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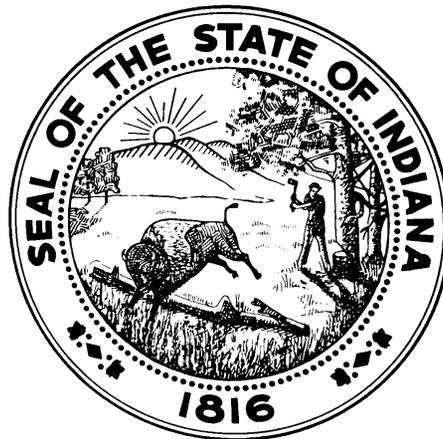
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF CARMEL

HAMILTON COUNTY, INDIANA



FILED
01/14/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diana Cordray	01-01-08 to 12-31-11
Mayor	James Brainard	01-01-08 to 12-31-11
President of the Board of Public Works	James Brainard	01-01-08 to 12-31-11
President of the Common Council	Rick Sharp Eric Seidensticker	01-01-08 to 12-31-08 01-01-09 to 12-31-09



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF CARMEL, HAMILTON COUNTY, 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 Carmel (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedules of Funding Progress, and Schedules of Contributions from the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The City has not presented the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements have 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.

STATE BOARD OF ACCOUNTS

August 25, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Carmel, Indiana, we offer readers of the City of Carmel's financial statements this narrative overview and analysis of the financial activities of the City of Carmel for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages IV-IX of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Carmel exceeded its liabilities at the close of the most recent fiscal year by \$512,683,508 (*net assets*). Of this amount, \$250,746,910 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$17,830,751 as compared to the restated 2007 total net assets. The 2008 beginning net assets were restated due to \$19,178,615 in prior period adjustments. The 2007 capital assets were increased to correct the amount of infrastructure assets reported. The increase in net assets was primarily due to the additional \$20 million contribution received from the State for the Keystone Avenue project.
- As of the close of the current fiscal year, the City of Carmel's governmental funds reported combined ending fund balances of \$155,055,581 all of which is available for the use at the City's discretion (*unreserved fund balance*).
- The City of Carmel increased total outstanding debt obligations by \$45,299,479 during the current fiscal year, due the issuance of tax increment revenue refunding bonds and waterworks revenue bonds net of various redevelopment and waterworks bond anticipation notes that were repaid.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Carmel's basic financial statements. The City of Carmel's basic financial statements comprise three components:

1. Government-wide financial statements providing information for the City as a whole.
2. Fund financial statements providing detailed information for the City's significant funds.
3. Notes to the financial statements providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Additional explanation of these sections of the financial statements follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Carmel's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Carmel's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Carmel is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Carmel that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Carmel include general government, public safety, highways and streets, culture and recreation and economic development. The business-type activities of the City of Carmel include water and wastewater utilities.

The government-wide financial statements can be found on pages 20-23 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Carmel, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Carmel can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Carmel maintains 43 individual governmental funds. 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, redevelopment commission operating fund, keystone avenue construction, redevelopment authority debt service fund and redevelopment authority construction fund, all of

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

which are considered to be major funds. Data from the other 38 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Carmel adopts an annual appropriated budget for its general fund, certain special revenue funds, certain debt service funds and certain capital projects funds. Budgetary comparison statements have been provided for the general fund in the required supplementary information and for the other funds subsequent to the combining nonmajor fund information, as other information, to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 24-27 of this report.

