendor.


(Continued)

***Views of Responsible Officials***

The County does require a suspension and debarment check as this is performed by the Purchasing Division once the purchase order reaches their office for approval. Unfortunately, the Purchasing Division was making the review based on the misunderstanding that the required dollar amount was $50,000 versus the $25,000 that is set under the guidelines. The Purchasing Division has been notified of this misunderstanding and has adjusted their procedures accordingly.

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| **10-22** | **Special Tests and Provisions – Presentation on the Schedule of Expenditures of Federal Awards - Community Development Block Grants/Entitlement Grants Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded), Public Safety Partnership and Community Policing Grants, Highway Planning and Construction Cluster, and ARRA - Recovery Act - Energy Efficiency and Conservation Block Grant Program**<br>The City does not have adequate internal controls that are designed and implemented to assure that ARRA awards are properly identified in their SEFA. Additionally, a compliance finding was noted for the Public Safety Partnership and Community Policing Grants program in that the ARRA expenditures for this program were not properly identified on the SEFA.<br><br>**Corrective Action:** A reconciliation process has been developed to ensure that we are properly indentifying ARRA funds within the SEFA. This process shall also improve as there will be additional functionality within the projects module that will be implemented in 2012. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **10-23** | **Equipment and Real Property Management - Public Safety Partnership and Community Policing Grants**<br>During testing over equipment expenditures, KPMG tested one (1) equipment expenditure which represented 97% of total equipment expenditures under this program. For this item, the City did not record the equipment in its property records.<br><br>**Corrective Action:** This was an oversight, which has been corrected by recording the equipment in the property records. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **10-24** | **Matching, Level of Effort, Earmarking – Scope Limitation - Public Safety Partnership and Community Policing Grants**<br>The City did not have adequate internal controls designed and implemented to ensure that they are in compliance with the supplementing not supplanting requirement for this program. The City was not able to produce documentation in order to assess compliance.<br><br>**Corrective Action:** Procedures will be developed to ensure that we have the necessary internal controls in place to ensure compliance with supplementing versus supplanting requirements. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

Status of Prior Year Findings

Year ended December 31, 2010

| Reference | Finding | Status | Contact Person(s) |
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| **08-01**<br>**09-01** | **Management Review and Supervision Over Financial Reporting Process - Material Weakness**<br>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, non-routine, or that have resulted in audit differences in prior years. | Prior year finding 07-01 has been removed from this schedule as it does not warrant further action since two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress**: The City is addressing these issues as part of the implementation of a new financial system. The initial phase of implementation will begin in late 2011 with full rollout commencing in late 2012. See current year finding 10-01. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |
| **08-02**<br>**09-02** | **Financial Reporting for Waterworks - Material Weakness**<br>Significant audit adjustments were required to properly state Waterworks' financial statement amounts. Additionally, in 2009, new management hired by the Waterworks identified and corrected several errors in the financial statements, some of which originated in prior years. | **Correction in progress:** Through the implementation of a new financial system which will begin in late 2011, it is expected that this new system will help mitigate many inefficiencies that currently exist. Effective August 2011, the Waterworks was sold to an outside entity, therefore the 2011 fiscal year will be the final year the Waterworks is included in the City's financial statements. See current year finding 10-02. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |
| **08-05**<br>**09-06** | **Recording of Waterworks PILOT**<br>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. | Finding 07-11 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress:** One area that has continued to cause significant estimating problems is that Marion County, Indiana and other Counties | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| | | where PILOT payments are due have been behind on assessing and collecting annual property taxes on a current basis. Property tax billings and collections were finally caught up beginning May 2010. Effective August 2011, the Waterworks was sold to an outside entity, therefore the 2011 fiscal year will be the final year the Waterworks is included in the City's financial statements. See current year finding 10-02. | |
| **08-06**<br>**09-05** | **Recording of Tax Revenues, Receivables, and Deferred Revenues - Material Weakness**<br>For 2008, 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.<br><br>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.<br><br>For 2009, based on audit procedures performed, the City determined | **Corrected.** | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| | that the information that they were utilizing to estimate the amount of the County Option Income Tax (COIT) receivable at year end was not being interpreted correctly by the City and thus an adjustment was required to reduce the related receivable amount by approximately $19 million.<br><br>Additionally, the current economic situation has led to many foreclosed properties for which delinquent property taxes are outstanding. These properties have been difficult to dispose of and collect the delinquent property taxes in various tax sales that the County has conducted. Therefore, the City determined not to record any amount for delinquent property taxes in the 2009 financial statements. | | |
| **08-07**<br>**09-03**<br>**09-07** | **Recording of Debt Transactions - Material Weakness**<br>Numerous audit adjustments were required to ensure accuracy in financial reporting for bond and debt related activities. Adequate management review is not occurring over accounting for debt activities. This occurred for both the governmental activities and the Waterworks proprietary fund. | Prior year finding 07-02 has been removed from this schedule as it does not warrant further action since two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress:** The City will continue to work with the Indianapolis Local Public Improvement Bond Bank to obtain all appropriate information required to properly record new debt transactions. Management also has plans to create a checklist that may assist us in recording debt transactions correctly. The prior year finding is primarily due to improper disclosure and recording of the refunding of debt, which is complex, and infrequent in nature. See current year finding 10-03. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |

