

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

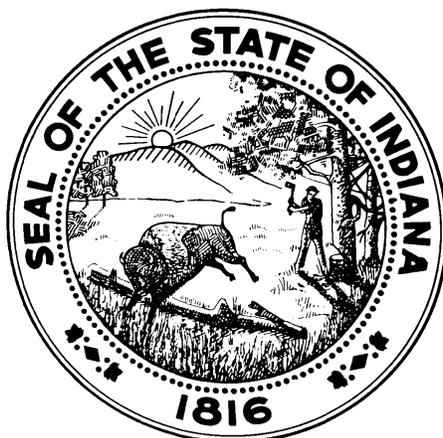
ANNUAL FINANCIAL REPORT

2007

CARMEL REDEVELOPMENT AUTHORITY

A COMPONENT UNIT OF THE CITY OF CARMEL

HAMILTON COUNTY, INDIANA



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OFFICIALS

Office

Official

Term

Fiscal Officer

Diana Cordray

01-01-05 to 12-31-11

President of the Redevelopment
Authority Board

Robert Bush

01-01-05 to 12-31-08



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CARMEL REDEVELOPMENT
AUTHORITY, HAMILTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities and each major fund of the Carmel Redevelopment Authority (Authority), as of and for the year ended December 31, 2007, which collectively comprise the Authority's primary government basic financial statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority as of December 31, 2007, and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

April 23, 2008

CARMEL REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,390,599
Investments	134,031,572
Interest receivable	149,829
Deferred debits	2,690,378
Investment in capital lease	54,865,000
Capital assets:	
Construction in progress	<u>36,572,301</u>
 Total assets	 <u>230,699,679</u>
 <u>Liabilities</u>	
Accounts payable	1,490,121
Accrued interest payable	3,900,904
Noncurrent liabilities:	
Due within one year	3,365,000
Due in more than one year	<u>218,993,502</u>
 Total liabilities	 <u>227,749,527</u>
 <u>Net assets</u>	
Restricted for:	
Debt service	<u>2,950,152</u>
 Total net assets	 <u>\$ 2,950,152</u>

The notes to the financial statements are an integral part of this statement.

CARMEL REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental activities:			
Interest on long-term debt	<u>\$ 8,339,503</u>	<u>\$ 3,108,557</u>	<u>\$ (5,230,946)</u>
General revenues:			
Unrestricted investment earnings			7,118,731
Other			<u>74,635</u>
Total general revenues			<u>7,193,366</u>
Change in net assets			1,962,420
Net assets - beginning			<u>987,732</u>
Net assets - ending			<u>\$ 2,950,152</u>

The notes to the financial statements are an integral part of this statement.

CARMEL REDEVELOPMENT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

<u>Assets</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 2,123,905	\$ 266,694	\$ 2,390,599
Investments	20,861,996	113,169,576	134,031,572
Interest receivable	<u>149,829</u>	<u>-</u>	<u>149,829</u>
 Total assets	 <u>\$ 23,135,730</u>	 <u>\$ 113,436,270</u>	 <u>\$ 136,572,000</u>
 <u>Liabilities and Fund balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ 1,490,121	\$ 1,490,121
 Fund balances:			
Reserved for:			
Debt service	23,135,730	-	23,135,730
Capital projects	<u>-</u>	<u>111,946,149</u>	<u>111,946,149</u>
 Total fund balances	 <u>23,135,730</u>	 <u>111,946,149</u>	 <u>135,081,879</u>
 Total liabilities and fund balance	 <u>\$ 23,135,730</u>	 <u>\$ 113,436,270</u>	 <u>\$ 136,572,000</u>

The notes to the financial statements are an integral part of this statement.

CARMEL REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For The Year Ended December 31, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Fund balance - governmental funds	\$		\$ 135,081,879
Unamortized bond issuance costs are not financial resources and, therefore, are not reported in the funds.			2,690,378
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Investment in capital lease		54,865,000	
Construction in progress		36,572,301	91,437,301
Other liabilities, interest payable, are not due and payable in current period and, therefore, are not in the funds.			
Accrued interest payable		(3,900,904)	(3,900,904)
Noncurrent liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.			
Short term portion of general obligation bonds payable		(3,365,000)	
Long term portion of general obligation bonds payable		<u>(218,993,502)</u>	<u>(222,358,502)</u>
Net assets of governmental activities			<u>\$ 2,950,152</u>

The notes to the financial statements are an integral part of this statement.

CARMEL REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Revenues:			
Lease rental payment	\$ 5,379,568	\$ -	\$ 5,379,568
Interest earnings	1,353,524	5,765,207	7,118,731
Other	<u>-</u>	<u>74,635</u>	<u>74,635</u>
Total revenues	<u>6,733,092</u>	<u>5,839,842</u>	<u>12,572,934</u>
Expenditures:			
Debt service:			
Principal	2,910,000	-	2,910,000
Interest	7,998,084	304,820	8,302,904
Capital outlay	<u>-</u>	<u>27,284,981</u>	<u>27,284,981</u>
Total expenditures	<u>10,908,084</u>	<u>27,589,801</u>	<u>38,497,885</u>
Deficiency of revenues under expenditures	<u>(4,174,992)</u>	<u>(21,749,959)</u>	<u>(25,924,951)</u>
Other financing sources (uses):			
Transfers in	21	765,978	765,999
Transfers out	<u>(765,978)</u>	<u>(21)</u>	<u>(765,999)</u>
Total other financing sources and uses	<u>(765,957)</u>	<u>765,957</u>	<u>-</u>
Net change in fund balances	(4,940,949)	(20,984,002)	(25,924,951)
Fund balances - beginning	<u>28,076,679</u>	<u>132,930,151</u>	<u>161,006,830</u>
Fund balances - ending	<u>\$ 23,135,730</u>	<u>\$ 111,946,149</u>	<u>\$ 135,081,879</u>

The notes to the financial statements are an integral part of this statement.