Proprietary funds. The City of Carmel maintains two different types of proprietary funds, *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Carmel uses enterprise funds to account for its water and wastewater utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Carmel's various functions. The City of Carmel uses internal service funds to account for its employee health and life insurance programs. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater utilities which are considered to be major funds of the City. The internal service funds are presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 28-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Carmel's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-72 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds can be found on pages 76-93 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Carmel, assets exceeded liabilities by \$512,683,508 at the close of the most recent fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

The second largest portion of the City of Carmel's net assets (45 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Carmel uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Carmel's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Carmel's Net Assets as of December 31,

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u> Restated	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u> Restated	<u>2008</u>
Current and other assets	\$ 274,738,849	\$ 200,065,890	\$ 14,735,374	\$ 54,382,165	\$ 289,474,223	\$ 254,448,055
Capital assets	391,502,864	487,899,644	183,349,193	194,068,171	574,852,057	681,967,815
Total assets	<u>\$ 666,241,713</u>	<u>\$ 687,965,534</u>	<u>\$ 198,084,567</u>	<u>\$ 248,450,336</u>	<u>\$ 864,326,280</u>	<u>\$ 936,415,870</u>
Long-term liabilities outstanding	266,088,940	268,892,737	75,836,880	123,272,292	341,925,820	392,165,029
Other liabilities	23,481,151	24,439,046	4,066,552	7,128,287	27,547,703	31,567,333
Total liabilities	<u>\$ 289,570,091</u>	<u>\$ 293,331,783</u>	<u>\$ 79,903,432</u>	<u>\$ 130,400,579</u>	<u>\$ 369,473,523</u>	<u>\$ 423,732,362</u>
Net assets:						
Invested in capital assets, net of related debt	235,689,349	165,236,879	109,690,849	67,887,408	345,380,198	233,124,287
Restricted	32,888,239	24,964,698	2,402,387	3,847,613	35,290,626	28,812,311
Unrestricted	108,094,034	204,432,174	6,087,899	46,314,736	114,181,933	250,746,910
Total net assets	<u><u>\$ 376,671,622</u></u>	<u><u>\$ 394,633,751</u></u>	<u><u>\$ 118,181,135</u></u>	<u><u>\$ 118,049,757</u></u>	<u><u>\$ 494,852,757</u></u>	<u><u>\$ 512,683,508</u></u>

A portion of the City of Carmel's net assets (5.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$250,746,910) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Carmel is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

The following is a summary of the information presented in the Statement of Activities for 2008 found on page 23 of this report:

City of Carmel Change in Net Assets						
As of December 31,						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue:						
Program revenues:						
Charges for services	\$ 15,669,549	\$ 18,909,660	\$ 15,424,613	\$ 14,193,420	\$ 31,094,162	\$ 33,103,080
Operating grants and contributions	92,933,291	2,978,977	-	-	92,933,291	2,978,977
Capital grants and contributions	34,027,106	3,450,697	3,877,426	4,541,534	37,904,532	7,992,231
General revenues:						
Taxes:						
Property	37,655,180	47,358,758	-	-	37,655,180	47,358,758
Income	23,542,260	23,929,222	-	-	23,542,260	23,929,222
Intergovernmental	4,076,588	5,071,620	-	-	4,076,588	5,071,620
Other	8,243,022	7,633,712	1,058,418	985,212	9,301,440	8,618,924
Total revenues	<u>\$ 216,146,996</u>	<u>\$ 109,332,646</u>	<u>\$ 20,360,457</u>	<u>\$ 19,720,166</u>	<u>\$ 236,507,453</u>	<u>\$ 129,052,812</u>
Expenses:						
General government	11,814,450	14,108,226	-	-	11,814,450	14,108,226
Public safety	31,793,193	34,661,749	-	-	31,793,193	34,661,749
Highways and streets	11,836,008	19,583,517	-	-	11,836,008	19,583,517
Economic Development	3,453,143	1,535,795	-	-	3,453,143	1,535,795
Culture and recreation	7,290,767	12,143,257	-	-	7,290,767	12,143,257
Interest on long-term debt	10,926,601	9,337,973	-	-	10,926,601	9,337,973
Water	-	-	11,840,245	12,052,608	11,840,245	12,052,608
Wastewater	-	-	6,698,647	7,798,936	6,698,647	7,798,936
Total expenses	<u>\$ 77,114,162</u>	<u>\$ 91,370,517</u>	<u>\$ 18,538,892</u>	<u>\$ 19,851,544</u>	<u>\$ 95,653,054</u>	<u>\$ 111,222,061</u>
Increase in net assets	139,032,834	17,962,129	1,821,565	(131,378)	140,854,399	17,830,751
Net assets, beginning of year	218,460,173	376,671,622	116,359,570	118,181,135	334,819,743	494,852,757
Restatement	19,178,615	-	-	-	19,178,615	-
Net assets, beginning of year restated	<u>\$ 237,638,788</u>	<u>\$ 376,671,622</u>	<u>\$ 116,359,570</u>	<u>\$ 118,181,135</u>	<u>\$ 353,998,358</u>	<u>\$ 494,852,757</u>
Net assets, end of year	<u>\$ 376,671,622</u>	<u>\$ 394,633,751</u>	<u>\$ 118,181,135</u>	<u>\$ 118,049,757</u>	<u>\$ 494,852,757</u>	<u>\$ 512,683,508</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