Status of Prior Year Findings

Year ended December 31, 2010

| Reference | Finding | Status | Contact Person(s) |
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| **08-10**<br>**09-09** | **Self-Insurance Liabilities - Significant Deficiency**<br>The City records a liability for its estimate of the incurred but not paid and/or reported amount for worker's compensation, auto liability and healthcare liability claims as the City is self-insured for these 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.<br><br>For public liability self-insurance risks, the City estimates a liability for outstanding legal cases which they believe 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. | Finding 07-04 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress:** The City continues to review and adjust its methods for calculating self-insurance liabilities in order to estimate future liabilities in the most efficient and accurate manner. There have been discussions of engaging a third party (i.e., actuary) to assist in the calculation, however at this time this would not be cost-effective. See current year finding 10-06.<br><br>Finding corrected for workers' compensation and public liability. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |
| **08-11**<br>**09-10** | **Timely Reconciliations of Cash and Trust Accounts - Significant Deficiency**<br>The City receives monthly statements on numerous trust 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. | Finding 07-06 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br>Corrected for cash accounts however, correction still in progress for trust accounts. See current year finding 10-07. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |

Status of Prior Year Findings

Year ended December 31, 2010

| Reference | Finding | Status | Contact Person(s) |
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| **08-12**<br>**09-11** | **Recording of Accounts Payable - Significant Deficiency**<br>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. | Finding 07-07 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress:** Through the implementation of a new accounting system our process in identifying payables should improve dramatically. See current year finding 10-05. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |
| **08-13**<br>**09-12** | **IT System Change Management**<br>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. | Finding 07-12 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress:** These issues will be remediated with the implementation of the new financial accounting system. However, we have already taken the appropriate steps, which, were outlined in the 2009 Audit Report for all program changes. See current year finding 10-08. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |
| **08-14**<br>**09-14** | **Eligibility- Home Investment Partnerships Program**<br>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 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. | Finding 07-24 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up, and a management decision was not issued. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| | | **Corrected in 2010.** Internal controls were implemented in 2010 to correct this issue on a go forward basis. No additional findings were noted during the 2010 Single Audit for this issue. | |
| **08-15**<br>**09-15** | **Matching, Level of Effort, Earmarking - Home Investment Partnerships Program**<br><br>For 2008, 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.<br><br>For 2009, the City did not have any key controls to rely upon for the matching requirements. Also, the City did not supply adequate documentation of the match from third parties in order to substantiate the match amount claimed. HUD requirements indicate that the match is to be credited when the funds are expended. KPMG tested a sample of 8 items and noted exceptions on 4 of the items totaling $473,450. Additionally, 1 of the items that was shown on the HOME Match Report as $288,000 appeared to be expended in 2008. | Finding 07-26 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Corrected in 2010.** The City implemented a new process in 2010 by which we collect and document match sources. Applications indicating adequate match sources are asked to provide documentation of match throughout the year. Match documentation is logged and tracked in the new draws and expenditures data base along with the standard claims. Match sources are tested for eligibility and selected based on the amount of eligible match and organizational capacity to provide adequate documentation. No additional findings were noted during the 2010 Single Audit review process for this issue. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **08-16**<br>**09-16** | **Matching, Level of Effort, Earmarking - Rental Properties - Scope Limitation - Home Investment Partnerships Program**<br>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 | Finding 07-27 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding, and a management decision was not issued. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| | 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.<br><br>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.<br><br>For the 2009 audit, 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 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. However, information to support the low-income status of the tenants is maintained by the owners of the projects and KPMG was 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 KPMG to ascertain compliance with this requirement. | **Corrected in 2010.** Internal controls were implemented in 2010 to correct this issue on a go forward basis. No additional findings were noted during the 2010 Single Audit for this issue. | |
| **08-17** | **Matching, Level of Effort, Earmarking - CHDOs - Home Investment Partnerships Program**<br>For 2008, IDIS report was obtained 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 | Finding 07-28 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>The Grant Analysts and Program Coordinator | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| | 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. | received training from HUD periodically July through December 2009 on how to correctly document CHDO activities in IDIS. Now that they have this understanding, the issue has been resolved going forward. | |
