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Mr. David P. Reynolds, Controller  
City of Indianapolis  
200 East Washington Street, Suite 2222  
Indianapolis, Indiana 46204

We have reviewed the audit report prepared by KPMG, LLP, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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 of the City of Indianapolis, as of December 31, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report and the Single Audit Report are filed with this letter in our office as a matter of public record.

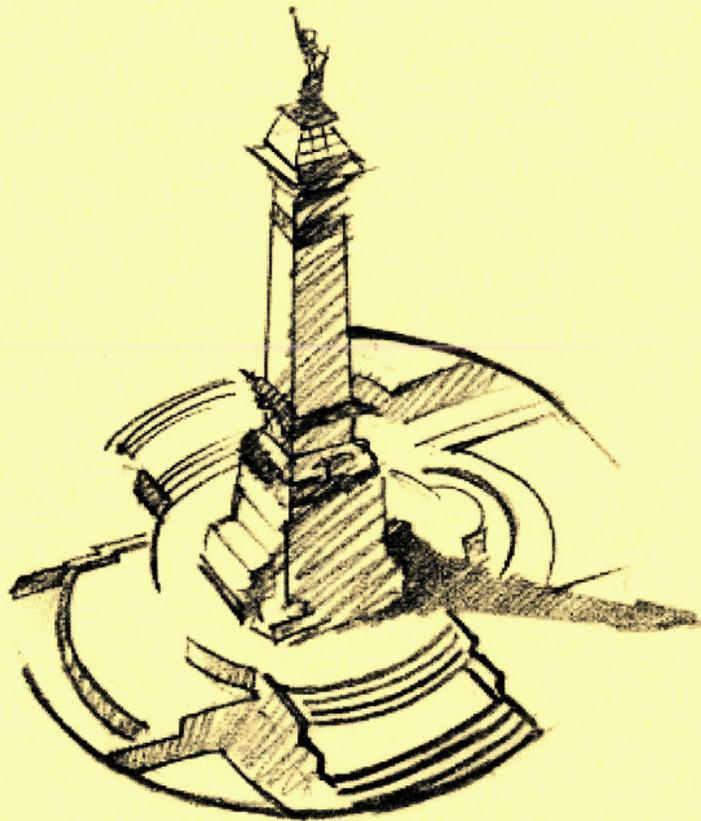
We call your attention to the thirty findings in the Single Audit Report, on pages 11 through 37. Sixteen of those findings represent significant deficiencies in internal control over financial reporting. Nine of those sixteen represent material weaknesses. The auditors have issued a qualified opinion on compliance with applicable requirements for three of the five major programs.

STATE BOARD OF ACCOUNTS

**FILED**  
11/05/2009

# **The City of Indianapolis, Indiana**

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



Comprehensive Annual Financial Report  
Year Ended  
December 31, 2007

**COMPREHENSIVE**

**ANNUAL**

**FINANCIAL**

**REPORT**

**City of Indianapolis, Indiana**

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

**Year Ended December 31, 2007**

**Office of Finance and Management**

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Introductory Section



October 31, 2008

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, 2007. 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. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Controller of the City of Indianapolis. The data, as presented, is accurate in all material respects. It is presented in a manner designed to set forth the financial position and results of operations of the City. Disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included.

The CAFR conforms to the standards for financial reporting of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA). There are three main sections to this report. The Introductory Section includes this letter, the Certificate of Achievement for Excellence in Financial Reporting, a description of the government and related taxing districts, a list of elected officials and the City's organizational charts. The Financial Section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements for the City, and supplementary information. The Statistical Section includes selected financial and demographic information presented on a multi-year basis. The MD&A can be found beginning on page 3.

The City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws and regulations, are 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 2007, the economic development activity of the City of Indianapolis slowed from the frenetic pace of 2006. While growth for 2007 was down from 2006 in terms of projects completed, dollars invested, and jobs created and retained, the City still realized commitments for more than 4,000 new jobs and more than \$300,000,000 in new capital investment.

Of particular note, Veolia Water's North American headquarters relocated to downtown Indianapolis and brought with it the commitment of 100 new jobs. Additionally, now more than 600 communities nationwide that have Veolia water service will turn to Indianapolis when working with the company.

The life science firm Beckman Coulter relocated their Palo Alto, California operation to the north side of Indianapolis in 2007. This major company in a targeted sector brought with it commitments to invest \$6.3 million, hire 212 new employees and retain 130 jobs already in our community.

Other successful projects included AT&T adding more than 400 new employees to their downtown workforce and, Redcats made more than \$20 million capital investment in a distribution facility on the near southeast side.

The overall economic development activity of the City continued to be aided in 2007 by Indianapolis Economic Development (IED), an offshoot of the Indy Partnership, the regional marketing entity. However, IED's structure continued to present challenges, and in mid-2007, an effort was undertaken that removed IED from the operational structure of the Indy Partnership and would eventually put it on a course to be a free-standing organization known as Indianapolis Economic Development, Inc.

Also advancing the City's economic development efforts was the Department of Metropolitan Development (DMD).

DMD led the effort to turn around one of the most contaminated brownfield sites in Indianapolis, successfully creating the Martindale-Brightwood Industrial Redevelopment Area, which resulted in the acquisition of the abandoned former Ertel Manufacturing Corp. site. A site overhaul was performed that included environmental testing, facility demolition, and 55,000 tons of contaminated soil remediation. And it was delivered 3½ weeks early to the redevelopment partner. The effort resulted in a \$19 million re-investment into the brownfield site yielding 53 new jobs and retaining over 200 jobs in the urban core of Indianapolis.

Also, noticeable to many downtown visitors, workers, and residents, the City completed a successful draining, dredging, and cleaning of the downtown canal resulting in it returning to its original condition.

### **Long-term Financial Planning**

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

One of the primary challenges facing Indianapolis was the unfunded police and fire pension obligations. During the 2008 Indiana General Assembly, 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. The City will continue to pay the retirees; the State will reimburse the City. This reimbursement addresses a daunting budgetary challenge that faced Indianapolis and other cities across Indiana. A proposal to sell \$450 million of bonds to fund the liability is no longer necessary and was not executed.

Indianapolis recently completed the state ordered 2006 property reassessment and has collected the reconciliation revenues from Marion County property tax payers. The delayed collection of pay 2007 property tax levies had a negative impact on the City's cash flow. The delay primarily causes negative subfund balances totaling \$54 million in the Solid Waste Collection, Park, Fire and Indianapolis Metropolitan Police subfunds of the general fund. In addition, the delay causes a negative fund balance in the Nonmajor Debt Service Funds of \$1.4 million. The tax anticipation warrants for the second half of 2007 were paid off in September of 2008. Provisional tax bills for 2008 are planned to be mailed prior to the end of 2008. Tax collections for 2008 are also delayed as a result. Tax collections should return to normal in 2009.

The 2008 Indiana General Assembly also extended the limitations on the tax bills for Marion County property tax payers. Previously, the property tax bills were limited to 2% of the assessed valuation of the residential property beginning in 2008. House Enrolled Act 1001-2008 extends this "circuit-breaker" limitation to 1.5% of the assessed valuation of the residential property in 2009 and 1% of the assessed valuation of the residential property in 2010. Commercial property is similarly limited to 3.5% of the assessed valuation of the commercial property in 2009 and 3% in 2010. The City has taken aggressive steps to prepare for the expected impacts of the circuit breaker in 2010. The City, along with the other units of government in Marion County, is currently building a model to predict the effect of HEA1001-2008.

## **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 Governmental Accounting Standards Board 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 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.

### ***Risk Management***

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

### **Major Initiatives**

The current "Clean Streams" team's twenty year plan to eliminate the dumping of raw sewage into the City's rivers, clean up failing septic systems, and improve flood control continues. In recent months, the design of the system has been reviewed and through a process of "value-added engineering" substantial efficiencies and cost saving initiatives have been identified. The City is currently in discussions with the Indiana Department of Environmental Management and the federal Environmental Protection Agency. This re-engineering is expected to reduce the required fee increases to finance the construction. The twenty year capital cost of Clean Streams is in excess of a billion dollars. The costs will be funded primarily through user fees.

Streamlining the operations of city and county government continues to be a major initiative for Indianapolis. Opportunities exist within the back office functions of government to pool the shared services. Duplicative back office functions are present in many city and county agencies. Indianapolis currently has three Human Resource departments (the Human Resource departments for the Fire and the Police departments were just recently consolidated with the City's Human Resource department saving \$200,000). Additional opportunities exist in accounting, payroll, grants management, etc.

The continued consolidation of government services across local governmental units remains a major initiative. The Indianapolis Police Department and the county Sheriff were merged in 2007 and two township fire departments were also merged with the Indianapolis Fire Department in 2007. Discussions continue with the remaining 7 township fire departments. The elimination of the township level of government remains an opportunity for consolidation and potential savings.

### **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, 2007, the Audit Committee members were:

Ms. Jenna Walls, Chairperson	Senior Consultant, Health Management
Mr. William Sheldrake	President, Policy Analytic, LLC
Mr. Justin Ohlemiller	Deputy Chief of Staff, Mayor's Office
Ms. Jackie Nytes	City-County Councillor, City of Indianapolis - Marion County
Ms. Barbara A. Lawrence	Director, Indianapolis Bond Bank
Ms. Marilyn Pfisterer	City-County Councillor, City of Indianapolis - Marion County

### **Certificate of Achievement**

The Government Finance Officers' Association of the United States and Canada (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, 2006. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgment**

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

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

Respectfully submitted,



**David P. Reynolds**

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, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

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 and the thirteenth largest city in the nation with a population of 805,000 and a metropolitan area population of approximately 1.6 million people. The City encompasses a land area of 402 square miles, making it the eighth largest city in the nation in terms of land area. The City, located at the geographic center of the state, is the State Capital and also serves as the physical, economic, and cultural capital. Indianapolis has a stable and diversified economy with employment rates and income levels consistently above the national averages.

Form of Government

On January 1, 1970, the governments of the City and that of Marion County 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 Council consists of twenty-five councilors elected from single-member districts and four councilors elected at large. Because the Mayor's powers extend to the entire county, residents of the Town of Speedway and the Cities of Beech Grove, Lawrence, and Southport, the municipalities not affected by the reorganization, vote for the Mayor as Chief County Executive as well as for the councilors 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, Marion County, 5 independent municipal corporations, 11 school corporations, 9 townships, 12 towns, the 4 municipalities excluded from the consolidated City of Indianapolis, 2 library boards, and one conservancy district. Within the consolidated City, special taxing districts were created to coincide with user benefit district boundaries then existing or as extended by the consolidating act. Boundaries of the various districts are such that a resident may be a member of one district and not another. Therefore, the resident's geographic location within the County determines the governmental unit and taxing district rates to be combined in calculating the specific tax rate. As a result of the varying areas in which services are provided by the 46 different governmental units, Marion County is broken down into 61 different geographical areas for purposes of tax rate determination.

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

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

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

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

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

### **Other Governmental Units**

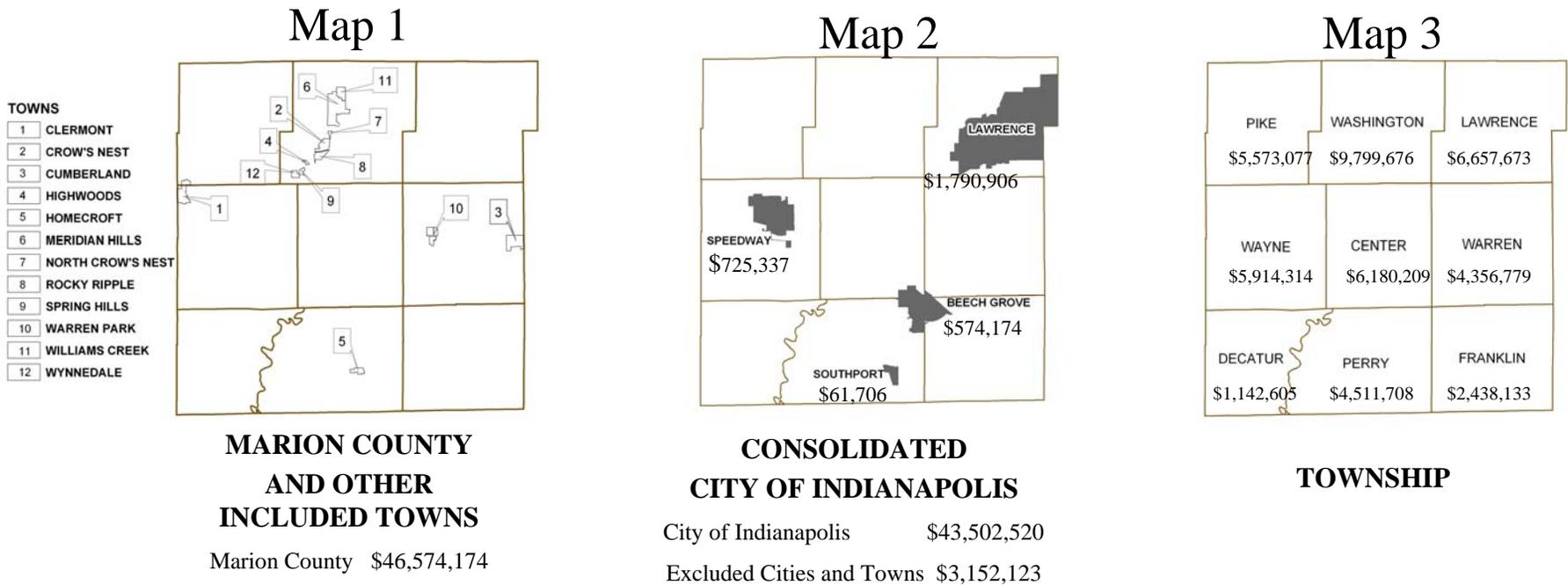
The Consolidated City of Indianapolis is within the boundaries of Marion County, as are the following:

- **Marion County** as a governmental unit provides services such as courts, sheriff, tax assessment and collection, etc., not otherwise provided by other governmental units.
- The **Capital Improvement Board of Managers** 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 Capital Improvement Board.
- The **Indianapolis 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 Marion County, including indigent health care.

- The **Indianapolis-Marion County Building 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 Marion 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 Marion County.
- The **Indianapolis Marion County Public Library** is a separate and distinct municipal corporation, the territory of which includes the property in Marion County, excluding the City of Beech Grove and the Town of Speedway.

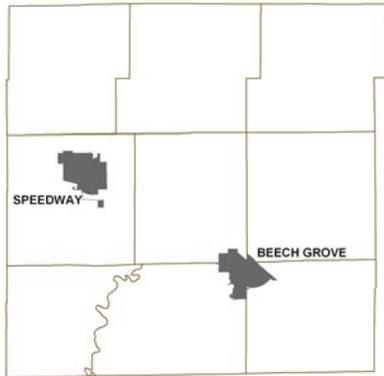
There are also several separate school districts in Marion County. In addition to the general obligation bonds of these school districts, various school building corporations have outstanding bonds payable from lease rentals (which are paid from taxes levied) from school districts for the lease of school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

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



**NOTE:** See Statistical Schedule 13 on pages 155, 156, and 157 of Part III of this annual report. The assessed valuation figures are for March 1, 2006 valuations for taxes collectible in 2007.

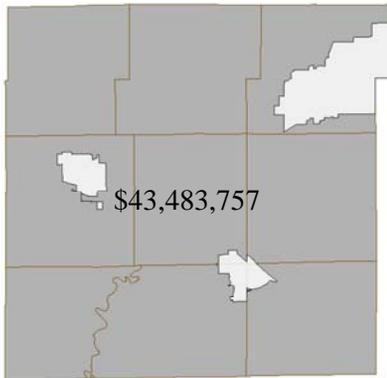
Map 4



**LIBRARIES**

Beech Grove	\$ 574,174
Speedway	\$ 725,337
Marion County Libraries	\$45,313,931

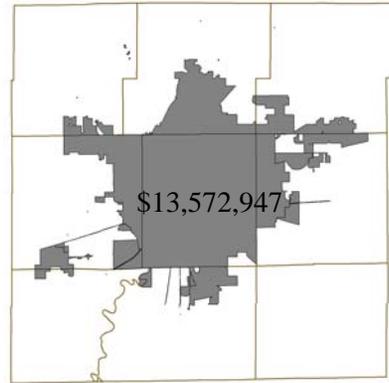
Map 7



**INDIANAPOLIS SOLID WASTE  
SPECIAL SERVICE DISTRICT**

\$43,483,757

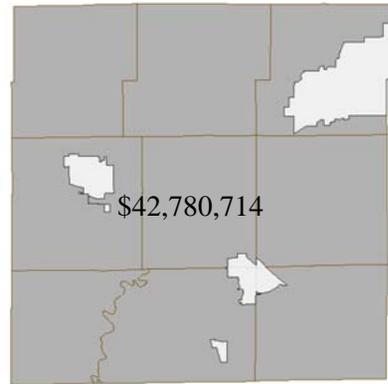
Map 5



**INDIANAPOLIS  
POLICE SERVICE DISTRICT**

\$13,572,947

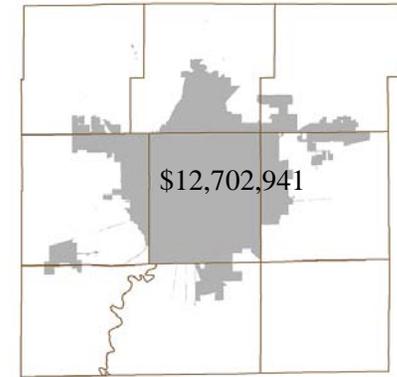
Map 8



**INDIANAPOLIS  
SANITARY DISTRICT**

\$42,780,714

Map 6

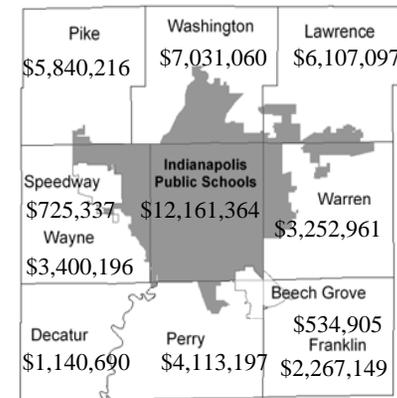


**INDIANAPOLIS  
FIRE SERVICE DISTRICT**

\$12,702,941

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

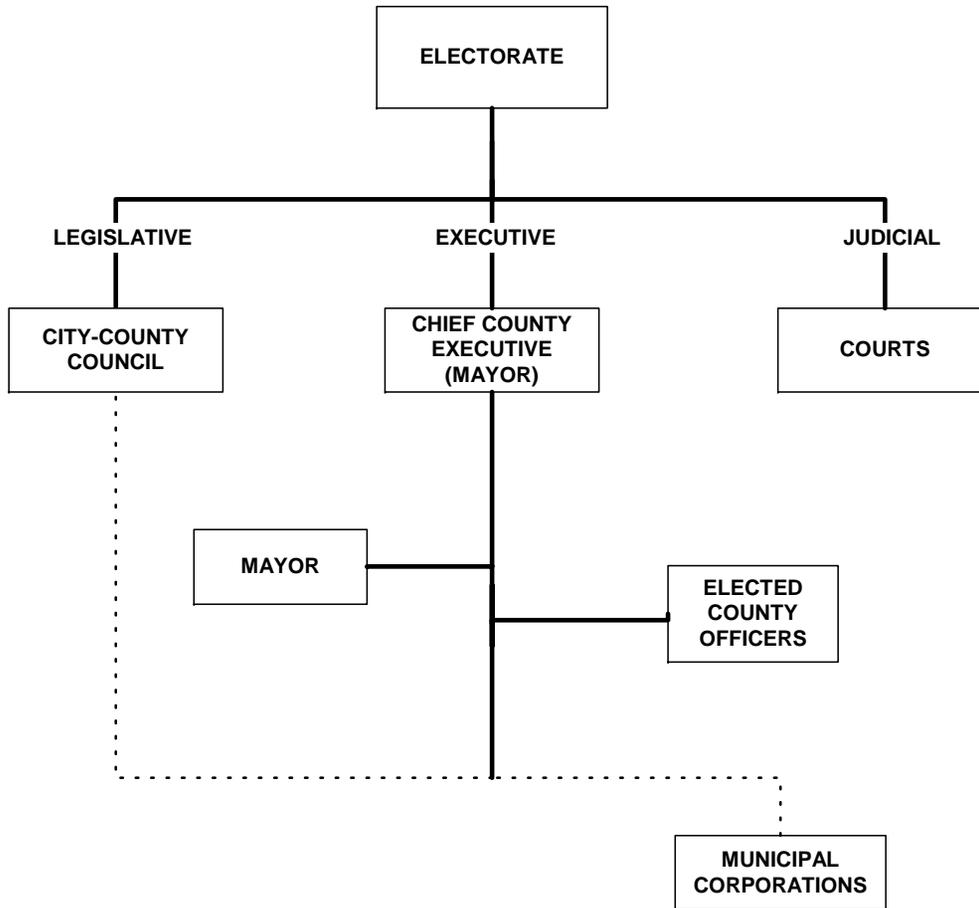
Map 9



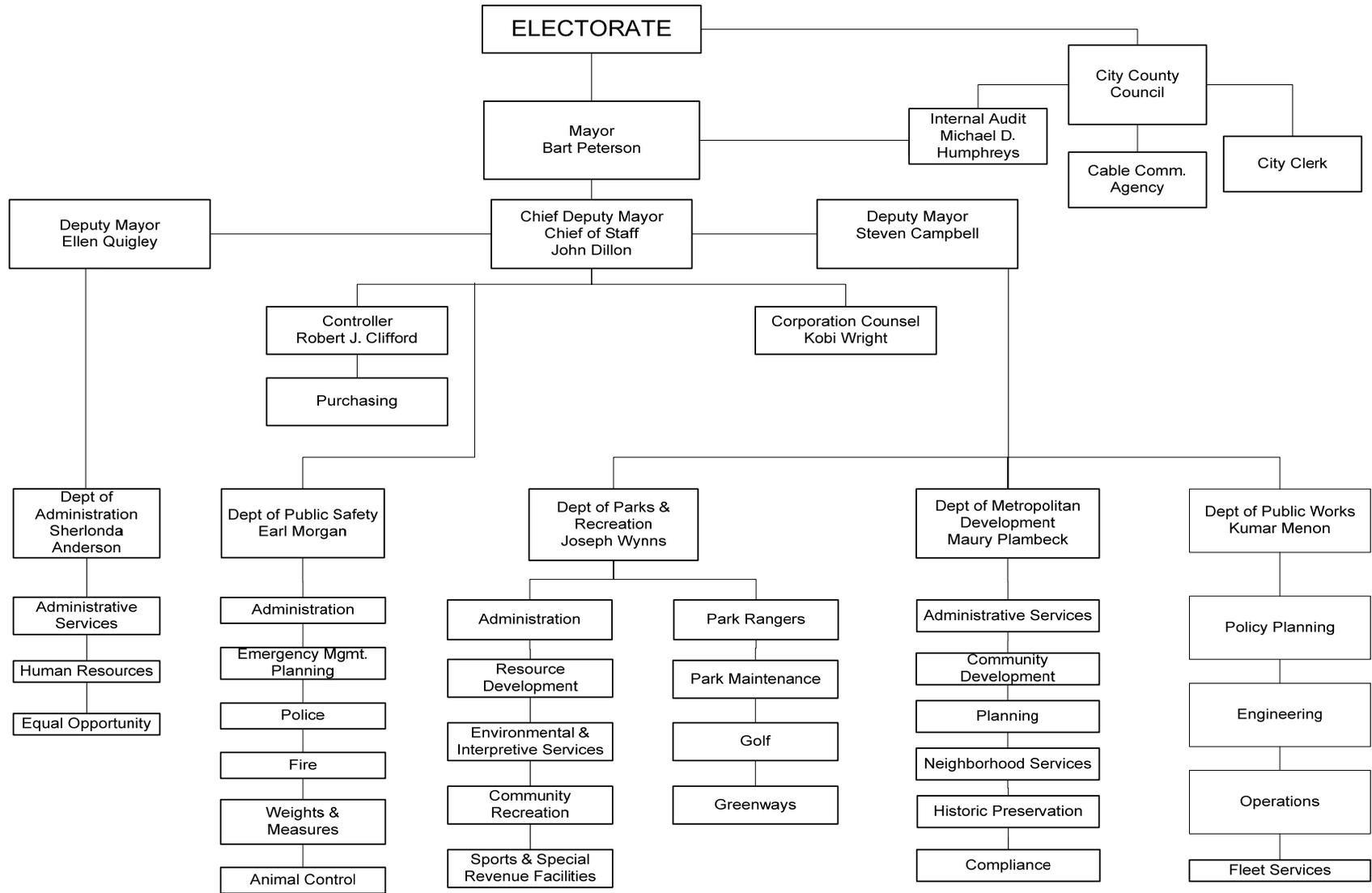
**SCHOOL DISTRICTS**

**NOTE:** See Statistical Schedule 13 on pages 155, 156, and 157 of Part III of this annual report. The assessed valuation figures are for March 1, 2006 valuations for taxes collectible in 2007.

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



City of Indianapolis Organization Chart  
December 31, 2007



**CITY OF INDIANAPOLIS**  
**SCHEDULE OF ELECTED AND APPOINTED OFFICIALS**

**December 31, 2007**

**ELECTED OFFICIALS\***

<u>Name</u>	<u>Title</u>	<u>Service</u>	<u>Occupation</u>
Bart Peterson	Mayor	8	Mayor and Chief County Executive
Monroe Gray, Jr.	City-County Council President	16	Indianapolis Fire Department, Division Chief
Joanne Sanders	City-County Council Vice President	8	International Representative, International Alliance of Theatrical Stage Employees
Andre Carson	City-County Councillor	1	Excise Police Officer
Paul Bateman	City-County Councillor	2	Retired
Dr. Philip C. Borst	City-County Councillor	28	Veterinarian, Shelby Street Animal Clinic
Rozelle Boyd	City-County Councillor	40	Retired
Vernon Brown	City-County Councillor	4	Indianapolis Fire Department Battalion Chief
Virginia J. Cain	City-County Councillor	4	Civic Worker and Homemaker
Bob Cockrum	City-County Councillor	12	Retired
Lonnell Conley	City-County Councillor	8	Retired
N. Susie Day	City-County Councillor	4	Accountant
Sherron Franklin	City-County Councillor	4	Indianapolis Metropolitan Police Department Officer
Ron Gibson	City-County Councillor	8	Self Employed
Scott Keller	City-County Councillor	4	Appraiser/arts; Adjunct Prof. Of Art History, Herron School of Art of Indiana University
Lance Langsford	City-County Councillor	8	Indianapolis Fire Department
Robert Lutz	City-County Councillor	1	Attorney
Dane Mahern	City-County Councillor	4	Human Resource Consultant, City of Indianapolis
Angela Mansfield	City-County Councillor	4	Attorney
Lynn McWhirter	City-County Councillor	8	Asst. Trustee, Wayne Township Trustee's Office
Mary Bridget Moriarty Adams	City-County Councillor	20	Human Resources Manager, Multiple Sclerosis Foundation
Jackie Nytes	City-County Councillor	8	Adj. Faculty, Graduate School of Library Sciences, Indiana University - Purdue University at Indianapolis

**CITY OF INDIANAPOLIS**  
**SCHEDULE OF ELECTED AND APPOINTED OFFICIALS (Cont.)**  
**December 31, 2007**

**ELECTED OFFICIALS\***

Name	Title	Service	Occupation
William C. Oliver	City-County Councillor	4	Retired
Marilyn Pfisterer	City-County Councillor	4	Business woman
Cherish Pryor	City-County Councillor	1	Marion County Auditor, Office Manager
Lincoln Plowman	City-County Councillor	4	Marion County Sheriff's Department
Isaac Randolph, Jr.	City-County Councillor	4	Indianapolis Fire Department
Scott G. Schneider	City-County Councillor	8	Vice President of Sales, Mister Ice of Indianapolis
Mike Speedy	City-County Councillor	4	Owner, Real Estate Consulting and Development
Michael A. Rodman	Ex-Officio City Treasurer	3	Marion County Treasurer
Ryan Vaughn	City-County Councillor	1	Attorney

\* The term of office for all elected officials expires December 31, 2007 except for the Marion County Treasurer, whose term expires December 31, 2008.

**APPOINTED OFFICIALS**

Name	Position	Number of Years in This Position	Number of Years Associated with City of Indianapolis - Marion County
John Dillon	Chief Deputy Mayor/Chief of Staff	2	2
Steven Campbell	Deputy Mayor of Neighborhoods	3	8
Ellen Quigley	Deputy Mayor of Public Policy	2	6
Robert J. Clifford	Controller	3	8
Kobi Wright	Corporation Counsel	4	6
Sherlonda Anderson	Director of Administration	2	5
Maury Plambeck	Director of Metropolitan Development	8	19
Kumar Menon	Director of Public Works	2	15
Earl Morgan	Director of Public Safety	2	7
Joe Wynns	Director of Parks and Recreation	8	37
Jean Milharcic	Clerk of the City-County Council	4	4
Michael D. Humphreys	Administrator of Internal Audit	26	26

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

### *CITY-COUNTY COUNCIL*

The City-County 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 City-County Council also confirms appointments of individuals to the positions of Deputy Mayor and Directors of UNIGOV Departments. They also enact legislation and appoint individuals to various boards and commissions of local government. Transactions for this division are accounted for in the Consolidated County subfund of the General Fund.

### *CABLE COMMUNICATIONS AGENCY*

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

### *OFFICE OF THE CORPORATION COUNSEL*

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

Corporation Counsel, initiates legal action for the purpose of enforcing City ordinances. The preparation of non-fiscal ordinances for introduction before the City-County Council and the drafting of legislative proposals in the Indiana General Assembly are also functions of the Office of the Corporation Counsel.

The Collections section is a part of the Office of Corporation Counsel 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.

#### *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.

#### **Department of Metropolitan Development**

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

#### *DIVISION OF ADMINISTRATIVE SERVICES*

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

#### *DIVISION OF COMMUNITY ECONOMIC DEVELOPMENT*

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

#### *DIVISION OF PLANNING*

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

#### *NEIGHBORHOOD SERVICES*

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

#### *INDIANAPOLIS HISTORIC PRESERVATION COMMISSION*

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

#### *DIVISION OF COMPLIANCE*

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

### *REGIONAL TRANSPORTATION AUTHORITY*

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

### **Department of Public Works**

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

The Board of Public Works is the supervisory and policy making body of the Department of Public Works. The Board consists of seven members and meets twice per month. The Director of the Department of Public Works 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 and the Federal Grants Special Revenue Fund. The section's services includes 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. *Business Services.* This section provides the necessary administrative functions for the Department in the areas of Data Management and other Administrative Services.
2. *Financial Services.* This section provides purchasing, accounting, and payroll services to all areas within the Department.
3. *Contract Services.* This section provides administrative support and review for service contracts with the Department. The day-to-day management of the contracts remains with the operational areas responsible for solid waste removal, mowing, sewer collection system, abandoned vehicles, and street sweeping.

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

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

The Office of Environmental Services assures environmental protection for Indianapolis residents through industrial surveillance and permitting. Air quality, water and land pollution abatement, and environmental remediation projects are managed under this Section. The section also separates the household hazardous collection program. In addition, it oversees the Industrial Pre-treatment Program and the Air Pollution Control Board's Ordinance Enforcement and Regulatory authority. Transactions are accounted for in the Sanitation, Solid Waste Collection, Park, and Consolidated County subfunds of the General Fund.

### *ENGINEERING DIVISION*

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

1. Interstate, U.S., and State routes under the jurisdiction of the Indiana Department of Transportation; and
2. Local streets within the other incorporated cities and towns within Marion 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 Transportation, Sanitation, and Stormwater Management subfunds of the General Fund.

The Engineering Administration Section provides the necessary planning, programming, inventory, and studies to implement the department's programs to expand and protect the City's transportation and sanitation networks.

This 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 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.

### *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 & Weeds.* Responsible for mowing of levees, parkways, and private weed enforcement lots.
4. *Building and Grounds.* Responsible for maintaining DPW facilities and the Monon Trail.
5. *Parking Meter.* Responsible for collection of revenue, repair of parking meter equipment, and administration of contracts.
6. *Customer Services.* Responds within three days to citizen complaints that are called into the Mayor's Action Center such as sanitary sewer back-ups, sewer odors, cave-ins, flooding and drainage problems, street and sidewalk problems, illegal dumping, graffiti, and sewer locates. Service requests are directed to the Township Coordinators who complete over 20,000 inspections per year. Customer Services also works closely with the utility companies and other City and County departments.

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

### *FLEET SERVICES DIVISION*

The Indianapolis Fleet Services (I.F.S.) 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. I.F.S. 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 is charged back to the departments that own the equipment.

## **Department of Public Safety**

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

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

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

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

### *INDIANAPOLIS METROPOLITAN POLICE DEPARTMENT (IMPD)*

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

### *INDIANAPOLIS FIRE DEPARTMENT*

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

### *DIVISION OF EMERGENCY MANAGEMENT PLANNING*

This Division functions as the local Department of Homeland Security. It coordinates all government and non-government organizations that deal with emergency situations, and provides unique civil preparedness skills and capabilities not available under

other organizations. Transactions are accounted for in the Consolidated County subfund of the General Fund, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund.

#### *ANIMAL CARE AND CONTROL DIVISION*

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

#### *DIVISION OF WEIGHTS AND MEASURES*

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

### **Department of Parks and Recreation**

The Department of Parks and Recreation (Indy Parks and Recreation) provides clear leadership and well-defined direction for enhancing the quality of life for Indianapolis and Marion County residents by offering park and recreation resources that 1) provide and/or facilitate quality recreation and leisure opportunities; 2) encourage and support natural and cultural resource stewardship and environmental education; 3) include safe, clean and well-maintained park facilities for the community's use and enjoyment; and 4) promote and facilitate mutually beneficial countywide partnerships. Indy Parks and Recreation offers recreational opportunities at regional, community, neighborhood, and nature parks, as well as at schools and other facilities. The parks system includes 7 greenways, 23 recreation centers, 22 aquatic centers, 13 golf courses, 428 sports fields and courts, and 116 playgrounds. City ordinances and state statutes are enforced by Indy Parks and Recreation to protect public parklands and facility use. The Department's organization consists of nine divisions including Administration, Community Recreation, Sports and Special Revenue Facilities, Golf, Environmental and Interpretive Services, Park Maintenance, Park Rangers, Resource Development, and Greenways. Transactions for this Department are recorded in the Parks subfund of the General Fund and the Federal and State of Indiana Grants Special Revenue Funds.

#### *ADMINISTRATION DIVISION*

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

#### *COMMUNITY RECREATION DIVISION*

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

#### *SPORTS AND SPECIAL REVENUE 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 rinks, Velodrome, skate park, and BMX track.

#### *GOLF DIVISION*

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

#### *ENVIRONMENTAL AND INTERPRETIVE SERVICES DIVISION*

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

#### *PARK MAINTENANCE DIVISION*

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

#### *PARK RANGERS DIVISION*

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

#### *RESOURCE DEVELOPMENT DIVISION*

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

#### *GREENWAYS DIVISION*

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

#### **Indianapolis Housing Agency**

The Indianapolis Housing Agency is responsible for the design, construction, maintenance, and management of decent and safe housing for low-income, elderly, and disabled persons. The Agency receives its primary funding from the U.S. Department of Housing

and Urban Development (HUD) and rents collected from residents. The Agency's transactions are accounted for as an Enterprise Fund to maintain autonomy from City-County tax revenues. Other funds are generated by the Comprehensive Improvement Assistance Program (Modernization) and Community Development Block Grants (CDBG) which also originate from HUD. In addition, this Agency operates a program to provide rental and utility assistance payments, which are funded by HUD funds.

### **Department of Waterworks**

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

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

Financial Section



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

## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds, the internal service fund type, and each fiduciary fund type of the City, as of and for the year ended December 31, 2007, as displayed in the City's basic financial statements. 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, which represent 100 percent of the Housing Agency enterprise fund. 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, is based 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 also 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as of the aggregate nonmajor governmental funds, the internal service fund type, and each fiduciary fund type of the City of Indianapolis, Indiana, as of December 31, 2007, 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 13 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2008 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 15, the budgetary comparison information and notes to required supplementary information on pages 89, 90, and 94 through 96, and the schedules of funding progress and employer contributions on pages 91 through 93 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 97 through 139 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 it.

KPMG LLP

Indianapolis, Indiana  
October 31, 2008

Management's  
Discussion and Analysis

**CITY OF INDIANAPOLIS**  
**Management's Discussion and Analysis**  
**Year ended December 31, 2007**

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, 2007 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, 2007 by \$880.8 million. Included in this net asset amount is a \$412.2 million unrestricted deficit due mainly to an unfunded net pension obligation.
- Governmental activities had net assets of \$782.3 million and business-type activities had net assets of \$98.5 million.
- On a government-wide basis, for 2007, the City's total expenses were \$1,037.1 million or \$3.5 million more than the \$1,033.6 million generated in charges for services, grants, taxes, and other revenues.
- As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$416.1 million. Of this amount, \$180.1 million was unreserved and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was \$79.2 million or 14% of total general fund expenditures.
- The general fund revenues were \$4.5 million lower than original budget estimates.
- In 2007, the City issued \$472.6 million in debt to finance projects, refund debt, and improve emergency communications, including \$285.2 million governmental activities bonds, \$11.0 million governmental activities notes, and \$176.4 million Waterworks business-type activity bonds. Outstanding Waterworks bond debt of \$76.2 million was refunded. There was a net increase of \$149.0 million, or 13% in bond debt for governmental activities during 2007.