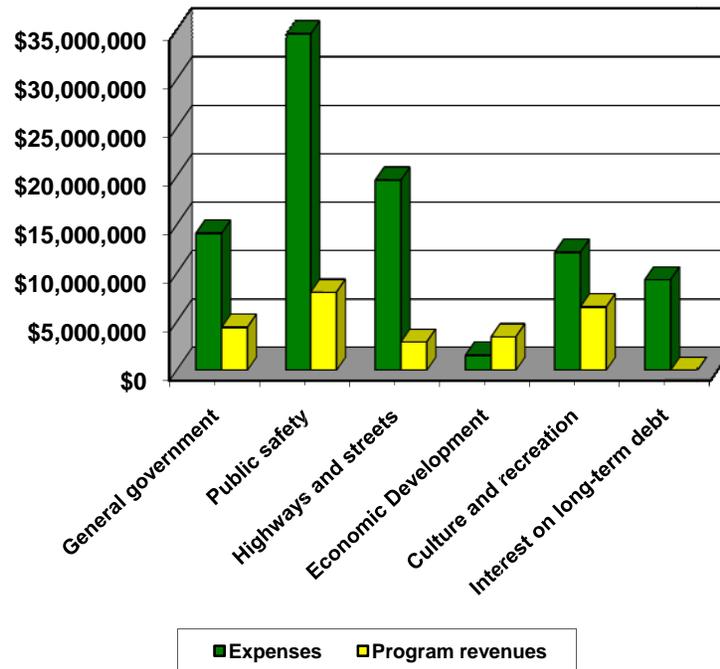
Governmental Activities

Governmental activities increased the City's net assets by \$17,962,129 accounting for 100 percent of the total growth in the net assets of the City. Notable changes in governmental and business-type activities revenues and expenses in 2008 compared to 2007 included the following:

- Operating grants and contributions decreased \$89,954,314 due to a grant received in the prior year from the State to be used for the road infrastructure improvements to Keystone Avenue.
- Capital grants and contributions decreased \$30,576,409 mainly due to a transfer in the prior year of Keystone Avenue from the State to the City at a value of \$23 million and a decline in the amount of infrastructure contributed by developers.
- Property tax revenues increased \$9,703,578. In addition to the normal increase in operating levies, tax increment revenue captured by the City from the growth in the redevelopment and economic development areas increased \$2.6 million and debt levies for the building corporation bonds and 2004 road bonds increased \$3.1 million.
- General government expenses increased \$2,293,776 which included a 3% wage increase for City employees, insurance cost increases and \$1.3 million first year accrual of post employment benefit obligations.
- Highways and streets expenses increased \$7,747,509 mainly due to non capital costs incurred in connection with the construction of Keystone Avenue and projects by the Redevelopment Authority. For example one time utility relocation costs along Keystone were in excess of \$2 million to date. The Redevelopment Authority projects in 2008 included the roadway projects funded with the 2006 COIT Bonds and the Performing Arts Center construction. Non capital costs incurred in 2008 included utility connection fees, intersection landscape costs, legal fees for bankrupt contractor, financial services and other general project management costs outside of direct engineering and construction.
- Culture and recreation expenses increased \$4,852,490 mainly due to an expansion in the parks department after school programs which are paid from the parks non-reverting operating fund and certain upfront costs related to preliminary development of Founders Park which is expected to open in 2010.
- Expenses for business type activities increased \$597,702 or 3.7% due to the increase in depreciation provision and general operating cost increases.