| **08-18**<br>**08-27** | **Reporting - Community Development Block Grants/Entitlement Grants and Home Investment Partnerships Program**<br>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. | Findings 07-17 and 17-23 do not warrant further action and have been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>The City has implemented internal controls to correct this issue on a go forward basis; however see current year finding 10-12. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **08-19**<br>**09-17** | **Special Tests and Provisions - Housing Quality Standards – Home Investment Partnerships Program**<br>For 2008, in a sample of 36 out of 43 properties tested which were required to have on-site inspections performed during 2008, 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.<br><br>For 2009, in a sample of 30 properties tested which were required to have on-site inspections performed during 2009, 4 properties were noted as not being inspected within the time guidelines, for 3 of the properties the City could not provide a current year inspection report, and for 1 property the City was not able to provide a prior year inspection report to determine if compliance was met. Additionally, the City did not have documentation in its files evidencing communication and follow-up on deficiencies noted in | **Correction in progress:** See current year finding 10-10. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

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| | inspections. | | |
| **08-20**<br>**09-18** | **Subrecipient Monitoring - Community Development Block Grants/Entitlement Grants, Community Development Block Grant ARRA Entitlement Grants, Homeland Security Grant Program Cluster, Home Investment Partnerships Program, and Supportive Housing Program**<br>The City did not have adequate internal controls in place that were operating effectively for 2008 and 2009 to ensure that subrecipient audits are received or that the results of any audits are appropriately reviewed and documented. | Findings 07-21(Home Investment Partnerships Program) and 07-29 (Homeland Security Grant Program Cluster) do not warrant further action and have been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal agency or pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress:** Internal controls have been developed to incorporate improved oversight and reviewing of subrecipient A-133 reports. See current year finding 10-11. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **08-22** | **Reporting and Subrecipient Monitoring - Supportive Housing Program**<br>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 by 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." | Finding 07-18 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>Processes have been implemented to improve the oversight of documenting where the data comes from for HUD-40118 so that resources of reporting are properly supported. Staff has created a spreadsheet that tracks all annual progress reports submitted and where the data comes from. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| **08-23** | **Reporting - Supportive Housing Program**<br>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 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. | Processes have been implemented to improve the oversight of internal controls for Supportive Housing Program Reporting for all compliance requirements. Supportive Housing Program personnel have followed up on the reconciliation of discrepancy issues stated. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **08-24**<br>**09-22** | **Cash Management - Supportive Housing Program and Highway Planning and Construction Cluster**<br>For Supportive Housing in 2008, in a sample of sixty (60) expenditures, 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.<br><br>For Highway Planning in 2009 expenditures under this program were incurred by two departments within the City, the Department of Metropolitan Development (DMD) and the Department of Public Works (DPW). A sample of sixty-five (65) expenditures, were allocated as forty (40) for DMD and twenty-five (25) for DPW. Six (6) expenditures had disbursement dates that were after the date of request for reimbursement. These exceptions were all in expenditures incurred by DPW. The total associated dollar amount of these expenditures was $332,799 or 39% of the total sampled population for DPW. | **Correction in progress:** Cash management monitoring processes will be reviewed to improve internal control and overall management of all grant requirements. See current year finding 10-16. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| **08-25**<br>**09-20** | **Reporting and Program Income - Community Development Block Grants/Entitlement Grants**<br>During 2008, the City prepared reconciliations reporting $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.<br><br>During 2009, adequate reconciliations were not performed on a timely basis during the year. The City was able to reconcile disbursements between the Form 272 and the general ledger system but could not account for $43,428 of differences between IDIS and the general ledger system. For program income, the City was able to reconcile between the amounts reported on Form 272 and the general ledger system but could not adequately account for the $14,229 difference between IDIS and the general ledger system. | Finding 07-15 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding, and a management decision was not issued.<br><br>**Correction in progress:** Disbursements portion of finding was corrected in 2010 on a go forward basis. Reporting and Program Income processes will be reviewed to improve internal control and overall management of all grant requirements. See current year finding 10-13. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **08-26**<br>**08-31**<br>**09-25** | **Procurement and Suspension and Debarment - Community Development Block Grants/Entitlement Grants and Homeland Security Grant Program Cluster**<br>For Community Development Block Grants/Entitlement Grants in 2008, 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. In a sample of fifteen (15) vendors, 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. Most likely questioned costs were $85,672. For suspension and debarment, the same fifteen (15) vendors were tested and for one (1) of the vendors, the City did not maintain documentation in support of their required check for suspension and debarment. | Finding 07-30 does not warrant further action and has been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding and a management decision was not issued.<br><br>**Correction in progress:** Community Development Block Grants/Entitlement Grants.<br><br>**Correction in progress:** Homeland Security Grant Program Cluster – controls are in place for this oversight but there has been a shortage of staff in the grants area since the development of Indianapolis Metropolitan Police Department's | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