**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 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.

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

**Fund Financial Statements**

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

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

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

2. *Proprietary Funds*. Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:
  - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Waterworks Department and the Housing Agency.
  - *Internal Service Funds* are used to report activities that provide services for certain City programs and activities. The City uses internal service funds to provide for the financing of workers' compensation, auto liability, and public liability self-insurance for all City departments, as well as for the centralization of certain payments of awards, refunds, and indemnities.
3. *Fiduciary Funds*. Fiduciary funds are used to account for resources held for the benefit of individuals or units of other governments. The City is the trustee or fiduciary responsible for assets that can be used for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

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**Notes to the Basic Financial Statements**

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

**Required Supplementary Information**

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

**Additional Supplementary Information**

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

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**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net assets.** The City's combined net assets at December 31, 2007 and 2006 were \$880.8 million and \$884.3 million, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

**City of Indianapolis, Indiana**  
**Schedule of Net Assets**  
**December 31, 2007 and 2006**  
**(dollars in thousands)**

	<b>Governmental activities 2007</b>	<b>Governmental activities 2006</b>	<b>Business-type activities 2007</b>	<b>Business-type activities 2006</b>	<b>Total 2007</b>	<b>Total 2006</b>
<b>Assets:</b>						
Current and other assets	\$ 826,800	\$ 643,207	\$ 448,443	\$ 364,260	\$ 1,275,243	\$ 1,007,467
Capital assets, net of accumulated depreciation	1,974,110	1,885,017	578,572	536,649	2,552,682	2,421,666
Total assets	2,800,910	2,528,224	1,027,015	900,909	3,827,925	3,429,133
<b>Liabilities:</b>						
Long-term liabilities	1,776,624	1,625,912	889,034	771,464	2,665,658	2,397,376
Other liabilities	241,985	106,943	39,463	40,491	281,448	147,434
Total liabilities	2,018,609	1,732,855	928,497	811,955	2,947,106	2,544,810
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,009,258	968,197	96,070	76,926	1,105,328	1,045,123
Restricted	175,864	193,243	11,800	443	187,664	193,686
Unrestricted (deficit)	(402,821)	(366,071)	(9,352)	11,585	(412,173)	(354,486)
Total net assets	\$ 782,301	\$ 795,369	\$ 98,518	\$ 88,954	\$ 880,819	\$ 884,323

**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 \$880.8 million in 2007 as compared to \$884.3 million for the previous year.

The largest portion of the City's net assets reflects its investments of \$1.1 billion in capital assets (e.g., land, buildings, equipment, and infrastructure), less related outstanding debt used to acquire those assets. The 2006 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 \$187.7 million, versus \$193.7 million in 2006, which represents resources that are subject to external restrictions on how they may be used.

All net assets generated by governmental activities are either externally restricted, restricted by enabling legislation, or invested in capital assets. Consequently, unrestricted governmental net assets showed a \$402.8 million deficit at the end of the year as compared to a \$366.1 million deficit for the prior year. This deficit

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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 \$387.0 million for police and firefighters hired before May 1, 1977.

Unrestricted net assets of the business-type activities were \$9.4 million deficit at the end of the year as compared to a \$11.6 million deficit for the prior year.

**Changes in net assets.** The City's total revenue on a government-wide basis for 2007 was \$1,033.6 million and \$884.4 million for 2006. Taxes represent 38% of the City's revenue (35% for 2006). Another 31% (29% in 2006) came from fees charged for services, and the remainder came from grants and contributions, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was \$1,037.1 million for 2007 (\$881.6 million for 2006). The City's expenses cover a range of typical city/county services. The largest program and the program with the largest burden on general revenues was public safety.

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**City of Indianapolis, Indiana**  
**Schedule of Changes in Net Assets**  
**For the Year Ended December 31, 2007 and 2006**  
**(dollars in thousands)**

	Governmental activities 2007	Governmental activities 2006	Business-type activities 2007	Business-type activities 2006	Total 2007	Total 2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 185,905	\$ 156,527	\$ 131,798	\$ 102,283	\$ 317,703	\$ 258,810
Operating grants and contributions	142,344	123,417	47,733	51,139	190,077	174,556
Capital grants and contributions	69,657	63,466	16,039	24,925	85,696	88,391
General revenues:						
Property tax	256,969	221,904	-	-	256,969	221,904
Other taxes	140,129	88,142	-	-	140,129	88,142
Other general revenues	36,077	40,128	6,937	12,443	43,014	52,571
Total revenues	<u>831,081</u>	<u>693,584</u>	<u>202,507</u>	<u>190,790</u>	<u>1,033,588</u>	<u>884,374</u>
<b>Expenses:</b>						
General government	46,890	45,133	-	-	46,890	45,133
Public safety	401,015	281,214	-	-	401,015	281,214
Public works	234,673	229,993	-	-	234,673	229,993
Health and welfare	5,621	4,962	-	-	5,621	4,962
Culture and recreation	38,250	31,739	-	-	38,250	31,739
Urban redevelopment and housing	33,207	40,837	-	-	33,207	40,837
Economic development and assistance	22,315	14,126	-	-	22,315	14,126
Interest	62,178	63,262	-	-	62,178	63,262
Waterworks	-	-	141,257	119,289	141,257	119,289
Housing Agency	-	-	51,686	51,087	51,686	51,087
Total expenses	<u>844,149</u>	<u>711,266</u>	<u>192,943</u>	<u>170,376</u>	<u>1,037,092</u>	<u>881,642</u>
Change in net assets	<u>(13,068)</u>	<u>(17,682)</u>	<u>9,564</u>	<u>20,414</u>	<u>(3,504)</u>	<u>2,732</u>
Net assets-beginning of year	<u>795,369</u>	<u>813,051</u>	<u>88,954</u>	<u>68,540</u>	<u>884,323</u>	<u>881,591</u>
Net assets-end of year	<u>\$ 782,301</u>	<u>\$ 795,369</u>	<u>\$ 98,518</u>	<u>\$ 88,954</u>	<u>\$ 880,819</u>	<u>\$ 884,323</u>

**CITY OF INDIANAPOLIS**  
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**Governmental activities.** Governmental activities decreased the City's net assets by \$13.1 million. Key factors influencing this decrease were:

- Capital Outlays of \$161.4 million in excess of the net difference between the capitalized amount and depreciation expense.
- Increase in post employment benefit obligation of \$13.2 million.
- Increased revenue accruals in the government-wide statements of \$88.1 million.
- Favorable effect of donated capital assets of \$61.8 million.

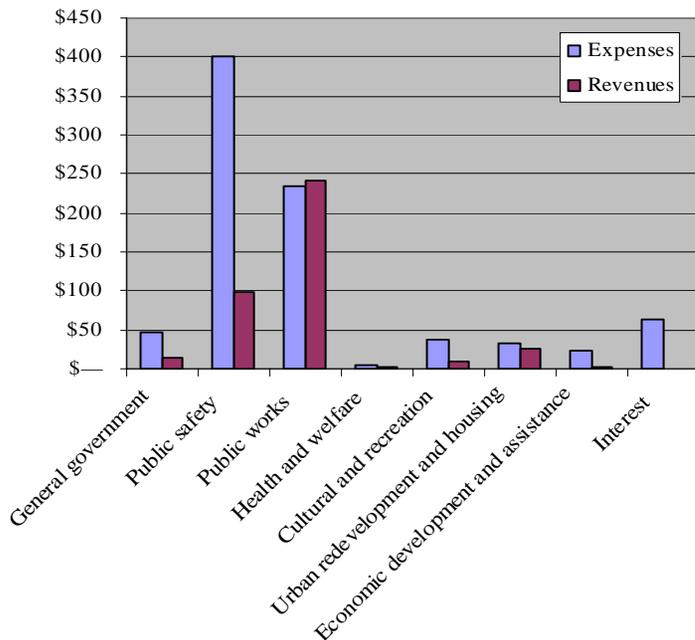
Total revenues for governmental activities in 2007 were \$831.1 million, an increase of \$137.5 million from the prior year due mainly to an increase in charges for services and taxes.

Total expenses for governmental activities for 2007 were \$844.1 million, an increase of \$132.8 million from the prior year mainly public safety. The increase of \$119.8 million of public safety expense was due to the consolidation of Indianapolis Police Department with the law enforcement of the Marion County Sheriff and the consolidation of the Indianapolis Fire Departments with Washington and Wayne Township Fire Departments.

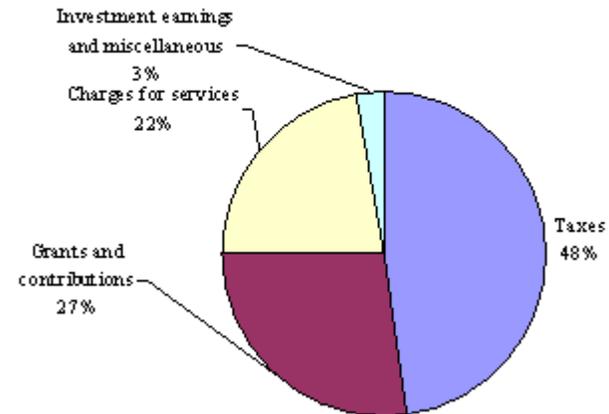
See page 23 for various other items contributing to the \$13.1 million decrease in net assets versus the \$50.3 million decrease in fund balances.

The following charts provide the City's governmental program revenues and expenses by function and revenues by source for 2007. As shown, public safety is the largest function in expense. General revenues such as property tax are not shown by program, but are included in the revenues by source chart to show their significance. Taxes are used to support program activities city-wide.

**Expenses and Program Revenues- Governmental Activities**  
**(in millions)**



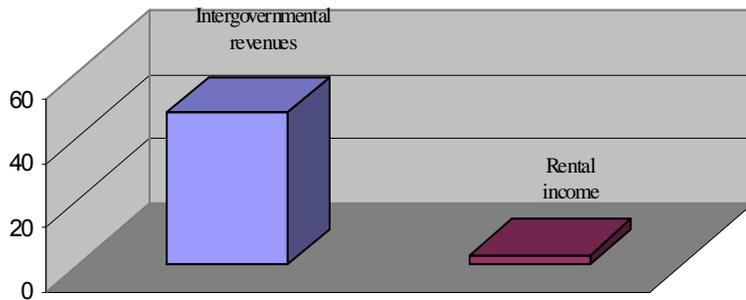
**Revenues by Source - Governmental Activities**



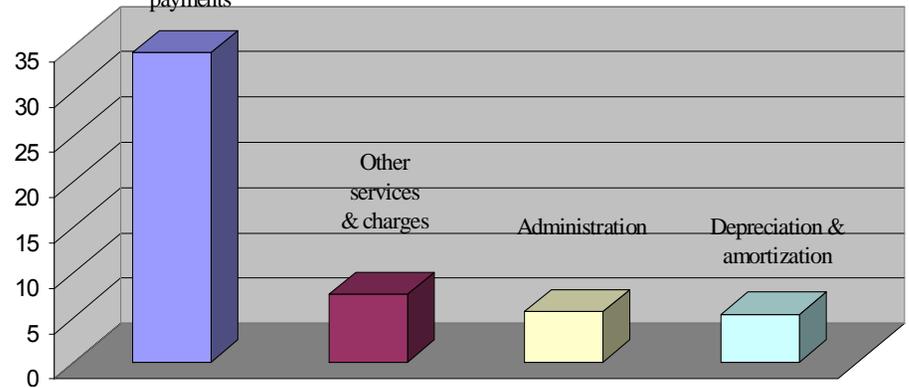
**CITY OF INDIANAPOLIS  
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**Business-type activities.** For the Housing Agency, operating revenues were \$3.7 million and operating expenses were \$51.6 million including depreciation of \$4.3 million. Nonoperating revenues included \$47.7 million of intergovernmental revenues. Capital contributions were \$10.4 million. Operating revenues for the Waterworks were primarily from the sale of water of \$128.1 million. Capital contributions were \$5.6 million. In 2007, \$50.0 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 \$91.3 million.

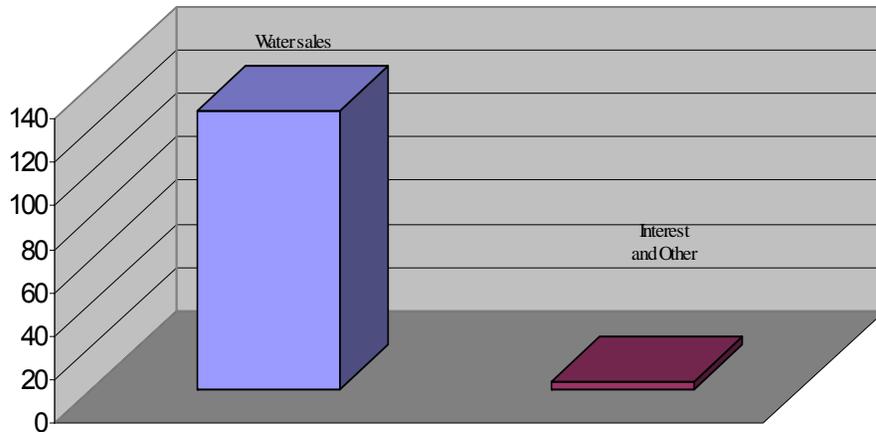
**Housing Agency Revenues  
(in millions)**



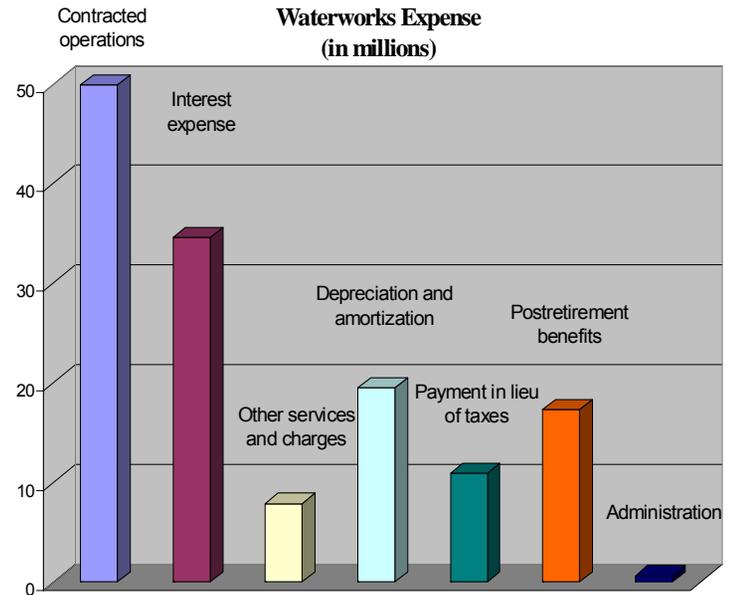
**Housing Agency Expenses  
(in millions)**



**Waterworks Revenue  
(in millions)**



**Waterworks Expense  
(in millions)**



**CITY OF INDIANAPOLIS**  
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**Year ended December 31, 2007**

**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, 2007, the unreserved fund balance of the general fund was \$79.2 million (as compared to \$136.6 million in 2006), while the total general fund balance was \$116.6 million (as compared to \$210.3 million in 2006). 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 13% of total general fund expenditures and transfers out of \$618.3 million (as compared to 28% and \$491.8 million for 2006), while total fund balance represents 19% (43% for 2006) of total general fund expenditures and transfers out. The fund balance in the City's general fund decreased by \$93.7 million or 45% from the prior year fund balance due mainly to utilization of the pension stabilization fund balance and due to delayed collection of property taxes which caused revenues to be deferred to 2008.

The revenue debt service fund ended the year with a \$88.0 million fund balance (as compared to \$91.1 million in 2006) reserved for debt service. The sanitary district capital projects fund ended the year with an unreserved fund balance of \$93.9 million (\$23.8 million in 2006) and a total fund balance of \$157.7 million (\$85.3 million in 2006). The federal grants fund ended the year with a negative unreserved fund balance of \$1.4 million (\$1.5 million negative in 2006) and a total fund balance of \$0.1 million (\$0.2 million negative in 2006).

**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 \$14.1 million (deficit) (\$0.2 million in 2006) for the Waterworks, and \$4.7 million (\$11.8 million for 2006) for the Housing Agency. The internal service funds, which are used to account for certain risk management governmental activities, had \$4.0 million in unrestricted net assets at year-end (\$4.9 million in 2006).

**Fiduciary Funds**

The City maintains fiduciary funds for the assets of the pension trust funds for police and firefighters hired before May 1, 1977. As of the end of 2007, the net assets of these pension funds totaled \$8.4 million, representing an increase of \$0.4 million in total net assets during the year.

The City is the custodian of certain agency funds, and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets. As of the end of 2007, the combined gross assets of the agency funds totaled \$14.8 million (\$10.3 million in 2006). This amount is comprised 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 2007, there were \$38.2 million of supplemental appropriations to the general fund consisting primarily of \$18.8 million for capital expenditures and \$12.6 million for public safety.

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Excluding prior year encumbrances, the original general fund expenditures budget for 2007 was \$439.4 million. The final general fund expenditures budget was \$477.5 million. Actual expenditures were \$467.6 million. Of the total \$10.0 million underspending of the final budget, \$0.3 million was in general government, \$3.0 million was in public safety, \$1.4 million was in public works, \$0.5 million was in health and welfare, \$0.2 million was in cultural and recreation, \$1.7 million was in urban redevelopment and housing, and \$2.8 million was in capital expenditures. General revenues and other financing sources were originally estimated at \$469.2 million, final estimated at \$487.6 million, and the actual was \$464.7 million.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City had a net investment of \$2.5 billion in capital assets at December 31, 2007 (net of accumulated depreciation of \$2.7 billion) in a broad range of capital assets. This amount represents a net increase for the current year (including additions and deductions) of \$112.7 million.

**City of Indianapolis, Indiana**  
**Schedule of Capital Assets**  
**Net of Depreciation**  
**December 31, 2007 and 2006**  
**(dollars in thousands)**

	Governmental activities 2007	Governmental activities 2006	Business-type activities 2007	Business-type activities 2006	Total 2007	Total 2006
Land	\$ 64,459	\$ 63,017	\$ 35,278	\$ 35,532	\$ 99,737	\$ 98,549
Construction in progress	136,719	77,348	22,126	34,248	158,845	111,596
Buildings	411,560	414,754	49,120	42,434	460,680	457,188
Improvements	86,875	90,277	-	-	86,875	90,277
Equipment	33,236	31,510	14,419	13,944	47,655	45,454
Infrastructure	1,241,261	1,208,120	439,325	410,491	1,680,586	1,618,611
Total	<u>\$ 1,974,110</u>	<u>\$ 1,885,026</u>	<u>\$ 560,268</u>	<u>\$ 536,649</u>	<u>\$ 2,534,378</u>	<u>\$ 2,421,675</u>

Major capital asset additions in 2007 for governmental activities included:

- \$144.3 million of additions to construction in progress, principally infrastructure and buildings. Reductions to construction in progress were \$84.9 million.
- \$19.2 million of additions to buildings, principally at the Washington and Warren township fire stations and the Eagle Creek Earth Discovery Center.
- \$12.1 million of additions to equipment, principally for public safety.
- \$120.0 million of additions to infrastructure, principally \$57.9 million for sewers and drains, and \$51.6 million for streets, curbs, and sidewalks.

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Donated capital assets for governmental activities were \$61.8 million, principally infrastructure and Washington and Warren township fire stations. Depreciation expense for 2007 for governmental activities was \$123.6 million.

Major capital asset additions for Waterworks were \$59.5 million of additions to the water distribution and treatment system (including construction in progress), which included \$5.6 million of contributed capital assets.

At December 31, 2007, the City had commitments related to ongoing capital asset construction projects of \$112.6 million.

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

**Long-Term Debt**

At the end of 2007, the City had outstanding long-term debt and other long-term obligations for governmental activities of \$1.78 billion, compared to \$1.63 billion at December 31, 2006, as shown below:

**City of Indianapolis, Indiana**  
**Schedule of Long-term Debt Obligations**  
**(dollars in thousands)**

	<b>December 31,</b>	<b>December 31,</b>	
	<b>2007</b>	<b>2006</b>	<b>% Change</b>
<b>Governmental activities:</b>			
Serial bonds payable	\$ 305,051	\$ 320,385	(4.8) %
Tax increment bonds payable	442,678	438,863	0.9 %
Revenue bonds	567,104	406,626	39.5 %
Loss on refunding	(7,566)	(3,290)	130.0 %
Deferred discounts	(485)	(502)	(3.4) %
Deferred premiums	10,741	6,417	67.4 %
Long-term notes payable	29,239	47,628	(38.6) %
Long-term leases payable	151	1,112	(86.4) %
Net pension obligation	386,973	385,506	0.4 %
Postemployment benefit obligation	13,210	-	-
Compensated absences	28,622	22,351	28.1 %
Settlements payable	906	816	11.0 %
Total	\$ <u>1,776,624</u>	\$ <u>1,625,912</u>	\$ <u>9.3</u> %
<b>Business-type activities:</b>			
Housing Agency	\$ 3,071	\$ 3,957	\$ (22.4) %
Waterworks	<u>885,963</u>	<u>767,507</u>	<u>15.4</u> %
Total	\$ <u>889,034</u>	\$ <u>771,464</u>	\$ <u>15.2</u> %

**CITY OF INDIANAPOLIS**  
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The increase in unfunded net pension obligation reflects that the pay-as-you-go pension plan is not funded and continues to grow each year. The increase in compensated absences reflects increases in salaries and increases in the number of hours being carried forward.

During 2007, the City increased by \$140.1 million the draws against eleven prior years' Sanitary District revenue bond issues under the State of Indiana Wastewater Loan Program. In March, November, and December 2007, the City issued Sanitary District Revenue Bonds of 2007 Series A, B, & E for \$33.2, \$7.4 and \$80.6, respectively under the State of Indiana Wastewater Loan Program. The outstanding balance of draws on these fourteen bonds at December 31, 2007 was \$393.0 million.

During 2007, the City added \$11.0 million of notes payable, mainly for sanitary, storm water, and redevelopment projects.

In March 2007, the City issued Waterworks District Refunding Bonds, Series 2007 B totaling \$70.4 million, refunding certain bonds as described in the notes to the financial statements.

In December 2007, the City issued Waterworks District Net Revenue Bonds, Series 2007 L in the amount of \$106.0 million. The net proceeds will be used to construct waterworks improvements at various locations, along with the purchase of necessary appurtenances and equipment.

During 2007, the City implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("GASB Statement 45"). At December 31, 2007 the net postemployment healthcare benefit obligation was \$13.2 million.

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

**Bond ratings.** Since 1998, the City's general obligation bonds have been rated AAA by two bond rating agencies and AA1 by the third with stable rating outlooks. The City's other debt, principally revenue bonds and notes, are rated AAA based on credit insurance or are rated to reflect the credit worthiness of the supporting revenue.

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

**Short-term Debt**

In 2007, the City issued \$36.0 million of County Option Income Tax Notes in anticipation of future revenue. Of this amount, \$11.0 million was repaid in September 2008 and \$25.0 million will be paid by the end of 2008. Additionally, \$33.5 million of notes were issued in anticipation of future bond issues and \$50.5 million of notes were issued in anticipation of property tax revenues. Because of problems with the 2007 property tax assessment, the final billing and collection of 2007 property taxes did not occur until mid 2008 necessitating the short-term notes issuance. These property tax anticipation notes were paid in September 2008.

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**ECONOMIC FACTORS AND THE 2008 BUDGET**

- The 2008 original budget for all annually budgeted funds, except revenue debt service funds, was \$683.4 million. Revisions of \$33.9 million have been made through September 2008.
- The 2008 general fund original budget was \$468.9 million, a decrease of 0.05% from the 2007 original general fund budget of \$469.2 million. Revisions (additions) of \$13.7 million have been made through September 2008.
- The City appropriated \$16.5 million from the unreserved general fund balance at December 31, for spending in fiscal year 2008.
- Property tax bills for 2008 will not be issued until late 2008. It is anticipated that final collection for 2008 will not occur until the second quarter of 2009.
- Unemployment rates were as follows:

	May 2008	May 2007
City of Indianapolis	4.3%	4.4%
State of Indiana	5.3%	4.5%
United States	5.5%	4.5%

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

**REQUESTS FOR INFORMATION**

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

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

## Basic Financial Statements

**CITY OF INDIANAPOLIS**  
**Statement of Net Assets**  
December 31, 2007  
*(In Thousands)*

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash	\$ 332,124	\$ 37,110	\$ 369,234
Cash and investments with fiscal agents	243,460	—	243,460
Investments	41,704	2,275	43,979
Accrued interest receivable	1,122	67	1,189
Property taxes receivable	68,716	—	68,716
Accounts receivable, less allowance for uncollectibles	115,895	16,804	132,699
Due from federal and state governments	9,053	803	9,856
Internal balances	140	(140)	—
Other	—	209	209
Long-term receivables, less allowance for uncollectibles	1,554	21,561	23,115
Restricted assets	—	148,303	148,303
Deferred bond and note issuance costs	13,032	10,109	23,141
Deferred charges	—	1,050	1,050
Intangible assets, net of accumulated amortization	—	210,292	210,292
Deferred charge – postretirement benefits	—	18,304	18,304
Capital assets:			
Land	64,459	35,278	99,737
Infrastructure, net of accumulated depreciation	1,241,261	439,325	1,680,586
Other capital assets, net of accumulated depreciation	531,671	63,539	595,210
Construction in progress	136,719	22,126	158,845
	<u>\$ 2,800,910</u>	<u>\$ 1,027,015</u>	<u>\$ 3,827,925</u>
Total assets			

(Continued)

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

**CITY OF INDIANAPOLIS**  
**Statement of Net Assets**  
December 31, 2007  
*(In Thousands)*

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 97,439	\$ 12,555	\$ 109,994
Accounts payable - restricted assets	—	347	347
Accrued interest payable	22,816	8,175	30,991
Unearned revenue	1,749	—	1,749
Customer deposits	—	2,871	2,871
Payments in lieu of taxes	—	15,493	15,493
Bond, COIT, and tax anticipation notes	119,981	—	119,981
Other liabilities	—	22	22
Long-term liabilities:			
Due within one year	82,170	7,147	89,317
Due in more than one year	1,694,454	881,887	2,576,341
	<u>2,018,609</u>	<u>928,497</u>	<u>2,947,106</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,009,258	96,070	1,105,328
Restricted for:			
Capital projects	3,964	—	3,964
Debt service	106,326	—	106,326
Restricted for Section 8 vouchers	—	11,800	11,800
Other purposes by grantors	3,914	—	3,914
Other purposes by contributor – nonexpendable	361	—	361
Statutory restrictions	61,299	—	61,299
Unrestricted (deficit)	(402,821)	(9,352)	(412,173)
	<u>(402,821)</u>	<u>(9,352)</u>	<u>(412,173)</u>
Total net assets	<u>\$ 782,301</u>	<u>\$ 98,518</u>	<u>\$ 880,819</u>

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

**CITY OF INDIANAPOLIS**  
**Statement of Activities**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Functions/Programs</u>	<u>Program revenues</u>				<u>Net (expense) revenue and changes in net assets</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 46,890	\$ 14,025	\$ 434	\$ —	\$ (32,431)	\$ —	\$ (32,431)
Public safety	401,015	18,486	66,045	14,261	(302,223)	—	(302,223)
Public works	234,673	144,653	46,753	51,067	7,800	—	7,800
Health and welfare	5,621	864	2,639	—	(2,118)	—	(2,118)
Cultural and recreation	38,250	4,968	779	3,586	(28,917)	—	(28,917)
Urban redevelopment and housing	33,207	1,943	24,150	743	(6,371)	—	(6,371)
Economic development and assistance	22,315	966	1,544	—	(19,805)	—	(19,805)
Interest	62,178	—	—	—	(62,178)	—	(62,178)
Total governmental activities	<u>844,149</u>	<u>185,905</u>	<u>142,344</u>	<u>69,657</u>	<u>(446,243)</u>	<u>—</u>	<u>(446,243)</u>
Business-type activities:							
Waterworks	141,257	128,107	25	5,619	—	(7,506)	(7,506)
Housing Agency	51,686	3,691	47,708	10,420	—	10,133	10,133
Total business-type activities	<u>192,943</u>	<u>131,798</u>	<u>47,733</u>	<u>16,039</u>	<u>—</u>	<u>2,627</u>	<u>2,627</u>
Total	<u>\$ 1,037,092</u>	<u>\$ 317,703</u>	<u>\$ 190,077</u>	<u>\$ 85,696</u>	<u>(446,243)</u>	<u>2,627</u>	<u>(443,616)</u>
General revenues:							
Taxes:							
Property tax					256,969	—	256,969
Wheel tax					12,756	—	12,756
County option income tax					110,426	—	110,426
Other taxes					16,947	—	16,947
Grants and contributions not restricted by function					13,503	—	13,503
Investment earnings not restricted by function					17,967	4,724	22,691
Miscellaneous					4,607	2,213	6,820
Total general revenues					<u>433,175</u>	<u>6,937</u>	<u>440,112</u>
Change in net assets					(13,068)	9,564	(3,504)
Net assets – beginning					<u>795,369</u>	<u>88,954</u>	<u>884,323</u>
Net assets – ending					<u>\$ 782,301</u>	<u>\$ 98,518</u>	<u>\$ 880,819</u>

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

**CITY OF INDIANAPOLIS**  
**Balance Sheet – Governmental Funds**  
December 31, 2007  
*(In Thousands)*

	<u>General</u>	<u>Federal Grants</u>	<u>Revenue Debt Service</u>	<u>Sanitary District Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Equity in pooled cash	\$ 142,735	\$ —	\$ 47,358	\$ 36,372	\$ 98,281	\$ 324,746
Cash and investments with fiscal agents	13,804	—	79,054	129,102	21,439	243,399
Investments	17,931	—	5,945	4,566	12,335	40,777
Accrued interest receivable	455	9	129	183	310	1,086
Property taxes receivable	33,770	—	23,955	—	10,991	68,716
Accounts receivable, less allowance of \$3,739	109,217	—	406	34	6,213	115,870
Due from other funds	140	—	—	—	—	140
Due from federal and state governments	151	8,374	—	—	528	9,053
Long-term receivables, less allowance of \$27,886	—	1,554	—	—	—	1,554
Total assets	<u>\$ 318,203</u>	<u>\$ 9,937</u>	<u>\$ 156,847</u>	<u>\$ 170,257</u>	<u>\$ 150,097</u>	<u>\$ 805,341</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Matured bonds payable	\$ —	\$ —	\$ 16,279	\$ —	\$ 25,477	\$ 41,756
Matured interest payable	—	—	6,538	—	7,338	13,876
Accounts payable and other accrued liabilities	27,840	5,679	12,562	12,587	7,594	66,262
Accrued payroll and payroll taxes	27,549	59	—	—	33	27,641
Tax anticipation warrants	33,563	—	9,538	—	7,424	50,525
Deferred revenue	76,657	4,079	23,959	—	14,991	119,686
Bond and COIT anticipation notes	36,000	—	—	—	33,456	69,456
Total liabilities	<u>201,609</u>	<u>9,817</u>	<u>68,876</u>	<u>12,587</u>	<u>96,313</u>	<u>389,202</u>
Fund balances:						
Reserved for:						
Long-term receivables	—	1,554	—	—	—	1,554
Encumbrances	24,386	—	—	63,729	29,960	118,075
Debt service	—	—	87,971	—	15,441	103,412
Pension obligation	13,026	—	—	—	—	13,026
Unreserved, reported in:						
General fund	79,182	—	—	—	—	79,182
Special revenue funds	—	(1,434)	—	—	1,582	148
Capital project funds	—	—	—	93,941	6,440	100,381
Permanent fund	—	—	—	—	361	361
Total fund balances	<u>116,594</u>	<u>120</u>	<u>87,971</u>	<u>157,670</u>	<u>53,784</u>	<u>416,139</u>
Total liabilities and fund balances	<u>\$ 318,203</u>	<u>\$ 9,937</u>	<u>\$ 156,847</u>	<u>\$ 170,257</u>	<u>\$ 150,097</u>	<u>\$ 805,341</u>

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, 2007  
*(In Thousands)*

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

Fund balances – total governmental funds (page 19)	\$	416,139
Capital assets not reported in the fund statements		1,974,110
Net assets of internal service funds		3,985
Internal service fund accounts payable reclassified to long-term liabilities in the statement of net assets		906
Long-term liabilities not in the fund statements (note 20)		(1,734,868)
Deferred revenues in fund statements not in the statement of net assets		117,937
Deferred bond and note issuance costs not in the fund statements		13,032
Accrued interest payable not in the fund statements		(8,940)
Net assets of governmental activities (page 17)	\$	782,301

**CITY OF INDIANAPOLIS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>General</u>	<u>Federal Grants</u>	<u>Revenue Debt Service</u>	<u>Sanitary District Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 214,955	\$ —	\$ 38,988	\$ —	\$ 41,841	\$ 295,784
Licenses and permits	14,441	—	—	—	—	14,441
Charges for services	155,915	—	316	—	2,440	158,671
Intergovernmental revenues	111,460	40,545	455	—	6,322	158,782
Intragovernmental revenues	3,401	—	—	—	—	3,401
Traffic violations and court fees	1,872	191	—	—	2,122	4,185
Interest and other operating revenues	18,743	124	5,293	5,253	15,016	44,429
Total revenues	<u>520,787</u>	<u>40,860</u>	<u>45,052</u>	<u>5,253</u>	<u>67,741</u>	<u>679,693</u>
Expenditures:						
Current:						
General government	25,024	—	—	—	—	25,024
Public safety	336,518	6,184	—	—	520	343,222
Public works	126,849	189	—	—	2,546	129,584
Health and welfare	3,613	1,798	—	—	19	5,430
Cultural and recreation	28,186	684	—	—	13	28,883
Urban redevelopment and housing	6,143	22,212	—	—	—	28,355
Economic development and assistance	2,161	194	—	—	10,259	12,614
Debt service:						
Redemption of bonds and notes	11,391	147	34,372	9,165	37,001	92,076
Interest on bonds and notes	1,660	3	33,287	549	19,310	54,809
Bond and note issuance costs	272	—	428	1,194	1,866	3,760
Operating lease payments and administration	10	—	2,097	—	17,529	19,636
Capital outlays	32,754	9,154	—	98,881	53,740	194,529
Total expenditures	<u>574,581</u>	<u>40,565</u>	<u>70,184</u>	<u>109,789</u>	<u>142,803</u>	<u>937,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (53,794)</u>	<u>\$ 295</u>	<u>\$ (25,132)</u>	<u>\$ (104,536)</u>	<u>\$ (75,062)</u>	<u>\$ (258,229)</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>General</u>	<u>Federal Grants</u>	<u>Revenue Debt Service</u>	<u>Sanitary District Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources and (uses):						
Sale of capital assets	\$ 713	\$ —	\$ 226	\$ —	\$ —	\$ 939
Bonds and notes issued	—	—	—	173,222	25,693	198,915
Premium on bonds and notes issued	—	—	135	244	5,002	5,381
Refunding bonds issued	—	—	17,275	1,286	70,849	89,410
Payment to refunded bond escrow agent	—	—	(16,760)	—	(69,937)	(86,697)
Transfers in	3,129	—	26,312	2,110	28,702	60,253
Transfers out	(43,715)	—	(5,175)	—	(11,363)	(60,253)
Total other financing sources and (uses)	<u>(39,873)</u>	<u>—</u>	<u>22,013</u>	<u>176,862</u>	<u>48,946</u>	<u>207,948</u>
Net change in fund balances	(93,667)	295	(3,119)	72,326	(26,116)	(50,281)
Fund balances (deficit) at beginning of year	<u>210,261</u>	<u>(175)</u>	<u>91,090</u>	<u>85,344</u>	<u>79,900</u>	<u>466,420</u>
Fund balances at end of year	<u>\$ 116,594</u>	<u>\$ 120</u>	<u>\$ 87,971</u>	<u>\$ 157,670</u>	<u>\$ 53,784</u>	<u>\$ 416,139</u>

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, 2007

*(In Thousands)*

Amounts reported for governmental activities in the statement of activities (page 18) are different because:

Net change in fund balances – total governmental funds (page 22)	\$ (50,281)
Depreciation expense reported in the statement of activities but not in the fund statements	(123,600)
Capital expenditures reported in the fund statements but reported as additions to capital assets in the statement of activities	156,738
Donations of capital assets not recorded in the fund statements	61,754
Loss on disposal of capital assets not recorded in the fund statements	(5,799)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the fund statements	117,937
Revenues in the fund statements but not in current year statement of activities due to the current financial resources focus of the governmental funds	(29,848)
Bond, notes, and capital leases issued reported as financing sources in the fund statements but as additions to long-term liabilities in the statement of activities (note 20)	(293,706)
Bond and note principal payments reported as expenditures in the fund statements but as reductions of long-term liabilities in the statement of activities (note 20)	178,773
Net revenue of internal service funds reported with governmental activities	(936)
Amortization of bond premium, discount, and loss on refunding reported in the statement of activities but not in the fund statements	689
Increase in compensated absences not reported in the fund statements	(6,271)
Decrease in net pension asset which is not reported in the fund statements	(504)
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	(985)
Capital appreciation bond interest expense which is reported as interest accretes for the statement of activities but not the fund statements, as there is no cash outflow	(7,910)
Current year bond and note issuance costs which are deferred and amortized for the statement of activities but reported when paid in the fund statements	3,760
Capital lease payments reported as expenditures in the fund statements but as reduction of debt in the statement of activities	961
Accrued interest on bonds and notes payable through December 31, 2007 reported as expenses in the statement of activities but not the fund statements	(8,940)
Accrued interest at December 31, 2006 not reported in the current year statement of activities but reported in the fund statements, as amounts were paid in the current year	9,777
Increase in post-employment benefit obligation which is not reported in the fund statements	(13,210)
Increase in net pension obligation which is not reported in the fund statements	<u>(1,467)</u>
Change in net assets of governmental activities (page 18)	<u>\$ (13,068)</u>

**CITY OF INDIANAPOLIS**  
**Statement of Net Assets**  
**Proprietary Funds**  
December 31, 2007  
*(In Thousands)*

ASSETS	Business-type activities – Enterprise Funds			Governmental
	Housing			activities –
	Waterworks	Agency	Total	Internal Service Funds
Current assets:				
Equity in pooled cash	\$ 22,017	\$ 15,093	\$ 37,110	\$ 7,378
Cash and investments with fiscal agents	—	—	—	61
Investments	428	1,847	2,275	927
Accrued interest receivable	67	—	67	36
Accounts receivable, less allowance for uncollectibles	16,743	61	16,804	25
Current portion of long-term note receivable	1,654	—	1,654	—
Due from federal and state governments	—	803	803	—
Other	—	209	209	—
Total current assets	40,909	18,013	58,922	8,427
Noncurrent assets:				
Long-term note receivable	18,721	1,186	19,907	—
Restricted cash and investments	147,752	551	148,303	—
Deferred charges	1,050	—	1,050	—
Intangible assets, net of accumulated amortization	210,292	—	210,292	—
Bond issuance costs	10,109	—	10,109	—
Deferred charge – postretirement benefits	18,304	—	18,304	—
Capital assets:				
Land	17,591	17,687	35,278	—
Infrastructure, net of accumulated depreciation	439,325	—	439,325	—
Other capital assets, net of accumulated depreciation	13,223	50,316	63,539	—
Construction in progress	20,719	1,407	22,126	—
Total noncurrent assets	897,086	71,147	968,233	—
Total assets	\$ 937,995	\$ 89,160	\$ 1,027,155	\$ 8,427