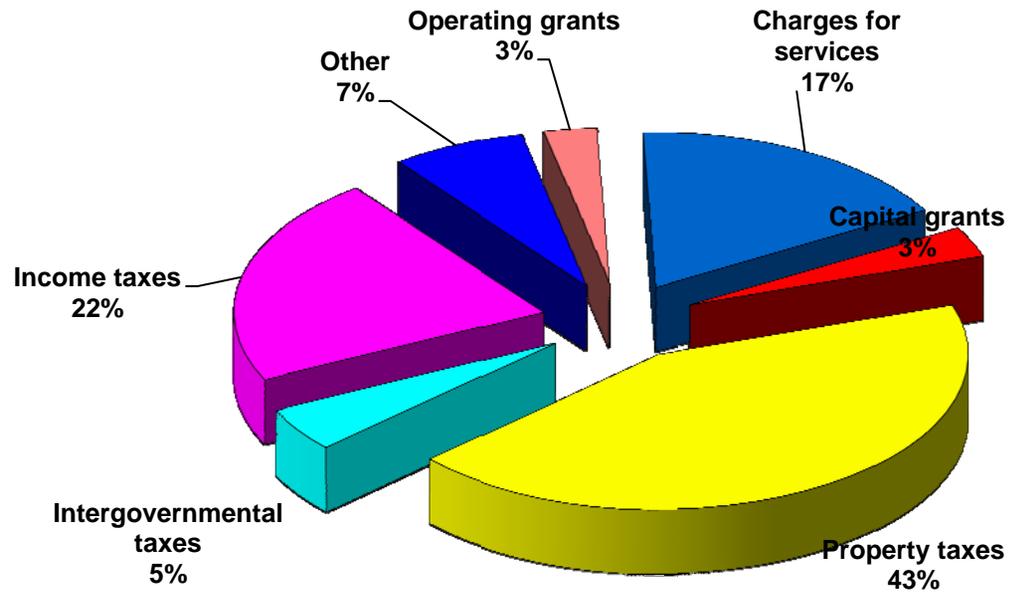
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following chart compares expenses with program revenues for the City's governmental activities.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following graph shows the composition of revenues for the City's governmental activities:



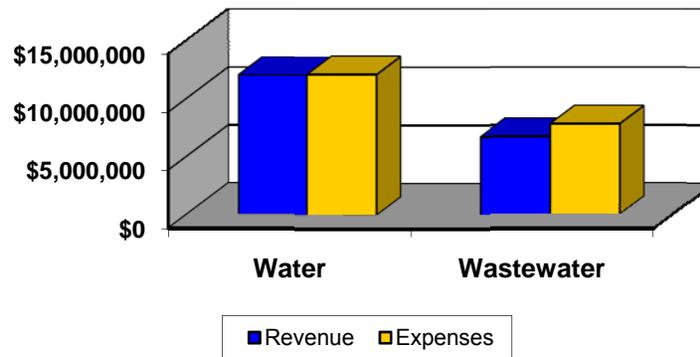
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Business-type Activities

Business-type activities decreased the City's net assets by \$131,378.