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| | For the Homeland Security Program Cluster in 2008, the City did not appropriately obtain any price or rate quotations for some vendors relating to procurement nor was there any documentation to justify the limiting of competition. Related most likely questioned costs were $64,102.<br><br>For the Homeland Security Grant Program Cluster in 2009, the City did not have internal controls in place to assure that in a sample of nineteen (19) vendors, the City had not determined if the vendor was suspended or debarred prior to entering into a contract with the vendor for eight (8) of the selections. | Grants Unit which has contributed to a percentage of these issues.<br><br>Controls have been incorporated to include the purchasing department as part of this oversight for these programs; see current year findings 10-15 and 10-18. | |
| **08-29** | **Matching, Level of Effort, Earmarking - Community Development Block Grants/Entitlement Grants**<br>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, 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, its accuracy could not be verified. Without this adjustment amount, the City would not have met the 70 percent required earmarking requirement. | Processes and procedures were implemented in 2009 to improve the oversight of internal controls for Matching, Level of Effort, and Earmarking. No additional findings were noted during the 2010 Single Audit for this issue. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **08-30** | **Special Tests and Provisions - Environmental Reviews - Community Development Block Grants/Entitlement Grants**<br>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. | Processes and procedures were implemented in 2009 to control environmental reviews. No additional findings were noted during the 2010 Single Audit for this issue. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| **08-32** | **Allowable Costs/Cost Principles - National Urban Search and Rescue (US&R) Response System**<br>For 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 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 100% of their time was spent on that grant was completed. The certifications should have been executed at least semi-annually for these employees. | Processes and procedures were implemented in 2009 to include an additional certification that was added to our process which is completed when our semi-annual progress reports are due. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **08-33**<br>**09-26** | **Procurement and Suspension and Debarment - Capitalization Grants for Clean Water State Revolving Fund**<br>Suspension and debarment verification is not being certified according to internal controls in place. | **Corrected.** | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **09-04** | **Capital Asset Disposals - Material Weakness**<br>The City does not have a process in place to adequately review for disposed assets and the Office of Finance and Management (OFM) is dependent upon the City departments to communicate such disposals of all assets to them so that they can be properly recorded in the financial records. | **Corrected.** | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |
| **09-08** | **Water Receivable and Revenue Transactions - Material Weakness**<br>Waterworks utilizes a third-party contractor to perform the billing and collection function for water services. Each month, the contractor provides billing reports to Waterworks management to enable them to record the revenue transactions. For year-end financial statement reporting, Waterworks also receives information on customer account balances owed from the third-party contractor. This information is the primary source used to reconcile to the amount of accounts receivable recorded at year-end. Several errors | **Correction in progress**: Management continues to 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. Effective August 2011, the Waterworks was sold to an outside entity, therefore the 2011 fiscal year will be the final year the Waterworks is included in the City's financial statements. See current year | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| | and unreconciled items were found related to the recording of water receivables and related revenue. | finding 10-04. | |
| **09-13** | **Completeness and Accuracy of the Schedule of Expenditures of Federal Awards - Significant Deficiency**<br>Effective internal controls should ensure that accurate and complete accrual-basis federal expenditures for the fiscal year are reported on the schedule of expenditures of federal awards (SEFA) to facilitate accurate identification and reporting of major programs in conjunction with the OMB Circular A-133 Single Audit, and effective regulatory compliance oversight. | **Correction in progress:** Through the implementation of the enterprise resource planning system, the City will now have a project/grant module. This module, which will be implemented in late 2012, will allow us to more easily identify and reconcile grant expenditures to our general ledger. There will also be additional functionality within this module that will assist in the overall reporting of the SEFA. See current year finding 10-09. | Chuck White<br>(317) 327-4302<br>Chuck.White@indy.gov |
| **09-19** | **Cash Management - Community Development Block Grants/Entitlement Grants**<br>In a sample of fifty-five (55) expenditures, two (2) expenditures had a disbursement date that was in excess of fifteen (15) days after the date of the related drawdown of the federal funds. | **Corrected in 2010.** Internal controls were implemented in 2010 to correct this issue on a go forward basis. No additional findings were noted during the 2010 Single Audit for this issue. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **09-21** | **Allowable Cost/Costs Principals - Community Development Block Grants/Entitlement Grants**<br>Five employees charged time to the program in 2009 for time periods for which they certified that 100% of their time was spent working on this program. Based upon discussions with management, it appears that they were not accurately completing their time certifications (prepared each time period). Management believes that these employees are performing allowable activities under the CDBG program but their time was not tracked accurately. | **Correction in progress:** Staff and supervisors have been better trained on documenting their time based on activities completed during the pay period. See current year finding 10-14. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |
| **09-23** | **Cash Management; Matching, Level of Effort, Earmarking; and Reporting - Highway Planning and Construction Cluster**<br>Ten (10) Financial Status Reports, five (5) from DMD and five (5) from DPW were tested. One (1) of the reports did not contain a management authorizing signature signifying approval of the report and the operating effectiveness of the City's related internal control over the report. | **Corrected**: DPW has reviewed the 2009 claims and has found that the expenditures had been incorrectly entered into the accounting system. In 2010, the portion of the CMAQ Grant that DPW manages will be reimbursed at 100% instead of the 80% with a 20% local match. The application of the grant expenditures are being monitored to | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