(Continued)

**CITY OF INDIANAPOLIS**  
**Statement of Net Assets**  
**Proprietary Funds**  
December 31, 2007  
*(In Thousands)*

<b>LIABILITIES</b>	<b>Business-type activities – Enterprise Funds</b>			<b>Governmental</b>
	<b>Housing</b>			<b>activities –</b>
	<b>Waterworks</b>	<b>Agency</b>	<b>Total</b>	<b>Internal</b>
				<b>Service Funds</b>
<b>Current liabilities:</b>				
Accounts payable and other accrued liabilities	\$ 11,277	\$ 990	\$ 12,267	\$ 4,442
Accounts payable - restricted assets	347	—	347	—
Due to other governmental units	—	129	129	—
FSS escrow, current	—	245	245	—
Accrued payroll and payroll taxes	10	278	288	—
Customer deposits	2,780	91	2,871	—
Leases payable, current portion	—	224	224	—
Interest payable	8,161	14	8,175	—
Compensated absences, current	—	40	40	—
Short-term notes payable	1,884	—	1,884	—
Short-term revenue bonds payable	4,625	—	4,625	—
Payments in lieu of taxes	15,493	—	15,493	—
Due to other funds	140	—	140	—
Total current liabilities	44,717	2,011	46,728	4,442
<b>Noncurrent liabilities:</b>				
Compensated absences payable	—	291	291	—
Long-term notes payable	1,884	—	1,884	—
FSS escrow, net of current	—	214	214	—
Due to other governmental units	—	904	904	—
Lease payable, long-term portion	—	1,024	1,024	—
Customer advances	12,074	—	12,074	—
Accumulated postretirement benefit obligation	55,228	—	55,228	—
Long-term revenue bonds payable	810,268	—	810,268	—
Other liabilities	—	22	22	—
Total noncurrent liabilities	879,454	2,455	881,909	—
Total liabilities	924,171	4,466	928,637	4,442
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	27,905	68,165	96,070	—
Restricted for Section 8 vouchers	—	11,800	11,800	—
Unrestricted	(14,081)	4,729	(9,352)	3,985
Total net assets	\$ 13,824	\$ 84,694	\$ 98,518	\$ 3,985

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, 2007  
*(In Thousands)*

	<u>Business-type activities – Enterprise Funds</u>			Governmental
	<u>Waterworks</u>	<u>Housing Agency</u>	<u>Total Enterprise Funds</u>	<u>activities – Internal Service Funds</u>
Operating revenues:				
Water sales pledged as security for revenue bonds	\$ 128,107	\$ —	\$ 128,107	\$ —
Rental income	—	3,216	3,216	—
Charges to other funds	—	—	—	2,690
Other	25	475	500	—
Total operating revenues	<u>128,132</u>	<u>3,691</u>	<u>131,823</u>	<u>2,690</u>
Operating expenses:				
Contracted operations	49,974	—	49,974	—
Housing assistance payments	—	34,227	34,227	—
Payments in lieu of taxes	10,876	—	10,876	—
Postretirement benefits	17,269	—	17,269	—
Other services and charges	7,923	7,462	15,385	—
Claims	—	—	—	4,076
Administration	607	5,622	6,229	171
Depreciation and amortization	19,520	4,288	23,808	—
Total operating expenses	<u>106,169</u>	<u>51,599</u>	<u>157,768</u>	<u>4,247</u>
Operating income (loss)	<u>21,963</u>	<u>(47,908)</u>	<u>(25,945)</u>	<u>(1,557)</u>
Nonoperating revenues (expenses):				
Intergovernmental	—	47,708	47,708	—
Interest income	3,846	878	4,724	621
Interest expense	(34,609)	(87)	(34,696)	—
Amortization of bond issuance costs	(479)	—	(479)	—
Gain on sale of capital assets	101	—	101	—
Other revenue	—	2,112	2,112	—
Total nonoperating revenues (expenses)	<u>(31,141)</u>	<u>50,611</u>	<u>19,470</u>	<u>621</u>
Income (loss) before contributions	<u>(9,178)</u>	<u>2,703</u>	<u>(6,475)</u>	<u>(936)</u>
Capital contributions	<u>5,619</u>	<u>10,420</u>	<u>16,039</u>	<u>—</u>
Changes in net assets	<u>(3,559)</u>	<u>13,123</u>	<u>9,564</u>	<u>(936)</u>
Total net assets – beginning	<u>17,383</u>	<u>71,571</u>	<u>88,954</u>	<u>4,921</u>
Total net assets – ending	<u>\$ 13,824</u>	<u>\$ 84,694</u>	<u>\$ 98,518</u>	<u>\$ 3,985</u>

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

**CITY OF INDIANAPOLIS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<b>Business-type activities – Enterprise Funds</b>			<b>Governmental</b>
	<b>Waterworks</b>	<b>Housing Agency</b>	<b>Total Enterprise Funds</b>	<b>activities – Internal Service Funds</b>
Cash flows from operating activities:				
Rental receipts	\$ —	\$ 3,211	\$ 3,211	\$ —
Receipts from users	—	—	—	2,729
Other operating receipts	25	475	500	—
Receipts from water sales	121,240	—	121,240	—
Receipts from interfund services provided	585	—	585	—
Cash payments to employees	(418)	(6,303)	(6,721)	—
Cash payments to suppliers of goods and services	(60,232)	(6,478)	(66,710)	(5,126)
Housing assistance payments	—	(34,227)	(34,227)	—
Payments in lieu of taxes	(10,880)	—	(10,880)	—
Payments for postretirement benefits	(2,787)	—	(2,787)	—
Tenant security and other deposits	(1,690)	(69)	(1,759)	—
Net cash provided by (used in) operating activities	<u>45,843</u>	<u>(43,391)</u>	<u>2,452</u>	<u>(2,397)</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenues received	—	47,826	47,826	—
Net cash provided by noncapital financing activities	<u>—</u>	<u>47,826</u>	<u>47,826</u>	<u>—</u>
Cash flows from capital and related financing activities:				
Purchases and construction of capital assets	(23,408)	(11,881)	(35,289)	—
Contributions in aid of construction	446	—	446	—
Capital contributions received	—	9,790	9,790	—
Insurance proceeds	—	2,112	2,112	—
Proceeds from sales of capital assets	101	—	101	—
Receipts on long-term note receivable	2,391	—	—	—
Proceeds of issuance of revenue bonds	191,949	—	191,949	—
Interest paid on capital debt	(33,447)	(86)	(33,533)	—
Payments on revenue bonds	(975)	—	(975)	—
Payments to bond escrow agent	(80,989)	—	(80,989)	—
Payments on notes payable	3,117	—	3,117	—
Payments on capital leases	—	(640)	(640)	—
Debt issuance costs paid	(2,568)	—	(2,568)	—
Net cash provided by (used in) capital and related financing activities	<u>56,617</u>	<u>(705)</u>	<u>53,521</u>	<u>—</u>
Cash flows from investing activities:				
Sales and maturities of investments	266	—	266	6,719
Settlement agreement proceeds	—	4	4	—
Investment purchases	—	(489)	(489)	(927)
Interest on investments	3,821	878	4,699	704
Net cash provided by (used in) investing activities	<u>4,087</u>	<u>393</u>	<u>4,480</u>	<u>6,496</u>
Net increase in cash and cash equivalents	106,547	4,123	108,279	4,099
Cash and cash equivalents, beginning of year	63,222	11,521	74,743	3,340
Cash and cash equivalents, end of year	<u>\$ 169,769</u>	<u>\$ 15,644</u>	<u>\$ 183,022</u>	<u>\$ 7,439</u>

(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, 2007  
*(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)	\$ 21,963	\$ (47,908)	\$ (25,945)	\$ (1,557)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	19,520	4,288	23,808	—
Provision for uncollectible accounts	794	148	942	—
Accounts receivable	(6,866)	(5)	(6,871)	39
Other assets	—	80	80	—
Deferred charge – postretirement benefit	5,383	—	5,383	—
Accounts payable	(1,848)	51	(1,797)	(879)
FSS escrow	—	(65)	(65)	—
Accrued payroll and payroll taxes	3	39	42	—
Tenant security deposits	—	(4)	(4)	—
Accrued compensated absences	—	(15)	(15)	—
Customer deposits	(623)	—	(623)	—
Payments in lieu of taxes	(4)	—	(4)	—
Customer advances	(1,067)	—	(1,067)	—
Due to other funds	(514)	—	(514)	—
Unfunded postretirement benefit obligation	9,102	—	9,102	—
Net cash provided by (used in) operating activities	\$ 45,843	\$ (43,391)	\$ 2,452	\$ (2,397)
Supplemental cash flow information:				
Noncash transactions:				
Contributions of capital assets	\$ 5,619	\$ —	\$ 5,619	\$ —

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

**CITY OF INDIANAPOLIS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
December 31, 2007  
*(In Thousands)*

	<b>Police and Firefighter Pension Trust Funds</b>		<b>Agency Funds</b>
<b>ASSETS</b>			
Equity in pooled cash	\$ 14,819	\$	13,098
Cash and investments with fiscal agents	—		15
Investments (U.S. government agencies)	1,864		1,443
Accrued interest receivable	17		21
Accounts receivable	30		200
Total assets	<u>16,730</u>	\$	<u>14,777</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	<u>8,361</u>	\$	<u>14,777</u>
Total liabilities	<u>8,361</u>	\$	<u>14,777</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 8,369</u>		

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, 2007  
*(In Thousands)*

		<b>Police and Firefighter Pension Trust Funds</b>
		<u>          </u>
<b>ADDITIONS</b>		
State of Indiana pension subsidy received from the General Fund	\$	47,465
Interest income and other		461
		<u>47,926</u>
Contributions:		
Employer		14,755
Plan members		128
		<u>14,883</u>
Total additions		<u>62,809</u>
<b>DEDUCTIONS</b>		
Benefits		<u>62,419</u>
Total deductions		<u>62,419</u>
Change in plan net assets		390
Net assets – beginning		<u>7,979</u>
Net assets – ending	\$	<u><u>8,369</u></u>

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

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**CITY OF INDIANAPOLIS**  
Notes to Financial Statements  
December 31, 2007  
(In thousands)

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

The City’s financial reporting entity has been determined in accordance with governmental accounting standards defining the reporting entity and identifying entities to be included in its basic financial statements. The Indianapolis Housing Agency, which is legally part of the City, is responsible for the management, operation, maintenance, and administration of public housing and public housing projects. The Indianapolis Housing Agency (Enterprise Fund) (“Housing Agency”) has established a nonprofit entity, Partners for Affordable Housing, Inc. (“PAH”), which is legally separate from the Housing Agency and whose purpose is to foster low-income housing in and around Indianapolis. PAH is considered a blended component unit and is therefore reported as if it is a part of the primary government because its primary purpose is to provide services to the Housing Agency Enterprise Fund. The Housing Agency issues separate financial statements, which can be obtained by writing to Indianapolis Housing Agency, 1919 North Meridian Street, Indianapolis, IN 46202.

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended 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.

**CITY OF INDIANAPOLIS**  
Notes to Financial Statements  
December 31, 2007  
(In thousands)

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

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

- 1) Debt service fund bond principal and interest expenditures due through January 15 are recorded on the preceding December 31. Expenditures related to compensated absences and claims and judgments are recorded only when payment is due (that is, matured).
- 2) Prepaid expenditures are not recorded as an asset in the fund financial statements.

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

**CITY OF INDIANAPOLIS**  
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December 31, 2007  
(In thousands)

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The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

#### **D. Effects of Rate Regulation**

The City has elected for the Waterworks to continue to be rate-regulated by the Indiana Utility Regulatory Commission ("IURC"). The Waterworks follows the accounting and reporting requirements of Statement of Financial Accounting Standards Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* ("SFAS No. 71"). SFAS No. 71 provides that rate-regulated entities account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the statement of net assets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Net deferred costs at December 31, 2007 amount to \$1,375. 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.

**CITY OF INDIANAPOLIS**  
Notes to Financial Statements  
December 31, 2007  
(In thousands)

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

**F. Receivables and Payables**

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

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

Property taxes are levied as of January 1 on property values assessed as of March 1 of the previous year. 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.

**G. Inventory**

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

**H. Restricted Assets**

Certain proceeds of the Waterworks revenue bonds, as well as certain resources set aside for their repayment, amounting to \$29,894 at December 31, 2007, 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 postretirement benefits in the amount of \$9,083. Restricted assets at December 31, 2007 also include \$108,775 of unspent bond proceeds that are restricted for the construction of certain capital assets.

Restricted assets of the Housing Agency amounted to \$551 at December 31, 2007 and relate to tenant deposits and funds held in the Family Self-Sufficiency ("FSS") Escrow.

**I. Intangible Assets**

An intangible asset was recorded in connection with the purchase of the Waterworks (see Note 2), which represents a negotiated amount paid by the City for the right to operate the Waterworks. This original amount of \$245,000 is being amortized on a straight-line basis over 40 years, which approximates the aggregate remaining useful life of the related utility plant assets purchased. Amortization expense during the year amounted to \$6,125. At December 31, 2007, the intangible asset is \$210,292, which is net of accumulated amortization of \$34,708.

**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 market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**CITY OF INDIANAPOLIS**  
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Governmental Activities

The prescribed capitalization levels for governmental activities are:

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

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

Depreciation for governmental activities is calculated using the straight-line method and no salvage value. Depreciation lives are as follows:

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

Business-type Activities

Housing Agency

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

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

Depreciation for the Housing Agency enterprise fund is calculated using the straight-line method and no salvage value. Depreciation lives are as follows:

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

Waterworks

The prescribed capitalization level for the Waterworks enterprise fund is \$5 for all items. Depreciation for the Waterworks enterprise fund is calculated using the straight-line method over the estimated useful life of the various classes of depreciable assets. The group method is used to calculate depreciation, except for vehicles, which are depreciated individually. Depreciation lives 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 2007.

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

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

**CITY OF INDIANAPOLIS**  
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**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, 2007, customer advances amount to \$12,074. In addition, the City recorded \$54,318 in contributions in aid of construction, which represents the amount that was recorded by the Waterworks prior to its purchase by the City and must be carried forward under regulatory accounting requirements. Contributions in aid of construction amounted to \$56,636 at December 31, 2007 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 2007 amounted to \$1,707.

**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 2007 property taxes were levied based on assessed valuations determined by the Auditor as of the March 1, 2006 assessed valuations, which were adjusted for estimated appeals, tax credits and deductions. The lien date for the 2007 property taxes was March 1, 2006 (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 2007, taxes were due and payable to the Treasurer in two installments on May 10, 2007 and November 10, 2007. However, the 2006 assessment involved a new procedure for assessing properties which resulted in homeowner assessments being increased excessively while business assessments stayed nearly stagnant. The spring bills were sent out and a public outcry led the Governor of Indiana to require Marion County to review and re-do the new assessments and he instructed the public to pay an amount for the 2007 spring billing equal to only 1/2 of their 2006 tax bill. It was determined that the new assessments could not be completed until the spring of 2008 and therefore the taxpayers were asked to again pay only 1/2 of the 2006 bill for the fall billing for 2007 property tax. Most of the property taxes collected in 2007 were distributed to the units of government by December 31, 2007. In June 2008 the final reconciliation bill was sent out based on the final assessments. The final distribution of taxes for 2007 occurred in August 2008. Property taxes outstanding at December 31, 2007, net of allowance for uncollectible accounts, are recorded as a receivable in the government-wide statements. The fund statements have recorded the same receivable and a corresponding amount in deferred revenue since the amounts are not considered available.

**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 includes 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 \$5,965 at December 31, 2007.

**O. Risk Management**

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

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(In thousands)

The change in claims for 2006 and 2007, including an estimate of incurred but not reported claims, is as follows:

	<u>Auto liability reserve</u>	<u>Workers' compensation</u>	<u>Public liability self-insurance</u>
Unpaid claims, December 31, 2005	\$ 1,069	\$ 2,102	\$ 1,703
Incurred claims and changes in estimates	7	2,471	2,321
Claims paid	(169)	(2,745)	(1,438)
Unpaid claims, December 31, 2006	\$ 907	\$ 1,828	\$ 2,586
Incurred claims and changes in estimates	(33)	2,345	885
Claims paid	(174)	(2,863)	(1,039)
Unpaid claims, December 31, 2007	<u>\$ 700</u>	<u>\$ 1,310</u>	<u>\$ 2,432</u>

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

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

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

The Housing Agency enterprise fund is a member of the Housing Authority Risk Retention Group, Inc. ("Group"), which provides general liability, public official, and lead-based paint insurance to participating public housing authorities throughout the United States. Coverage provided by general liability is \$5,000 per year with a deductible of \$5 for general liability and \$10 for property claims per occurrence. Management believes that the number of outstanding claims and potential claims outstanding does not materially affect the financial position of the Housing Agency enterprise fund. The risk of participation in the Group is limited to the initial equity contribution of \$90, any subsequent additional equity contribution as determined by the Group's Board of Directors, and the payment of annual premiums for its general liability insurance coverage. The Housing Agency enterprise fund has an investment of \$170 in the Group at December 31, 2007. Although the underwriting experience of the Group may result in increased annual premium charged and/or assessments against each participant's equity contribution account, the exposure to any net loss allocation is restricted to its equity contribution account balance, plus any additional assessment that may be required.

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

**P. Compensated Absences**

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

The entire cost of benefit and sick leave is recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e., matured) during the year ended December 31, 2007.

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**Q. Pensions**

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

**R. Estimates and Uncertainties**

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported changes in amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

**S. Interfund Transactions**

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

**T. Encumbrances**

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

**U. Amortization of Bond Costs and Amounts Deferred on Refundings**

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

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

**V. Statement of Cash Flows**

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

**W. Change in 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, requires 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 2005 presenting them as unrestricted net assets. In January 2008, HUD issued Notice PIH 2008-09 which amended 2006-03 to require the presentation of Section 8 overdraws as restricted net assets. The Housing Agency has reclassified Section 8 overdraws previously presented as unrestricted to restricted net assets in the Statement of Net Assets. At December 31, 2007 net assets restricted for future Section 8 payments were \$11,800.

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

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**X. Future Adoption of Accounting Pronouncements**

GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, Statement No. 50, *Pension Disclosures*, Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The City intends to implement these GASB statements on their respective effective dates.

**Y. Net Assets**

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

- 1) Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition or construction of those assets.
- 2) Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted by statutory restrictions represent revenue sources that are required by statute to be expended only for specific purposes.
- 3) Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**2. Waterworks Operations**

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

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

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 302 customers (approximately 1 million people) is served by the DOW. Approximately seventy-five percent (75%) 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 (i.e., eight months of operations in 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.

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**3. Cash and Investments**

A summary of all cash and investments at December 31, 2007 including a reconciliation to the financial statement amounts is as follows:

Cash and investments	\$	413,213
Cash and investments with fiscal agents		243,460
Restricted assets		148,303
Cash and investments -- Fiduciary Funds		31,224
Cash and investments with fiscal agents -- Fiduciary Funds		<u>15</u>
Total cash and investments	\$	<u><u>836,215</u></u>

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 market 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.

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As of December 31, 2007, funds were invested as follows (excluding Housing Agency):

<u>Investment type</u>	<u>Market value</u>	<u>Investment maturities (in years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 33,000	\$ 27,604	\$ 5,396
Federal Home Loan Mortgage Corporation	11,090	7,103	3,987
Federal National Mortgage Association	164,958	164,958	—
Federal National Mortgage Association Discount Note	10,000	10,000	—
Morgan Stanley Commercial Paper	4,654	4,654	—
United States Treasury Notes	360	360	—
Government-Backed Money Market Fund	148,966	148,966	—
Government-Backed Mutual Funds	80,229	80,229	—
Government-Backed Repurchase Agreements	12,380	12,380	—
Mutual Funds	502	502	—
	<u>\$ 466,139</u>	<u>\$ 456,756</u>	<u>\$ 9,383</u>

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 United States Government or any agency or instrumentality thereof. All City investments must mature within 2 years from date of investment unless managed by a bank's trust department and then the maturity length can be longer. Total cash deposits at December 31, 2007 amounted to \$352,585.

Interest Rate Risk

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

Credit Risk

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

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Investments were rated as follows by Moody's, Standard & Poor's, or Fitch's Rating Service at December 31, 2007:

<u>Investment type</u>	<u>Market value</u>	<u>Rating</u>
Federal Home Loan Bank	\$ 33,000	AAA
Federal Home Loan Mortgage Corporation	11,090	AAA
Federal National Mortgage Association	164,958	AAA
Federal National Mortgage Association Discount Note	10,000	A-1+
United States Treasury Notes	360	AAA
Government-Backed Money Market Fund	148,966	AAA
Government-Backed Mutual Funds	80,229	AAA
Government-Backed Repurchase Agreements	12,380	AAA
Morgan Stanley Commerical Paper	4,654	AAA
Mutual Funds	502	Not rated
	<u>\$ 466,139</u>	

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 market value (including accrued interest) of the collateral should be at least 102%.

At December 31, 2007, 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 \$16,350 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 the 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, 2007.

Housing Agency

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

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits

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

During the year ending December 31, 2007, the Housing Agency held one savings account and one institutional money market deposit account with AIM Investments. Demand deposits are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund.

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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 counter party fails. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution.

The Housing Agency has one institutional money market deposit account valued at \$91 to consider for credit risk and custodial credit risk. The money market account had a Standard and Poor credit rating of AAA, a Moody's credit rating of Aaa, and Fitch rating of AAA.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The Housing Agency has one institutional money market deposit account valued at \$91, which represents 100% of uninsured deposits and investment accounts. The Agency has one certificate of deposit with a six-month maturity valued at \$1,847 at December 31, 2007.

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 United States currency.

The Housing Agency maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2007 is as follows:

	<u>Carrying value</u>	<u>Bank balance</u>
On hand	\$ —	\$ —
On deposit		
Insured by FDIC	100	100
Insured by Indiana Public Deposits Insurance Fund	15,453	18,867
Uninsured	<u>91</u>	<u>91</u>
	<u>\$ 15,644</u>	<u>\$ 19,058</u>

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**4. Receivables Disaggregation**

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

	<u>Accounts</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total accounts receivable</u>
<b>Governmental activities:</b>				
General	\$ 46,856	\$ 64,850	\$ 1,250	\$ 112,956
Federal grants	—	—	—	—
Revenue debt service	406	—	—	406
Sanitary district capital projects	34	—	—	34
Other nonmajor governmental	230	4,785	1,198	6,213
Internal service	—	—	25	25
Total receivables	<u>47,526</u>	<u>69,635</u>	<u>2,473</u>	<u>119,634</u>
Allowance for uncollectible accounts	(3,739)	—	—	(3,739)
Total – governmental activities	<u>\$ 43,787</u>	<u>\$ 69,635</u>	<u>\$ 2,473</u>	<u>\$ 115,895</u>
Accounts not scheduled for collection during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Business-type activities:</b>				
Waterworks	\$ 20,531	\$ —	\$ —	\$ 20,531
Allowance for uncollectible accounts	(3,788)	—	—	(3,788)
Total receivables	<u>16,743</u>	<u>—</u>	<u>—</u>	<u>16,743</u>
Housing Agency	61	—	—	61
Total – business-type activities	<u>\$ 16,804</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,804</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

Amounts due at December 31, 2007 were as follows:

	<u>Governmental activities</u>			<u>Business-type activities</u>
	<u>General Fund</u>	<u>Federal Grants Fund</u>	<u>Other nonmajor governmental</u>	<u>Housing Agency</u>
Reimbursements under federal grants from:				
U.S. Department of Housing and Urban Development (HUD)	\$ —	4,007	—	726
U.S. Department of Justice (DOJ)	—	709	—	53
U.S. Department of Transportation (DOT)	—	1,933	—	—
U.S. Department of Interior (DOI)	—	85	—	—
U.S. Department of Treasury	—	76	—	—
Federal Emergency Management Agency (FEMA)	—	8	—	—
U.S. Environmental Protection Agency (EPA)	1	66	—	—
U.S. Department of Education (DOE)	—	84	—	—
U.S. Department of Homeland Security (DHS)	150	1,406	—	—
Corporation for National and Community Service	—	—	—	24
Due from State of Indiana grants	—	—	528	—
	<u>\$ 151</u>	<u>\$ 8,374</u>	<u>\$ 528</u>	<u>\$ 803</u>

At December 31, 2007, the City had available lines of credit or grant authorizations from HUD totaling \$11,625.

**6. Long-term Receivables**

**A.** Long-term receivables as of December 31, 2007 consist of the following

The City has U.S. Department of Housing and Urban Development (“HUD”) loans outstanding at December 31, 2007 of \$29,440 including accrued interest of \$4,003. The City has provided a reserve of \$27,886 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 34 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.

The Housing Agency has an agreement with Tibbs Court, LLP (“Tibbs Court”) to utilize HOPE VI federal funds to construct 50 units of public housing, of which 19 public housing units will exist for the use of the Housing Agency. As part of the transaction, the Housing Agency was required to pass through to Tibbs Court HOPE VI funds not to exceed \$1,625. At December 31, 2007, Tibbs Court had fully incurred all available expenditures related to the pass through grant.

In addition, the Housing Agency loaned Tibbs Court HOPE VI money that was composed of a \$200 noninterest-bearing loan that is due September 14, 2036 and a \$300 interest-bearing loan at 5.74%, which is due September 14, 2038. The entire amount of the loans plus accrued interest is due at the maturity dates. No public housing money can be used to repay the loans. The loans are secured by

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collateral assignment of the leases and rents of the mortgaged property. At December 31, 2007, the Housing Agency has not accrued any interest or revenue on either loan due to uncertainty of collection.

The Housing Agency has entered into an agreement with BRINDY-I LP to develop low-income housing on previously cleared land owned by the Housing Agency. Under the agreement, the Housing Agency or its controlled affiliate, Partners for Affordable Housing, made various loans to BRINDY-I LP as described below.

During 2005, the Housing Agency loaned to BRINDY-I LP HOPE VI money in the amount of \$347, which bears interest at an annual rate of 4.84% and is due on June 30, 2044. Additionally, the Housing Agency, through Partners for Affordable Housing, made loans of grant funds to BRINDY-I LP, which were composed of a \$300 non-interest-bearing loan that is due upon demand, but no later than December 31, 2036, and a \$31 non-interest bearing loan, which is also due upon demand or December 31, 2036.

The Department of Waterworks closed an asset purchase agreement with the City of Carmel for certain assets in Clay Township on June 30, 2006. The terms of this agreement called for initial payments of \$350 at closing and \$165 a month for 10 months. The extended payment terms call for a payment of \$900 every six months for the subsequent nineteen years. At December 31, 2007, the net present value of the extended payments due under the terms of this agreement is approximately \$20,375. An effective-interest rate of 4.88% was used to present value the note receivable. The future payments to be received are as follows.

Year ending December 31	Payment
2008	\$ 1,800
2009	1,800
2010	1,800
2011	1,800
2012	1,800
2013 – 2017	9,000
2018 – 2022	9,000
2023 – 2026	5,400
	<hr/>
Total payments	32,400
	<hr/>
Less: net present value of interest earnings	12,025
	<hr/>
	20,375
	<hr/>
Less current portion	1,654
Total long-term note receivable	\$ 18,721
	<hr/> <hr/>

**B.** Long-term pledge receivable as of December 31, 2007 consists of the following:

The long-term pledge receivable amount outstanding as of December 31, 2007 is \$1,290. This amount is not recorded on the financial statements and represents a \$1,290 pledge receivable for Canal Square. The pledge agreement states that these funds shall be returned to the City only if a sale or refinancing occurs. If either event occurs, the City is entitled to full repayment; however, the City is subordinate to the mortgage and also to the investors (to the extent of their capital contributions).

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**7. Capital Assets**

Following is a summary of changes in capital assets for the year ended December 31, 2007:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 63,017	\$ 1,690	\$ 248	\$ 64,459
Construction in progress	<u>77,348</u>	<u>144,333</u>	<u>84,962</u>	<u>136,719</u>
	<u>140,365</u>	<u>146,023</u>	<u>85,210</u>	<u>201,178</u>
Capital assets being depreciated:				
Buildings	736,440	19,167	1,964	753,643
Improvements	153,794	3,832	6,547	151,079
Equipment	105,226	12,085	9,097	108,214
Infrastructure	<u>3,327,440</u>	<u>120,012</u>	<u>36,390</u>	<u>3,411,062</u>
	<u>4,322,900</u>	<u>155,096</u>	<u>53,998</u>	<u>4,423,998</u>
Less accumulated depreciation:				
Buildings	321,695	22,309	1,921	342,083
Improvements	63,517	4,384	3,697	64,204
Equipment	73,716	10,044	8,782	74,978
Infrastructure	<u>2,119,320</u>	<u>86,863</u>	<u>36,382</u>	<u>2,169,801</u>
Total accumulated depreciation	<u>2,578,248</u>	<u>123,600</u>	<u>50,782</u>	<u>2,651,066</u>
Total capital assets being depreciated, net	<u>1,744,652</u>	<u>31,496</u>	<u>3,216</u>	<u>1,772,932</u>
Governmental activities capital assets, net	<u>\$ 1,885,017</u>	<u>\$ 177,519</u>	<u>\$ 88,426</u>	<u>\$ 1,974,110</u>

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	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>
<b>Business-type activities:</b>				
<b>Waterworks</b>				
Capital assets not being depreciated:				
Land	\$ 18,146	\$ 353	\$ 908	\$ 17,591
Construction in progress	34,248	17,940	31,469	20,719
Total capital assets not being depreciated	<u>52,394</u>	<u>18,293</u>	<u>32,377</u>	<u>38,310</u>
Capital assets being depreciated:				
Water distribution and treatment system	832,486	41,632	38	874,080
Equipment	21,691	1,479	128	23,042
Total capital assets being depreciated	<u>854,177</u>	<u>43,111</u>	<u>166</u>	<u>897,122</u>
Less accumulated depreciation:				
Water distribution and treatment system	195,181	18,840	38	213,983
Equipment	9,117	830	128	9,819
Total accumulated depreciation	<u>204,298</u>	<u>19,670</u>	<u>166</u>	<u>223,802</u>
Less acquisition adjustment	168,917	—	4,781	164,136
Less contributions in aid of construction	57,897	446	1,707	56,636
Total capital assets being depreciated, net	<u>423,065</u>	<u>22,995</u>	<u>(6,488)</u>	<u>452,548</u>
Total Waterworks	<u>475,459</u>	<u>41,288</u>	<u>25,889</u>	<u>490,858</u>
<b>Housing Agency</b>				
Capital assets not being depreciated:				
Land	17,386	301	—	17,687
Construction in progress	—	1,407	—	1,407
Total capital assets not being depreciated	<u>17,386</u>	<u>1,708</u>	<u>—</u>	<u>19,094</u>
Capital assets being depreciated:				
Buildings	127,107	10,396	—	137,503
Equipment	4,793	405	—	5,198
Total capital assets being depreciated	<u>131,900</u>	<u>10,801</u>	<u>—</u>	<u>142,701</u>
Less accumulated depreciation:				
Buildings	84,673	3,710	—	88,383
Equipment	3,423	578	—	4,001
Total accumulated depreciation	<u>88,096</u>	<u>4,288</u>	<u>—</u>	<u>92,384</u>
Total capital assets being depreciated, net	<u>43,804</u>	<u>6,513</u>	<u>—</u>	<u>50,317</u>
Total Housing Agency	<u>61,190</u>	<u>8,221</u>	<u>—</u>	<u>69,411</u>
Business-type activities capital assets, net	<u>\$ 536,649</u>	<u>\$ 49,509</u>	<u>\$ 25,889</u>	<u>\$ 560,269</u>

Total depreciation and amortization expense for Waterworks of \$19,520 consists of depreciation expense of \$19,670, amortization expense of \$6,338 for intangible assets, and is offset by negative amortization of \$6,488 for the acquisition adjustment and contributions in aid of construction.

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

**Governmental activities:**

General government	\$	646
Public safety		8,136
Public works		102,492
Health and welfare		48
Cultural and recreation		4,947
Urban redevelopment and housing		4,267
Economic development and assistance		3,064
	\$	<u>123,600</u>

**Business-type activities:**

Waterworks	\$	19,670
Housing Agency		4,288
	\$	<u>23,958</u>

In 2007, the Waterworks signed a First Amendment to the Management Agreement (“Amendment”) with Veolia. As part of the Amendment, Waterworks agreed to reimburse Veolia for amounts related to the purchase and installation of meters, valves, and hydrants incurred during fiscal years 2002 through 2006 in the amount of \$5,000. These items were originally recorded as capital assets and contributed capital in the financial statements of Waterworks at the time they occurred. In 2007, a note payable was executed for \$5,000 of which \$1,883 was paid in the current year. As the associated capital assets were previously capitalized, the current year transaction for \$5,000 has been recorded in other services and charges expense on the statement of revenues, expenses, and changes in fund net assets of Waterworks. At December 31, 2007, the remaining balance is \$3,117 and is included in notes payable.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is capitalized and amounts to \$234 in 2007. At December 31, 2007, the City’s commitments related to construction in progress are composed of the following:

	<u>Authorized</u>	<u>Accrued expenditures through December 31, 2007</u>	<u>Committed</u>
Department of Parks and Recreation	\$ 3,939	\$ 977	\$ 2,962
Metropolitan Emergency Communication Agency	14,188	7,096	7,092
Department of Public Safety	5,663	3,343	2,320
Department of Public Works	209,948	121,666	88,282
Department of Metropolitan Development	4,250	3,637	613
Total governmental activities	<u>\$ 237,988</u>	<u>\$ 136,719</u>	<u>\$ 101,269</u>
Waterworks	<u>\$ 32,062</u>	<u>\$ 20,719</u>	<u>\$ 11,344</u>
Total business-type activities	<u>\$ 32,062</u>	<u>\$ 20,719</u>	<u>\$ 11,344</u>

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**8. Accounts Payable and Other Current Liabilities Dissaggregation**

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

	<u>Vendors</u>	<u>Third-party contracts</u>	<u>Lilly</u>	<u>Due to other governments</u>	<u>Claims and settlements</u>	<u>Accrued payroll and taxes</u>	<u>Other</u>	<u>Total payables and other current liabilities</u>
Governmental activities:								
General	\$ 21,612	\$ 56	\$ —	\$ 1,355	\$ 274	\$ 27,549	\$ 4,543	\$ 55,389
Federal grants	1,072	3,119	—	91	—	59	1,397	5,738
Revenue debt service	—	—	10,545	—	—	—	2,017	12,562
Sanitary district capital projects	12,554	—	—	6	—	—	27	12,587
Other nonmajor governmental	6,218	14	—	83	—	33	1,279	7,627
Internal service	4	—	—	—	4,438	—	—	4,442
	<u>41,460</u>	<u>3,189</u>	<u>10,545</u>	<u>1,535</u>	<u>4,712</u>	<u>27,641</u>	<u>9,263</u>	<u>98,345</u>
Adjustment to government-wide	—	—	—	—	(906)	—	—	(906)
Total—governmental activities	<u>\$ 41,460</u>	<u>\$ 3,189</u>	<u>\$ 10,545</u>	<u>\$ 1,535</u>	<u>\$ 3,806</u>	<u>\$ 27,641</u>	<u>\$ 9,263</u>	<u>\$ 97,439</u>
Accounts not scheduled for payment during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,545</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,545</u>
Business-type activities:								
Waterworks	\$ 11,624	\$ —	\$ —	\$ —	\$ —	\$ 10	\$ —	\$ 11,634
Housing Agency	990	—	—	—	—	278	—	1,268
Total—business-type activities	<u>\$ 12,614</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 288</u>	<u>\$ —</u>	<u>\$ 12,902</u>
Accounts not scheduled for payment during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

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**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 \$16,638 in 2007. The minimum future payments as of December 31, 2007 on these operating leases are as follows:

	<b>Governmental activities</b>	<b>Business-type activities Housing Agency</b>
2008	\$ 15,714	\$ 370
2009	15,867	370
2010	15,842	—
2011	15,558	—
2012	15,462	—
2013 – 2017	63,269	—
2018 – 2022	1,361	—
2023 – 2027	327	—
2028 – 2032	327	—
2033 – 2037	194	—
	<u>143,921</u>	<u>740</u>
Total future payments	<u>\$ 143,921</u>	<u>\$ 740</u>

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.

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**B. Lessor Arrangements**

The City is the lessor in several operating lease agreements with outside parties. These leases include various properties and portions of property acquired by the City. The estimated value of the leased property is \$3,107. These properties are leased for terms generally ranging from 5 to 50 years. Total rental income amounted to \$568 in 2007.

The minimum future rental income to be received as of December 31, 2007 on these operating leases is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u> <u>Waterworks</u>
2008	\$ 437	\$ 21
2009	379	—
2010	324	—
2011	323	—
2012	283	—
2013 – 2017	1,373	—
2018 – 2022	647	—
2023 – 2227	605	—
2028 – 2032	605	—
2033 – 2037	363	—
Total future receipts	<u>\$ 5,339</u>	<u>\$ 21</u>

**C. Other Financing Transactions**

City Market:

In 2007, the City renewed its long-term operating lease with the Indianapolis City Market Corporation (“Market”), a not-for-profit organization formed for the purpose of operating the Indianapolis City Market. The lease extends through February 28, 2011 and provides for a five-year renewal option at that time. The Market is to pay an annual rental fee of one dollar, plus 100% of the net cash flow, if any, remaining after the payment of normal costs of operations and maintenance. In 2007, the City was required to contribute additional subsidies to the Market of \$1,052.

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.