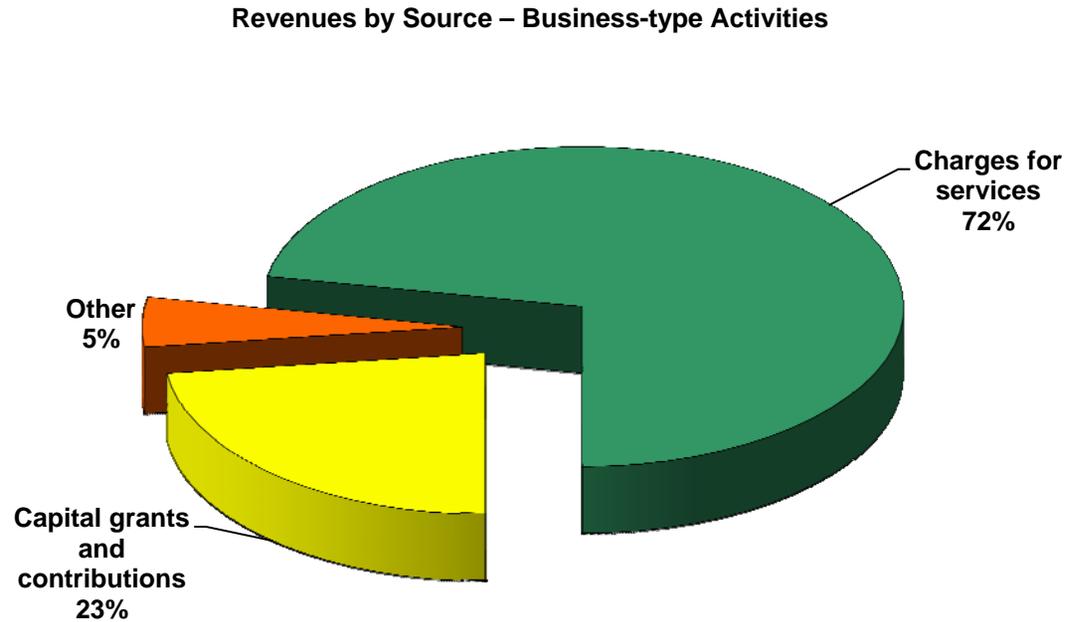
The following chart compares expenses with program revenues for the City's business-type activities:

Expenses and Program Revenues – Business-type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following graph shows the composition of revenues for the City's business-type activities:



Financial analysis of the Government's Funds

As noted earlier, the City of Carmel uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Carmel's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Carmel's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the City of Carmel's governmental funds reported combined ending fund balances of \$155,055,581, a decrease of \$67,750,887 compared to the 2007 total fund balance. This decrease was due mainly to the construction of capital projects by the Redevelopment Authority on the roadway projects and the Performing Arts Center. Keystone Avenue Construction fund also had major capital expenditures during 2008 for work on the first two major intersections. 100 percent of the total fund balance amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Carmel. At the end of the current fiscal year, unreserved fund balance of the general fund was \$15,944,001. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32% of total general fund expenditures. The general fund's total fund balance decreased by \$18,801 during the current fiscal year.

The Redevelopment Commission Operating fund decreased \$1,337,864 during the current fiscal year. This decrease was the net result of certain bond financing transactions and continuing expenditures in support of the Performing Arts Center and City Center economic development projects. The Commission issued \$14,000,000 in bonds to refund \$11,980,000 in Taxable Tax Increment Revenue Bond Anticipation Notes.

The Keystone Avenue Construction fund decreased \$8,170,773 in 2008 related to the continuing expenditures on phase one of the Keystone Avenue reconstruction project.

The Redevelopment Authority Debt Service fund decreased \$5,708,782 during the current fiscal year primarily due to capitalized interest payments for the 2006 COIT Lease Rental Revenue Bonds for road improvements and the 2005 Lease Rental Revenue Bonds for the Performing Arts Center.

The Redevelopment Authority Construction fund decreased \$51,270,613 during the current fiscal year due to capital project expenditures of \$53,604,409. Approximately half of this total related to the construction of the Performing Arts Center and the other half for reconstruction of various roadways throughout the City. Almost twenty roadway improvement projects funded by the 2006 COIT Bonds are in progress in the central and western parts of the City.

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

Unrestricted net assets of the Water and Wastewater Utility at the end of the year amounted to \$45,489,652 and \$825,084, respectively. Net assets for the Water Utility increased \$815,072 during 2008. Net assets for the Wastewater Utility decreased \$946,450 during 2008. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Carmel's business-type activities.

Capital Asset and Debt Management.