| Reference | Finding | Status | Contact Person(s) |
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| | For one (1) of the reports submitted the City did not accurately request reimbursement for 80% of the total allowable costs incurred for the program and thus the City's match was less than the required 20%. As a result, for this grant, $1,017 more was reimbursed to the City than should have been.<br><br>Additionally, for one (1) of the ten (10) reports sampled, the amount of expenditures allocated between the federal and local share as reported on the Financial Status Reports did not agree to amounts allocated in the City's general ledger between the federal and local share. These amounts are recorded in separate funds within the City's general ledger to provide internal controls over accounting for such amounts. Based on further investigation, it was determined that the amounts reported on the Financial Status Report were accurate and that the City's general ledger was incorrect. The difference amounted to $5,646. | ensure that they are being applied correctly. DPW will work with the accounts payable department to ensure payments are being correctly applied. Cash management monitoring processes have been reviewed to improve internal control and overall management of all grant requirements. | |
| **09-24** | **Procurement and Suspension and Debarment - Highway Planning and Construction Cluster and Homeland Security Grant Program Cluster**<br>For the Highway Planning and Construction cluster, nineteen (19) of thirty-three (33) sampled procurements did not have adequate documentation supporting the procurement actions, including bid recipients or analysis of such bids or documentation/justification supporting that competition was to be limited.<br><br>For the Homeland Security Grant Program Cluster, in a sample of nineteen (19) vendors, one (1) did not have adequate documentation supporting the procurement actions, including bid recipients or analysis of such bids or documentation/justification supporting that competition was to be limited, including approval by the grantor when the procurement was in excess of $75,000. | **Corrected in 2010:** For the Homeland Security Grant Program Cluster, improved internal controls have been implemented. The new contractor selection process has been in effect since October 2010. Any vendors selected since its institution will have been found to meet the requirements of the new process. Any noncompliance with the process refers to vendor selections that occurred prior to the institution of the new process.<br><br>**Correction in progress:** For Highway Planning and Construction Cluster; see current year finding 10-17. | Jeanene Swiezy<br>(317) 327-4143<br>Jeanene.Swiezy@indy.gov |