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**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, 2007:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds payable	\$ 320,385	\$ 73,882	\$ 89,216	\$ 305,051	\$ 27,282
Tax increment bonds payable	438,863	27,273	23,458	442,678	16,350
Revenue bonds	406,626	184,037	23,559	567,104	21,424
Deferred amounts					
Less: Deferred discounts	(502)	—	(17)	(485)	—
Loss on refunding	(3,290)	(4,627)	(351)	(7,566)	—
Plus: Deferred premiums	6,417	5,381	1,057	10,741	—
Total bonds payable	<u>1,168,499</u>	<u>285,946</u>	<u>136,922</u>	<u>1,317,523</u>	<u>65,056</u>
Notes payable	47,628	11,043	29,432	29,239	3,939
Capital leases payable	1,112	—	961	151	151
Net pension obligation	385,506	1,467	—	386,973	—
Postemployment benefit obligation	—	13,210	—	13,210	—
Compensated absences	22,351	29,088	22,817	28,622	12,933
Settlements payable	<u>816</u>	<u>90</u>	<u>—</u>	<u>906</u>	<u>91</u>
Total governmental activities	<u>\$ 1,625,912</u>	<u>\$ 340,844</u>	<u>\$ 190,132</u>	<u>\$ 1,776,624</u>	<u>\$ 82,170</u>
<b>Business-type activities:</b>					
Waterworks:					
Revenue bonds	\$ 750,925	\$ 176,410	\$ 77,210	\$ 850,125	\$ 4,625
Less: Loss on refunding	(56,928)	(4,754)	1,535	(60,147)	—
Plus: Deferred premiums	13,589	12,469	1,143	24,915	—
Total bonds payable	<u>707,586</u>	<u>184,125</u>	<u>79,888</u>	<u>814,893</u>	<u>4,625</u>
Notes payable	651	5,000	1,883	3,768	1,884
Customer advances	13,141	5,819	6,886	12,074	—
Unfunded postretirement obligation	46,129	9,099	—	55,228	—
Housing Agency:					
Capital leases payable	1,888	—	640	1,248	224
FSS escrow	524	235	300	459	245
Due to other governmental units	1,162	—	129	1,033	129
Long-term utilities liability	37	—	37	—	—
Compensated absences	<u>346</u>	<u>—</u>	<u>15</u>	<u>331</u>	<u>40</u>
Total business-type activities	<u>\$ 771,464</u>	<u>\$ 204,278</u>	<u>\$ 89,778</u>	<u>\$ 889,034</u>	<u>\$ 7,147</u>

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Included in additions to bonds payable is \$7,910 representing accretion of capital appreciation bonds that do not provide financing services in the statement of revenues, expenditures, and changes in fund balance.

**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 principal maturing each year. General obligation bonds currently outstanding are as follows:

	<u>Issue date</u>	<u>Final maturity date</u>	<u>Interest</u>	<u>Outstanding</u>
Civil City Bonds:				
Multi-Purpose, Series 2003 D	07/09/2003	01/01/2008	5.500 % \$	390
Pension Bonds, Series 2005 A	02/03/2005	01/15/2022	3.790 – 5.280	<u>97,610</u>
Total General Municipal Bonds				<u>98,000</u>
Redevelopment District Bonds:				
Redevelopment District of 1993:				
Capital appreciation	03/04/1993	01/01/2013	6.050 – 6.300	29,582
Redevelopment District of 1995	12/01/1995	01/01/2015	5.000 – 5.200	<u>1,980</u>
Total Redevelopment District Bonds				<u>31,562</u>
Sanitary District Bonds:				
Sanitary District of 1993 – 2nd	03/04/1993	01/01/2013	5.700 – 5.900	24,020
Sanitary District of 1995	12/01/1995	01/01/2015	5.000 – 5.250	3,835
Sanitary District of 2003 A Refunding	07/09/2003	01/01/2018	4.500 – 5.500	11,118
Sanitary District of 2007 C Refunding	11/08/2007	01/01/2018	5.000	28,950
Sanitary District of 2007 D Refunding	11/08/2007	01/01/2013	0.000	<u>1,286</u>
Total Sanitary District Bonds				<u>69,209</u>
Public Safety Comm Systems &				
Computer Facilities District Bonds, Series 1999 A	08/01/1999	01/01/2010	5.000 – 5.200	<u>6,295</u>

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	<u>Issue date</u>	<u>Final maturity date</u>	<u>Interest</u>	<u>Outstanding</u>
Flood Control District Bonds:				
Flood Control District of 1993 – 2nd	03/04/1993	01/01/2013	5.750 – 5.900 % \$	4,130
Flood Control District of 1995	12/01/1995	01/01/2015	5.000 – 5.250	1,345
Flood Control District Refunding Bonds, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.250	4,407
Flood Control District Refunding Bonds, Series 2007 A	11/08/2007	01/01/2018	5.000	5,735
Flood Control District Refunding Bonds, Series 2007 B	11/08/2007	01/01/2013	0.000	256
Total Flood Control District Bonds				<u>15,873</u>
Metropolitan Thoroughfare District Bonds:				
Metropolitan Thoroughfare District – 1993 – 1st	03/04/1993	01/01/2008	5.700	3,230
Metropolitan Thoroughfare District – 1993 – 2nd	03/04/1993	01/01/2013	5.750 – 5.900	15,895
Metropolitan Thoroughfare District Refunding, Series 2003A	07/09/2003	01/01/2018	4.500 – 5.500	10,586
Metropolitan Thoroughfare District, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.500	2,575
Metropolitan Thoroughfare District, Series 2007 A	11/08/2007	01/01/2018	5.000	22,060
Metropolitan Thoroughfare District, Series 2007 B	11/08/2007	01/01/2013	0.000	980
Total Metropolitan Thoroughfare District Bonds				<u>55,326</u>
Park District Bonds:				
Park District of 1993 – 1st	03/04/1993	01/01/2008	5.700	2,145
Park District of 1993 – 2nd	03/04/1993	01/01/2013	5.750 – 5.900	8,880
Park District of 1993 Refunding, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.500	4,893
Park District Refunding Bonds, Series 2007 A	11/08/2007	01/01/2018	5.000	12,320
Park District Refunding Bonds, Series 2007 B	11/08/2007	01/01/2013	0.000	548
Total Park District Bonds				<u>28,786</u>
Total general obligation bonds recorded in governmental activities				305,051
Less: Matured bonds payable recorded in the debt service funds				<u>(24,782)</u>
				<u>\$ 280,269</u>

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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, 2008 have been recorded as matured bonds payable and matured interest payable at December 31, 2007 within the fund financial statements.

On November 8, 2007, the City of Indianapolis issued the bonds noted below to the Indianapolis Local Public Improvement Bond Bank, which issued its Refunding Bonds, Series 2007 D, in the amount of \$69,065. The City also issued \$3,070 in Series 2007 B and Series 2007 D Bonds for a total issuance of \$72,135.

- Metropolitan Thoroughfare District Refunding Bonds of 2007, Series A in the amount of \$22,060 and Series B in the amount of \$980 for an advance refunding of Metropolitan Thoroughfare District Bonds of 1993, Series A in the amount of \$21,195.
- Sanitary District Refunding Bonds of 2007, Series C, in the amount of \$28,950, and Series D in the amount of \$1,286 for an advance refunding of Sanitary District Bonds of 1993, Series A, in the amount of \$27,805.
- Flood Control District Refunding Bonds of 2007, Series A, in the amount of \$5,735 and Series B in the amount of \$256, for an advance refunding of Flood Control District Bonds of 1993, Series A, in the amount of \$5,515.
- Park District Refunding Bonds of 2007, Series A, in the amount of \$12,320 and Series B in the amount of \$548, for an advance refunding of Park District Bonds of 1993, Series A, in the amount of \$11,835.

The above refundings were undertaken to reduce future debt service payments; they resulted in a decrease of \$3,365 in future debt service payments and an economic gain (present value of the reduction in debt service payments) of \$3,361. The reacquisition price exceeded the net carrying amount of the refunded debt by \$3,587. This amount is being netted against the refunding debt and amortized over the life of the refunding debt, which is the same as the life of the refunded debt.

Various bond issues are considered to have been defeased and have been removed from the financial statements. At December 31, 2007, the total of outstanding principal balances on these defeased bonds are \$66,350.

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

Year ending December 31	<b>Redevelopment</b>							
	<b>Civil City</b>		<b>General</b>		<b>Sanitary</b>		<b>Flood Control</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 5,305	\$ 4,608	\$ 3,205	\$ 97	\$ 4,783	\$ 2,977	\$ 2,578	\$ 661
2009	5,110	4,402	6,585	87	5,196	3,222	1,097	664
2010	5,325	4,193	6,595	76	5,467	2,940	1,155	605
2011	5,545	3,968	6,605	64	5,768	2,638	1,211	541
2012	5,785	3,727	6,615	51	6,067	2,315	1,276	474
2013 – 2017	33,215	14,354	7,205	68	34,350	6,347	7,057	1,277
2018 – 2022	37,715	5,100	—	—	7,578	191	1,499	38
2023 – 2026	—	—	—	—	—	—	—	—
	98,000	40,352	36,810	443	69,209	20,630	15,873	4,260
Less deferred interest on capital appreciation bonds	—	—	(5,248)	—	—	—	—	—
	<u>\$ 98,000</u>	<u>\$ 40,352</u>	<u>\$ 31,562</u>	<u>\$ 443</u>	<u>\$ 69,209</u>	<u>\$ 20,630</u>	<u>\$ 15,873</u>	<u>\$ 4,260</u>

	<b>Metropolitan Thoroughfare</b>		<b>Park</b>		<b>MECA</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	2008	\$ 6,585	\$ 2,330	\$ 2,826	\$ 1,214	\$ 2,000	\$ 271	\$ 27,282
2009	3,821	2,438	2,029	1,300	2,095	168	25,933	12,281
2010	4,025	2,229	2,139	1,189	2,200	57	26,906	11,289
2011	4,235	2,010	2,257	1,071	—	—	25,621	10,292
2012	4,465	1,773	2,378	944	—	—	26,586	9,284
2013 – 2017	26,142	4,975	13,932	2,646	—	—	121,901	29,667
2018 – 2022	6,053	153	3,225	81	—	—	56,070	5,563
2023 – 2026	—	—	—	—	—	—	—	—
	55,326	15,908	28,786	8,445	6,295	496	310,299	90,534
Less deferred interest on capital appreciation bonds	—	—	—	—	—	—	(5,248)	—
	<u>\$ 55,326</u>	<u>\$ 15,908</u>	<u>\$ 28,786</u>	<u>\$ 8,445</u>	<u>\$ 6,295</u>	<u>\$ 496</u>	<u>\$ 305,051</u>	<u>\$ 90,534</u>

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**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.

	<u>Issue dates</u>	<u>Final maturity dates</u>	<u>Effective interest rates</u>	<u>Balance December 31, 2007</u>
Redevelopment District 1991:				
Interest-bearing	04/01/1991	02/01/20	6.000 %	20,755
Capital appreciation	04/24/1991	02/01/14	7.100 – 7.250	16,480
Less discount				<u>(3,283)</u>
				<u>13,197</u>
Redevelopment District 1992	04/01/92	02/01/14	6.750 – 6.800	<u>84,265</u>
Redevelopment District 1999 Series B:				
Interest-bearing	07/15/99	02/01/11	4.700 – 5.000	5,885
Capital appreciation	08/12/99	02/01/29	5.650 – 5.820	241,640
Less discount				<u>(147,001)</u>
				<u>94,639</u>
Redevelopment District 2002 Series A	12/30/02	02/01/20	6.191	<u>128,685</u>
Redevelopment District 2002 Series B	12/19/02	02/01/29	3.900 – 5.000	<u>29,365</u>
Redevelopment District 2004 Series A	07/08/04	02/01/28	3.300 – 5.400	<u>12,600</u>
Redevelopment District 2004 Series A, Junior Subordinate	10/28/04	02/01/19	variable rate	<u>3,352</u>
Redevelopment District 2004 Series B	10/28/04	08/01/14	variable rate	<u>11,225</u>
Redevelopment District 2004 Series C	10/28/04	02/01/16	variable rate	<u>17,600</u>
Redevelopment District 2007 Series A	12/13/07	02/01/21	4.000 – 4.125	<u>9,910</u>
Redevelopment District 2007 Series (Ameriplex)	12/28/07	02/01/23	6.200	<u>5,200</u>
Redevelopment District 2007 Series (Glendale)	05/10/07	02/01/27	5.450 – 6.210	<u>6,000</u>
Total Tax Increment Revenue Bonds			\$	<u><u>442,678</u></u>

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, 2008 have been recorded as matured bonds payable and matured interest payable at December 31, 2007 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, 2007, the interest rate on the Series A was 6.30% and was based on the 30-day LIBOR. The interest rate on the Series 2004 B on December 31, 2007 was 6.10% and was based on the 30-day LIBOR.

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The City has previously issued its Redevelopment District Bonds, Series 2004 in the amount of \$17,600 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Notes of 2004, Series C in the amount of \$17,600. Interest is variable and is calculated on an actual/360-day basis. Interest is adjusted at least quarterly each February 1, May 1, August 1, and November 1, based upon LIBOR plus 110 basis points. The Indianapolis Local Public Improvement Bond Bank can select either the 30-day LIBOR, 60-day LIBOR, or 90-day LIBOR prior to each interest period. On December 31, 2007, the interest rate on the Series C was 6.10% and was based on the 30-day LIBOR.

Under the Harding Street 1991 Series A Tax Increment Bond, if the distributions from the TIF portion of the bond were not sufficient to make payments on the note, Eli Lilly and Company (“Lilly”) agreed to pay the City for the difference. The City is liable to repay this amount back to Lilly from any excess money earned from the tax increment portion of the bond. Once the bond has matured, if there still remains an outstanding balance owed to Lilly, the City will repay the balance at this time with interest of the same rate as on the applicable bonds. As of December 31, 2007, the City owes \$7,697 to Eli Lilly as reimbursement for these payments; additionally, \$2,848 represents interest on this amount, and the entire amount of \$10,545 has been recorded as accounts payable in the statement of net assets and governmental funds balance sheet.

On May 10, 2007, the City of Indianapolis issued Taxable Economic Development Revenue Bonds, Series 2007 (Glendale Mall Project) in the amount of \$6,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Taxable Bonds, Series 2007 G in the amount of \$6,000. The City will use the proceeds to make funds available to Glendale Centre LLC (the “Developer”) pursuant to a financing agreement, dated as of April 1, 2007, between the Developer and the City to pay a portion of the cost of economic development facilities in the Glendale Mall Area.

On December 13, 2007, the City of Indianapolis issued Redevelopment District Tax Increment Refunding bonds, Series 2007 A in the amount of \$9,910 to the Indianapolis Local Public Improvement Bond Bank, which issued its Refunding Bonds, Series 2007 E, in the amount of \$9,910. The net proceeds of the City’s bonds were used to advance refund \$8,935 outstanding on the Redevelopment District Series 2000 A Bonds. The above refundings were undertaken to reduce future interest rates and resulted in a reduction of \$199 in future debt service interest payments and an economic gain (present value of the reduction in debt service payments) of \$137. The reacquisition price exceeded the net carrying amount of the refunded debt by \$625. This amount is being netted against the refunding debt and amortized over the life of the refunding debt, which is the same as the life of the refunded debt.

On December 28, 2007, the City of Indianapolis issued its Taxable Economic Development Revenue Bonds, Series 2007 (PRF Acellerator) in the amount of \$5,200 the Indianapolis Local Public Improvement Bond Bank, which issued its related Taxable Bonds Series 2007 K (AmeriPLEX Purdue Research Foundation / Halladay Project), in the amount of \$5,200. The City will use the proceeds to finance the construction of the Purdue Research Park at AmeriPLEX.

Various bond issues are considered to have been defeased and have been removed from the financial statements. At December 31, 2007, the total of outstanding principal balances on these defeased bonds are \$8,935.

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

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 16,350	\$ 19,586	\$ 35,936
2009	16,715	19,329	36,044
2010	18,554	18,250	36,804
2011	20,620	17,253	37,873
2012	22,705	16,037	38,742
2013 – 2017	134,928	55,919	190,847
2018 – 2022	151,500	17,091	168,591
2023 – 2027	153,040	7,170	160,210
2028 – 2032	58,550	1,817	60,367
	<u>592,962</u>	<u>172,452</u>	<u>765,414</u>
Less deferred interest on capital appreciation bonds	(150,284)	—	(150,284)
Total	<u>\$ 442,678</u>	<u>\$ 172,452</u>	<u>\$ 615,130</u>

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**D. Derivatives**

**Objective of the Swaps:** In order to protect against the potential of rising interest rates, the Indianapolis Local Public Improvement Bond Bank ("Bond Bank") on behalf of the City entered five separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt.

**Terms, Fair Values, and Credit Risk:** The terms, including, the fair values and credit ratings of the outstanding swaps as of December 31, 2007, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds and notes payable" category.

Associated bond/note issue	Notional amounts	Effective date	Fixed rate paid	Variable rate received	Fair values	Swap termination date	Counterparty credit rating S&P/Moody's/Fitch
2002 Redevelopment District Series B	\$ 128,685	02/01/2003	6.191%	74% of LIBOR	\$ (27,046)	02/01/2020	AA/Aaa/AA-
				LIBOR Plus 110			
2004 A Redevelopment District Taxable Junior Subordinate Tax Increment Refunding Bonds	14,600	04/23/2003	4.270%	Basis Points	(132)	02/01/2013	A/A1/A
2005 G-Waterworks	279,120	11/17/2005	3.510%	67% of LIBOR	(9,530)	01/01/2035	AA/Aaa/AA-
2005 G-Waterworks	108,980		3.510%	67% of LIBOR	(3,721)	01/01/2035	AA/AA1/AA-
2005 H-Waterworks	47,810	12/7/2005	3.527%	67% of LIBOR	(1,822)	01/01/2037	AA/Aaa/AA-
	<u>\$ 579,195</u>				<u>\$ (42,251)</u>		

**Fair Value:** Because interest rates declined, all swaps had a negative fair value as of December 31, 2007. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

**Credit Risk:** As of December 31, 2007, the City was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' fair value.

Although the City executes swap transactions with various counterparties, three swaps, approximating 72% of the notional amount of swaps outstanding, are held by one counterparty. That counterparty is rated AA/Aaa/AA-. The remaining three swaps are held by three different counterparties.

**Basis Risk:** The City is exposed to basis risk on the swaps when the variable payment received is based on an index other than SIFMA. As of December 31, 2007, the SIFMA rate was 3.47%, whereas 67% of LIBOR was 3.1 % and 74% of LIBOR was 3.43%.

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**Termination Risk:** The City or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any of the swaps is terminated, the associated variable rate bonds would no longer carry synthetic interest rates. Also, if at the time of the termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

**Swap Payments and Associated Debt:** As of December 31, 2007, 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:

<b>Year ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Interest rate swaps, net</b>	<b>Total</b>
2008	\$ 129,480	\$ 19,781	\$ 5,133	\$ 154,394
2009	1,630	15,324	1,577	18,531
2010	4,640	15,165	1,577	21,382
2011	5,350	14,983	1,577	21,910
2012	5,670	14,789	1,576	22,035
2013-2017	13,290	72,316	8,728	94,334
2018-2022	10,650	70,605	8,933	90,188
2023-2027	77,230	64,448	8,660	150,338
2028-2032	170,615	41,154	8,277	220,046
2033-2037	160,640	8,873	5,128	174,641
<b>Total</b>	<b>\$ 579,195</b>	<b>\$ 337,438</b>	<b>\$ 51,166</b>	<b>\$ 967,799</b>

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**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:

	<u>Issue dates</u>	<u>Final maturity dates</u>	<u>Effective interest rates</u>	<u>Balance December 31, 2007</u>
Governmental activities:				
Transportation Revenue—2001 Series A	05/30/01	07/01/10	5.000 – 5.500 %	\$ 13,115
Indy Roads Revenue Bonds—2003 Series	11/25/03	01/01/19	3.000 – 5.000	17,130
Park District Revenue—1998 Series B	03/01/98	01/15/13	6.750 – 6.800	1,310
Redevelopment District—2002 Series A	11/21/02	02/01/12	3.150 – 3.850	2,160
Facilities Revenue Bonds of 2006	02/16/06	01/15/21	4.000 – 5.000	16,275
Facilities Revenue Bonds of 2007	12/17/07	07/15/21	3.750 – 4.125	3,450
Stormwater District Revenue Bonds, Series 2006 A	03/21/06	01/01/26	4.000 – 5.000	43,430
Sanitary District Bonds—1998 Series A	12/30/98	01/01/19	3.500	16,215
Sanitary District Bonds—2000 Series A	06/30/00	01/01/21	3.500	22,030
Sanitary District Bonds—2000 Series B	12/14/00	01/01/10	4.750 – 5.000	1,185
Sanitary District Bonds—2001 Series A	08/23/01	01/01/23	4.000	34,969
Sanitary District Bonds—2002 Series B	08/30/02	01/01/24	4.000	35,864
Sanitary District Bonds—2004 Series A	06/30/04	01/01/24	3.580	7,662
Sanitary District Bonds—2004 Series B	08/24/04	01/01/26	4.130	22,787
Sanitary District Bonds—2004 Series C	12/29/04	01/01/26	3.690	58,492
Sanitary District Bonds—2005 Series	12/29/05	01/01/27	2.900	56,105
Sanitary District Bonds—2006 Series A	06/30/06	01/01/28	3.080	23,668
Sanitary District Bonds—2006 Series B	12/15/06	01/01/28	2.900	34,750
Sanitary District Bonds—2007 Series A	03/06/07	01/01/27	3.000 – 5.000	33,160
Sanitary District Refunding Bonds—2007 Series B	11/01/07	01/01/21	4.000 – 4.750	7,365
Sanitary District Bonds—2007 Series E	12/15/07	01/01/27	4.400	80,557
Enhanced Emergency System—2001 Series D	08/30/01	07/01/11	5.000	6,075
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	19,550
Total revenue bonds recorded in governmental activities				567,104
Less matured bonds payable recorded in debt service funds				(16,974)
				\$ 550,130

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	<u>Issue dates</u>	<u>Final maturity dates</u>	<u>Effective interest rates</u>	<u>Balance December 31, 2007</u>
Business-type activities:				
Waterworks District, two issues	04/30/02	01/01/07 – 01/01/35	4.150 – 5.450 %	\$ 39,720
Waterworks District, Series 2004 A	03/31/04	01/01/36	variable rate	50,000
Waterworks District, Series 2005 F	11/17/05	01/01/35	3.500 - 5.000	70,255
Waterworks District, Series 2005 G	11/17/05	01/01/29	variable rate	388,100
Waterworks District, Series 2005 H	12/07/05	01/01/37	variable rate	47,810
Waterworks District, Series 2006 A	03/07/06	01/01/22	5.500	77,830
Waterworks District, Series 2007 B	03/22/07	01/01/25	5.250	70,410
Waterworks District, Series 2007 L	12/27/07	01/01/38	3.750 - 5.250	106,000
Total Waterworks				<u>850,125</u>
Total revenue bonds recorded in business-type activities				<u>\$ 850,125</u>

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, 2008 and January 15, 2008 have been recorded as matured bonds payable and matured interest payable at December 31, 2007.

On December 30, 1998, the City of Indianapolis issued Sanitary District Bonds of 1998, Series A, in the amount of \$23,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 1998 E Bonds in the amount of \$23,000. The net proceeds are being used for construction or additions and improvements to the Sewage Works system. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Revolving Loan Program to finance low-cost water quality projects. The City made draws of \$794 during 2007, and the outstanding balance of draws at December 31, 2007 was \$16,215.

On June 30, 2000, the City of Indianapolis issued Sanitary District Revenue Bonds of 2000, Series A, in the amount of \$32,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2000 B Bonds in the amount of \$32,000. The net proceeds are being used to fund seven Barrett Law Sewer Projects to eliminate many failing septic systems and thus reduce waterways contaminated by septic system runoff. The project also includes two lift station projects, a manhole rehabilitation project, and four wastewater treatment plant projects. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$899 during 2007, and the outstanding balance of draws at December 31, 2007 was \$22,030.

On August 23, 2001, the City of Indianapolis issued Sanitary District Revenue Bonds of 2001, Series A, in the amount of \$42,420 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2001 Series E Bonds in the amount of \$42,420. The proceeds are being used to fund several environmental studies and engineering projects and advanced wastewater treatment plant projects. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$78 during 2007 and the outstanding balance of draws at December 31, 2007 was \$34,969.

On August 30, 2002, the City of Indianapolis issued Sanitary District Revenue Bonds of 2002, Series B, in the amount of \$41,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2002 D Bonds in the amount of \$41,000. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City made no draws in 2007 and the outstanding balance of draws at December 31, 2007 was \$35,864.

On June 30, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series G, in the amount of \$8,600 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 G in the amount of \$8,600. The net proceeds were used to pay down the Sanitary District Bond Anticipation Note 2003 A in the amount of \$8,600. These funds are borrowed

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and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City made no draws during 2007 and the outstanding balance of draws at December 31, 2007 was \$7,662.

On August 24, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series H, in the amount of \$25,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 H Bonds in the amount of \$25,000. The net proceeds were used to pay down Sanitary Commercial Paper 2002 in the amount of \$7,367 and to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$1,043 during 2007 and the outstanding balance of draws at December 31, 2007 was \$22,787.

On December 29, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series I, in the amount of \$70,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 I Bonds in the amount of \$70,000. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$13,455 during 2007 and the outstanding balance of draws at December 31, 2007 was \$58,492.

On December 29, 2005, the City of Indianapolis issued Sanitary District Revenue Bonds of 2005, Series I, in the amount of \$90,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2005 I Bonds in the amount of \$90,000. The net proceeds are being used to construct sewer work improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$27,197 during 2007 and the outstanding balance of draws at December 31, 2007 was \$56,105.

On June 30, 2006, the City of Indianapolis issued Sanitary District Revenue Bonds of 2006, Series A, in the amount of \$35,250 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 E Bonds in the amount of \$35,250. 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 \$16,034 during 2007 and the outstanding balance of draws at December 31, 2007 was \$23,668.

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

On March 6, 2007, the City of Indianapolis issued Sanitary District Revenue Bonds, Series 2007 A in the amount of \$33,160 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 A Bonds, in the amount of \$33,160. The City used the proceeds to make funds available to refund short-term obligations and to provide funds to constructs certain additions and improvements to the sanitary system.

On November 1, 2007, the City of Indianapolis issued Sanitary District Net Revenue Refunding Bonds, Series 2007 B in the amount of \$7,365 to the Indianapolis Local Public Improvement Bond Bank, which issued its Refunding Bonds, Series 2007 I in the amount of \$7,365. The net proceeds were used by the City to advance refund a refund a portion of the Sanitary District Series 2000 A in the amount of \$6,785 and to pay certain other costs including costs of issuance. The above refundings were undertaken to reduce future interest rates and resulted in a reduction of \$241 in future debt service interest payments and an economic gain (present value of the reduction in debt service payments) of \$241. The reacquisition price exceeded the net carrying amount of the refunded debt by \$416. This amount is being netted against the refunding debt and amortized over the life of the refunding debt, which is the same as the life of the refunded debt.

On December 15, 2007, the City of Indianapolis issued Sanitary District Revenue Bonds of 2007, Series E, in the amount of \$80,557 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 F Bonds in the amount of \$80,557. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down the entire balance during 2007 and the outstanding balance of draws at December 31, 2007 was \$80,557.

On December 17, 2007, the City issued the City of Indianapolis, Indiana Facilities Revenue Bonds of 2007 in the amount of \$3,450 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 M Bonds in the amount of \$3,450. The City will use the proceeds to make funds available to pay interest through July 15, 2008, and to renovate, repair, make improvements to, construct, or modify certain structures used by the City and Marion County and other government agencies.

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Various bond issues are considered to have been defeased and have been removed from the financial statements. At December 31, 2007, the total of outstanding principal balances on these defeased bonds are \$6,785.

Business-type activities

On March 31, 2004, the City issued Waterworks District Net Revenue Bonds, Series 2004 A, in the amount of \$50,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 A Bonds in the amount of \$50,000. The Waterworks District, Series 2004 A Bonds bear interest at an auction rate ("Auction Rate") which is described in the respective bond document. During the related Auction Rate Period, the interest rate on the Series 2004 A Bonds is determined by submitted bids and may not exceed the lesser of (i) 12% per annum and (ii) the maximum rate permitted by law. The Auction Rate is established by the Auction Agent (currently Wilmington Trust Company) pursuant to Auction Procedures as outlined in the bond document. Currently, the Waterworks District, Series 2004 A Bonds bear interest in 35-day Auction Rate Periods but they may be converted to a daily, 7-day, 28-day, 35-day, 3-month, or 6-month Auction Rate Period or a Flexible Auction Rate Period, which is defined as any period not less than 7 days no more than 1,092 days. At December 31, 2007, the Auction Rate is 4.200%.

Previously, the City issued Waterworks District Net Revenue Bonds, Series 2005 G and H, in the amount of \$388,100 and \$47,810, respectively. The Series 2005 G and 2005 H Bonds bear interest at a Weekly Interest Rate to be determined by the Remarketing Agent in accordance with the remarketing agreement terms for the respective bonds. At no time will the bonds bear interest at a Weekly Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest permitted by applicable law. At December 31, 2007, the Weekly Interest Rate amount was 3.510% and 3.527%, respectively, for the 2005 G and 2005 H Bonds.

On March 7, 2006, the City issued Waterworks District Net Revenue Refunding Bonds, Series 2006 A, in the amount of \$77,830, to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series A Bonds in the amount of \$77,830. The refunding bonds were used to advance refund \$82,365 of outstanding principal of the Waterworks District Series 2002 A Bonds. The above refunding was undertaken to reduce future debt service payments; this resulted in a reduction of \$6,306 in future debt service payments and an economic gain (present value of the reduction in debt service payments) of \$3,457. The reacquisition price was more than the net carrying amount of the refunded debt by \$7,882. This amount is being netted against the refunding debt and amortized over the life of the refunding debt, which is shorter than the life of the refunded debt. Proceeds were used in part to pay interest of \$728 on the refunded debt. There was a premium on the 2006 A Series of \$10,817 and issuance costs of \$947.

On March 22, 2007, the City issued Waterworks District Net Revenue Refunding Bonds, Series 2007 B in the amount of \$70,410 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 B Bonds in the amount of \$70,410. The refunding bonds were used to advance refund \$76,235 of outstanding principal of the Waterworks District Series 2002 A Bonds. The above refunding was undertaken to reduce future debt service payments; this resulted in a reduction of \$7,527 in future debt service payments and an economic gain (present value of the reduction in debt service payments) of \$5,000. The reacquisition price was more than the net carrying amount of the refunded debt by \$4,754. This amount is being netted against the refunding debt and amortized over the life of the refunding debt, which is shorter than the life of the refunded debt. Proceeds were used in part to pay interest of \$1,211 on the refunded debt. There was a premium on the 2007 B Series of \$10,557 and issuance cost of \$1,075.

On December 27, 2007, the City issued Waterworks District Net Revenue Bonds, Series 2007 L in the amount of \$106,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2007 L Bonds in the amount of \$106,000. The net proceeds are being used to construct waterworks improvements at various locations, along with the purchase of necessary appurtenances and equipment.

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, 2007.

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Revenue bond debt service requirements to maturity are as follows:

Year ending December 31	Governmental activities		Business-type activities		Total	
	Principal	Interest	Waterworks		Principal	Interest
			Principal	Interest		
2008	\$ 21,424	\$ 20,338	\$ 4,625	\$ 34,375	\$ 26,049	\$ 54,713
2009	30,624	21,264	6,925	35,587	37,549	56,851
2010	30,503	20,054	8,765	35,250	39,268	55,304
2011	28,265	18,825	10,175	34,868	38,440	53,693
2012	27,645	17,733	11,365	34,415	39,010	52,148
2013 – 2017	150,441	72,074	73,685	162,696	224,126	234,770
2018 – 2022	165,982	40,090	110,745	140,037	276,727	180,127
2023 – 2027	91,726	12,549	162,145	107,298	253,871	119,847
2028 – 2032	8,530	3,961	207,950	70,202	216,480	74,163
2033 – 2037	7,520	2,186	238,430	27,691	245,950	29,877
2038 – 2042	4,443	258	15,315	354	19,758	612
	<u>\$ 567,104</u>	<u>\$ 229,332</u>	<u>\$ 850,125</u>	<u>\$ 682,773</u>	<u>\$ 1,417,229</u>	<u>\$ 912,105</u>

**F. Notes Payable**

- The City has outstanding notes payable related to HUD Section 108 loan proceeds. The notes payable, with an original amount of \$6,000, were issued in 2000 and 2001. Under the terms of the agreement, the City makes principal and interest payments on each February 1 and August 1, with the last payment being made on August 1, 2020. At December 31, 2007, \$3,900 was still outstanding.
- The City signed an Acquisition Funds Agreement with Banc of American Leasing & Capital, LLC for an amount not to exceed \$7,313. One Acquisition Account was created: a “City of Indianapolis Acquisition Account – Vehicles and Equipment” in the amount of \$7,313. The term for this agreement is 48 months, with the first principal payment due July 1, 2005. At December 31, 2007, \$671 is still outstanding.
- 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, 2007, \$73 was still outstanding.
- On August 1, 2005, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment District Limited Recourse Notes, Series 2005 A in the amount of \$3,750 and Series 2005 B in the amount of \$2,750 to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2005 A in the amount of \$3,750 and Series 2005 B in the amount of \$2,750. The proceeds from the sale of the Series 2005 A Notes are being used to provide funds to develop Fall Creek Place Phase 4, which is bounded by the east side of College Avenue, 22<sup>nd</sup> Street, Broadway Avenue and Fall Creek. There are expected to be 91 new homes, 34 new townhomes, and approximately 10 rehabs (which will be carried out by King Park and Historic Landmarks), for a total of 125 new homes. Principal and interest will be paid from tax increment revenues collected in the Fall Creek/Citizens Consolidated Housing Tax Increment (“HOTIF”) area.

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

At December 31, 2007, the City had drawn down \$3,032 and \$2,698 on the Series 2005 A and 2005 B, respectively and these amounts are outstanding at December 31, 2007.

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5. On September 9, 2005, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment District Limited Recourse Notes, Series 2005 C in the amount of \$2,500 to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2005 C in the amount of \$2,500. The proceeds from the sale of the Series 2005 C Notes will be used to provide funds to develop finance certain infrastructure improvement in, serving or benefiting the Barrington Redevelopment Area and pay issuance costs. Principal and interest will be paid from tax increment revenues collected in the Barrington HOTIF allocation area. The notes bear interest at a per annum rate of 3.85%. Interest is calculated on the basis of 360-day year and due February 1 and August 1 commencing on February 1, 2007. The outstanding balance at December 31, 2007 is \$2,500.
6. The Indianapolis Local Public Improvement Bond Bank issued \$5,000 Limited Obligation Notes, Series 2006 C to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2007 C whose issuance is being undertaken to finance certain infrastructure improvements in serving, or benefiting the Near Eastside Redevelopment Area and to provide funds for issuance costs. The Bond Bank Notes are to be repaid from the proceeds of a long-term bond to be issued before December 22, 2011. The outstanding balance at December 31, 2007 is \$5,000.
7. On November 10, 2006, the City signed an agreement with The Indianapolis Local Public Improvement Bond Bank for an amount not to exceed \$7,800. The proceeds from the notes are to be used to purchase vehicles and equipment for the City. The term for this agreement is 60 months, with the first principal payment due November 10, 2007. At December 31, 2007, the balance owed was \$5,526.
8. On November 16, 2007 the City signed an agreement with the Indianapolis Local Public Improvement Bond Bank for amounts not to exceed \$920 and \$1,440 for the purchase of vehicles and equipment for the City. At December 31, 2007, the balance was \$0.
9. The City entered into an Interlocal Agreement with the Indianapolis Airport Authority (“IAA”) related to the construction of the Parallel Bridgeport Interceptor sewer. The agreement provides that upon acceptance the City assumes ownership and that the City reimburse IAA for costs that exceed \$1,640 over a four-year period ending December 31, 2008. The City paid \$829 in 2007 and the estimated remaining City obligation at December 31, 2007 was \$1,783.
10. On September 25, 2007, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment Note, Series 2007 E in the amount of \$5,000. The proceeds from the note are to be used for demolition of structures, excavation, and proper disposal of contaminated soils left when Ertel Manufacturing Company went out of business in 2003. Interest and principal are payable at maturity on September 25, 2009. The note bears interest on the 30-Day LIBOR plus 2.14%, multiplied by 65% and set on the 25<sup>th</sup> day of each month beginning September 25, 2007. At December 31, 2007, the City had drawn down \$4,056 on the Series 2007 E.
11. In connection with the purchase of the Waterworks in 2002, the City assumed several notes payable. These notes are generally for the purchase of real estate and water rights and mature over terms ranging from 2 to 7 years. At December 31, 2007, a total of \$651 was outstanding for these notes.
12. Additionally, as a result of the first amendment to the management agreement with Veolia signed in 2007 Waterworks agreed to repay some unanticipated expenses related to capital asset purchases of Waterworks during the first five years, which were previously recorded as contributed capital by Waterworks. In 2007, a note payable was executed for \$5,000 of which \$1,883 was paid in the current year. As the associated capital assets were previously capitalized, the current year transaction for \$5,000 has been recorded in other services and charges expense on the statement of revenues, expenses, and changes in fund net assets of Waterworks. At December 31, 2007, the outstanding balance on this note is \$3,117.

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The following is a schedule of future minimum lease payments and the net present value of these minimum lease payments for both governmental and business-type activities as of December 31, 2007.