Capital assets. The City of Carmel's investment in capital assets for its governmental and business-type activities as of December 31, 2008, totaled \$681,967,815 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and storm sewers. The total increase in the City of Carmel's reported investment in capital assets for the current fiscal year was \$107,115,758, or 19 percent. Approximately \$96.4 million or 90% of this increase was in governmental activities related to the

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

following additions: \$30 million in Performing Arts Center construction projects, \$23.4 million road projects funded by the 2006 COIT Bonds, \$28 million in Keystone Avenue reconstruction work and \$10 million in land and right of way acquisition. Approximately \$10.8 million of the net increase in capital assets in 2008 was related to business type activities primarily due to the additions to the water plant.

	Governmental Activities		Business-Type Activities		Total	
	2007 Restated	2008	2007	2008	2007 Restated	2008
Land	\$129,662,299	\$140,189,314	\$2,105,228	\$2,107,582	\$131,767,527	\$142,296,896
Buildings	13,303,698	13,246,715	31,321,771	35,066,720	44,625,469	48,313,435
Improvements other than buildings	2,632,974	1,511,076	97,600,130	108,189,139	100,233,104	109,700,215
Machinery and equipment	9,037,834	9,436,494	7,309,463	9,424,925	16,347,297	18,861,419
Infrastructure	197,789,339	200,392,466	-	-	197,789,339	200,392,466
Construction in progress	39,076,720	123,123,579	45,012,601	39,279,805	84,089,321	162,403,384
Total	\$391,502,864	\$487,899,644	\$183,349,193	\$194,068,171	\$574,852,057	\$681,967,815

Additional information on the City of Carmel's capital assets can be found in Note II.B., on pages 45-47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Carmel had \$356,607,706 in long-term bonds outstanding. Of this amount, \$2,685,000 is comprised of general obligation bonds backed by the full faith and credit of the government, \$140,205,000 of redevelopment bonds to be paid with county option income and special benefits taxes, \$104,798,227 of Tax Increment Financing (TIF) bonds, \$2,995,000 of bond anticipation notes, \$105,924,479 of revenue bonds issued by the Water and Wastewater Utilities secured solely by the net revenues of the utilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

City of Carmel's Outstanding Debt as of December 31,

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Governmental Activities:						
Building Corp (Property Tax)	\$ 3,400,000	\$ 2,685,000	\$ -	\$ -	\$ 3,400,000	\$ 2,685,000
Redevelopment (Property Tax)	33,145,000	31,605,000	-	-	33,145,000	31,605,000
Redevelopment (COIT)	111,430,000	108,600,000	-	-	111,430,000	108,600,000
Tax Increment Finance	91,218,227	104,798,227	-	-	91,218,227	104,798,227
Bond Anticipation Notes	14,975,000	2,995,000	-	-	14,975,000	2,995,000
Total	\$ 254,168,227	\$ 250,683,227	\$ -	\$ -	\$ 254,168,227	\$ 250,683,227
Business-Type Activities:						
Revenue Bonds	\$ -	\$ -	\$ 22,140,000	\$ 106,248,725	\$ 22,140,000	\$ 106,248,725
Revenue Bond Anticipation Notes	-	-	35,000,000	-	35,000,000	-
Total	-	-	57,140,000	106,248,725	57,140,000	106,248,725
Total Outstanding Debt	\$ 254,168,227	\$ 250,683,227	\$ 57,140,000	\$ 106,248,725	\$ 311,308,227	\$ 356,931,952

The City's total bonds payable increased by \$45,623,725 during the current fiscal year. This change represents the net increase due to the sale of one bond issue and reductions from scheduled debt service payments. Significant bond transactions of 2008 are summarized below:

- \$14,000,000 Redevelopment District Taxable Tax Increment Revenue Bonds, Series 2008 were issued to refund outstanding Taxable Tax Increment Revenue Bond Anticipation Notes of 2007, 2005, 2004A and 2003A.
- \$84,664,479 Indiana Bond Bank Special Program Bonds (Carmel Junior Waterworks Project), Series 2008 B were issued to refund the \$35 million 2006 BAN and fund additional water system improvements.