**MARION COUNTY, INDIANA**
**(A Component Unit of the Consolidated**
**City of Indianapolis – Marion County)**

Corrective Action Plan

Year Ended December 31, 2010

| Reference | Corrective Action | Contact Person(s) |
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| 10-01 | **Bank Reconciliations – Material Weakness**<br>It is, and will continue to be, the County's policy to reconcile cash on a monthly basis. The County will continue to work towards moving any accounts that are not maintained on the County's general ledger system to the County's system, with the exception of one that by Indiana law does not require the elected official to maintain the account on the County's general ledger. The County is in the process of implementing an enterprise resource planning system (ERP) and will consider each of these remaining accounts during the implementation process. The implementation of the ERP has various stages with the earliest beginning in April 2011 and continuing through the end of 2012. We anticipate substantial improvements with the implementation.<br><br>Corrective Action: In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |
| 10-02 | **Financial Reporting and Year-End Transactions – Material Weakness**<br>As noted in the financial reporting finding in the 2009 report, enhancements are already in place to facilitate the reporting process. Training has been provided, additional coding has been created and the compilation of the financial statements has been transitioned to the general ledger system through the use of months 13 and 14. Because Marion County operates on the cash basis for its day-to-day operations, transactions that may be posted in a particular manner due to budgetary requirements must be adjusted, as well as other similar entries that require a different presentation for reporting purposes. Adding to the difficulty in preparing the financial statements, the County moved from the accrual/modified accrual basis in 2005 to the modified cash basis in 2006 and will continue to issue modified cash basis reports through fiscal year 2011 in an effort to expedite the audits. This led to the need to become familiar with the requirements under the modified cash basis. We will continue to enhance the preparation of the financial statements to address the adjustments for the underlying transactions.<br><br>**Corrective Action:** In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |
| 10-03 | **IT System Program Change Management and User Access – Significant Deficiency**<br>Due to the enterprise resource planning system that is currently being implemented, controls are being established under the new systems' technological requirements. The prior issues that we had under the Mainframe system will no longer be present or applicable under the new system. Use of the new system will begin January 1, 2012.<br><br>Corrective Action: In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |

**MARION COUNTY, INDIANA**
**(A Component Unit of the Consolidated**
**City of Indianapolis – Marion County)**

Corrective Action Plan

Year Ended December 31, 2010

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| 10-04 | **Reporting –** *Crime Victim Assistance*<br>The County intends to work directly with the grantor to obtain an exemption on the statistical data included in the performance reports so that this data will no longer be subject to audit.<br><br>Corrective Action: In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |
| 10-05 | **Activities Allowed and Unallowed, Allowable Costs/Cost Principle, and Period of Availability –** *Edward Byrne Memorial Justice Assistance Grant Program, ARRA – Recovery Act-Edward Byrne Memorial Justice Assistance Grant, and Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*<br>The County began requiring semiannual certification statements for all employees that work solely on a single federal grant stating that 100% of their time is spent on a particular grant. An employee whose work is on multiple grants or programs will be documented on their individual time sheet. Forms have been designed to help implement this requirement. This will be coordinated through the Auditor's Office and the grant managers within the individual agencies. There was major improvement during 2010, however, while agencies completed the semiannual certifications they were not completed in a timely manner. We will continue to work with the agencies so they understand the importance of not only completing the forms but doing so in a timely manner.<br><br>Corrective Action: In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |

**MARION COUNTY, INDIANA**
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Corrective Action Plan

Year Ended December 31, 2010

| Reference | Corrective Action | Contact Person(s) |
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| 10-06 | **Subrecipient Monitoring –** *National Institute of Justice Research, Evaluation, and Development Project Grants and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program*<br>The Grants Division of the Office of Finance and Management is working on developing specific procedures for subrecipient monitoring. Along with the development of procedures, we plan to provide training to agencies so they may have the proper tools and knowledge available to maintain compliance surrounding subrecipient monitoring requirements.<br><br>Corrective Action: In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov<br><br>Rebecca Swope<br>(317) 327-4208<br>Rebecca.swope@indy.gov |
| 10-07 | **Special Tests and Provisions –** *ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program*<br>The County did execute a subgrant agreement; however, did not specify the CFDA number within this agreement. We will work with the agency involved so they are aware of the appropriate information that is required to be communicated to a subrecipient under this grant program.<br><br>Corrective Action: In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |
| 10-08 | **Reporting –** *Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program*<br>This new grant program was created through the American Recovery and Reinvestment Act, which was enacted in 2009. The County is responsible for reporting information to the City of Indianapolis, who is the prime recipient of the award and responsible for submitting the Section 1512 report. There was miscommunication by the City of Indianapolis on how to report the information on Sub-Award funds received. The County has since corrected this data element of the report and resubmitted the information to the City of Indianapolis for 2010 in October 2011.<br><br>Corrective Action: Corrected in 2011 | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |
| 10-09 | **Activities Allowed and Unallowed and Allowable Costs/Cost Principles –** *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*<br>The Court is planning on conducting a case study in the second half of 2011. When completed, the Court will use this percentage for their payroll chargeable to the program. | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |

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| | Corrective Action: In progress | |
| 10-10 | **Procurement and Suspension and Debarment –** *Edward Byrne Memorial Justice Assistance Program, ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program, Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*<br>The purchases under question were for contractual services, which under Indiana law are not required to be bid and therefore, do not follow the standard public purchasing laws that govern purchase of goods. The agencies were following the rules required under Indiana law. The agencies have since been instructed that they must also be in compliance with federal law that requires that they obtain quotes or bids documenting full and open competition, or be able to provide documentation indicating the rationale for limiting competition.<br><br>Corrective Action: Implemented late 2010 | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |
| 10-11 | **Allowable Costs/Cost Principles –** *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*<br>The Information Service Agency is responsible for the internal billing for data processing charges. It has been very difficult for them to provide sufficient support for the data processing charges by individual employee/agency. We will work with the Information Service Agency so they understand the importance of being able to provide us with the appropriate documentation to support their charges by agency.<br><br>Corrective Action: In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |
| 10-12 | **Activities Allowed and Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, Earmarking –** *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*<br>Effective in 2011, the Indiana legislature enacted new legislative code regarding the handling of the incentive funds. As described in the "condition found," the funds, in 2010, were split in three different ways with a one-third going into the general fund. With the new legislation in 2011, the funds previously deposited in the general fund are now required to be in a separate special revenue fund. There are now three separate incentive funds, one that is identified as the Prosecutor's share, one that is identified as the Clerk's share (both as mentioned in the finding), and now one that is simply identified as "Title IV-D Incentive-General." Previously under the code, the | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |

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| | County was only required to maintain the receipt of the funds in a separate account in the general fund, which was managed through a revenue account. With the creation of the new fund, this will allow for separate and specific identification of the general portion as they are spent. As was mentioned in finding 10-01, the County is in the process of designing and implementing an enterprise resource planning system (ERP). The funds that now exist in our system will be converted and maintained in the new system which will allow for better tracking and reporting of the various expenditures as they are made.<br><br>Corrective Action: In progress | |
| 10-13 | **Procurement and Suspension and Debarment –** *Child Support Enforcement and ARRA – Recovery Act – Child Support Enforcement*<br>The County does require a suspension and debarment check as this is performed by the Purchasing Division once the purchase order reaches their office for approval. Unfortunately, the Purchasing Division was making the review based on the misunderstanding that the required dollar amount was $50,000 versus the $25,000 that is set under the guidelines. The Purchasing Division has been notified of this misunderstanding and has adjusted their procedures accordingly.<br><br>**Corrective Action:** In progress | Shirley Mizen<br>(317) 327-3007<br>shirley.mizen@indy.gov |