	<u>Governmental activities</u>	<u>Business-type activities</u>
		<u>Housing Agency</u>
2008	\$ 158	\$ 282
2009	—	220
2010	—	195
2011	—	195
2012	—	195
2013 – 2016	—	389
	<u>158</u>	<u>1,476</u>
Less amount representing interest	<u>7</u>	<u>228</u>
Present value of net minimum lease payments	<u>\$ 151</u>	<u>\$ 1,248</u>

- H. Unfunded Pension Obligations:** As discussed in Note 17, the Police and Firefighters (City) Pension Plans are funded on a “pay-as-you-go” basis.
- I. Postemployment Benefit Obligation:** As discussed in Note 13, the City provides post-retirement healthcare benefits for Police and Firefighters. Civilian employees may continue healthcare coverage but are required to contribute 100% of their annual premium.
- J. Compensated Absences Payable:** A long-term liability for benefit and sick leave earned but not paid of \$28,622 at December 31, 2007 is recorded in the government-wide statements. Compensated absences are generally liquidated by the General Fund.
- K. Settlements Payable:** A settlement payable results from a 1991 consent decree, which indicated that the U.S. Environmental Protection Agency (“EPA”) placed the Northside Sanitary Landfill on the National Priorities List. This landfill is located in Union Township, Boone County, approximately 5 miles north of Zionsville, Indiana. In the late 1980s, the EPA conducted studies at the landfill due to the release or potential release of harmful hazardous substances and determined that remedial actions at the facility were necessary. This landfill is not owned by the City; however, the City was named as a Settling Defendant (among many) in the Consent Decree. While not admitting responsibility, the Settling Defendants have agreed to settle the claims in the lawsuit and participate in the cleanup of the facility. This amount of \$906 is payable over the next 10 years.
- L. 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, 2007, the City-County Council had approved 87 series of Economic Development Revenue Bonds for a total not to exceed \$980,983. In 2007, of the not-to-exceed amount of \$92,668 that was approved by the City-County Council, bonds in the amount of \$50,050 were issued. The aggregate principal amount outstanding on bonds issued prior to 2004 could not be determined. The aggregate principal amount outstanding of bonds issued since 2004 was \$164,460.

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

The Housing Agency, with consultation with HUD, concluded that the obligations do not constitute a debt of the Housing Agency and therefore are not recorded in the financial statements. The total bonds outstanding at December 31, 2007 were \$2,402 and are considered a contingent obligation in that the Housing Agency could be liable should HUD fail or refuse to service the debt.

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**11. Short-term Debt Analysis**

Tax Anticipation Warrants were issued on the taxes levied in 2006 and collected in 2007. The City-County Council authorizes the temporary borrowing pending the receipt of taxes levied and repayment of loans on June 30 and December 31 of the year borrowed. This procedure assures the City of sufficient funds for operating expenses between the property tax distribution dates. Because of the problems encountered with assessed valuations, final 2007 tax bills were not issued until June 10, 2008. Therefore, there are outstanding balances as of December 31, 2007.

The City issued \$36,000 of County Option Income Tax ("COIT") Anticipation Notes in the amount of \$11,000 on September 4, 2007 which mature on October 2, 2008 and \$25,000 on December 20, 2007 which mature on January 12, 2009. The notes will be repaid from COIT proceeds received in 2008.

On December 28, 2007, \$33,456 of Metropolitan Emergency Communication Agency ("MECA") Bond Anticipation Notes were issued for the purchase of an upgrade of the emergency communications system for Indianapolis Metropolitan Area. The notes have a maturity date of December 31, 2008. It is the intent of the City to issue long-term debt payable from fees, taxes and other revenue in order to pay the notes however, no financing plan was in place at December 31, 2007.

	<b>Balance January 1, 2007</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance December 31, 2007</b>
<b>Tax anticipation warrants</b>				
Consolidated County General	\$ —	\$ 12,496	\$ 8,386	\$ 4,110
Parks General	—	5,831	2,371	3,460
Redevelopment General	—	90	—	90
Solid Waste Collection General	—	5,178	—	5,178
Fire General	—	39,860	28,950	10,910
Metropolitan Police General	—	34,655	24,840	9,815
Metropolitan Thoroughfare District Debt Service	—	2,522	1,532	990
Park District Debt Service	—	1,411	801	610
Redevelopment District Debt Service	—	4,595	2,994	1,601
MECA Debt Service	—	1,333	161	1,172
Revenue Debt Service	—	13,561	4,023	9,538
City Cumulative Capital Development Capital Projects	—	3,051	—	3,051
	<u>\$ —</u>	<u>\$ 124,583</u>	<u>\$ 74,058</u>	<u>\$ 50,525</u>
<b>COIT notes</b>				
Consolidated County General	\$ —	\$ 9,678	\$ —	\$ 9,678
Metropolitan Police General	—	16,408	—	16,408
Fire General	—	9,914	—	9,914
	<u>\$ —</u>	<u>\$ 36,000</u>	<u>\$ —</u>	<u>\$ 36,000</u>
<b>MECA notes</b>				
MECA Capital Projects	\$ —	\$ 33,456	\$ —	\$ 33,456
	<u>\$ —</u>	<u>\$ 33,456</u>	<u>\$ —</u>	<u>\$ 33,456</u>

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**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:

	<u>Reserved for encumbrances</u>	<u>Reserved for pension obligations</u>	<u>Unreserved</u>	<u>Total</u>
Consolidated County	\$ 5,149	\$ —	\$ 17,883	\$ 23,032
Redevelopment	832	—	10,302	11,134
Solid Waste Collection	980	—	(3,707)	(2,727)
Solid Waste Disposal	551	—	23,612	24,163
Sanitation	4,476	—	56,783	61,259
Transportation	6,533	—	9,039	15,572
Police	—	—	3	3
Fire	202	—	(22,159)	(21,957)
Pension Stabilization	—	13,026	—	13,026
Park	302	—	(3,823)	(3,521)
Metropolitan Police	684	—	(26,520)	(25,836)
Stormwater	4,677	—	17,769	22,446
Total	<u>\$ 24,386</u>	<u>\$ 13,026</u>	<u>\$ 79,182</u>	<u>\$ 116,594</u>

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**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. For the year ended December 31, 2007, the City has implemented 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, the first period commencing with the fiscal year ending December 31, 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 through the City's group health insurance plans, which covers 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 equals at least 85 and the member is at least 55 years of age.

**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 2007, the City contributed \$911 to the plan. Plan members receiving benefits contribute 40% of their premium costs. In fiscal year 2007, total member contributions were \$504, or 0.22% 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 health care 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.

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**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. 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, 2007.

Annual required contribution	\$	14,121
Interest on net OPEB obligation		—
Adjusted to annual required contribution		—
Annual OPEB cost (expense)		<u>14,121</u>
Contributions made		<u>911</u>
Increase in net OPEB obligation		13,210
Net OPEB obligation --beginning of year		—
Net OPEB obligation --end of year	\$	<u><u>13,210</u></u>

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

Fiscal year ended	Annual OPEB cost	Employer contributions	Percentage of OPEB cost contributed	Net OPEB obligation
2007	\$ 14,121	\$ 911	6.45%	\$ 13,210

**D. Funded Status and Funding Progress**

The funded status of the plan as of December 31, 2007 was as follows:

Actuarial accrued liability	\$	137,738
Actuarial value of plan assets		—
Unfunded actuarial accrued liability	\$	<u><u>137,738</u></u>
Funded ratio		0%
Covered payroll	\$	229,247
Unfunded actuarial accrued liability as a percentage of covered payroll		60.08%

The projection of future benefit payments for an ongoing plan involved 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

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required supplementary information following the notes to the financial statements, present 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. Due to this being the first year of implementation, for fiscal year ended December 31, 2007, no prior year information is available.

**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, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed
Remaining Amortization Period	29 years
Actuarial Assumptions:	
Discount Rate	4.00% effective annual rate
Projected Salary Increases	3.00%
Healthcare Inflation Rate	10% decreasing by 0.5% for the first 6 years then by 0.25% for the next eight years reaching an ultimate rate of 5.0%

**14. Joint Venture**

The Indianapolis-Marion County Building Authority (“Building Authority”) is a joint venture of Marion County and the City of Indianapolis. See Note 10.G 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 2007, the City paid approximately \$7,847 in rent. The amount of the Building Authority’s principal’s current portion and long-term debt portion at June 30, 2007 was \$5,826 and \$23,483, respectively. The amount of accumulated net revenues retained in operation accounts at June 30, 2007 was \$63,607, and the amount of accumulated net revenues retained and used for building, site, and project costs and related debt service was \$51,444.

A copy of the separately issued financial statements of the Building Authority for the year ended June 30, 2007, which is prepared on a basis other than accounting principles generally accepted in the United States of America, is available upon request.

**15. Contingent Liabilities and Commitments**

A. Various lawsuits are pending against the City. In the opinion of the City’s Corporation Counsel, the aggregate potential loss on all outstanding litigation was estimated to be \$2,432. This amount has been accrued for in the Internal Service Fund. This opinion concurs with the Indiana law limiting the liability of municipalities to \$500 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 \$179, as the loss is not both probable and estimable.

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- 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.** The City has a service agreement with the owner of a resource recovery facility and has guaranteed a certain amount of “acceptable waste” to be delivered each year to the facility. Revenues for the facility are generated by (1) charging tipping fees for accepting, processing, and/or disposing of the guaranteed tonnage, (2) recovering energy and other resources there from and (3) payment by the City of the service fee under the Service Agreement. The service fee is equal to (1) the debt service plus (2) the facility’s operation and maintenance charge plus (3) certain pass-through costs, less (4) a recovered resources credit (initially from sale of steam to the local electric company). Additional “acceptable waste” above the guaranteed tonnage is processed for a fee as defined in the service agreement. The City imposes a user fee to offset the cost of solid waste disposal. Included in the General Fund is \$17,565 of accounts receivable, which represents excess moneys from the surplus account that is utilized to account for differences in the guaranteed fee amounts.
- D.** The City has entered into operating agreements on a number of City-owned golf courses, which provide for termination payments to be made to the operator if the City cancels the agreements prematurely. These payments are primarily to cover the costs for improvements made to the courses by the operators. The termination payment declines over the term of the agreements. There are termination agreements on five courses: Coffin, Eagle Creek, Riverside Academy, Smock, and Winding River. While the City has no intention to do so, if the agreements were terminated at December 31, 2007, the total termination payments due would be \$5,491.
- E.** In 2007, the City was in the last year of a long-term agreement with a contractor to provide the operation and maintenance of the Belmont and Southport advanced wastewater treatment facilities and a separate agreement with the same company for the operation and maintenance of the sewer and stormwater collection systems. The contractor provided all personnel, supplies, and other items necessary to operate the advanced wastewater treatment facilities. In addition, the contractor is responsible for the routine, preventative and corrective maintenance of the facilities, including the Eagle Creek Dam. The agreement specified an annual base fee to be paid to the contractor. In 2007, the base fee paid to the contractor was \$29,175.
- The City has a new agreement with a contractor to provide the operation and maintenance of the Belmont and Southport advanced wastewater treatment facilities, the sewer and stormwater collection systems and Eagle Creek Dam. The new agreement has a Commencement Date of January 1, 2008. The contractor provides all personnel, supplies, materials and other items necessary to operate the advanced wastewater treatment facilities and the collection systems. In addition, the contractor is responsible for the routine, preventative, and corrective maintenance of the facilities. The City retains responsibility for energy costs and certain chemical costs. The agreement specifies an annual base service fee to be paid to the contractor and identifies incentive payments of up to 25% of the base service fee that may be earned annually based on performance. In 2008, the base service fee is \$28,310 and the potential incentive payments are \$7,077. Reconciliation of incentive payments will be completed in the first quarter of 2009. In addition, the City will provide at least \$2,000 to the contractor to perform certain minor capital improvements.
- F.** The City entered into an agreement on March 21, 2002 with U.S. Filter Operating Services, Inc. (now Veolia) to operate and maintain the water utility. The 20-year contract provides the City to pay an annual fixed fee and additional incentive payments. In 2007, the total amount paid to Veolia under the management agreement was \$49,974, which \$9,236 was for incentive payments. The annual fixed fee is adjusted annually effective each January 1 by an amount equal to the product of the fixed fee for the previous year times the lesser of (i) 2.5% or (ii) 88.6% of the annual increase in the Consumer Price Index (“CPI”). Beginning in 2007, and subsequently thereafter until 2012, the fixed fee will be adjusted by the “New Composite Price Index” (“NCPI”), which is defined as:  $[.51 * \text{Labor Index}] + (.10 * \text{Utilities Index}) + (.06 * \text{Chemical Index}) + (.33 * \text{CPI}) ]$ . The adjustment effective January 1, 2008 was 5.86%.
- G.** The City entered into a Consent Decree with the U.S. Department of Justice and the Indiana Department of Environmental Management, requiring implementation of a 20-year raw sewage combined sewer overflow Long Term Control Plan and steps to address certain sanitary sewer overflows. The requirements in the Consent Decree are anticipated to cost about \$1.8 billion in total (current dollars) by 2025. The Consent Decree also contains stipulated penalties for certain violations, including certain sanitary sewer overflows, which will occur prior to ultimate infrastructure replacements or corrections. The City entered into an agreement with a contractor to assist in the overall management of the initial phase of the proposed program. The total amount of the contract for a 3-year period is \$28,990. The total amount spent in 2007 for the contract was \$7,975.
- 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, 2007, regulatory assets amounting to \$1,375 have been recorded by the City. 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 the City.
- I.** The Waterworks is subject to pollution control and water quality control regulations, including those issued by the EPA, the Indiana Department of Environmental Management (“IDEM”), the Indiana Water Pollution Control Board, and the Indiana Department of Natural Resources. From time to time, the Waterworks is involved in environmental matters and claims incidental to its business, and management of the City believes that the outcome of these matters will not have a material adverse effect, either individually or in the aggregate.

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

	<b>Governmental activities</b>		<b>Business-type activities</b>	
			<b>Waterworks</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 3,939	\$ 1,211	\$ 1,884	\$ —
2009	10,437	1,420	1,884	—
2010	6,852	753	—	—
2011	5,311	511	—	—
2012	300	171	—	—
2013-2017	1,500	580	—	—
2018-2021	900	118	—	—
	\$ 29,239	\$ 4,764	\$ 3,768	\$ —

**G. 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 2007) plus the City’s share of building operating and maintenance costs (\$1,615 in 2007).

In addition, the City leases a central maintenance garage from the Building Authority over a 27-year term (with the option to renew for a like or lesser term) expiring in December 2008. The lease requires that the City make annual payments of \$500 and pay additional rent in an amount sufficient to cover costs of operation and maintenance of the garage. The City will obtain title to the garage at the end of the lease (or renewal) term. Accordingly, the lease is classified as a capital lease with a capitalized cost, net of depreciation, of \$5,547 at December 31, 2007.

The City also leases certain equipment under capital leases expiring through 2008 with a capitalized cost, net of depreciation, at December 31, 2007 of \$63.

Housing Agency

In 2002, the Housing Agency entered into an agreement with Energy Systems Group (“ESG”) for capital improvements to Housing Agency-owned properties to enhance energy efficiency (“Energy Savings Project”) and to modernize certain of the Housing Agency’s properties (“Modernization Project”). The agreement calls for both projects to be financed through two separate lease purchase agreements with payments made semi-annually over a 12-year period. As of December 31, 2007, the lease purchase agreement on the Energy Savings Project had a total liability balance of \$1,138. As of December 31, 2007, the Housing Agency had executed the lease purchase agreement for the Modernization Project with a total liability balance of \$0. At December 31, 2007, the capitalized cost, net of related depreciation, of these two projects was \$3,851.

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**16. Related Party Transactions**

The legislative body of the City is the same in several respects as that of Marion County, and the position of the County Executive is the same as the Mayor of Indianapolis. The County provides certain information and telephone services to the City. During the year, the City incurred approximately \$12,633 in costs of which approximately \$1,160 is due to the County at December 31, 2007 for these services. In 2007, the County paid \$2,086 of E-911 dispatch fees to the City. At December 31, 2007, the County owed the City \$313 for fuel charges and \$402 for court costs. In addition, the City and County both act in capacities of pass-through, and subrecipient agents for federal and state grants. The City loaned Marion County \$9.6 million in 2007 in anticipation of County Option Income Tax proceeds. The loan will be repaid by December 31, 2008.

The City and County purchase certain insurance policies, which cover risks of both entities. The City and County pay premiums associated with their own respective portions of the coverage. The City provides certain administrative services to the County including purchasing, legal, and other general administration. The City funds such services through a county-wide tax levy. The County does not compensate the City for these services. Conversely, Marion County provides, at no compensation, criminal, civil, juvenile, and probate court services to all municipalities and unincorporated areas in Marion County and administers the property tax administration and collection system for the same jurisdictions and the Marion County jail and lockup.

**17. Pension Plans**

City employees are covered under one of the following defined benefit Public Employees' Retirement Systems (PERS):

**A. Plan Descriptions**

**1. Police and Firefighters (PERF) Plan**

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

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

Covered employees are required to contribute 6 percent of their compensation. The amount of the employer's contribution is determined by PERF based on a valuation using the entry age normal cost method. The rate of employer contribution is 21 percent of each employee's annual compensation. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005 were \$22,513, \$18,335, and \$17,442, 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 2007. As these salaries increase year by year, benefits are directly adjusted. After participant contributions and state pension relief amounts are projected, property taxes and county option income taxes are levied to provide funding for the anticipated benefit payments for the year budgeted, resulting in benefit payments funded on a "pay-as-you-go" basis. No significant plan assets are accumulated for the payment of future benefits, except as discussed below. During the 2008 State of Indiana Legislative Session, the State agreed to pay, the entire annual cost of future pension payments to the police officers and firefighters who are members of the pre-77 plan beginning in 2009 (see Note 22 for subsequent events).

Indiana's deferred retirement option plan (DROP) was enacted into law in 2002. This law provides that beginning on January 1, 2003, an eligible employee may enter the DROP. The DROP option is available to members of the employees of the police and firefighters (City) plans who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment. Those electing this provision continue to make contributions to the plan and must elect a DROP retirement date not less than twelve (12) months and not more than thirty-six (36) months after the member's DROP entry date. Furthermore, the member may not remain in the DROP after the date the member

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reaches any mandatory retirement age that may apply and may make a DROP election only once in the member's lifetime. Upon retirement, a member will receive a DROP frozen benefit to be paid in a lump-sum distribution or in three (3) equal installments commencing on the member's DROP retirement date.

**3. All Other City Employees Plans**

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

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

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

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

Effective January 1, 2007, the sheriff deputies from the Marion County 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. Funding Status and Progress**

The following schedules are derived from the respective actuarial reports and City information for the four pension plans as of December 31, 2007 and, with regard to contributions for 2007, based on the January 1, 2007 actuarial report.

Census data for the four plans are as follows:

	<b>Police and firefighters (City) (3)</b>	<b>Police and firefighters (PERF)</b>	<b>All other City employees</b>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits (2)	<u>1,969</u>	<u>480</u>	<u>242 (1)</u>
Current employees:			
Vested (2)	204	462	910
Nonvested (2)	—	1,174	843
Total	<u>204</u>	<u>1,636</u>	<u>1,753</u>

(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.

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

<u>Assumptions</u>	<u>Police and firefighters (City)</u>	<u>Police and firefighters (PERF)</u>	<u>All other City employees</u>
Rate of return on present and future assets	6.00%	7.25%	7.25%
Inflation rate	4.0%	2.8%	1.0%
Salary increase as a result of inflation (compounded annually)	4.0%	4.0%	*
Salary increase as a result of seniority and/or merit adjustments (compounded annually)	0.0%	0.0%	*
Annual postretirement benefit increases following retirement for 5 years	4% for nonconverted and 2.75% for converted	3.0%	1.0%
Asset valuation method	N/A	smoothed basis	75% of expected actuarial value plus 25% of market value
Amortization method	level dollar	level dollar	level dollar
Amortization period	closed – 30 years	closed – 30 years	open – 30 years

\* Based on PERF experience 1995 – 2000.

**CITY OF INDIANAPOLIS**  
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The calculation of the annual pension cost and net pension obligation is as follows:

	<u>Police (City)</u>	<u>Firefighters (City)</u>	<u>Total</u>
Actuarial valuation date	January 1, 2007	January 1, 2007	
Annual required contribution	\$ 31,939	\$ 25,457	\$ 57,396
Interest on net pension obligation	12,330	10,800	23,130
Adjustment to annual required contribution	<u>(15,329)</u>	<u>(13,427)</u>	<u>(28,756)</u>
Annual pension cost	28,940	22,830	51,770
Contributions made	<u>25,446</u>	<u>24,862</u>	<u>50,308</u>
Increase (decrease) in net pension obligation	3,494	(2,032)	1,462
Cumulative pension obligation-beginning of year	<u>205,504</u>	<u>180,002</u>	<u>385,506</u>
Net pension obligation-end of year	<u>\$ 208,998</u>	<u>\$ 177,970</u>	<u>\$ 386,968</u>

	<u>All other City employees</u>
Actuarial valuation date	June 30, 2007
Annual required contribution	\$ 2,774
Interest on net pension obligation	(37)
Adjustment to annual required contribution	<u>42</u>
Annual pension cost	2,779
Contributions made	<u>(2,270)</u>
Decrease in net pension asset	509
Cumulative pension asset-beginning of year	<u>(504)</u>
Net pension obligation-end of year	<u>\$ 5</u>

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**C. Contribution Requirements and Contributions Made**

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

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

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

The present value of expected future funding to be received from the State of Indiana for pension relief contributions on the City plan for police and firefighters totaled \$297,194 as of January 1, 2007. In 2007, the State of Indiana contributed \$47,465 of pension relief to the Police and Firefighters (City) Plans.

For the year ended December 31, 2007, the City's total payroll for all employees consists of the following:

Police and Firefighters (City) Plans	\$	13,069
Police and Firefighters (PERF) Plans		119,499
All Other City Civilian Employees Plan		74,450
Former Marion County Sheriff Deputies Plan		23,155
Noncovered employees		3,062
Total payroll	\$	233,235

**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, 2007 annual report.

The historical trend information for the Police and Firefighters (City) Plans and the All Other City Employees Plan is presented immediately after the notes to the basic financial statements and the budgetary schedules.

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Selected trend information for the years ended December 31, 2007, 2006, and 2005 is as follows:

<u>Fiscal year ending</u>	<u>Annual pension cost</u>	<u>Percentage of APC contributed</u>	<u>Cumulative net pension obligation (asset)</u>
Police (City) Plan:			
2007	\$ 28,940	87.9 %	\$ 208,998
2006	28,767	83.6	205,504
2005	29,120	82.5	200,790
Firefighters (City) Plan:			
2007	22,830	108.9	177,970
2006	24,394	95.2	180,002
2005	25,699	80.7	178,825
All Other City Employees Plan:			
2007	2,779	81.7	5
2006	3,003	66.0	(504)
2005	2,249	75.7	(1,524)

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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, 2007  
(In Thousands)

	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash	\$ 7,103	\$ 7,716	\$ 14,819
Investments	895	969	1,864
Accrued interest receivable	13	4	17
Accounts receivable	23	7	30
Total assets	8,034	8,696	16,730
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	7,020	1,341	8,361
Total liabilities	7,020	1,341	8,361
<b>NET ASSETS</b>			
Held in trust for pension benefits	\$ 1,014	\$ 7,355	\$ 8,369

**CITY OF INDIANAPOLIS**  
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**CITY OF INDIANAPOLIS**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Police and Firefighter Pension Trust Funds**  
Year ended December 31, 2007  
(In Thousands)

	<b>Pension Trust Funds</b>		
	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Total</b>
<b>ADDITIONS</b>			
State of Indiana pension subsidy received from the General Fund	\$ 23,685	\$ 23,780	\$ 47,465
Interest income and other	421	40	461
	<u>24,106</u>	<u>23,820</u>	<u>47,926</u>
Contributions:			
Employer	6,105	8,650	14,755
Plan members	61	67	128
	<u>6,166</u>	<u>8,717</u>	<u>14,883</u>
Total additions	<u>30,272</u>	<u>32,537</u>	<u>62,809</u>
<b>DEDUCTIONS</b>			
Benefits	32,947	29,472	62,419
Total deductions	<u>32,947</u>	<u>29,472</u>	<u>62,419</u>
Change in plan net assets	(2,675)	3,065	390
Net assets – beginning	3,689	4,290	7,979
Net assets – ending	<u>\$ 1,014</u>	<u>\$ 7,355</u>	<u>\$ 8,369</u>

**18. Postretirement Benefits**

In connection with the City's purchase of the Waterworks, the City acquired an obligation for paying for postretirement healthcare and life insurance benefits ("Retiree Benefits") for certain employees and former employees of IWCR, now Veolia. As of January 1, 2007, there were 355 (not in thousands) participants currently receiving Retiree Benefits.

Prior to the purchase of the Waterworks by the City, IURC approved a rate increase so that assets could be accumulated over time to pay for the current and future costs of the Retiree Benefits. As a condition of including Retiree Benefit costs in rates on an accrual basis, the IURC required IWCR to establish a grantor trust ("Trust"). Money received from rates to pay for Retiree Benefits must be deposited into the Trust. The Trust must be disbursed to pay for the Retiree Benefits, and certain administrative expenses. The Trust is subject to the creditor's of the City. In the event that the Trust assets are no longer needed to pay for Retiree Benefits, the assets must be paid to ratepayers. At December 31, 2007, \$9,083 is held in the Trust and included in restricted assets in the accompanying statement of net assets of the Waterworks.

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The information that follows on the postretirement benefit plan was obtained from the actuarial valuation of the plan for the year ended December 31, 2007.

The following table sets forth the change in the plan's accumulated postretirement benefit obligation ("APBO") as of December 31, 2007:

Accumulated postretirement benefit obligation at beginning of year	\$ 46,129
Service cost	1,033
Interest cost	3,289
Benefits paid	(1,983)
Adjustment	12,192
Actuarial loss	<u>(5,432)</u>
Accumulated postretirement benefit obligation at end of year	<u><u>\$ 55,228</u></u>

As a result of the First Amendment to the Management Agreement with Veolia, which was signed in 2007, Waterworks has assumed the postretirement liability for benefit payments made after April 30, 2022 for those participants not eligible to retire as of December 31, 2004. The adjustment made to the accumulated postretirement benefit obligation at December 31, 2007 was \$12,192.

The change in the fair value of the plan's assets for the year ended December 31, 2007 is as follows:

Fair value of plan assets at beginning of year	\$ —
City contributions	1,983
Benefits paid	<u>(1,983)</u>
Plan assets at fair value at end of year	<u><u>—</u></u>

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	\$ 55,228
Unrecognized transition obligation	(3,778)
Unrecognized net loss	<u>(14,526)</u>
Amount recognized as deferred charge – postretirement benefits	<u>(18,304)</u>
Net amount recognized	<u><u>\$ 36,924</u></u>

A discount rate of 6.25% and a pre-Medicare medical trend rate of 9.00% declining to a long-term rate of 5.00% in 2015 were used to determine the APBO at December 31, 2007.

Net periodic postretirement benefit costs for the year ended December 31, 2007 include the following components:

Service cost	\$ 1,033
Interest cost	3,289
Amortization of transition obligation	756
Loss	<u>1,080</u>
	<u><u>\$ 6,158</u></u>

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Assumptions used in the determination of 2007 net periodic postretirement benefits costs were as follows:

Discount rate	6.25 %
Rate of increase in compensation levels	4.00
Assumed annual rate of increase in healthcare benefits	9.00
Assumed ultimate trend rate	5.00

The effect of a 1% increase in the assumed healthcare cost trend rates for each future year would increase the accumulated postretirement benefit obligation at December 31, 2007 by approximately \$8,675 and increase the aggregate of the service and interest cost components of plan costs by approximately \$893 for the year ended December 31, 2007. Amounts disclosed above could be changed significantly in the future by changes in healthcare costs, work demographics, interest rates, or plan changes.

**19. Interfund Transactions and Balances**

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. The composition of interfund receivable and payable balances as of December 31, 2007 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Waterworks	\$ 140
		<u>\$ 140</u>

Interfund transfers for the year ended December 31, 2007 consisted of the following:

<u>Transfers out</u>	<u>Transfers in</u>				<u>Total</u>
	<u>General Fund</u>	<u>Revenue Debt Service Fund</u>	<u>Sanitary Capital Projects Fund</u>	<u>Nonmajor governmental funds</u>	
General Fund	\$ —	\$ 25,670	\$ 502	\$ 17,543	\$ 43,715
Revenue Debt Service Fund	979	—	—	4,196	5,175
Nonmajor governmental funds	<u>2,150</u>	<u>642</u>	<u>1,608</u>	<u>6,963</u>	<u>11,363</u>
Total transfers out	<u>\$ 3,129</u>	<u>\$ 26,312</u>	<u>\$ 2,110</u>	<u>\$ 28,702</u>	<u>\$ 60,253</u>

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.

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

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

Balances at December 31, 2007 were as follows:

Bonds and notes payable	\$ 1,344,072
Deferred premiums, net of discounts	10,256
Deferred amount from refunding	(7,566)
Amounts recorded as matured bonds payable at December 31, 2007	(41,756)
Capital leases payable	151
Net pension obligation	386,973
Postemployment benefit obligation	13,210
Compensated absences	28,622
Settlements payable	906
	<u>                    </u>
Combined adjustment	<u><u>\$ 1,734,868</u></u>

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

Debt issued:

General obligation bonds	\$ 72,135
Tax increment bonds	21,110
Revenue bonds	184,037
Notes payable	11,043
Deferred premiums	5,381
	<u>                    </u>
Combined adjustment	<u><u>\$ 293,706</u></u>

Repayments:

Bond principal, including increase in matured bonds payable	\$ 58,017
Bond principal defeased	86,697
Loss on bond refunding	4,627
Notes payable	29,432
	<u>                    </u>
Combined adjustment	<u><u>\$ 178,773</u></u>

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**21. Deficit Fund Balances and Net Assets**

Negative fund balances by fund are as follows:

<b>Deficit Fund Balances</b>	<b>December 31, 2007</b>
<b>Debt Service Funds</b>	
MECA Debt Service	\$ (93)
Metropolitan Thoroughfare District	(809)
Park District	(452)
	\$ (1,354)
<b>Capital Project Funds</b>	
MECA Capital Project	\$ (15,135)
	\$ (15,135)
<b>Internal Service Funds</b>	
Workers' Compensation Self Insurance	\$ (975)
	\$ (975)

The deficit fund balance for the debt service funds are a result of property tax receivable being 100% deferred due to receiving the revenue after 60 days subsequent to year end. The deficit fund balance for the capital project fund is due to bond anticipation notes outstanding at year-end. The workers compensation self insurance fund negative fund balance will be covered by future charges to City Departments.

**22. Subsequent Events**

**A. Bond Issuances**

On April 29, 2008, the City issued \$59,450 Series 2008 A bonds to fund the construction of certain public improvements to support the new J.W. Marriott hotel in downtown Indianapolis and to fund interest through August 1, 2008 and closing costs. The bonds are repayable in principal amounts ranging from \$575 to \$15,965 with final maturity on February 1, 2038.

**B. Police and Firefighters (City) Pension Plan**

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

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**C. Auction Rate Bonds**

The interest rate on Waterworks Series 2004 A bonds is an action-rate mode, with a reset occurring every 35 days. The 2004 A Bonds are subject to trends in the auction-rate market. Beginning with the March 3, 2008 reset, the market failed to establish a market-driven interest for the bonds, leading the interest rate to be reset at the maximum rate cap allowed under the auction procedures as defined in the bond indenture. The maximum rate has been determined as a function of LIBOR and the credit ratings assigned to the Series 2004 A Bonds based on MBIA, the bond insurer. During 2008, MBIA's ratings have declined to A2/AA/NR from Aaa/AAA/AAA, reflecting the rating agencies' monoline bond insurance industry-wide credit concerns. Because of the A2 rating on MBIA, the July 21, 2008, reset interest rate for the Series 2004 A Bonds was 250% of LIBOR; LIBOR was 2.46%, bringing the bonds' reset to 6.153%. Previous 2008 resets are as follows: January 28, 3.25%; March 3, 5.41%; April 7, 4.767%; May 12, 4.426%; and June 16, 4.962%. The City is in the process of adjusting the reset mode on the Series 2004 A auction-rate bonds.

The City also has exposure to the variable-interest rate bond market, with mandatory bond tenders and market-driven rate resets every seven days. In the event that tendered bonds fail to be remarketed, a liquidity provider purchases the bonds pursuant to a standby bond purchase agreement. Due to the credit concerns and the rating downgrades of the bond insurer MBIA, which insures the City's variable-rate bonds, the interest rates continue to be reset at higher than anticipated interest rates, and in some cases the bonds are now held by the liquidity provider. Specifically, this has occurred with the Waterworks Series 2002 F, series 2005 G, and series 2005 H bonds. The City is in the process of adjusting the reset modes on the 2002 F, 2005 G, and 2005 H bonds.

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, 2007  
*(In Thousands)*

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<b>Variance with final budget – positive (negative)</b>
<b>Revenues:</b>				
Taxes	\$ 261,128	\$ 261,129	\$ 223,708	\$ (37,421)
Licenses and permits	11,545	11,544	14,350	2,806
Charges for services	138,800	138,685	141,417	2,732
Intergovernmental revenues	48,564	51,185	53,657	2,472
Traffic violations and court fees	2,631	2,631	1,976	(655)
Intragovernmental revenues	2,812	3,012	2,214	(798)
Interest and other operating revenues	3,672	19,418	27,330	7,912
Total revenues	<u>469,152</u>	<u>487,604</u>	<u>464,652</u>	<u>(22,952)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	20,161	20,439	20,126	313
Public safety	236,682	249,274	246,314	2,960
Public works	124,190	127,828	126,405	1,423
Health and welfare	4,351	4,230	3,752	478
Cultural and recreation	27,776	28,091	27,874	217
Urban redevelopment and housing	6,021	7,986	6,238	1,748
Economic development and assistance	1,410	2,145	2,170	(25)
Capital outlays	18,777	37,529	34,689	2,840
Total expenditures	<u>439,368</u>	<u>477,522</u>	<u>467,568</u>	<u>9,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,784</u>	<u>10,082</u>	<u>(2,916)</u>	<u>(12,998)</u>
<b>Other financing sources and (uses):</b>				
Sale and lease of property	1,058	247	562	315
Transfers in (out)	(39,509)	(39,509)	(40,607)	(1,098)
Total other financing sources and (uses)	<u>(38,451)</u>	<u>(39,262)</u>	<u>(40,045)</u>	<u>(783)</u>
Revenues over (under) expenditures and other financing sources and (uses)	(8,667)	(29,180)	(42,961)	(13,781)
Unreserved fund balance at beginning of year	80,424	74,867	96,435	21,568
Cancellation of purchase orders and other	46,125	56,021	53,879	(2,142)
Unreserved fund balance at end of year	<u>\$ 117,882</u>	<u>\$ 101,708</u>	<u>\$ 107,353</u>	<u>\$ 5,645</u>

See notes to required supplementary information.

**CITY OF INDIANAPOLIS**  
**Federal Grants Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis (Required Supplementary Information)**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<b>Variance with final budget – positive (negative)</b>
Revenues:				
Intergovernmental revenues	\$ 24,588	\$ 27,539	\$ 13,810	\$ (13,729)
Traffic violations and court fees	552	552	191	(361)
Interest and other operating revenues	—	—	124	124
Other revenues	—	224	—	—
Total revenues	<u>25,140</u>	<u>28,315</u>	<u>14,125</u>	<u>(13,966)</u>
Expenditures:				
Current:				
Public safety	1,671	1,870	1,140	730
Health and welfare	1,416	1,636	1,565	71
Cultural and recreation	665	665	594	71
Urban redevelopment and housing	21,413	23,323	21,598	1,725
Economic development and assistance	130	142	169	(27)
Capital outlays	—	874	424	450
Total expenditures	<u>25,295</u>	<u>28,510</u>	<u>25,490</u>	<u>3,020</u>
Excess (deficiency) of revenues over (under) expenditures	(155)	(195)	(11,365)	(11,170)
Other financing sources and (uses):				
Sales and lease of property	—	—	—	—
Transfers in (out)	—	—	—	—
Total other financing sources and (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Revenues over (under) expenditures and other financing sources and (uses)	(155)	(195)	(11,365)	(11,170)
Unreserved fund balance at beginning of year	1,111	—	—	—
Cancellation of purchase orders and other	(956)	195	11,365	11,170
Unreserved fund balance at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See notes to required supplementary information.

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

<u>Asset valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL) entry age</u>	<u>Unfunded (overfunded) AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
Police (City) Plan						
1/1/2007	\$ —	\$ 418,288	\$ 418,288	— %	\$ 6,502	6,433 %
1/1/2006	—	416,473	416,473	—	6,918	6,020
1/1/2005	—	410,996	410,996	—	7,891	5,208
1/1/2004	—	422,051	422,051	—	8,540	4,942
1/1/2003	—	411,376	411,376	—	11,348	3,625
1/1/2002	—	438,968	438,968	—	10,893	4,030
Firefighters (City) Plan						
1/1/2007	—	333,998	333,998	—	4,644	7,192
1/1/2006	—	352,202	352,202	—	6,115	5,760
1/1/2005	—	365,792	365,792	—	9,019	4,056
1/1/2004	—	375,302	375,302	—	9,650	3,889
1/1/2003	—	351,702	351,702	—	11,442	3,074
1/1/2002	—	378,485	378,485	—	11,121	3,403
All Other City Employees (PERF) Plan*						
7/1/2007	120,125	102,008	(18,117)	118	68,937	26
7/1/2006	109,666	94,284	(15,382)	116	69,242	22
7/1/2005	97,743	91,533	(6,210)	107	70,572	9

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

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

	<b>Police and Firefighters (PERF)</b>			<b>All Other City Employees (PERF)</b>		
	<b>Annual required contribution</b>	<b>Percentage contributed</b>		<b>Annual required contribution</b>	<b>Percentage contributed</b>	
<b>Plan year ended 6/30</b>						
2007	\$ 22,513	100	%	\$ 2,774	82	%
2006	18,335	100		2,988	66	
2005	17,442	100		2,228	76	
2004	15,980	100		1,183	66	
2003	15,238	100		2,306	30	
2002	14,638	100		477	136	
	<b>Police (City)</b>			<b>Firefighters (City)</b>		
	<b>Annual required contribution</b>	<b>Percentage contributed</b>		<b>Annual required contribution</b>	<b>Percentage contributed</b>	
<b>Plan year ended December 31</b>						
2007	\$ 31,939	80	%	\$ 25,547	98	%
2006	31,494	76		26,823	87	
2005	31,009	77		28,175	74	
2004	50,257	45		45,226	43	
2003	47,138	54		40,661	56	
2002	47,411	46		42,037	46	

See notes to required supplementary information.

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

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

See notes to required supplementary information.