In addition to the bond issues described above, the City's business activities acquired approximately 8,100 water customers from the City of Indianapolis in 2007 by issuing a note payable. This installment purchase requires \$1.8 million in annual payments to Indianapolis over the next 20 years. The present value of this obligation at the end of 2008 is \$19,547,794.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The City of Carmel's most recent underlying debt rating was "Aa2" from Moody's Investors Service and "AA-" from Standard and Poor's. The State of Indiana limits the amount of general obligation debt a City may issue to 2% of its current assessed value. For the City of Carmel, this amount is \$46,243,930. As of December 31, 2008, the City has \$15,800,000 of outstanding debt subject to this limit. The remaining outstanding City debt was issued as lease rental obligations or are payable with tax increment which are not subject to the 2% limit.

Additional information on the City's long-term liabilities can be found in Note II.F., on pages 50-58 of this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Carmel's finances for all those with an interest in the City's economic future. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Clerk Treasurer, City of Carmel, One Civic Square, Carmel, Indiana, 46032.

CITY OF CARMEL
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash and cash equivalents	\$ 150,358,577	\$ 18,150	\$ 150,376,727
Investments	14,169,388	-	14,169,388
Receivables (net of allowances for uncollectibles):			
Interest	737,159	166,195	903,354
Taxes	10,005,712	-	10,005,712
Accounts	1,039,407	299,141	1,338,548
Intergovernmental	21,004,904	-	21,004,904
Other	-	3,003,392	3,003,392
Internal balances	(881,677)	881,677	-
Inventories	-	325,239	325,239
Prepays	-	35,270	35,270
Restricted assets:			
Cash and cash equivalents	-	5,004,771	5,004,771
Investments	-	40,292,255	40,292,255
Deferred debits	3,461,076	4,356,075	7,817,151
Capital assets:			
Land, improvements and construction in progress	263,312,893	41,387,387	304,700,280
Other capital assets, net of depreciation	224,586,751	152,680,784	377,267,535
Net pension asset	<u>171,344</u>	<u>-</u>	<u>171,344</u>
Total assets	<u>687,965,534</u>	<u>248,450,336</u>	<u>936,415,870</u>

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

Continued on next page

CITY OF CARMEL
STATEMENT OF NET ASSETS
December 31, 2008
(Continued)

<u>Liabilities</u>	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Accounts payable	9,062,401	2,758,299	11,820,700
Accrued payroll and withholdings payable	1,755,227	250,094	2,005,321
Compensated absences	748,201	144,781	892,982
Accrued interest payable	3,844,923	1,005,640	4,850,563
Customer deposits	-	23,390	23,390
Other current payables	-	411,259	411,259
Unpaid claims payable	581,204	-	581,204
Noncurrent liabilities:			
Due within one year:			
General obligation bonds	735,000	-	735,000
Revenue bonds	-	1,830,000	1,830,000
TIF bonds	435,000	-	435,000
Redevelopment bonds	6,105,000	-	6,105,000
Notes and loans	165,052	704,824	869,876
Capital lease obligations	1,007,038	-	1,007,038
Due in more than one year:			
General obligation bonds	1,976,219	-	1,976,219
Revenue bonds	-	104,429,322	104,429,322
TIF bonds	10,365,000	-	10,365,000
Redevelopment bonds	242,054,508	-	242,054,508
Notes and loans	690,281	18,842,970	19,533,251
Bond anticipation notes	2,995,000	-	2,995,000
Capital lease obligations	1,711,122	-	1,711,122
Net OPEB obligation	1,304,676	-	1,304,676
Net pension obligation	7,795,931	-	7,795,931
Total liabilities	293,331,783	130,400,579	423,732,362
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	165,236,879	67,887,408	233,124,287
Restricted for:			
Public safety	535,301	-	535,301
Highways and roads	3,786,779	-	3,786,779
Culture and recreation	1,370,190	-	1,370,190
Debt service	19,272,428	3,847,613	23,120,041
Unrestricted	204,432,174	46,314,736	250,746,910
 Net assets	\$ 394,633,751	\$ 118,049,757	\$ 512,683,508