CARMEL REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures, and Other Changes in Fund Balances).	\$	\$ (25,924,951)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		27,284,981
Payments received on a capital lease provide current financial resources to governmental funds but have no effect on net assets.		(2,271,011)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond issue costs		
Amortization of bond issue costs	(144,323)	
Principal paid	2,910,000	
Amortization of bond premium	<u>633,993</u>	3,399,670
Accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore is not reported as an expenditure in the governmental funds.		<u>(526,269)</u>
Change in net assets of governmental activities (Statement of Activities)		<u>\$ 1,962,420</u>

The notes to the financial statements are an integral part of this statement.

CARMEL REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Carmel Redevelopment Authority (primary government) was established under the laws of the State of Indiana. The primary government has been created for the purpose of financing, constructing, acquiring, and leasing certain local public improvements.

The accompanying financial statements present the activities of the primary government. There are no significant component units which require inclusion.

B. Government-Wide and Fund Financial Statements

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 primary government. 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 direct expenses of a given function or segment is offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment.

Separate financial statements are provided for governmental funds. Major individual governmental 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 the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

CARMEL REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government reports the following major governmental funds:

The debt service fund (debt service) accounts for the accumulation of resources and payments of general obligation bonds. Financing is provided by semi-annual lease payments from the City of Carmel.

The capital projects fund (capital projects) accounts for expenditures related to the construction of various infrastructure projects. Financing is provided by the issuance of general obligation bonds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the primary government to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Capital Assets

Major outlays for capital assets and improvements are capitalized as projects are constructed.

3. Long-Term Obligations

In the government-wide financial statements long-term debt is reported as a liability. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CARMEL REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, governmental fund types 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 issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2007, the bank balances and certificates of deposits were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the Authority had the following investments:

Investment Type	Market Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Primary Government:				
U.S. agencies	\$ 113,169,576	\$ 64,765,063	\$ 16,904,513	\$ 31,500,000

Investment Policies

Indiana Code 5-13-9 authorizes the Authority to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

CARMEL REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Authority and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Authority may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority must follow state statute and limit the stated final maturities of the investments to no more than two years. The Authority does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2007, all of the Authority's investments in U.S. Agencies were rated AAA by Standard & Poor's.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

CARMEL REDEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Foreign Currency Risk

The Authority does not have a formal policy in regards to foreign currency risk.

B. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed
Governmental activities:			
Performing arts center	\$ 80,044,370	\$ 15,802,323	\$ 64,242,047
Road improvements/infrastructure projects	69,775,959	20,769,978	49,005,981
Totals	<u>\$ 149,820,329</u>	<u>\$ 36,572,301</u>	<u>\$ 113,248,028</u>

C. Interfund Activity

Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

Transfer Out	Transfer In	
	Debt Service	Capital Projects
Debt service	\$ 21	\$ 765,978
Capital projects	765,978	21
Totals	<u>\$ 765,999</u>	<u>\$ 765,999</u>

The primary government typically uses interfund transfers to transfer excess funds from the debt service fund to the capital projects fund.

D. Long-Term Liabilities

1. Redevelopment Bonds

The primary government issues bonds to be paid by income derived from the acquired or constructed assets. Redevelopment bonds outstanding at year end are as follows:

CARMEL REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
2004 Refunding	5.00% to 5.25%	\$ 22,625,000
2004 West Clay Road projects	3.00% to 5.00%	33,145,000
2005 Performing arts center	4.625% to 10.20%	79,998,227
2006 Road improvements/infrastructure	4.00% to 5.00%	<u>72,000,000</u>
Total bonds outstanding		207,768,227
Current portion of debt		(3,365,000)
Unamortized bond premium		<u>14,590,275</u>
Total long-term portion		<u><u>\$ 218,993,502</u></u>

Lease rental revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2008	\$ 3,365,000	\$ 8,473,444
2009	4,710,000	8,368,375
2010	6,125,000	8,181,575
2011	9,710,216	10,169,715
2012	8,036,930	8,535,838
2013-2017	45,316,631	41,468,572
2018-2022	41,928,766	41,809,634
2023-2027	51,710,684	35,592,441
2028-2032	32,385,000	4,216,588
2033-2037	<u>4,480,000</u>	<u>109,688</u>
Totals	<u><u>\$ 207,768,227</u></u>	<u><u>\$ 166,925,870</u></u>

2. Advance Refunding

In prior years, the Carmel Redevelopment Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. During 2007, the remaining outstanding old bonds were redeemed.

CARMEL REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:	\$ 210,678,227	\$ -	\$ 2,910,000	\$ 207,768,227	\$ 3,365,000

III. Other Information

Risk Management

The primary government is exposed to various risks of loss related to torts. The primary government has not provided coverage for their risks of loss. The City of Carmel has provided coverage for the primary government's risks of loss.

CARMEL REDEVELOPMENT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2008, with Diana Cordray, Fiscal Officer. Our audit disclosed no material items that warrant comment at this time.