**CITY OF INDIANAPOLIS**  
Notes to Required Supplementary Information  
December 31, 2007  
(In thousands)

**1. Budgets and Budgetary Accounting**

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

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

	<b>General Fund</b>	<b>Federal Grants Special Revenue Fund</b>
	<u>          </u>	<u>          </u>
Original appropriations	\$ 439,368	\$ 25,295
Revisions	38,154	3,215
	<u>          </u>	<u>          </u>
Revised appropriations	<u>\$ 477,522</u>	<u>\$ 28,510</u>

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

- B) The City's procedures in establishing the budget are as follows:
- 1) Prior to July 1, the Department Directors, in conjunction with the Mayor's staff and the City Controller, develop budgets for the subsequent calendar year for the individual divisions within their respective departments.
  - 2) In July, the City Controller prepares the budget ordinances, which are introduced by the Mayor to the City-County Council at the first August Council meeting. In developing these budgets, the City Controller adds the June 30 cash and investment balances to estimated revenues to be received and expenditures to be incurred July 1 through December 31 in arriving at a December 31 "projected budgetary fund balance." The projected budgetary fund balance and estimated revenues for the ensuing year are reduced by that year's budgeted expenditures in developing the amount to be funded from ad valorem property taxes, to the extent of the maximum levy. By using this procedure, any actual results favorable or unfavorable to those estimated for any year are incorporated into the subsequent year's budget.
  - 3) The Council assigns the introduced budgets to the appropriate Council Committees. In August and September, each Council Committee holds public hearings on the budget of the department or division for which it is responsible.

**CITY OF INDIANAPOLIS**  
Notes to Required Supplementary Information  
December 31, 2007  
(In thousands)

- 4) Before Council budget ordinances are approved by the Council, they are advertised by the Controller twice in a local newspaper prior to the last Council meeting in September. The Council may not pass a budget above the level advertised. The Mayor may veto separate items of an approved budget ordinance, but the Council may override a veto by a two-thirds vote.
- 5) The Indiana Department of Local Government Finance makes the final review of the budget. It can revise, reduce, or restore on appeal budgets, levies, and tax rates removed by the City-County Council. Except for Debt Service Funds, the Indiana Department of Local Government Finance may not increase a budget, levy, or tax rate above the level originally advertised. If the budgets seek to exceed the tax limits of the state control laws, an excess levy may be granted if the excess levy meets state law requirements, and is approved by the Indiana Department of Local Government Finance. The Indiana Department of Local Government Finance is required to certify the budgets, levies, and rates by January 15.
- 6) The City's maximum permissible annual ad valorem property tax levy is restricted by Indiana law, with certain adjustments and exceptions, to the prior year's maximum permissible ad valorem property tax levy adjusted by the average growth factor in non-farm income in the State of Indiana.
- C) Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Pension Trust Funds. Encumbrances do not lapse with the expiration of the budget period. Encumbrances to be financed from future revenues other than approved grant revenues are recorded in their entirety as a reservation of fund balance since they do not constitute expenditures.

**2. Budget/GAAP Reporting Differences**

Adjustments necessary to convert the results of 2007 operations from a budgetary basis to a GAAP basis are as follows:

	<u>General Fund</u>	<u>Federal Grants Special Revenue Fund</u>
Revenues over (under) expenditures and other financing sources and (uses) (budgetary basis)	\$ (42,961)	\$ (11,365)
Adjustments:		
Accrued revenues	55,400	6,766
Accrued expenditures	(113,972)	(474)
Nonbudgeted activity (net)	—	1,373
Transfers, net	21	—
Encumbrances	27,155	10,067
Expenditures from prior year encumbrances	<u>(19,310)</u>	<u>(6,072)</u>
Net change in fund balances (GAAP basis)	<u>\$ (93,667)</u>	<u>\$ 295</u>

**CITY OF INDIANAPOLIS**  
Notes to Required Supplementary Information  
December 31, 2007  
(In thousands)

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**3. Copy of Pension Plan's Report**

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

Additional  
Supplementary Information

**CITY OF INDIANAPOLIS**  
**Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type**  
December 31, 2007  
*(In Thousands)*

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Equity in pooled cash	\$ 1,803	\$ 42,883	\$ 53,595	\$ —	\$ 98,281
Cash and investments with fiscal agents	—	3,720	17,358	361	21,439
Investments	227	5,380	6,728	—	12,335
Accrued interest receivable	15	98	197	—	310
Property taxes receivable	—	6,917	4,074	—	10,991
Accounts receivable	104	4,644	1,465	—	6,213
Due from federal and state governments	528	—	—	—	528
	<u>528</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>528</u>
Total assets	<u>\$ 2,677</u>	<u>\$ 63,642</u>	<u>\$ 83,417</u>	<u>\$ 361</u>	<u>\$ 150,097</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Matured bonds payable	\$ —	\$ 25,477	\$ —	\$ —	\$ 25,477
Matured interest payable	—	7,338	—	—	7,338
Accounts payable and other accrued liabilities	408	518	6,668	—	7,594
Accrued payroll and payroll taxes	33	—	—	—	33
Tax anticipation warrants	—	4,373	3,051	—	7,424
Deferred revenue	247	10,495	4,249	—	14,991
Bond and COIT anticipation notes	—	—	33,456	—	33,456
	<u>688</u>	<u>48,201</u>	<u>47,424</u>	<u>—</u>	<u>96,313</u>
Total liabilities	<u>688</u>	<u>48,201</u>	<u>47,424</u>	<u>—</u>	<u>96,313</u>
Fund balances:					
Reserved for encumbrances	407	—	29,553	—	29,960
Reserved for debt service	—	15,441	—	—	15,441
Unreserved	1,582	—	6,440	361	8,383
	<u>1,989</u>	<u>15,441</u>	<u>35,993</u>	<u>361</u>	<u>53,784</u>
Total fund balances	<u>1,989</u>	<u>15,441</u>	<u>35,993</u>	<u>361</u>	<u>53,784</u>
Total liabilities and fund balances	<u>\$ 2,677</u>	<u>\$ 63,642</u>	<u>\$ 83,417</u>	<u>\$ 361</u>	<u>\$ 150,097</u>

**CITY OF INDIANAPOLIS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Nonmajor Governmental Funds by Fund Type**  
Year ended December 31, 2007  
*(In Thousands)*

	<b>Nonmajor Special Revenue</b>	<b>Nonmajor Debt Service</b>	<b>Nonmajor Capital Projects</b>	<b>Nonmajor Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
Revenues:					
Taxes	\$ —	\$ 28,709	\$ 13,132	\$ —	\$ 41,841
Charges for services	2,440	—	—	—	2,440
Intergovernmental revenues	668	—	5,654	—	6,322
Traffic violations and court fees	2,122	—	—	—	2,122
Interest and other operating revenues	316	11,573	3,111	16	15,016
Total revenues	<u>5,546</u>	<u>40,282</u>	<u>21,897</u>	<u>16</u>	<u>67,741</u>
Expenditures:					
Current:					
Public safety	520	—	—	—	520
Public works	2,546	—	—	—	2,546
Health and welfare	19	—	—	—	19
Cultural and recreation	13	—	—	—	13
Economic development and assistance	99	—	10,160	—	10,259
Debt service:					
Redemption of bonds and notes	20	28,570	8,411	—	37,001
Interest on bonds and notes	2	17,405	1,903	—	19,310
Bond and note issuance costs	—	704	1,162	—	1,866
Operating lease payments and administrator	—	17,529	—	—	17,529
Capital outlays	894	—	52,846	—	53,740
Total expenditures	<u>4,113</u>	<u>64,208</u>	<u>74,482</u>	<u>—</u>	<u>142,803</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>1,433</u>	<u>(23,926)</u>	<u>(52,585)</u>	<u>16</u>	<u>(75,062)</u>
Other financing sources and (uses):					
Bonds and notes issued	—	—	25,693	—	25,693
Premium on bonds and notes issued	—	4,975	27	—	5,002
Refunding bonds issued	—	69,065	1,784	—	70,849
Payment to refunded bond escrow agent	—	(69,937)	—	—	(69,937)
Transfers in	—	26,609	2,093	—	28,702
Transfers out	(2,150)	(3,605)	(5,608)	—	(11,363)
Total other financing sources and (uses)	<u>(2,150)</u>	<u>27,107</u>	<u>23,989</u>	<u>—</u>	<u>48,946</u>
Net change in fund balances	(717)	3,181	(28,596)	16	(26,116)
Fund balances at beginning of year	2,706	12,260	64,589	345	79,900
Fund balances at end of year	<u>\$ 1,989</u>	<u>\$ 15,441</u>	<u>\$ 35,993</u>	<u>\$ 361</u>	<u>\$ 53,784</u>

See accompanying independent auditors' report.

## General Fund

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

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

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**CITY OF INDIANAPOLIS**  
**Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund**  
December 31, 2007  
*(In Thousands)*

	General Fund Total	Intrafund Eliminations	Consolidated County	Redevelop- ment	Solid Waste		Sanitation
					Collection	Disposal	
<b>ASSETS</b>							
Equity in pooled cash	\$ 142,735	\$ —	\$ 39,379	\$ 9,920	\$ 4,497	\$ 7,377	\$ 47,628
Cash and investments with fiscal agents	13,804	—	258	—	—	—	—
Investments	17,931	—	4,961	1,245	564	926	5,978
Accrued interest receivable	455	—	83	41	3	18	168
Property taxes receivable	33,770	—	4,112	464	5,174	—	—
Accounts receivable	112,956	—	18,355	135	267	18,735	18,430
Allowance for estimated uncollectibles – accounts receivable	(3,739)	—	—	—	—	(30)	(2,784)
Due from other funds	140	—	—	—	—	—	—
Due from federal and state governments	151	—	50	—	—	—	—
Intrafund receivable	—	(855)	855	—	—	—	—
Total assets	<u>\$ 318,203</u>	<u>\$ (855)</u>	<u>\$ 68,053</u>	<u>\$ 11,805</u>	<u>\$ 10,505</u>	<u>\$ 27,026</u>	<u>\$ 69,420</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Accounts payable and other accrued liabilities	\$ 27,840	\$ —	\$ 5,724	\$ 100	\$ 2,226	\$ 1,724	\$ 6,267
Accrued payroll and payroll taxes	27,549	—	18,903	13	122	—	46
Tax anticipation warrants	33,563	—	4,110	90	5,178	—	—
Intrafund payable	—	(855)	—	—	216	—	—
Deferred revenue	76,657	—	6,606	468	5,490	1,139	1,848
Bond and COIT anticipation notes	36,000	—	9,678	—	—	—	—
Total liabilities	<u>201,609</u>	<u>(855)</u>	<u>45,021</u>	<u>671</u>	<u>13,232</u>	<u>2,863</u>	<u>8,161</u>
Fund balances:							
Reserved for encumbrances	24,386	—	5,149	832	980	551	4,476
Reserved for pension obligations	13,026	—	—	—	—	—	—
Unreserved	79,182	—	17,883	10,302	(3,707)	23,612	56,783
Total fund balance	<u>116,594</u>	<u>—</u>	<u>23,032</u>	<u>11,134</u>	<u>(2,727)</u>	<u>24,163</u>	<u>61,259</u>
Total liabilities and fund balance	<u>\$ 318,203</u>	<u>\$ (855)</u>	<u>\$ 68,053</u>	<u>\$ 11,805</u>	<u>\$ 10,505</u>	<u>\$ 27,026</u>	<u>\$ 69,420</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund**  
December 31, 2007  
*(In Thousands)*

<b>ASSETS</b>	<u>Transportation</u>	<u>Police</u>	<u>Fire</u>	<u>Pension Stabilization</u>	<u>Park</u>	<u>Metropolitan Police</u>	<u>Storm Water Management</u>
Equity in pooled cash	\$ 10,966	\$ 23	\$ —	\$ —	\$ 990	\$ —	\$ 21,955
Cash and investments with fiscal agents	303	—	82	13,026	—	135	—
Investments	1,376	3	—	—	122	—	2,756
Accrued interest receivable	59	—	—	—	—	—	83
Property taxes receivable	—	—	10,757	—	3,458	9,805	—
Accounts receivable	8,000	17	11,575	—	202	33,915	3,325
Allowance for estimated uncollectibles – accounts receivable	—	—	—	—	—	—	(925)
Due from other funds	—	—	—	—	—	—	140
Due from federal and state governments	—	101	—	—	—	—	—
Intrafund receivable	—	—	—	—	—	—	—
Total assets	<u>\$ 20,704</u>	<u>\$ 144</u>	<u>\$ 22,414</u>	<u>\$ 13,026</u>	<u>\$ 4,772</u>	<u>\$ 43,855</u>	<u>\$ 27,334</u>
 <b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Accounts payable and other accrued liabilities	\$ 4,501	\$ 3	\$ 2,041	\$ —	\$ 708	\$ 2,050	\$ 2,496
Accrued payroll and payroll taxes	349	2	2,955	—	298	4,818	43
Tax anticipation warrants	—	—	10,910	—	3,460	9,815	—
Intrafund payable	126	—	143	—	147	223	—
Deferred revenue	156	136	18,408	—	3,680	36,377	2,349
Bond and COIT anticipation notes	—	—	9,914	—	—	16,408	—
Total liabilities	<u>5,132</u>	<u>141</u>	<u>44,371</u>	<u>—</u>	<u>8,293</u>	<u>69,691</u>	<u>4,888</u>
Fund balance:							
Reserved for encumbrances	6,533	—	202	—	302	684	4,677
Reserved for pension obligations	—	—	—	13,026	—	—	—
Unreserved	9,039	3	(22,159)	—	(3,823)	(26,520)	17,769
Total fund balance	<u>15,572</u>	<u>3</u>	<u>(21,957)</u>	<u>13,026</u>	<u>(3,521)</u>	<u>(25,836)</u>	<u>22,446</u>
Total liabilities and fund balance	<u>\$ 20,704</u>	<u>\$ 144</u>	<u>\$ 22,414</u>	<u>\$ 13,026</u>	<u>\$ 4,772</u>	<u>\$ 43,855</u>	<u>\$ 27,334</u>

**CITY OF INDIANAPOLIS**  
**Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund**  
Year ended December 31, 2007  
*(In Thousands)*

	General Fund Total	Intrafund eliminations	Consolidated County	Redevelop- ment	Solid Waste		Sanitation
					Collection	Disposal	
Revenues:							
Taxes	\$ 214,955	\$ —	\$ 19,342	\$ 1,164	\$ 22,926	\$ —	\$ —
Licenses and permits	14,441	—	11,617	—	—	—	2,522
Charges for services	155,915	—	15,092	52	278	12,092	100,693
Other intergovernmental revenues:							
Federal revenues	3,324	—	137	—	—	—	211
State revenues	101,252	—	5,460	618	60	—	—
Other revenues	6,884	—	2,815	—	—	—	34
Intragovernmental revenue	3,401	—	3,401	—	—	—	—
Traffic violations and court fees	1,872	—	721	—	273	—	—
Interest and other operating revenues	18,743	—	4,603	977	231	534	2,231
Total revenues	<u>520,787</u>	<u>—</u>	<u>63,188</u>	<u>2,811</u>	<u>23,768</u>	<u>12,626</u>	<u>105,691</u>
Expenditures:							
Current:							
General government	25,024	—	25,024	—	—	—	—
Public safety	336,518	—	16,818	—	3,063	—	—
Public works	126,849	—	3,082	—	24,426	10,505	49,429
Health and welfare	3,613	—	1,869	—	558	—	1,141
Cultural and recreation	28,186	—	1,741	—	—	—	—
Urban redevelopment and housing	6,143	—	3,934	1,637	—	—	—
Economic development and assistance	2,161	—	1,363	798	—	—	—
Debt service:							
Redemption of bonds and notes	11,391	—	679	—	528	—	829
Interest on bonds and notes	1,660	—	138	—	48	—	—
Bond and note issuance costs	272	—	73	—	—	—	—
Operating lease payments and administration	10	—	—	—	—	—	—
Capital outlay	32,754	—	1,116	3	456	—	3,465
Total expenditures	<u>574,581</u>	<u>—</u>	<u>55,837</u>	<u>2,438</u>	<u>29,079</u>	<u>10,505</u>	<u>54,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,794)</u>	<u>—</u>	<u>7,351</u>	<u>373</u>	<u>(5,311)</u>	<u>2,121</u>	<u>50,827</u>
Other financing sources and (uses):							
Sale of capital assets	713	—	533	—	—	—	—
Transfers in	3,129	(50,550)	645	734	—	2,500	—
Transfers out	(43,715)	50,550	(7,500)	(100)	(2,500)	—	(39,397)
Total other financing sources and (uses)	<u>(39,873)</u>	<u>—</u>	<u>(6,322)</u>	<u>634</u>	<u>(2,500)</u>	<u>2,500</u>	<u>(39,397)</u>
Net change in fund balance	(93,667)	—	1,029	1,007	(7,811)	4,621	11,430
Fund balance at beginning of year	210,261	—	22,003	10,127	5,084	19,542	49,829
Fund balance (deficit) at end of year	<u>\$ 116,594</u>	<u>\$ —</u>	<u>\$ 23,032</u>	<u>\$ 11,134</u>	<u>\$ (2,727)</u>	<u>\$ 24,163</u>	<u>\$ 61,259</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>Transportation</u>	<u>Police</u>	<u>Fire</u>	<u>Pension Stabilization</u>	<u>Park</u>	<u>Metropolitan Police</u>	<u>Storm Water Management</u>
Revenues:							
Taxes	\$ 8,097	\$ —	\$ 55,674	\$ —	\$ 15,780	\$ 91,972	\$ —
Licenses and permits	—	—	16	—	—	286	—
Charges for services	979	—	1,948	—	4,306	1,472	19,003
Other intergovernmental revenues:							
Federal revenues	2,865	—	52	—	59	—	—
State revenues	38,911	—	30,179	—	—	26,024	—
Other revenues	219	—	593	—	—	3,223	—
Intragovernmental revenue	—	—	—	—	—	—	—
Traffic violations and court fees	—	—	—	—	1	877	—
Interest and other operating revenues	7,075	15	(134)	1,875	384	(334)	1,286
Total revenues	<u>58,146</u>	<u>15</u>	<u>88,328</u>	<u>1,875</u>	<u>20,530</u>	<u>123,520</u>	<u>20,289</u>
Expenditures:							
Current:							
General government	—	—	—	—	—	—	—
Public safety	—	59	119,387	1	—	194,783	2,407
Public works	35,311	—	—	—	—	—	4,096
Health and welfare	45	—	—	—	—	—	—
Cultural and recreation	926	—	—	—	25,519	—	—
Urban redevelopment and housing	572	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—	—
Debt service:							
Redemption of bonds and notes	528	—	5,856	—	317	2,654	—
Interest on bonds and notes	10	—	752	—	86	626	—
Bond and note issuance costs	—	—	75	—	—	124	—
Operating lease payments and administration	1	—	—	—	9	—	—
Capital outlay	20,605	54	314	—	1,061	264	5,416
Total expenditures	<u>57,998</u>	<u>113</u>	<u>126,384</u>	<u>1</u>	<u>26,992</u>	<u>198,451</u>	<u>11,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>148</u>	<u>(98)</u>	<u>(38,056)</u>	<u>1,874</u>	<u>(6,462)</u>	<u>(74,931)</u>	<u>8,370</u>
Other financing sources and (uses):							
Sale of capital assets	—	—	—	—	—	12	168
Transfers in	—	—	13,100	—	—	36,700	—
Transfers out	(1,975)	(1,650)	—	(35,700)	—	—	(5,443)
Total other financing sources and (uses)	<u>(1,975)</u>	<u>(1,650)</u>	<u>13,100</u>	<u>(35,700)</u>	<u>—</u>	<u>36,712</u>	<u>(5,275)</u>
Net change in fund balance	(1,827)	(1,748)	(24,956)	(33,826)	(6,462)	(38,219)	3,095
Fund balance at beginning of year	17,399	1,751	2,999	46,852	2,941	12,383	19,351
Fund balance (deficit) at end of year	<u>\$ 15,572</u>	<u>\$ 3</u>	<u>\$ (21,957)</u>	<u>\$ 13,026</u>	<u>\$ (3,521)</u>	<u>\$ (25,836)</u>	<u>\$ 22,446</u>

**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, 2007  
*(In Thousands)*

	<b>Total General Fund</b>		<b>Consolidated County</b>		<b>Redevelopment</b>		<b>Solid Waste Collection</b>	
	<b>Final budget</b>	<b>Actual</b>	<b>Final budget</b>	<b>Actual</b>	<b>Final budget</b>	<b>Actual</b>	<b>Final budget</b>	<b>Actual</b>
Revenues:								
Taxes	\$ 261,129	\$ 223,708	\$ 23,289	\$ 18,796	\$ 1,403	\$ 1,201	\$ 28,270	\$ 22,926
Licenses and permits	11,544	14,350	11,366	11,547	—	—	—	—
Charges for services	138,685	141,417	11,021	11,269	156	51	159	243
Other intergovernmental revenues:								
Federal revenues	2,605	1,551	602	152	—	—	—	—
State revenues	44,563	46,923	4,119	5,312	—	618	100	60
Other revenues	4,017	5,183	2,242	1,233	—	—	—	—
Traffic violations and court fees	2,631	1,976	484	679	—	—	285	273
Intragovernmental revenues	3,012	2,214	3,012	2,214	—	—	—	—
Interest and other operating revenues	19,418	27,330	976	4,798	339	1,112	326	224
Total revenues	<u>487,604</u>	<u>464,652</u>	<u>57,111</u>	<u>56,000</u>	<u>1,898</u>	<u>2,982</u>	<u>29,140</u>	<u>23,726</u>
Expenditures:								
Current:								
General government	20,439	20,126	20,439	20,126	—	—	—	—
Public safety	249,274	246,314	17,275	16,261	—	—	3,081	3,060
Public works	127,828	126,405	2,798	2,794	—	—	24,563	24,547
Health and welfare	4,230	3,752	2,248	1,965	—	—	535	534
Cultural and recreation	28,091	27,874	1,806	1,806	—	—	—	—
Urban redevelopment and housing	7,986	6,238	5,084	4,129	1,566	1,406	—	—
Economic development and assistance	2,145	2,170	1,299	1,378	846	792	—	—
Capital outlays	37,529	34,689	1,875	1,344	834	794	1,396	1,016
Total expenditures	<u>477,522</u>	<u>467,568</u>	<u>52,824</u>	<u>49,803</u>	<u>3,246</u>	<u>2,992</u>	<u>29,575</u>	<u>29,157</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,082</u>	<u>(2,916)</u>	<u>4,287</u>	<u>6,197</u>	<u>(1,348)</u>	<u>(10)</u>	<u>(435)</u>	<u>(5,431)</u>
Other financing sources and (uses):								
Sale of capital assets	247	562	20	518	—	13	—	—
Transfers in (out)	<u>(39,509)</u>	<u>(40,607)</u>	<u>(9,355)</u>	<u>(13,204)</u>	<u>410</u>	<u>510</u>	<u>(2,500)</u>	<u>(2,500)</u>
Total other financing sources and (uses)	<u>(39,262)</u>	<u>(40,045)</u>	<u>(9,335)</u>	<u>(12,686)</u>	<u>410</u>	<u>523</u>	<u>(2,500)</u>	<u>(2,500)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(29,180)</u>	<u>(42,961)</u>	<u>(5,048)</u>	<u>(6,489)</u>	<u>(938)</u>	<u>513</u>	<u>(2,935)</u>	<u>(7,931)</u>
Unreserved fund balance at beginning of year	74,867	96,435	16,552	16,767	8,091	9,863	4,425	4,090
Cancellation of purchase orders and other	56,021	53,879	1,406	10,565	1,548	46	4,099	5,686
Unreserved fund balance at end of year	<u>\$ 101,708</u>	<u>\$ 107,353</u>	<u>\$ 12,910</u>	<u>\$ 20,843</u>	<u>\$ 8,701</u>	<u>\$ 10,422</u>	<u>\$ 5,589</u>	<u>\$ 1,845</u>

(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, 2007  
*(In Thousands)*

	Solid Waste Disposal		Sanitation		Transportation		Metropolitan Police	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 8,900	\$ 7,796	\$ 114,592	\$ 101,857
Licenses and permits	—	—	45	2,505	—	—	122	284
Charges for services	8,815	8,127	91,063	94,828	702	417	2,069	1,462
Other intergovernmental revenues:								
Federal revenues	—	—	1,100	—	849	1,377	—	—
State revenues	—	—	—	—	38,009	37,092	2,075	3,581
Other revenues	—	—	—	—	650	195	81	3,163
Traffic violations and court fees	—	—	—	—	—	—	1,862	1,023
Intragovernmental revenues	—	—	—	—	—	—	—	—
Interest and other operating revenues	224	522	1,266	2,157	6,425	4,808	9,299	12,320
Total revenues	<u>9,039</u>	<u>8,649</u>	<u>93,474</u>	<u>99,490</u>	<u>55,535</u>	<u>51,685</u>	<u>130,100</u>	<u>123,690</u>
Expenditures:								
Current:								
General government	—	—	—	—	—	—	—	—
Public safety	—	—	—	—	—	—	150,933	150,113
Public works	11,646	11,030	50,616	49,806	34,159	34,139	—	—
Health and welfare	—	—	1,407	1,213	40	40	—	—
Cultural and recreation	—	—	—	—	945	940	—	—
Urban redevelopment and housing	—	—	—	—	1,336	703	—	—
Economic development and assistance	—	—	—	—	—	—	—	—
Capital outlays	—	—	3,346	2,814	22,744	22,198	405	395
Total expenditures	<u>11,646</u>	<u>11,030</u>	<u>55,369</u>	<u>53,833</u>	<u>59,224</u>	<u>58,020</u>	<u>151,338</u>	<u>150,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,607)</u>	<u>(2,381)</u>	<u>38,105</u>	<u>45,657</u>	<u>(3,689)</u>	<u>(6,335)</u>	<u>(21,238)</u>	<u>(26,818)</u>
Other financing sources and (uses):								
Sale of capital assets	—	—	28	—	30	—	1	4
Transfers in (out)	2,500	2,500	(38,768)	(38,297)	(1,973)	(1,976)	12,150	14,650
Total other financing sources and (uses)	<u>2,500</u>	<u>2,500</u>	<u>(38,740)</u>	<u>(38,297)</u>	<u>(1,943)</u>	<u>(1,976)</u>	<u>12,151</u>	<u>14,654</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(107)</u>	<u>119</u>	<u>(635)</u>	<u>7,360</u>	<u>(5,632)</u>	<u>(8,311)</u>	<u>(9,087)</u>	<u>(12,164)</u>
Unreserved fund balance at beginning of year	3,513	5,920	26,131	33,747	2,377	8,679	569	299
Cancellation of purchase orders and other	709	167	10,472	3,403	16,741	3,736	8,538	11,894
Unreserved fund balance at end of year	<u>\$ 4,115</u>	<u>\$ 6,206</u>	<u>\$ 35,968</u>	<u>\$ 44,510</u>	<u>\$ 13,486</u>	<u>\$ 4,104</u>	<u>\$ 20</u>	<u>\$ 29</u>

(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, 2007  
*(In Thousands)*

	Fire		Park		Storm Water Management	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 65,144	\$ 55,352	\$ 19,531	\$ 15,780	\$ —	\$ —
Licenses and permits	11	14	—	—	—	—
Charges for services	1,910	1,826	4,789	4,167	18,001	19,027
Other intergovernmental revenues:						
Federal revenues	54	—	—	22	—	—
State revenues	260	260	—	—	—	—
Other revenues	1,044	592	—	—	—	—
Traffic violations and court fees	—	—	—	1	—	—
Intragovernmental revenues	—	—	—	—	—	—
Interest and other operating revenues	(117)	(332)	580	399	100	1,322
Total revenues	<u>68,306</u>	<u>57,712</u>	<u>24,900</u>	<u>20,369</u>	<u>18,101</u>	<u>20,349</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public safety	75,522	75,367	—	—	2,463	1,513
Public works	—	—	—	—	4,046	4,089
Health and welfare	—	—	—	—	—	—
Cultural and recreation	—	—	25,340	25,128	—	—
Urban redevelopment and housing	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—
Capital outlays	423	306	1,490	815	5,016	5,007
Total expenditures	<u>75,945</u>	<u>75,673</u>	<u>26,830</u>	<u>25,943</u>	<u>11,525</u>	<u>10,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,639)</u>	<u>(17,961)</u>	<u>(1,930)</u>	<u>(5,574)</u>	<u>6,576</u>	<u>9,740</u>
Other financing sources and (uses):						
Sale of capital assets	—	—	—	—	168	27
Transfers in (out)	3,600	3,600	60	—	(5,633)	(5,890)
Total other financing sources and (uses)	<u>3,600</u>	<u>3,600</u>	<u>60</u>	<u>—</u>	<u>(5,465)</u>	<u>(5,863)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(4,039)</u>	<u>(14,361)</u>	<u>(1,870)</u>	<u>(5,574)</u>	<u>1,111</u>	<u>3,877</u>
Unreserved fund balance at beginning of year	516	1,122	2,923	2,171	9,770	13,043
Cancellation of purchase orders and other	4,690	14,533	(577)	3,917	8,395	666
Unreserved fund balance at end of year	<u>\$ 1,167</u>	<u>\$ 1,294</u>	<u>\$ 476</u>	<u>\$ 514</u>	<u>\$ 19,276</u>	<u>\$ 17,586</u>

**CITY OF INDIANAPOLIS**  
**General Fund**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Executive and Legislative				
Office of the Mayor	Consolidated County			
Personal services		\$ 893	\$ 800	\$ 93
Supplies		2	1	1
Other services and charges		159	135	24
Capital outlay		1	—	1
Internal charges		1	—	1
Total		<u>1,056</u>	<u>936</u>	<u>120</u>
Internal Audit	Consolidated County			
Personal services		708	537	171
Supplies		3	1	2
Other services and charges		123	95	28
Capital outlay		3	2	1
Internal charges		3	2	1
Total		<u>840</u>	<u>637</u>	<u>203</u>
City-County Council and Council Clerk	Consolidated County			
Personal services		1,118	942	176
Supplies		7	6	1
Other services and charges		619	589	30
Capital outlay		12	—	12
Total		<u>1,756</u>	<u>1,537</u>	<u>219</u>
Cable Franchise Board	Consolidated County			
Personal services		438	423	15
Supplies		13	7	6
Other services and charges		278	243	35
Capital outlay		48	10	38
Internal charges		1	1	—
Total		<u>778</u>	<u>684</u>	<u>94</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**General Fund**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Office of the Corporation Counsel	Consolidated County			
Personal services		\$ 2,896	\$ 2,685	\$ 211
Supplies		10	9	1
Other services and charges		2,013	1,956	57
Capital outlay		5	—	5
Internal charges		(1,824)	(1,825)	1
Total		<u>3,100</u>	<u>2,825</u>	<u>275</u>
Office of Finance and Management	Consolidated County			
Personal services		2,075	1,963	112
Supplies		6	5	1
Other services and charges		1,988	1,988	—
Capital outlay		13	10	3
Internal charges		24	23	1
Total		<u>4,106</u>	<u>3,989</u>	<u>117</u>
Office of Finance and Management	Park			
Other services and charges		10	10	—
Total		<u>10</u>	<u>10</u>	<u>—</u>
Office of Finance and Management	Solid Waste Collection			
Other services and charges		39	39	—
Total		<u>39</u>	<u>39</u>	<u>—</u>
Office of Finance and Management	Fire			
Other services and charges		188	188	—
Total		<u>188</u>	<u>188</u>	<u>—</u>
Office of Finance and Management	Metropolitan Police			
Other services and charges		437	437	—
Total		<u>437</u>	<u>437</u>	<u>—</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**General Fund**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Office of Finance and Management	Consolidated County			
Purchasing Division				
Personal services		\$ 990	\$ 956	\$ 34
Supplies		2	2	—
Other services and charges		220	219	1
Capital outlay		3	—	3
Total		<u>1,215</u>	<u>1,177</u>	<u>38</u>
Total - Executive and Legislative		<u>\$ 13,525</u>	<u>\$ 12,459</u>	<u>\$ 1,066</u>
Department of Administration	Consolidated County			
Personal services		\$ 2,708	\$ 2,521	\$ 187
Supplies		32	25	7
Other services and charges		1,159	980	179
Capital outlay		10	4	6
Internal charges		186	179	7
Total – Department of Administration		<u>\$ 4,095</u>	<u>\$ 3,709</u>	<u>\$ 386</u>
Department of Metropolitan Development	Consolidated County			
Personal services		\$ 8,867	\$ 7,982	\$ 885
Supplies		87	65	22
Other services and charges		6,688	5,712	976
Capital outlay		795	670	125
Internal charges		(40)	171	(211)
Total		<u>16,397</u>	<u>14,600</u>	<u>1,797</u>
Department of Metropolitan Development	Transportation			
Personal services		192	132	60
Supplies		1	1	—
Other services and charges		1,102	537	565
Capital outlay		38	28	10
Internal charges		40	33	7
Total		<u>1,373</u>	<u>731</u>	<u>642</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**General Fund**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Metropolitan Development	Redevelopment			
Personal services		\$ 722	\$ 656	\$ 66
Supplies		3	2	1
Other services and charges		2,122	1,975	147
Capital outlay		834	794	40
Internal charges		(435)	(435)	—
Total		<u>3,246</u>	<u>2,992</u>	<u>254</u>
Total – Department of Metropolitan Development		\$ <u>21,016</u>	\$ <u>18,323</u>	\$ <u>2,693</u>
Department of Public Works	Consolidated County			
Personal services		\$ 11,193	\$ 10,915	\$ 278
Supplies		16,310	16,235	75
Other services and charges		9,399	9,159	240
Capital outlay		398	336	62
Internal charges		(29,052)	(27,490)	(1,562)
Total		<u>8,248</u>	<u>9,155</u>	<u>(907)</u>
Department of Public Works	Transportation			
Personal services		15,322	15,322	—
Supplies		4,745	4,739	6
Other services and charges		9,312	9,308	4
Capital outlay		22,707	22,170	537
Internal charges		5,011	5,011	—
Total		<u>57,097</u>	<u>56,550</u>	<u>547</u>
Department of Public Works	Solid Waste Collection			
Personal services		6,504	6,502	2
Supplies		149	138	11
Other services and charges		14,435	14,433	2
Capital outlay		1,384	1,016	368
Internal charges		6,920	6,920	—
Total		<u>29,392</u>	<u>29,009</u>	<u>383</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**General Fund**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Public Works	Solid Waste Disposal			
Other services and charges		\$ 11,113	\$ 10,512	\$ 601
Internal charges		533	518	15
Total		<u>11,646</u>	<u>11,030</u>	<u>616</u>
Department of Public Works	Sanitation			
Personal services		2,746	2,398	348
Supplies		85	85	—
Other services and charges		46,415	45,907	508
Capital outlay		3,346	2,814	532
Internal charges		2,777	2,629	148
Total		<u>55,369</u>	<u>53,833</u>	<u>1,536</u>
Department of Public Works	Storm Water Management			
Personal services		2,018	1,936	82
Supplies		140	136	4
Other services and charges		3,214	2,468	746
Capital outlay		5,016	5,007	9
Internal charges		1,137	1,062	75
Total		<u>11,525</u>	<u>10,609</u>	<u>916</u>
Total – Department of Public Works		<u>\$ 173,277</u>	<u>\$ 170,186</u>	<u>\$ 3,091</u>
Department of Public Safety	Consolidated County			
Personal services		\$ 3,535	\$ 3,453	\$ 82
Supplies		158	152	6
Other services and charges		995	905	90
Capital outlay		274	192	82
Internal charges		(2,293)	(2,335)	42
Total		<u>2,669</u>	<u>2,367</u>	<u>302</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**General Fund**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Indianapolis Fire Department	Consolidated County			
Personal services		\$ 2,485	\$ 2,485	\$ —
Supplies		310	255	55
Other services and charges		3,409	3,280	129
Capital outlay		314	121	193
Internal charges		240	240	—
Total		<u>6,758</u>	<u>6,381</u>	<u>377</u>
Indianapolis Fire Department	Fire			
Personal services		68,822	68,763	59
Supplies		2,330	2,234	96
Other services and charges		1,589	1,589	—
Capital outlay		423	306	117
Internal charges		2,593	2,593	—
Total		<u>75,757</u>	<u>75,485</u>	<u>272</u>
Total – Department of Public Safety		<u>\$ 85,184</u>	<u>\$ 84,233</u>	<u>\$ 951</u>
Department of Parks and Recreation	Consolidated County			
Other services and charges		\$ 1,806	\$ 1,806	\$ —
Total		<u>1,806</u>	<u>1,806</u>	<u>—</u>
Department of Parks and Recreation	Transportation			
Personal services		50	45	5
Other services and charges		554	554	—
Internal charges		150	140	10
Total		<u>754</u>	<u>739</u>	<u>15</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**General Fund**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Parks and Recreation	Park			
Personal services		\$ 16,283	\$ 16,077	\$ 206
Supplies		1,076	1,070	6
Other services and charges		6,626	6,626	—
Capital outlay		1,490	815	675
Internal charges		1,345	1,345	—
Total		<u>26,820</u>	<u>25,933</u>	<u>887</u>
Total – Department of Parks and Recreation		\$ <u>29,380</u>	\$ <u>28,478</u>	\$ <u>902</u>
Indianapolis Metropolitan Police Department	Solid Waste Collection			
Personal services		\$ 108	\$ 102	\$ 6
Supplies		8	1	7
Other services and charges		6	—	6
Capital outlay		12	—	12
Internal charges		10	6	4
Total		<u>144</u>	<u>109</u>	<u>35</u>
Indianapolis Metropolitan Police Department	Metropolitan Police			
Personal services		128,000	127,235	765
Supplies		1,520	1,475	45
Other services and charges		10,150	10,140	10
Capital outlay		405	395	10
Internal charges		10,826	10,826	—
Total		<u>150,901</u>	<u>150,071</u>	<u>830</u>
Total – Indianapolis Metropolitan Police Department		\$ <u>151,045</u>	\$ <u>150,180</u>	\$ <u>865</u>
Total – General Fund – by Department and Division		\$ <u><u>477,522</u></u>	\$ <u><u>467,568</u></u>	\$ <u><u>9,954</u></u>

## **Nonmajor Special Revenue Fund**

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

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

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**CITY OF INDIANAPOLIS**  
**Combining Balance Sheet – Nonmajor Special Revenue Funds**  
December 31, 2007  
*(In Thousands)*

	<u>Parking</u>	<u>Cable Franchise PEG Grants</u>	<u>State of Indiana Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>ASSETS</b>				
Equity in pooled cash	\$ 1,219	\$ 111	\$ 473	\$ 1,803
Investments	153	14	60	227
Accrued interest receivable	10	1	4	15
Accounts receivable	54	—	50	104
Due from federal and state governments	—	—	528	528
	<u>—</u>	<u>—</u>	<u>528</u>	<u>528</u>
Total assets	<u>\$ 1,436</u>	<u>\$ 126</u>	<u>\$ 1,115</u>	<u>\$ 2,677</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other accrued liabilities	\$ 338	\$ —	\$ 70	\$ 408
Accrued payroll and payroll taxes	33	—	—	33
Deferred revenue	—	—	247	247
	<u>—</u>	<u>—</u>	<u>247</u>	<u>247</u>
Total liabilities	<u>371</u>	<u>—</u>	<u>317</u>	<u>688</u>
Fund balances:				
Reserved for encumbrances	263	—	144	407
Unreserved	802	126	654	1,582
	<u>802</u>	<u>126</u>	<u>654</u>	<u>1,582</u>
Total fund balances	<u>1,065</u>	<u>126</u>	<u>798</u>	<u>1,989</u>
Total liabilities and fund balances	<u>\$ 1,436</u>	<u>\$ 126</u>	<u>\$ 1,115</u>	<u>\$ 2,677</u>

**CITY OF INDIANAPOLIS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>Parking</u>	<u>Cable Franchise PEG Grants</u>	<u>State of Indiana Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:				
Charges for services	\$ 2,440	\$ —	\$ —	\$ 2,440
Other intergovernmental revenues:				
State revenues	—	—	668	668
Traffic violations and court fees	1,853	—	269	2,122
Interest and other operating revenues	191	(3)	128	316
Total revenues	<u>4,484</u>	<u>(3)</u>	<u>1,065</u>	<u>5,546</u>
Expenditures:				
Current:				
Public safety	300	—	220	520
Public works	2,048	—	498	2,546
Health and welfare	—	—	19	19
Cultural and recreation	—	—	13	13
Economic development and assistance	—	—	99	99
Debt service:				
Redemption of bonds and notes	—	—	20	20
Interest on bonds and notes	—	—	2	2
Capital outlay	736	—	158	894
Total expenditures	<u>3,084</u>	<u>—</u>	<u>1,029</u>	<u>4,113</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,400</u>	<u>(3)</u>	<u>36</u>	<u>1,433</u>
Other financing sources and (uses):				
Transfers out	(2,150)	—	—	(2,150)
Total other financing sources and (uses)	<u>(2,150)</u>	<u>—</u>	<u>—</u>	<u>(2,150)</u>
Net change in fund balances	<u>(750)</u>	<u>(3)</u>	<u>36</u>	<u>(717)</u>
Fund balances at beginning of year	1,815	129	762	2,706
Fund balances at end of year	<u>\$ 1,065</u>	<u>\$ 126</u>	<u>\$ 798</u>	<u>\$ 1,989</u>

**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, 2007  
*(In Thousands)*

	Parking		Federal Grants		State of Indiana Grants		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Licenses and permits	\$ —	\$ 31	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31
Charges for services	2,345	2,428	—	—	—	—	2,345	2,428
Other intergovernmental revenues:								
Federal revenues	—	—	27,539	13,810	131	—	27,670	13,810
Other revenues	—	—	224	—	—	—	224	—
Traffic violations and court fees	1,500	1,808	552	191	445	79	2,497	2,078
Interest and other operating revenues	55	168	—	124	—	71	55	363
Total revenues	<u>3,900</u>	<u>4,435</u>	<u>28,315</u>	<u>14,125</u>	<u>576</u>	<u>150</u>	<u>32,791</u>	<u>18,710</u>
Expenditures:								
Current:								
Public safety	300	300	1,870	1,140	377	215	2,547	1,655
Public works	1,996	1,980	—	—	—	—	1,996	1,980
Health and welfare	—	—	1,636	1,565	—	—	1,636	1,565
Cultural and recreation	—	—	665	594	—	—	665	594
Urban redevelopment and housing	—	—	23,323	21,598	—	—	23,323	21,598
Economic development and assistance	—	—	142	169	—	—	142	169
Capital outlays	752	750	874	424	80	77	1,706	1,251
Total expenditures	<u>3,048</u>	<u>3,030</u>	<u>28,510</u>	<u>25,490</u>	<u>457</u>	<u>292</u>	<u>32,015</u>	<u>28,812</u>
Excess (deficiency) of revenues over expenditures	<u>852</u>	<u>1,405</u>	<u>(195)</u>	<u>(11,365)</u>	<u>119</u>	<u>(142)</u>	<u>776</u>	<u>(10,102)</u>
Other financing sources and (uses), net:								
Sale of capital assets	—	—	—	—	—	76	—	76
Transfers in (out)	(2,150)	(2,150)	—	—	—	—	(2,150)	(2,150)
Total other financing sources and (uses)	<u>(2,150)</u>	<u>(2,150)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>76</u>	<u>(2,150)</u>	<u>(2,074)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>(1,298)</u>	<u>(745)</u>	<u>(195)</u>	<u>(11,365)</u>	<u>119</u>	<u>(66)</u>	<u>(1,374)</u>	<u>(12,176)</u>
Unreserved fund balances at beginning of year	1,817	1,517	—	—	—	—	1,817	1,517
Cancellation of purchase orders and other	368	(284)	195	11,365	(119)	66	444	11,147
Unreserved fund balances at end of year	<u>\$ 887</u>	<u>\$ 488</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 887</u>	<u>\$ 488</u>

**CITY OF INDIANAPOLIS**  
**Special Revenue Funds**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Metropolitan Development	Federal Grants			
Personal services		\$ 2,526	\$ 2,324	\$ 202
Supplies		18	14	4
Other services and charges		22,250	20,701	1,549
Capital outlay		418	10	408
Internal charges		308	294	14
Total – Department of Metropolitan Development		<u>\$ 25,520</u>	<u>\$ 23,343</u>	<u>\$ 2,177</u>
Department of Public Works	Parking			
Personal services		\$ 1,461	\$ 1,461	\$ —
Supplies		105	92	13
Other services and charges		655	655	—
Capital outlay		752	750	2
Internal charges		75	72	3
Total – Department of Public Works		<u>\$ 3,048</u>	<u>\$ 3,030</u>	<u>\$ 18</u>
Department of Public Safety	Federal Grants			
Personal services		\$ 139	\$ 43	\$ 96
Supplies		5	—	5
Total		<u>144</u>	<u>43</u>	<u>101</u>
Indianapolis Fire Department	Federal Grants			
Personal services		188	173	15
Supplies		25	—	25
Other services and charges		50	12	38
Capital outlay		25	—	25
Total		<u>288</u>	<u>185</u>	<u>103</u>
Total – Department of Public Safety		<u>\$ 432</u>	<u>\$ 228</u>	<u>\$ 204</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**Special Revenue Funds**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Parks and Recreation	Federal Grants			
Personal services		\$ 272	\$ 249	\$ 23
Supplies		27	9	18
Other services and charges		366	337	29
Total – Department of Parks and Recreation		<u>\$ 665</u>	<u>\$ 595</u>	<u>\$ 70</u>
Indianapolis Metropolitan Police Department	Federal Grants			
Personal services		\$ 1,016	\$ 571	\$ 445
Supplies		190	183	7
Other services and charges		232	157	75
Capital outlay		431	413	18
Internal charges		24	—	24
Total		<u>1,893</u>	<u>1,324</u>	<u>569</u>
Indianapolis Metropolitan Police Department	State of Indiana Grants			
Personal services		132	—	132
Supplies		30	30	—
Other services and charges		215	185	30
Capital outlay		80	77	3
Total		<u>457</u>	<u>292</u>	<u>165</u>
Total – Indianapolis Metropolitan Police Department		<u>\$ 2,350</u>	<u>\$ 1,616</u>	<u>\$ 734</u>
Total – Special Revenue Funds – by Department and Division		<u>\$ 32,015</u>	<u>\$ 28,812</u>	<u>\$ 3,203</u>

## 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.

<b>Civil City -</b>	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
<b>Redevelopment District -</b>	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
<b>MECA -</b>	to account for the accumulation of resources for, and the payment of, costs associated with the Public Safety Communications System Equipment
<b>Sanitary District -</b>	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
<b>Flood Control District -</b>	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
<b>Metropolitan Thoroughfare - District</b>	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
<b>Park District -</b>	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
<b>Economic Development District -</b>	to account for accumulation of resources, and payments of long term bonded debt principal, interest, and related costs of debt issued for certain projects with Economic Development bonds proceeds by the City

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**CITY OF INDIANAPOLIS**  
**Combining Balance Sheet – Nonmajor Debt Service Funds**  
December 31, 2007  
*(In Thousands)*

	<u>Civil City</u>	<u>Redevelopment District</u>	<u>MECA</u>	<u>Sanitary District</u>	<u>Flood Control District</u>	<u>Metropolitan Thoroughfare District</u>	<u>Park District</u>	<u>Economic Development District</u>	<u>Total Nonmajor Debt Service Funds</u>
<b>ASSETS</b>									
Equity in pooled cash	\$ 9,449	\$ 5,836	\$ 3,373	\$ 10,378	\$ 3,646	\$ 7,020	\$ 3,181	\$ —	\$ 42,883
Cash and investments with fiscal agents	—	—	109	24	8	41	10	3,528	3,720
Investments	1,186	733	423	1,303	458	878	399	—	5,380
Accrued interest receivable	2	20	5	36	6	19	10	—	98
Property taxes receivable	—	4,128	1,196	—	—	958	635	—	6,917
Accounts receivable	4,286	70	225	3	—	45	15	—	4,644
Total assets	<u>\$ 14,923</u>	<u>\$ 10,787</u>	<u>\$ 5,331</u>	<u>\$ 11,744</u>	<u>\$ 4,118</u>	<u>\$ 8,961</u>	<u>\$ 4,250</u>	<u>\$ 3,528</u>	<u>\$ 63,642</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Matured bonds payable	\$ 2,825	\$ 3,205	\$ 2,695	\$ 4,763	\$ 2,578	\$ 6,585	\$ 2,826	\$ —	\$ 25,477
Matured interest payable	2,327	53	312	1,463	1,403	1,172	608	—	7,338
Accounts payable and other accrued liabilities	6	340	—	89	11	20	8	44	518
Tax anticipation warrants	—	1,601	1,172	—	—	990	610	—	4,373
Deferred revenue	3,395	4,199	1,245	3	—	1,003	650	—	10,495
Total liabilities	<u>8,553</u>	<u>9,398</u>	<u>5,424</u>	<u>6,318</u>	<u>3,992</u>	<u>9,770</u>	<u>4,702</u>	<u>44</u>	<u>48,201</u>
Fund balances:									
Reserved for debt service	6,370	1,389	(93)	5,426	126	(809)	(452)	3,484	15,441
Total liabilities and fund balances	<u>\$ 14,923</u>	<u>\$ 10,787</u>	<u>\$ 5,331</u>	<u>\$ 11,744</u>	<u>\$ 4,118</u>	<u>\$ 8,961</u>	<u>\$ 4,250</u>	<u>\$ 3,528</u>	<u>\$ 63,642</u>

**CITY OF INDIANAPOLIS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	Civil City	Redevelopment District	MECA	Sanitary District	Flood Control District	Metropolitan Thoroughfare District	Park District	Economic Development District	Total Nonmajor Debt Service Funds
Revenues:									
Property taxes	\$ —	\$ 13,092	\$ 4,832	\$ —	\$ —	\$ 4,081	\$ 2,514	\$ —	\$ 24,519
Other taxes	2,346	634	512	—	—	432	266	—	4,190
Interest on investments	35	149	9	551	87	161	41	165	1,198
Other revenues	6,771	—	1,851	108	22	83	46	1,494	10,375
Total revenues	<u>9,152</u>	<u>13,875</u>	<u>7,204</u>	<u>659</u>	<u>109</u>	<u>4,757</u>	<u>2,867</u>	<u>1,659</u>	<u>40,282</u>
Expenditures:									
Redemption of bonds and notes	5,217	3,202	3,380	4,784	2,578	6,583	2,826	—	28,570
Interest on bonds and notes	4,707	171	640	3,334	2,898	2,699	1,397	1,559	17,405
Bond issuance costs	—	—	—	295	58	225	126	—	704
Operating lease payments and administration	150	14,202	3,078	16	10	23	5	45	17,529
Total expenditures	<u>10,074</u>	<u>17,575</u>	<u>7,098</u>	<u>8,429</u>	<u>5,544</u>	<u>9,530</u>	<u>4,354</u>	<u>1,604</u>	<u>64,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(922)</u>	<u>(3,700)</u>	<u>106</u>	<u>(7,770)</u>	<u>(5,435)</u>	<u>(4,773)</u>	<u>(1,487)</u>	<u>55</u>	<u>(23,926)</u>
Other financing sources and (uses):									
Premium on bonds	—	—	—	2,085	413	1,589	888	—	4,975
Refunding bonds issued	—	—	—	28,950	5,735	22,060	12,320	—	69,065
Payment to refunded bond escrow agent	—	—	—	(29,315)	(5,807)	(22,339)	(12,476)	—	(69,937)
Transfers in	6,201	4,194	—	6,301	5,443	3,670	800	—	26,609
Transfers out	—	—	—	(1,511)	(299)	(1,152)	(643)	—	(3,605)
Total other financing sources and (uses)	<u>6,201</u>	<u>4,194</u>	<u>—</u>	<u>6,510</u>	<u>5,485</u>	<u>3,828</u>	<u>889</u>	<u>—</u>	<u>27,107</u>
Net change in fund balances	5,279	494	106	(1,260)	50	(945)	(598)	55	3,181
Fund balances at beginning of year	1,091	895	(199)	6,686	76	136	146	3,429	12,260
Fund balances (deficits) at end of year	<u>\$ 6,370</u>	<u>\$ 1,389</u>	<u>\$ (93)</u>	<u>\$ 5,426</u>	<u>\$ 126</u>	<u>\$ (809)</u>	<u>\$ (452)</u>	<u>\$ 3,484</u>	<u>\$ 15,441</u>

**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, 2007  
*(In Thousands)*

	Civil City		Redevelopment District		MECA	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 4,220	\$ 2,510	\$ 14,049	\$ 14,017	\$ 6,639	\$ 5,344
Charges for services	—	—	—	—	1,250	1,412
Other operating revenues	11	6,797	172	178	15	51
Total revenues	<u>4,231</u>	<u>9,307</u>	<u>14,221</u>	<u>14,195</u>	<u>7,904</u>	<u>6,807</u>
Expenditures:						
Debt service	10,075	10,072	17,644	17,578	7,180	7,097
Total expenditures	<u>10,075</u>	<u>10,072</u>	<u>17,644</u>	<u>17,578</u>	<u>7,180</u>	<u>7,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,844)</u>	<u>(765)</u>	<u>(3,423)</u>	<u>(3,383)</u>	<u>724</u>	<u>(290)</u>
Other financing sources, net:						
Transfers in	5,900	6,200	4,000	4,194	—	—
Total other financing sources	<u>5,900</u>	<u>6,200</u>	<u>4,000</u>	<u>4,194</u>	<u>—</u>	<u>—</u>
Revenues over (under) expenditures and other financing sources (uses)	56	5,435	577	811	724	(290)
Unreserved fund balances at beginning of year	24	37	279	893	195	1,033
Cancellation of purchase orders and other	(5)	—	800	1,601	(200)	150
Unreserved fund balances at end of year	<u>\$ 75</u>	<u>\$ 5,472</u>	<u>\$ 1,656</u>	<u>\$ 3,305</u>	<u>\$ 719</u>	<u>\$ 893</u>

(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, 2007  
*(In Thousands)*

	<u>Sanitary District</u>		<u>Flood Control District</u>		<u>Metropolitan Thoroughfare District</u>	
	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 5,592	\$ 4,514
Charges for services	—	—	—	—	—	—
Other operating revenues	31,193	31,341	5,624	6,295	23,704	23,935
Total revenues	<u>31,193</u>	<u>31,341</u>	<u>5,624</u>	<u>6,295</u>	<u>29,296</u>	<u>28,449</u>
Expenditures:						
Debt service	37,744	37,744	11,351	11,351	31,871	31,871
Total expenditures	<u>37,744</u>	<u>37,744</u>	<u>11,351</u>	<u>11,351</u>	<u>31,871</u>	<u>31,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,551)</u>	<u>(6,403)</u>	<u>(5,727)</u>	<u>(5,056)</u>	<u>(2,575)</u>	<u>(3,422)</u>
Other financing sources, net:						
Transfers in	8,300	6,790	5,486	5,144	3,670	2,519
Total other financing sources	<u>8,300</u>	<u>6,790</u>	<u>5,486</u>	<u>5,144</u>	<u>3,670</u>	<u>2,519</u>
Revenues over (under) expenditures and other financing sources (uses)	1,749	387	(241)	88	1,095	(903)
Unreserved fund balances at beginning of year	108	238	—	—	98	49
Cancellation of purchase orders and other	<u>(1,529)</u>	<u>740</u>	<u>241</u>	<u>(88)</u>	<u>(1,156)</u>	<u>1,596</u>
Unreserved fund balances at end of year	<u>\$ 328</u>	<u>\$ 1,365</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37</u>	<u>\$ 742</u>

(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, 2007  
*(In Thousands)*

	<u>Revenue</u>		<u>Park District</u>		<u>Economic Development</u>		<u>Totals</u>	
	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>
Revenues:								
Taxes	\$ 48,017	\$ 41,004	\$ 3,418	\$ 2,780	\$ —	\$ —	\$ 81,935	\$ 70,169
Charges for services	344	316	—	—	668	1,494	2,262	3,222
Other operating revenues	20,090	23,003	13,219	13,287	—	165	94,028	105,052
Total revenues	<u>68,451</u>	<u>64,323</u>	<u>16,637</u>	<u>16,067</u>	<u>668</u>	<u>1,659</u>	<u>178,225</u>	<u>178,443</u>
Expenditures:								
Debt service	89,646	87,480	16,830	16,830	1,719	1,692	224,060	221,715
Total expenditures	<u>89,646</u>	<u>87,480</u>	<u>16,830</u>	<u>16,830</u>	<u>1,719</u>	<u>1,692</u>	<u>224,060</u>	<u>221,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,195)</u>	<u>(23,157)</u>	<u>(193)</u>	<u>(763)</u>	<u>(1,051)</u>	<u>(33)</u>	<u>(45,835)</u>	<u>(43,272)</u>
Other financing sources, net:								
Transfers in	22,336	20,410	800	157	—	—	50,492	45,414
Total other financing sources	<u>22,336</u>	<u>20,410</u>	<u>800</u>	<u>157</u>	<u>—</u>	<u>—</u>	<u>50,492</u>	<u>45,414</u>
Revenues over (under) expenditures and other financing sources (uses)	1,141	(2,747)	607	(606)	(1,051)	(33)	4,657	2,142
Unreserved fund balances at beginning of year	—	—	55	149	—	—	759	2,399
Cancellation of purchase orders and other	(1,141)	2,747	(584)	951	1,051	33	(2,523)	7,730
Unreserved fund balances at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 78</u>	<u>\$ 494</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,893</u>	<u>\$ 12,271</u>

**CITY OF INDIANAPOLIS**  
**Debt Service Funds**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Non Departmental	Flood Control District			
Other services and charges		\$ 11,351	\$ 11,351	\$ —
Total		<u>11,351</u>	<u>11,351</u>	<u>—</u>
Non Departmental	Metropolitan Thoroughfare District			
Other services and charges		<u>31,871</u>	<u>31,871</u>	<u>—</u>
Total		<u>31,871</u>	<u>31,871</u>	<u>—</u>
Non Departmental	Park District			
Other services and charges		<u>16,830</u>	<u>16,830</u>	<u>—</u>
Total		<u>16,830</u>	<u>16,830</u>	<u>—</u>
Non Departmental	MECA			
Other services and charges		<u>7,180</u>	<u>7,097</u>	<u>83</u>
Total		<u>7,180</u>	<u>7,097</u>	<u>83</u>
Non Departmental	Civil City			
Other services and charges		<u>10,075</u>	<u>10,072</u>	<u>3</u>
Total		<u>10,075</u>	<u>10,072</u>	<u>3</u>
Non Departmental	Redevelopment District			
Other services and charges		<u>17,644</u>	<u>17,578</u>	<u>66</u>
Total		<u>17,644</u>	<u>17,578</u>	<u>66</u>
Non Departmental	Revenue			
Other services and charges		<u>89,646</u>	<u>87,480</u>	<u>2,166</u>
Total		<u>89,646</u>	<u>87,480</u>	<u>2,166</u>
Non Departmental	Sanitary District			
Other services and charges		<u>37,744</u>	<u>37,744</u>	<u>—</u>
Total		<u>37,744</u>	<u>37,744</u>	<u>—</u>
Non Departmental	Economic Development			
Other services and charges		<u>1,719</u>	<u>1,692</u>	<u>27</u>
Total		<u>1,719</u>	<u>1,692</u>	<u>27</u>
Total – Debt Service Funds – by Department		<u>\$ 224,060</u>	<u>\$ 221,715</u>	<u>\$ 2,345</u>

## Nonmajor Capital Project Funds

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

### **Redevelopment District:**

**General -** to account for all financial resources related to projects constructed wholly or in part from Redevelopment District bond issue proceeds (except tax increment bonds) and any participating federal and state grants, including any required City local matching funds

**Tax Increment -** to account for all financial resources related to projects constructed from proceeds of the Redevelopment District Tax Increment bond issues

**Economic Development -** to account for all financial resources related to projects constructed with Economic Development bonds issued by the City

**Metropolitan Thoroughfare - District** to account for all financial resources related to projects constructed wholly or in part from Metropolitan Thoroughfare District bond issue proceeds (except tax increment bonds) and any participating federal and state grants, including any required City local matching funds

**Park District -** to account for all financial resources related to projects constructed from proceeds of the Park District bond issues

**City Cumulative Capital - Development** to account for all resources accumulating from a City-wide ad valorem property tax levy to provide for the cost of construction, maintenance, acquisition, and repair of certain facilities and other items of a capital nature

**County Cumulative Capital - Development** to account for all resources accumulating from a County-wide ad valorem property tax levy to provide for the cost of construction, maintenance, acquisition and repair of certain facilities and other items of a capital nature

**Facilities Revenue Bonds -** to account for all financial resources related to certain maintenance and repair of City and County facilities

**Tax Revenue Note -** to account for all financial resources related to purchases of certain vehicles and other equipment from the proceeds of a tax revenue note

**MECA -** to account for all financial resources related to acquisition of computer hardware and software from proceeds of the Public Safety Communication System and Computer Facilities District bonds

**Landmark Building Preservation -** to account for all financial resources related to costs of major repairs to certain city properties

**Storm Water -** to account for all financial resources related to expenditures for construction of storm water removal infrastructure

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**CITY OF INDIANAPOLIS**  
**Combining Balance Sheet – Nonmajor Capital Projects Funds**  
December 31, 2007  
*(In Thousands)*

	<u>Redevelopment District</u>		Economic Development	Metropolitan Thoroughfare District	Park District	City Cumulative Capital Development	County Cumulative Capital Development
	General	Tax Increment					
<b>ASSETS</b>							
Equity in pooled cash	\$ 857	\$ 1,219	\$ —	\$ 7,625	\$ 571	\$ 6,500	\$ 2,724
Cash and investments with fiscal agents	—	10,002	448	1,229	—	—	—
Investments	107	153	—	957	72	816	342
Accrued interest receivable	4	—	—	29	—	20	7
Property taxes receivable	—	—	—	—	—	4,074	—
Accounts receivable	—	143	—	66	—	201	—
Total assets	<u>\$ 968</u>	<u>\$ 11,517</u>	<u>\$ 448</u>	<u>\$ 9,906</u>	<u>\$ 643</u>	<u>\$ 11,611</u>	<u>\$ 3,073</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and other accrued liabilities	\$ 3	\$ 712	\$ —	\$ 736	\$ 16	\$ 771	\$ 241
Tax anticipation warrants	—	—	—	—	—	3,051	—
Deferred revenue	—	—	—	19	—	4,230	—
Bond and COIT anticipation notes	—	—	—	—	—	—	—
Total liabilities	<u>3</u>	<u>712</u>	<u>—</u>	<u>755</u>	<u>16</u>	<u>8,052</u>	<u>241</u>
Fund balances:							
Reserved for encumbrances	3	551	—	3,011	377	3,084	1,977
Unreserved	962	10,254	448	6,140	250	475	855
Total fund balances	<u>965</u>	<u>10,805</u>	<u>448</u>	<u>9,151</u>	<u>627</u>	<u>3,559</u>	<u>2,832</u>
Total liabilities and fund balances	<u>\$ 968</u>	<u>\$ 11,517</u>	<u>\$ 448</u>	<u>\$ 9,906</u>	<u>\$ 643</u>	<u>\$ 11,611</u>	<u>\$ 3,073</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**Combining Balance Sheet – Nonmajor Capital Projects Funds**  
December 31, 2007  
*(In Thousands)*

	<b>Facilities Revenue Bonds</b>	<b>Tax Revenue Note</b>	<b>MECA</b>	<b>Landmark Building Preservation</b>	<b>Storm Water</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>ASSETS</b>						
Equity in pooled cash	\$ —	\$ —	\$ 16,881	\$ 93	\$ 17,125	\$ 53,595
Cash and investments with fiscal agents	5,006	—	673	—	—	17,358
Investments	—	—	2,119	12	2,150	6,728
Accrued interest receivable	—	—	47	1	89	197
Property taxes receivable	—	—	—	—	—	4,074
Accounts receivable	—	1,055	—	—	—	1,465
Total assets	<u>\$ 5,006</u>	<u>\$ 1,055</u>	<u>\$ 19,720</u>	<u>\$ 106</u>	<u>\$ 19,364</u>	<u>\$ 83,417</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other accrued liabilities	\$ —	\$ 1,055	\$ 1,399	\$ 9	\$ 1,726	\$ 6,668
Tax anticipation warrants	—	—	—	—	—	3,051
Deferred revenue	—	—	—	—	—	4,249
Bond and COIT anticipation notes	—	—	33,456	—	—	33,456
Total liabilities	<u>—</u>	<u>1,055</u>	<u>34,855</u>	<u>9</u>	<u>1,726</u>	<u>47,424</u>
Fund balances:						
Reserved for encumbrances	—	1,786	8,913	17	9,834	29,553
Unreserved	5,006	(1,786)	(24,048)	80	7,804	6,440
Total fund balances	<u>5,006</u>	<u>—</u>	<u>(15,135)</u>	<u>97</u>	<u>17,638</u>	<u>35,993</u>
Total liabilities and fund balances	<u>\$ 5,006</u>	<u>\$ 1,055</u>	<u>\$ 19,720</u>	<u>\$ 106</u>	<u>\$ 19,364</u>	<u>\$ 83,417</u>

**CITY OF INDIANAPOLIS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>Redevelopment District</u>		<u>Economic Development</u>	<u>Metropolitan Thoroughfare District</u>	<u>Park District</u>	<u>City Cumulative Capital Improvement</u>	<u>County Cumulative Capital Improvement</u>
	<u>General</u>	<u>Tax Increment</u>					
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13,132	\$ —
Other intergovernmental revenues:							
Federal revenues	—	—	—	1,929	—	440	—
Other revenues	—	—	—	—	—	785	2,500
Interest and other operating revenues	—	269	19	537	—	418	53
Total revenues	<u>—</u>	<u>269</u>	<u>19</u>	<u>2,466</u>	<u>—</u>	<u>14,775</u>	<u>2,553</u>
Expenditures:							
Current:							
Economic development and assistance	—	10,160	—	—	—	—	—
Debt service:							
Redemption of notes	—	—	—	—	—	3,411	—
Interest on notes	—	496	—	—	—	297	10
Issuance costs	—	637	—	—	—	—	—
Capital outlay	10	3,303	—	3,056	564	8,501	892
Total expenditures	<u>10</u>	<u>14,596</u>	<u>—</u>	<u>3,056</u>	<u>564</u>	<u>12,209</u>	<u>902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10)</u>	<u>(14,327)</u>	<u>19</u>	<u>(590)</u>	<u>(564)</u>	<u>2,566</u>	<u>1,651</u>
Other financing sources and (uses):							
Bonds and notes issued	—	17,638	—	—	—	—	—
Premium on bonds issued	—	—	—	—	—	—	—
Refunding bonds issued	—	—	—	980	548	—	—
Transfers in	—	—	—	1,151	643	—	—
Transfers out	—	(5)	—	—	—	(5,380)	—
Total other financing sources and (uses)	<u>—</u>	<u>17,633</u>	<u>—</u>	<u>2,131</u>	<u>1,191</u>	<u>(5,380)</u>	<u>—</u>
Net change in fund balances	<u>(10)</u>	<u>3,306</u>	<u>19</u>	<u>1,541</u>	<u>627</u>	<u>(2,814)</u>	<u>1,651</u>
Fund balances at beginning of year	975	7,499	429	7,610	—	6,373	1,181
Fund balances at end of year	<u>\$ 965</u>	<u>\$ 10,805</u>	<u>\$ 448</u>	<u>\$ 9,151</u>	<u>\$ 627</u>	<u>\$ 3,559</u>	<u>\$ 2,832</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>Facilities Revenue</u>	<u>Tax Revenue Note</u>	<u>MECA</u>	<u>Landmark Building Preservation</u>	<u>Storm Water</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	13,132
Other intergovernmental revenues:						
Federal revenues	—	—	—	—	—	2,369
Other revenues	—	—	—	—	—	3,285
Interest and other operating revenues	<u>278</u>	<u>—</u>	<u>543</u>	<u>22</u>	<u>972</u>	<u>3,111</u>
Total revenues	<u>278</u>	<u>—</u>	<u>543</u>	<u>22</u>	<u>972</u>	<u>21,897</u>
Expenditures:						
Current:						
Economic development and assistance	—	—	—	—	—	10,160
Debt service:						
Redemption of notes	—	—	5,000	—	—	8,411
Interest on notes	359	—	741	—	—	1,903
Issuance costs	163	—	362	—	—	1,162
Capital outlay	<u>6,456</u>	<u>4,611</u>	<u>13,607</u>	<u>476</u>	<u>11,370</u>	<u>52,846</u>
Total expenditures	<u>6,978</u>	<u>4,611</u>	<u>19,710</u>	<u>476</u>	<u>11,370</u>	<u>74,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,700)</u>	<u>(4,611)</u>	<u>(19,167)</u>	<u>(454)</u>	<u>(10,398)</u>	<u>(52,585)</u>
Other financing sources and (uses):						
Bonds and notes issued	3,444	4,611	—	—	—	25,693
Premium on bonds issued	27	—	—	—	—	27
Refunding bonds issued	—	—	—	—	256	1,784
Transfers in	—	—	—	—	299	2,093
Transfers out	<u>(125)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(98)</u>	<u>(5,608)</u>
Total other financing sources and (uses)	<u>3,346</u>	<u>4,611</u>	<u>—</u>	<u>—</u>	<u>457</u>	<u>23,989</u>
Net change in fund balances	<u>(3,354)</u>	<u>—</u>	<u>(19,167)</u>	<u>(454)</u>	<u>(9,941)</u>	<u>(28,596)</u>
Fund balances at beginning of year	<u>8,360</u>	<u>—</u>	<u>4,032</u>	<u>551</u>	<u>27,579</u>	<u>64,589</u>
Fund balances at end of year	<u>\$ 5,006</u>	<u>\$ —</u>	<u>\$ (15,135)</u>	<u>\$ 97</u>	<u>\$ 17,638</u>	<u>\$ 35,993</u>

**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, 2007  
*(In Thousands)*

	City Cumulative		County Cumulative		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 15,549	\$ 13,132	\$ —	\$ —	\$ 15,549	\$ 13,132
Other intergovernmental revenues	—	1	2,500	2,500	2,500	2,501
Interest and other operating revenues	231	422	—	45	231	467
Total revenues	<u>15,780</u>	<u>13,555</u>	<u>2,500</u>	<u>2,545</u>	<u>18,280</u>	<u>16,100</u>
Expenditures:						
Current:						
General government	858	858	—	—	858	858
Public safety	538	449	—	—	538	449
Public works	200	156	5	5	205	161
Cultural and recreation	560	559	—	—	560	559
Urban redevelopment	20	19	—	—	20	19
Economic development	35	34	—	—	35	34
Capital outlays	11,115	10,052	2,500	2,475	13,615	12,527
Total expenditures	<u>13,326</u>	<u>12,127</u>	<u>2,505</u>	<u>2,480</u>	<u>15,831</u>	<u>14,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,454</u>	<u>1,428</u>	<u>(5)</u>	<u>65</u>	<u>2,449</u>	<u>1,493</u>
Other financing sources and (uses), net:						
Sale and lease of capital assets	—	—	—	—	—	—
Transfers out	(4,595)	(4,595)	—	—	(4,595)	(4,595)
Total other financing sources and (uses)	<u>(4,595)</u>	<u>(4,595)</u>	<u>—</u>	<u>—</u>	<u>(4,595)</u>	<u>(4,595)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(2,141)</u>	<u>(3,167)</u>	<u>(5)</u>	<u>65</u>	<u>(2,146)</u>	<u>(3,102)</u>
Unreserved fund balances at beginning of year	5,610	3,029	355	783	5,965	3,812
Cancellation of purchase orders and other	<u>(2,535)</u>	<u>3,313</u>	<u>412</u>	<u>65</u>	<u>(2,123)</u>	<u>3,378</u>
Unreserved fund balances at end of year	<u>\$ 934</u>	<u>\$ 3,175</u>	<u>\$ 762</u>	<u>\$ 913</u>	<u>\$ 1,696</u>	<u>\$ 4,088</u>

**CITY OF INDIANAPOLIS**  
**Annually Budgeted Capital Projects Funds**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Executive and Legislative				
Office of Finance and Management	County Cumulative Capital Improvement			
Other services and charges		\$ 5	\$ 5	\$ —
Total		<u>5</u>	<u>5</u>	<u>—</u>
Office of Finance and Management	City Cumulative Capital Improvement			
Other services and charges		35	34	1
Capital outlay		<u>250</u>	<u>250</u>	<u>—</u>
Total		<u>285</u>	<u>284</u>	<u>1</u>
Total – Executive and Legislative		\$ <u>290</u>	\$ <u>289</u>	\$ <u>1</u>
Department of Metropolitan Development	City Cumulative Capital Improvement			
Other services and charges		\$ 20	\$ 19	\$ 1
Capital outlay		<u>80</u>	<u>12</u>	<u>68</u>
Total – Department of Metropolitan Development		\$ <u>100</u>	\$ <u>31</u>	\$ <u>69</u>
Department of Public Works	County Cumulative Capital Improvement			
Other services and charges		\$ —	\$ —	\$ —
Capital outlay		<u>2,500</u>	<u>2,475</u>	<u>25</u>
Total		<u>2,500</u>	<u>2,475</u>	<u>25</u>
Department of Public Works	City Cumulative Capital Improvement			
Other services and charges		1,058	1,014	44
Capital outlay		<u>2,150</u>	<u>2,134</u>	<u>16</u>
Total		<u>3,208</u>	<u>3,148</u>	<u>60</u>
Total – Department of Public Works		\$ <u>5,708</u>	\$ <u>5,623</u>	\$ <u>85</u>
Department of Public Safety	City Cumulative Capital Improvement			
Capital outlay		\$ <u>52</u>	\$ <u>52</u>	\$ <u>—</u>
Total		<u>52</u>	<u>52</u>	<u>—</u>

(Continued)

**CITY OF INDIANAPOLIS**  
**Annually Budgeted Capital Projects Funds**  
**Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Indianapolis Fire Department	City Cumulative Capital Improvement			
Capital outlay		\$ 538	\$ 449	\$ 89
Internal charges		1,730	1,135	595
Total		<u>2,268</u>	<u>1,584</u>	<u>684</u>
Total – Department of Public Safety		\$ <u>2,320</u>	\$ <u>1,636</u>	\$ <u>684</u>
Department of Parks and Recreation	City Cumulative Capital Improvement			
Other services and charges		\$ 560	\$ 559	\$ 1
Capital outlay		3,274	3,241	33
Total – Department of Parks and Recreation		\$ <u>3,834</u>	\$ <u>3,800</u>	\$ <u>34</u>
Indianapolis Metropolitan Police Department	City Cumulative Capital Improvement			
Capital outlay		\$ <u>3,579</u>	\$ <u>3,228</u>	\$ <u>351</u>
Total – Indianapolis Metropolitan Police Department		\$ <u>3,579</u>	\$ <u>3,228</u>	\$ <u>351</u>
Total – Capital Projects Funds – by Department and Division		\$ <u><u>15,831</u></u>	\$ <u><u>14,607</u></u>	\$ <u><u>1,609</u></u>

## **Internal Service Funds**

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

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

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**CITY OF INDIANAPOLIS**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
December 31, 2007  
*(In Thousands)*

	<b>Auto Liability Reserve</b>	<b>Workers' Compensation</b>	<b>Public Liability Self Insurance</b>	<b>Total</b>
<b>ASSETS</b>				
Equity in pooled cash	\$ 4,069	\$ 222	\$ 3,087	\$ 7,378
Cash and investments with fiscal agents	3	58	—	61
Investments	511	28	388	927
Accrued interest receivable	19	2	15	36
Accounts receivable	—	25	—	25
Total assets	4,602	335	3,490	8,427
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities	700	1,310	2,432	4,442
Total liabilities	700	1,310	2,432	4,442
<b>NET ASSETS</b>				
Unrestricted	\$ 3,902	\$ (975)	\$ 1,058	\$ 3,985

**CITY OF INDIANAPOLIS**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>Auto Liability Reserve</u>	<u>Workers' Compensation</u>	<u>Public Liability Self Insurance</u>	<u>Total</u>
Operating revenues:				
Charges to other funds	\$ 355	\$ 2,295	\$ 40	\$ 2,690
Operating expenses:				
Administration	34	137	—	171
Claims	174	2,863	1,039	4,076
Total operating expenses	<u>208</u>	<u>3,000</u>	<u>1,039</u>	<u>4,247</u>
Operating income (loss)	147	(705)	(999)	(1,557)
Nonoperating revenue:				
Interest on investments	<u>293</u>	<u>60</u>	<u>268</u>	<u>621</u>
Change in net assets	440	(645)	(731)	(936)
Total net assets – beginning	<u>3,462</u>	<u>(330)</u>	<u>1,789</u>	<u>4,921</u>
Total net assets – ending	<u>\$ 3,902</u>	<u>\$ (975)</u>	<u>\$ 1,058</u>	<u>\$ 3,985</u>

**CITY OF INDIANAPOLIS**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
Year ended December 31, 2007  
*(In Thousands)*

	<u>Auto Liability Reserve</u>	<u>Workers' Compensation</u>	<u>Public Liability Self Insurance</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from users	\$ 355	\$ 2,299	\$ 75	\$ 2,729
Payments for administration	(34)	(137)	—	(171)
Payments for claims	<u>(381)</u>	<u>(3,381)</u>	<u>(1,193)</u>	<u>(4,955)</u>
Net cash used in operating activities	<u>(60)</u>	<u>(1,219)</u>	<u>(1,118)</u>	<u>(2,397)</u>
Cash flows from investing activities:				
Sales and maturities of investments	2,896	922	2,901	6,719
Investment purchases	(511)	(28)	(388)	(927)
Interest on investments	<u>324</u>	<u>79</u>	<u>301</u>	<u>704</u>
Net cash provided by investing activities	<u>2,709</u>	<u>973</u>	<u>2,814</u>	<u>6,496</u>
Net increase (decrease) in cash and cash equivalents	2,649	(246)	1,696	4,099
Cash and cash equivalents, beginning of year	<u>1,423</u>	<u>526</u>	<u>1,391</u>	<u>3,340</u>
Cash and cash equivalents, end of year	<u>\$ 4,072</u>	<u>\$ 280</u>	<u>\$ 3,087</u>	<u>\$ 7,439</u>
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	\$ 147	\$ (705)	\$ (999)	\$ (1,557)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Change in assets and liabilities:				
Decrease in accounts receivable	—	4	35	39
Decrease in accounts payable	<u>(207)</u>	<u>(518)</u>	<u>(154)</u>	<u>(879)</u>
Net cash used in operating activities	<u>\$ (60)</u>	<u>\$ (1,219)</u>	<u>\$ (1,118)</u>	<u>\$ (2,397)</u>

## Fiduciary Funds

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

The City maintains the following Fiduciary Funds:

### PENSION TRUST FUNDS

- Police -** to account for the (1) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Police and Firefighters Pension and Disability Fund (1977 Fund) pension plan, (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 and (3) City and police officer contributions to the 1977 Fund
- Fire -** 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, (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 and (3) City and firefighter contributions to the 1977 Fund

### AGENCY FUNDS

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

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**CITY OF INDIANAPOLIS**  
**Fiduciary Funds**  
**Combining Statement of Pension Trust Funds Net Assets**  
**Police and Firefighter Pension Trust Funds**  
December 31, 2007  
*(In Thousands)*

	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash	\$ 7,103	\$ 7,716	\$ 14,819
Investments	895	969	1,864
Accrued interest receivable	13	4	17
Accounts receivable	23	7	30
Total assets	8,034	8,696	16,730
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	7,020	1,341	8,361
Total liabilities	7,020	1,341	8,361
<b>NET ASSETS</b>			
Held in trust for pension benefits	\$ 1,014	\$ 7,355	\$ 8,369

**CITY OF INDIANAPOLIS**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Police and Firefighter Pension Trust Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<b>Pension Trust Funds</b>		
	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Total</b>
<b>ADDITIONS</b>			
State of Indiana pension subsidy received from the General Fund	\$ 23,685	\$ 23,780	\$ 47,465
Interest income and other	421	40	461
	<u>24,106</u>	<u>23,820</u>	<u>47,926</u>
Contributions:			
Employer	6,105	8,650	14,755
Plan members	61	67	128
	<u>6,166</u>	<u>8,717</u>	<u>14,883</u>
Total additions	<u>30,272</u>	<u>32,537</u>	<u>62,809</u>
<b>DEDUCTIONS</b>			
Benefits	32,947	29,472	62,419
Total deductions	<u>32,947</u>	<u>29,472</u>	<u>62,419</u>
Change in plan net assets	(2,675)	3,065	390
Net assets – beginning	3,689	4,290	7,979
Net assets – ending	<u>\$ 1,014</u>	<u>\$ 7,355</u>	<u>\$ 8,369</u>

**CITY OF INDIANAPOLIS**  
**Fiduciary Funds**  
**Police and Firefighter Pension Trust Funds**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual – Budgetary Basis**  
Year ended December 31, 2007  
*(In Thousands)*

	<b>Police Pension</b>			<b>Fire Pension</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues:						
Intergovernmental	\$ 19,130	\$ 23,835	\$ 4,705	\$ 22,740	\$ 30,157	\$ 7,417
Other	235	420	185	100	57	(43)
Total revenues	<u>19,365</u>	<u>24,255</u>	<u>4,890</u>	<u>22,840</u>	<u>30,214</u>	<u>7,374</u>
Expenditures:						
Personal services	48,691	41,881	6,810	42,365	40,135	2,230
Other services	—	—	—	372	372	—
Total expenditures	<u>48,691</u>	<u>41,881</u>	<u>6,810</u>	<u>42,737</u>	<u>40,507</u>	<u>2,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,326)</u>	<u>(17,626)</u>	<u>11,700</u>	<u>(19,897)</u>	<u>(10,293)</u>	<u>9,604</u>
Other financing sources and (uses):						
Transfers in (out)	<u>27,570</u>	<u>21,211</u>	<u>(6,359)</u>	<u>13,455</u>	<u>13,671</u>	<u>216</u>
Revenues over (under) expenditures and other financing sources	<u>\$ (1,756)</u>	<u>\$ 3,585</u>	<u>\$ 5,341</u>	<u>\$ (6,442)</u>	<u>\$ 3,378</u>	<u>\$ 9,820</u>

**CITY OF INDIANAPOLIS**  
**Fiduciary Funds**  
**Combining Statement of Agency Funds Net Assets**  
December 31, 2007  
*(In Thousands)*

	<u>Sanitation 15 Year Law</u>	<u>UAL Personal Property</u>	<u>E-911 Allocation</u>	<u>DPS Retiree Health Insurance</u>	<u>IPD Confiscated Cash</u>	<u>Other</u>	<u>Total</u>
<b>ASSETS</b>							
Equity in pooled cash	335	\$ 7,198	\$ 3,316	\$ 95	\$ 1,499	\$ 655	\$ 13,098
Cash and investments with fiscal agents	—	—	—	—	—	15	15
Investments	42	903	416	—	—	82	1,443
Accrued interest receivable	2	—	15	1	—	3	21
Accounts receivable	—	—	200	—	—	—	200
Total assets	<u>379</u>	<u>\$ 8,101</u>	<u>\$ 3,947</u>	<u>\$ 96</u>	<u>\$ 1,499</u>	<u>\$ 755</u>	<u>\$ 14,777</u>
<b>LIABILITIES</b>							
Accounts payable and other accrued liabilities	<u>379</u>	<u>8,101</u>	<u>3,947</u>	<u>96</u>	<u>1,499</u>	<u>755</u>	<u>14,777</u>
Total liabilities	<u>379</u>	<u>\$ 8,101</u>	<u>\$ 3,947</u>	<u>\$ 96</u>	<u>\$ 1,499</u>	<u>\$ 755</u>	<u>\$ 14,777</u>

**CITY OF INDIANAPOLIS**  
**Fiduciary Funds**  
**Combining Statement of Changes in Assets and Liabilities – Agency Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<b>Balance January 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2007</b>
<b>SANITATION 15 YEAR LAW FUND</b>				
Assets:				
Cash and investments	\$ 262	\$ 130	\$ 15	\$ 377
Accrued interest receivable	14	—	12	2
Total assets	\$ 276	\$ 130	\$ 27	\$ 379
Liabilities:				
Accounts payable	\$ 276	\$ 190	\$ 87	\$ 379
Total liabilities	\$ 276	\$ 190	\$ 87	\$ 379
<b>UAL PERSONAL PROPERTY</b>				
Assets:				
Cash and investments	\$ 4,800	\$ 3,301	\$ —	\$ 8,101
Total assets	\$ 4,800	\$ 3,301	\$ —	\$ 8,101
Liabilities:				
Accounts payable	\$ 4,800	\$ 3,301	\$ —	\$ 8,101
Total liabilities	\$ 4,800	\$ 3,301	\$ —	\$ 8,101
<b>E – 911 ALLOCATION</b>				
Assets:				
Cash and investments	\$ 2,941	\$ 1,218	\$ 427	\$ 3,732
Accrued interest receivable	39	—	24	15
Accounts receivable	76	124	—	200
Total assets	\$ 3,056	\$ 1,342	\$ 451	\$ 3,947
Liabilities:				
Accounts payable	\$ 3,056	\$ 2,955	\$ 2,064	\$ 3,947
Total liabilities	\$ 3,056	\$ 2,955	\$ 2,064	\$ 3,947

**CITY OF INDIANAPOLIS**  
**Fiduciary Funds**  
**Combining Statement of Changes in Assets and Liabilities – Agency Funds**  
Year ended December 31, 2007  
*(In Thousands)*

	<b>Balance January 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2007</b>
<b>DPS RETIREE HEALTH INSURANCE</b>				
Assets:				
Cash and investments	\$ 78	\$ 1,371	\$ 1,354	\$ 95
Accrued interest receivable	5	—	4	1
Total assets	\$ 83	\$ 1,371	\$ 1,358	\$ 96
Liabilities:				
Accounts payable	\$ 83	\$ 3,519	\$ 3,506	\$ 96
Total liabilities	\$ 83	\$ 3,519	\$ 3,506	\$ 96
<b>IPD CONFISCATED CASH</b>				
Assets:				
Cash and investments	\$ 1,375	\$ 2,297	\$ 2,173	\$ 1,499
Total assets	\$ 1,375	\$ 2,297	\$ 2,173	\$ 1,499
Liabilities:				
Accounts payable	\$ 1,375	\$ 2,297	\$ 2,173	\$ 1,499
Total liabilities	\$ 1,375	\$ 2,297	\$ 2,173	\$ 1,499
<b>OTHER</b>				
Assets:				
Cash and investments	\$ 672	\$ 65	\$ —	\$ 737
Cash and investments with fiscal agents	14	1	—	15
Accrued interest receivable	1	2	—	3
Total assets	\$ 687	\$ 68	\$ —	\$ 755
Liabilities:				
Accounts payable	\$ 687	\$ 78	\$ 10	\$ 755
Total liabilities	\$ 687	\$ 78	\$ 10	\$ 755
<b>TOTAL – ALL AGENCY FUNDS</b>				
Assets:				
Cash and investments	\$ 10,128	\$ 8,382	\$ 3,969	\$ 14,541
Cash and investments with fiscal agents	14	1	—	15
Accrued interest receivable	59	2	40	21
Accounts receivable	76	124	—	200
Total assets	\$ 10,277	\$ 8,509	\$ 4,009	\$ 14,777
Liabilities:				
Accounts payable	\$ 10,277	\$ 12,340	\$ 7,840	\$ 14,777
Total liabilities	\$ 10,277	\$ 12,340	\$ 7,840	\$ 14,777

See accompanying independent auditors' report.

Statistical Section

**CITY OF INDIANAPOLIS**  
**STATISTICAL SECTION**  
**TABLE OF CONTENTS**

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

	<u>Schedules #'s</u>
<b><i>FINANCIAL TRENDS</i></b>	
These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.	Schedule 1–5
<b><i>REVENUE CAPACITY</i></b>	
These schedules contain information to help the reader assess the Government's most significant local revenue source, the property tax.	Schedule 6–10
<b><i>DEBT CAPACITY</i></b>	
These schedules present information to help the reader assess the affordability of the Government's current levels of outstanding debt and the Government's ability to issue additional debt in the future.	Schedule 11–15
<b><i>DEMOGRAPHIC AND ECONOMIC INFORMATION</i></b>	Schedule 16–18
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Government's financial activities take place.	
<b><i>OPERATING INFORMATION</i></b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the Government's financial report relates to the services the Government provides and the activities it performs.	Schedule 19–20

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

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

	<b>Fiscal year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental activities:</b>			
Invested in capital assets, net of related debt	\$ 964,135	\$ 968,197	\$ 1,009,258
Restricted	122,202	193,243	175,864
Unrestricted (deficit)	<u>(273,286)</u>	<u>(366,071)</u>	<u>(402,821)</u>
Total governmental activities net assets	<u>\$ 813,051</u>	<u>\$ 795,369</u>	<u>\$ 782,301</u>
<b>Business-type activities:</b>			
Invested in capital assets, net of related debt	\$ 86,066	\$ 76,926	\$ 96,070
Restricted	2,807	443	11,800
Unrestricted (deficit)	<u>(20,333)</u>	<u>11,585</u>	<u>(9,352)</u>
Total business-type activities net assets	<u>\$ 68,540</u>	<u>\$ 88,954</u>	<u>\$ 98,518</u>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 1,050,201	\$ 1,045,123	\$ 1,105,328
Restricted	125,009	193,686	187,664
Unrestricted (deficit)	<u>(293,619)</u>	<u>(354,486)</u>	<u>(412,173)</u>
Total primary government net assets	<u>\$ 881,591</u>	<u>\$ 884,323</u>	<u>\$ 880,819</u>

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

	<b>Fiscal year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Expenses</b>			
Governmental activities:			
General government	\$ 43,646	\$ 45,133	\$ 46,890
Public safety	280,370	281,214	401,015
Public works	228,881	229,993	234,673
Health and welfare	4,598	4,962	5,621
Cultural and recreation	32,892	31,739	38,250
Urban redevelopment and housing	38,482	40,837	33,207
Economic development and assistance	11,804	14,126	22,315
Interest	56,192	63,262	62,178
Total governmental activities expenses	<u>\$ 696,865</u>	<u>\$ 711,266</u>	<u>\$ 844,149</u>
Business-type activities:			
Waterworks	\$ 120,856	\$ 119,289	\$ 141,257
Housing Agency	55,494	51,087	51,686
Total business-type activities expenses	<u>176,350</u>	<u>170,376</u>	<u>192,943</u>
Total primary government expenses	<u>\$ 873,215</u>	<u>\$ 881,642</u>	<u>\$ 1,037,092</u>

(Continued)

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

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

(Continued)

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

<b>General Revenue and Other Changes in Net Assets</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:			
Taxes			
Property tax	\$ 229,238	\$ 221,904	\$ 256,969
Wheel tax	13,396	12,921	12,756
County option income tax	45,489	57,452	110,426
Other taxes	18,469	17,769	16,947
Grants and contributions not restricted by function	6,708	16,945	13,503
Investment earnings not restricted by function	8,535	18,099	17,967
Miscellaneous	1,214	5,084	4,607
Total governmental activities	<u>\$ 323,049</u>	<u>\$ 350,174</u>	<u>\$ 433,175</u>
Business-type activities:			
Investment earnings not restricted by function	\$ 2,125	\$ 5,489	\$ 4,724
Miscellaneous	151	6,954	2,213
Total business-type activities	<u>2,276</u>	<u>12,443</u>	<u>6,937</u>
Total primary government	<u>\$ 325,325</u>	<u>\$ 362,617</u>	<u>\$ 440,112</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ (36,867)	\$ (17,682)	\$ (13,068)
Business-type activities	18,175	20,414	9,564
Total primary government	<u>\$ (18,692)</u>	<u>\$ 2,732</u>	<u>\$ (3,504)</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

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

<b>Function/Program</b>	<b>Program revenues</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental activities:</b>			
General government	\$ 12,535	\$ 14,154	\$ 14,459
Public safety	64,480	71,887	98,792
Public works	212,890	216,308	242,473
Health and welfare	3,106	2,939	3,503
Cultural and recreation	7,694	8,775	9,333
Urban redevelopment and housing	26,563	26,986	26,836
Economic development and assistance	9,681	2,361	2,510
Total governmental activities	<u>\$ 336,949</u>	<u>\$ 343,410</u>	<u>\$ 397,906</u>
 <b>Business-type activities:</b>			
Waterworks	\$ 134,389	\$ 116,908	\$ 133,751
Housing Agency	57,860	61,439	61,819
Total business-type activities	<u>192,249</u>	<u>178,347</u>	<u>195,570</u>
Total primary government program revenues	<u>\$ 529,198</u>	<u>\$ 521,757</u>	<u>\$ 593,476</u>

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

	<b>Fiscal years</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Fund:			
Reserved	\$ 92,086	\$ 73,618	\$ 37,412
Unreserved	<u>125,526</u>	<u>136,643</u>	<u>79,182</u>
Total general fund	<u><u>\$ 217,612</u></u>	<u><u>\$ 210,261</u></u>	<u><u>\$ 116,594</u></u>
All other governmental funds:			
Reserved	\$ 152,398	\$ 179,519	\$ 198,655
Unreserved, reported in:			
Special revenue funds	1,558	511	148
Capital projects funds	19,132	75,784	100,381
Permanent fund	<u>336</u>	<u>345</u>	<u>361</u>
Total all other governmental funds	<u><u>\$ 173,424</u></u>	<u><u>\$ 256,159</u></u>	<u><u>\$ 299,545</u></u>

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

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

(Continued)

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

	<b>Fiscal year</b>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Other financing sources (uses)</b>			
Bonds and notes issued	\$ 158,971	\$ 199,999	\$ 198,915
Premium on bonds and notes issued	—	2,691	5,381
Refunding bonds issued	—	—	89,410
Payment to refunded bond escrow agent	—	—	(86,697)
Sale of capital assets	393	455	939
Transfers in	44,935	45,313	60,253
Transfers out	(44,935)	(45,313)	(60,253)
Total other financing sources (uses)	<u>\$ 159,364</u>	<u>\$ 203,145</u>	<u>\$ 207,948</u>
Net change in fund balances	<u>\$ 54,949</u>	<u>\$ 75,384</u>	<u>\$ (50,281)</u>
Debt service as a percentage of noncapital expenditures	45%	40%	28%

**CITY OF INDIANAPOLIS**  
**Tax Revenues by Source, Governmental Funds**  
 Schedule 6  
 December 31, 2007  
*(modified accrual basis)*  
*(In thousands)*

<b>Fiscal year</b>	<b>Property</b>	<b>Local option income tax</b>	<b>Wheel tax</b>	<b>Other (a)</b>	<b>Total taxes</b>
2005	\$ 230,073	\$ 46,236	\$ 13,396	\$ 18,492	\$ 308,197
2006	221,904	57,452	12,921	17,769	310,046
2007	256,969	110,426	12,756	16,947	397,098

(a) Includes financial institution and other local taxes.

**CITY OF INDIANAPOLIS**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
Schedule 7  
December 31, 2007  
*(In thousands)*

<b>Fiscal year</b>	<b>Residential property</b>	<b>Commercial property</b>	<b>Industrial property</b>	<b>Personal property</b>	<b>Other</b>	<b>Total taxable assessed value (a)</b>	<b>Total direct tax rate</b>	<b>Estimated actual taxable value</b>	<b>Taxable assessed value as a percentage of actual taxable value (a)</b>
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

Note: Tax-exempt property for 2007 of \$3,629,191 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.

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

Year	City of Indianapolis			Overlapping rates							Total direct and overlapping rates
	Operating millage	Debt service millage	Total city millage	County direct rates			Other direct rates				
				County	Municipal corporations	Total city county council approved	School	State	Other		
2005	0.9442	0.0369	0.9811	0.4163	0.3650	1.7345	1.6744	0.0024	0.0637	4.4561	
2006	0.9057	0.0368	0.9425	0.4131	0.3651	1.6663	1.7172	0.0024	0.0644	4.3928	
2007	0.8330	0.0416	0.8746	0.5708	0.3320	1.4987	1.8713	0.0024	0.0656	4.3126	

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

**CITY OF INDIANAPOLIS**  
**Principal Property Tax Payers**  
Schedule 9  
December 31, 2007

<b>Principal taxpayers</b>	<b>2007 (b)</b>		
	<b>Taxable assessed value (a)</b>	<b>Rank</b>	<b>Percentage of total city taxable assessed value</b>
Eli Lilly and Company	\$ 1,256,497	1	3.171%
St. Vincent Hospital & Health Care Center, Inc.	332,955	2	0.840
Southwestern Bell	305,847	3	0.772
Methodist Hospital System	304,320	4	0.768
Community Hospitals Foundation Inc.	269,592	5	0.680
Simon Property Group	246,269	6	0.621
Sexton Properties	185,967	7	0.469
Citizens Gas & Coke Utility	185,818	8	0.469
Sisters of St. Francis Health System	184,577	9	0.466
General Motors	157,229	10	0.397
Duke-Weeks Realty LP	150,583	11	0.380
International Truck and Engine	143,749	12	0.363
Macquarie Office Monument	129,764	13	0.327
Dugan Financing, LLC	127,489	14	0.322
PP Indianapolis	115,921	15	0.293
Keystone Investors, LLC	114,946	16	0.290
Roche Diagnostic Corporation	114,380	17	0.289
AIMCO Properties, Inc.	112,770	18	0.285
Dugan Realty, LLC	111,759	19	0.282
Edwin Rose Development, LP	109,610	20	0.277
	4,660,041		11.76

- (a) Represents the March 1, 2006 valuations for taxes due and payable in 2007 as represented by the taxpayer.  
Amounts in thousands. Net assessed valuation was determined using public records from the Marion County Treasurer's Office.
- (b) Prior year's data not available.

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

<b>Fiscal year ended December 31</b>	<b>Taxes levied for the fiscal year (a)</b>	<b>Collected within the fiscal year of the levy</b>		<b>Collections in subsequent years</b>	<b>Total collections to date</b>	
		<b>Amount</b>	<b>Percentage of levy</b>		<b>Amount (c)</b>	<b>Percentage of levy</b>
1998	\$ 168,951	\$ 160,792	95.2%	\$ 7,922	\$ 168,714	99.86%
1999	172,166	162,624	94.5	7,496	170,120	98.81
2000	168,653	163,830 (b)	97.1	7,538	171,368	101.61
2001	168,777	163,786	97.0	7,093	170,879	101.25
2002	166,351	161,582	97.1	8,049	169,631	101.97
2003	173,506	172,068	99.2	6,476	178,544	102.90
2004	163,091	159,523	97.8	7,502	167,025	102.41
2005	173,583	165,443	95.3	5,995	171,438 (d)	98.76
2006	175,485	168,359	95.9	4,501	172,860 (d)	98.50
2007	192,223	192,946	100.4	3,587	196,533 (d)	102.24

- (a) Taxes levied represents the total city less the tax increment replacement levy.
- (b) Beginning in 2000, taxes collected do not include tax incremental finance (TIF) taxes.
- (c) Data presented on the cash basis in years prior to 2007.
- (d) Total collections for 2005, 2006, and 2007 include refunds for prior years that were withheld from the City's final tax distribution.

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

Fiscal year	Governmental activities					Business-type activities			Total primary government	Percentage of personal income (a)	Per capita (a)
	Serial bonds	Tax increment bonds	Net revenue bonds	Notes payable	Capital leases	Waterworks net revenue bonds	Waterworks notes payable	Housing Agency capital leases			
2005	\$ 338,642	\$ 468,392	\$ 249,193	\$ 42,648	\$ 2,020	\$ 701,381	\$ 869	\$ 2,506	\$ 1,805,651	3.03%	\$ 110,097
2006	320,385	438,863	406,626	47,628	1,112	707,586	651	1,888	1,924,739	3.05	115,528
2007	305,051	440,678	567,104	29,239	151	814,893	3,767	1,248	2,162,131	3.27	127,556

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

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

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

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (a) Population data can be found in schedule 16.
- (b) Property value data can be found in schedule 7.

**CITY OF INDIANAPOLIS**  
**Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)**  
Schedule 13  
December 31, 2007  
(In Thousands)

	Map reference (see introduction (g))	Assessed value (f)	Bonding limit		Bonds outstanding
			%	Dollar amount	
<b>Direct Debt:</b>					
<b>City of Indianapolis:</b>					
Civil City	2	\$ 43,502,520	0.67%	\$ 291,467	\$ 98,000
Consolidated County	1	46,574,174	(c)	—	—
Park District	1	46,574,174	(h)	—	28,786
Redevelopment District	2	43,422,051	(h)	—	31,562
Flood Control District	1	46,574,174	0.67%	312,047	15,873
Metropolitan Thoroughfare District	1	46,574,174	1.33%	619,437	55,326
Sanitary District	8	42,780,714	4.00%	1,711,229	69,209
Police Special Service District	5	13,572,947	(b)	—	—
Fire Special Service District	6	12,702,941	(b)	—	—
Solid Waste Collect Special Service District	7	43,483,757	(b)	—	—
Solid Waste Disposal District	7	43,483,757	2.00%	869,675	—
Pub Safety Comm and Comp Facilities District	1	46,574,174	0.67%	312,047	6,295
Total City Debt				<u>\$ 4,115,901</u>	<u>\$ 305,051</u>
<b>Overlapping:</b>					
Marion County	1	\$ 46,574,174	0.67%	\$ 312,047	\$ 40,510
Municipal Corporations					
Airport Authority	1	46,574,174	0.67%	312,047	—
Health & Hospital Corporation	1	46,574,174	0.67%	312,047	44,375
Capital Improvement Board	1	46,574,174	0.67%	312,047	—
Indpls-Marion Co. Building Authority	1	46,574,174	(d)	—	27,925
Indianapolis-Marion County Library	4	45,313,931	0.67%	303,603	126,141
Indianapolis Public Transportation Corp.	2	43,996,225	0.67%	294,775	13,120
Total Municipal Corporations				<u>\$ 1,534,519</u>	<u>\$ 211,561</u>
<b>School Districts:</b>					
Beech Grove	9	\$ 534,905	(i)	\$ 43,098	\$ 41,022
Decatur	9	1,140,690	(i)	158,460	106,758
Franklin	9	2,267,149	(i)	207,433	287,335
Indianapolis Public Schools	9	12,161,364	(i)	512,807	30,330
Lawrence	9	6,107,097	(i)	245,233	25,260
Perry	9	4,113,197	(i)	215,653	125,375
Pike	9	5,840,216	(i)	196,954	70,230
Speedway	9	725,337	(i)	14,507	—

(Continued)

CITY OF INDIANAPOLIS

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

Schedule 13

December 31, 2007

(In Thousands)

	Map reference (see introduction (g))	Assessed value (f)	Bonding limit		Bonds outstanding
			%	Dollar amount	
<b>School Districts (continued):</b>					
Warren	9	\$ 3,252,961	(j)	\$ 211,434	\$ —
Washington	9	7,031,060	(j)	148,352	35,905
Wayne	9	3,400,198	(j)	314,510	304,337
Total School Districts		<u>\$ 46,574,174</u>		<u>\$ 2,138,287</u>	<u>\$ 901,039</u>
<b>Other Cities and Towns:</b>					
Beech Grove	2	\$ 574,174	0.67%	\$ 3,847	\$ 1,608
Lawrence	2	1,790,906	0.67%	11,999	6,775
Southport	2	61,706	0.67%	413	—
Speedway	2	725,337	0.67%	4,860	—
Total Towns and Other Cities		<u>\$ 3,152,123</u>		<u>\$ 21,119</u>	<u>\$ 8,383</u>
<b>Townships:</b>					
Center	3	\$ 6,180,209	0.67%	\$ 41,407	\$ —
Decatur	3	1,142,605	0.67%	7,655	1,252
Franklin	3	2,438,133	0.67%	16,335	5,609
Lawrence	3	6,657,673	0.67%	44,606	—
Perry	3	4,511,708	0.67%	30,228	2,957
Pike	3	5,573,077	0.67%	37,340	1,649
Warren	3	4,356,779	0.67%	29,190	50
Washington	3	9,799,676	0.67%	65,658	—
Wayne	3	5,914,314	0.67%	39,626	—
Total Townships		<u>\$ 46,574,174</u>		<u>\$ 312,047</u>	<u>\$ 11,517</u>
<b>Excluded Library Districts:</b>					
Beech Grove	4	\$ 574,174	0.67%	\$ 3,847	\$ 2,983
Speedway	4	725,337	0.67%	4,860	—
Total Excluded Cities Library Districts		<u>\$ 1,299,511</u>		<u>\$ 8,707</u>	<u>\$ 2,983</u>
Ben Davis Conservancy District		<u>\$ 366,501</u>	(e)		\$ —
Total overlapping debt					<u>\$ 1,170,801</u>
Total direct and overlapping debt					<u>\$ 1,624,966</u>

**CITY OF INDIANAPOLIS**  
**Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)**  
Schedule 13  
December 31, 2007  
*(In thousands)*

- (a) Excludes revenue bonds not payable from ad valorem taxes.
- (b) No bonding authority.
- (c) No bonding authority from ad valorem taxes.
- (d) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Authority's enabling legislation.
- (e) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
- (f) Represents the March 1, 2006 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2007.
- (g) See pages XV and XVI.
- (h) There is no statutory constitutional debt limitation to the Park and Redevelopment Districts.
- (i) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to the school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.

**CITY OF INDIANAPOLIS**  
**Computation of Legal Debt Margin (a)**  
Schedule 14  
December 31, 2007  
*(In thousands)*

	<b>Assessed value (b)</b>	<b>Debt limit percentage</b>	<b>Debt limit</b>	<b>Bonds outstanding</b>	<b>Subtotal</b>	<b>Plus amount available in debt service fund</b>	<b>Legal debt margin</b>	<b>Total net debt applicable to the limit as a percentage of debt limit</b>
Civil City	\$ 43,502,520	0.67%	\$ 291,467	\$ 98,000	\$ 193,467	\$ 6,370	\$ 199,837	31.44%
Consolidated County	46,574,174	(a)	—	—	—	—	—	—
Park District	46,574,174	(b)	—	28,786	—	(452)	—	—
Redevelopment District	43,422,051	(b)	—	31,562	—	1,389	—	—
Flood Control District	46,574,174	0.67%	312,047	15,873	296,174	126	296,300	5.05%
Metropolitan Thoroughfare District	46,574,174	1.33%	619,437	55,326	564,111	(809)	563,302	9.06%
Sanitary District	42,780,714	4.00%	1,711,229	69,209	1,642,020	5,426	1,647,446	3.73%
Police Special Service District	13,572,947	(c)	—	—	—	—	—	—
Fire Special Service District	12,702,941	(c)	—	—	—	—	—	—
Solid Waste Collection Special Service District	43,483,757	(c)	—	—	—	—	—	—
Solid Waste Disposal District	43,483,757	2.00%	869,675	—	869,675	—	869,675	0.00%
Public Safety Communications and Computer Facilities District	46,574,174	0.67%	312,047	6,295	305,752	—	305,752	2.02%

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

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

<b>Sanitary bonds</b>						
Fiscal year	Gross revenue (a)	Direct operating expense	Net revenue available for debt service	Debt service		Coverage
				Principal	Interest	
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	70,538	50,214	20,324	19,899	10,330	0.67

<b>Water revenue bonds</b>						
Fiscal year	Gross revenue (b)	Direct operating expense	Net revenue available for debt service	Debt service		Coverage
				Principal	Interest	
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

<b>Wheel tax bonds</b>				
Fiscal year	Wheel tax revenue (c)	Debt service		Coverage
		Principal	Interest	
2005	\$ 14,406	\$ 4,775	\$ 1,913	2.15
2006	15,866	5,005	1,701	2.37
2007	15,712	3,180	1,144	4

<b>Redevelopment revenue bonds</b>				
City cumulative funds (d)	Debt service			Coverage
	Principal	Interest		
\$ 520	\$ 390	\$ 107		1.05
556	400	101		1.11
522	410	83		1.06

<b>Property tax increment bonds</b>				
Tax increment revenues (e)	Debt service			Coverage
	Principal	Interest		
\$ 56,932	\$ 18,697	\$ 21,278		1.42
47,348	36,139	22,923		0.80
32,325	24,208	21,253		0.71

<b>MECA bonds</b>				
Fiscal year	E-911 fees (f)	Debt service		Coverage
		Principal	Interest	
2005	\$ 1,673	\$ 1,280	\$ 413	0.99
2006	1,368	1,330	367	0.81
2007	1,812	1,380	317	1.07

<b>Economic development bonds</b>				
Parking fees (g)	Debt service			Coverage
	Principal	Interest		
\$ 1,699	\$ —	\$ 1,309		1.30
1,940	100	1,487		1.22
1,659	—	1,647		1.01

<b>Golf bonds</b>				
Golf course revenue (h)	Debt service			Coverage
	Principal	Interest		
\$ 320	\$ 160	\$ 104		1.21
405	175	100		1.47
337	185	89		1.23

<b>Facilities revenue bonds</b>				
Fiscal year	E-911 fees (f)	Debt service		Coverage
		Principal	Interest	
2005	NA	NA	NA	NA
2006	NA	NA	NA	NA
2007	\$ 1,256	\$ 610	\$ 712	0.95

- (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

**CITY OF INDIANAPOLIS**  
**Demographic and Economic Statistics**  
 Schedule 16  
 Last Three Fiscal Years

<u>Calendar year</u>	<u>Population</u>	(a)	<u>Personal income (thousands of dollars)</u>	(b)	<u>Per capita personal income</u>	(b)	<u>Median age</u>	(c)	<u>Education level in years of schooling</u>	(a)	<u>School enrollment</u>	(d)	<u>Unemployment rate</u>	(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	

- (a) U.S. Census Bureau
- (b) Bureau of Economic Analysis
- (c) Demographics USA
- (d) Data presented is per the Indiana Department of Public Instruction for Marion County, all districts.
- (e) Department of Labor

**CITY OF INDIANAPOLIS**

**Principal Employers**

Schedule 17

December 31, 2007

<b>Employer</b>	<b>2006 (b)</b>			<b>2007 (b)</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of total city employment (a)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of total city employment (a)</b>
Eli Lilly and Company	14,000	1	3.12%	12,500	1	2.83%
Clarian Health Partners, Inc	7,503	2	1.67	7,503	4	1.70
Community Health Network	7,500	3	1.67	8,800	2	1.99
IUPUI	7,066	4	1.57	7,066	5	1.60
Federal Express Corp.	6,311	5	1.41	6,311	6	1.43
St. Vincent Hospitals & Health Service, Inc.	6,000	6	1.34	7,750	3	1.76
Allison Transmission/Div of GMC	4,000	7	0.89	4,000	9	0.91
Rolls-Royce	4,000	8	0.89	4,300	7	0.97
AT&T	3,500	9	0.78	3,500	10	0.79
WellPoint Inc.	3,000	10	0.67	4,200	8	0.95

(a) Percentage of total City employment is calculated by using total Employed Labor Force, which can be found at [www.stats.indiana.edu](http://www.stats.indiana.edu).

(b) Largest employers can be found at [www.idec.com](http://www.idec.com) (Indianapolis Economic Development).

**CITY OF INDIANAPOLIS**  
**Full-Time Equivalent City Government Employees by Function/Program**  
 Schedule 18  
 December 31, 2007

	<u>2006</u>	<u>2007</u>
<b>General Government</b>	250	264
<b>Protection of People</b>		
Police Department	1,465	1,666
Fire Department	792	978
Other (Civilian)	64	398
<b>Public Works</b>	647	648
<b>Parks and Recreation</b>	450	452
<b>Redevelopment</b>	<u>218</u>	<u>227</u>
<b>Total full-time City employees</b>	3,886	4,633

**Note:** A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

**CITY OF INDIANAPOLIS**  
**Operating Indicators by Function/Program**  
Schedule 19  
December 31, 2007

<u>Function/program</u>	<u>2006</u>	<u>2007</u>
<b>General government</b>		
Building permits issued	48,858	41,470
Building inspections conducted	65,314	73,781
Households assisted with entitlement grants	3,767	4,131
<b>Police</b>		
Physical arrests	37,740	44,903
Parking violations	22,335	12,692
Traffic violations	42,278	43,780
<b>Fire</b>		
Emergency responses	68,240	65,966
Dispatched fire runs	52,948	52,101
Inspections	2,155	4,552
<b>Refuse collection</b>		
Refuse collected (tons per day)	816	890
Leaves collected (tons per year)	10,341	6,762
<b>Other public works</b>		
Street resurfacing (miles)	99	99
Pothole work orders completed (a)	13,246	9,009
<b>Parks and recreation</b>		
Number of facility and park inspections	758	476
Community park and facility attendance	5,238,625	7,636,927
<b>Water</b>		
Service repairs	457	661
Water main repairs	407	783
Average daily consumption (millions of gallons)	139	152
Total system pumpage (millions of gallons)	50,633	55,369
<b>Wastewater</b>		
Average daily sewage treatment (millions of gallons)	206	183

(a) Work order can consist of one pothole or multiple potholes.

**CITY OF INDIANAPOLIS**  
**Capital Asset Statistics by Function/Program**  
Schedule 20  
December 31, 2007

<u>Function/program</u>	<u>2006</u>	<u>2007</u>
<b>Public Safety</b>		
Police stations	5	6
Police vehicles and other rolling stock	1,778	2,057
Fire stations	26	35
Fire vehicles and other rolling stock	178	259
Emergency management vehicles and other rolling stock	11	10
Animal control vehicles and other rolling stock	28	31
<b>Other Public Works</b>		
Streets (miles)	3,161	3,193
Sidewalks (miles)	2,702	2,705
Bridges	512	513
Traffic signal installations	1,124	1,125
Miles of sanitary sewers	3,086	3,086
Miles of storm sewers and drainage	1,478	1,494
Public works vehicle and other rolling stock	538	551
Wastewater treatment capacity (million gallons per day)	150	150
<b>Culture and Recreation</b>		
Parks	192	192
Park properties-acreage	11,018	11,140
Playgrounds	131	131
Golf Courses	13	13
Swimming pools—outdoors	16	16
Swimming pools—indoors	6	6
Recreational centers	25	25
<b>Waterworks</b>		
Treatment plants	10	10
Pumping stations	18	24
Water mains (miles)	4,240	4,422
Fire hydrants	38,868	39,077
Water storage tanks	17	21
Storage capacity (millions of gallons)	78,960	78,960
Waterworks vehicles and other rolling stock	214	297

Sources: Various City department reports.