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

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CITY OF CARMEL
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 14,108,226	\$ 4,372,638	\$ 42,908	\$ -	\$ (9,692,680)	\$ -	\$ (9,692,680)
Public safety	34,661,749	7,944,083	95,878	-	(26,621,788)	-	(26,621,788)
Highways and streets	19,583,517	69,748	2,840,191	-	(16,673,578)	-	(16,673,578)
Economic development	1,535,795	-	-	3,450,697	1,914,902	-	1,914,902
Culture and recreation	12,143,257	6,523,191	-	-	(5,620,066)	-	(5,620,066)
Interest on long-term debt	<u>9,337,973</u>	-	-	-	<u>(9,337,973)</u>	-	<u>(9,337,973)</u>
Total governmental activities	<u>91,370,517</u>	<u>18,909,660</u>	<u>2,978,977</u>	<u>3,450,697</u>	<u>(66,031,183)</u>	<u>-</u>	<u>(66,031,183)</u>
Business-type activities:							
Water	12,052,608	9,210,379	-	2,814,171	-	(28,058)	(28,058)
Wastewater	<u>7,798,936</u>	<u>4,983,041</u>	<u>-</u>	<u>1,727,363</u>	<u>-</u>	<u>(1,088,532)</u>	<u>(1,088,532)</u>
Total business-type activities	<u>19,851,544</u>	<u>14,193,420</u>	<u>-</u>	<u>4,541,534</u>	<u>-</u>	<u>(1,116,590)</u>	<u>(1,116,590)</u>
Total primary government	<u>\$ 111,222,061</u>	<u>\$ 33,103,080</u>	<u>\$ 2,978,977</u>	<u>\$ 7,992,231</u>	<u>(66,031,183)</u>	<u>(1,116,590)</u>	<u>(67,147,773)</u>
General revenues:							
Property tax					47,358,758	-	47,358,758
County option income tax					23,929,222	-	23,929,222
Food and beverage tax					1,340,575	-	1,340,575
Local shared revenues					2,866,656	-	2,866,656
General state distributions					864,389	-	864,389
Unrestricted investment earnings					7,492,721	774,607	8,267,328
Other miscellaneous					<u>140,991</u>	<u>210,605</u>	<u>351,596</u>
Total general revenues					<u>83,993,312</u>	<u>985,212</u>	<u>84,978,524</u>
Change in net assets					<u>17,962,129</u>	<u>(131,378)</u>	<u>17,830,751</u>
Net assets - beginning, before prior period adjustment					357,493,007	118,181,135	475,674,142
Prior period adjustment (See Note II.J.)					<u>19,178,615</u>	<u>-</u>	<u>19,178,615</u>
Net assets - beginning					<u>376,671,622</u>	<u>118,181,135</u>	<u>494,852,757</u>
Net assets - ending					<u>\$ 394,633,751</u>	<u>\$ 118,049,757</u>	<u>\$ 512,683,508</u>

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

CITY OF CARMEL
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

<u>Assets</u>	General	Redevelopment Commission Operating	Keystone Avenue Construction	Redevelopment Authority Debt Service	Redevelopment Authority Construction	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 14,792,215	\$ 5,412,736	\$ 41,051,969	\$ 12,290,339	\$ 59,279,697	\$ 13,945,092	\$ 146,772,048
Investments	-	-	-	5,043,040	9,126,348	-	14,169,388
Receivables:							
Interest	-	-	118,313	93,569	525,277	-	737,159
Taxes	9,422,897	-	-	-	-	582,815	10,005,712
Accounts	-	-	-	-	-	1,039,407	1,039,407
Intergovernmental	442,056	-	20,000,000	-	-	562,848	21,004,904
Due from related utility	1,226,819	-	-	-	-	-	1,226,819
Total assets	\$ 25,883,987	\$ 5,412,736	\$ 61,170,282	\$ 17,426,948	\$ 68,931,322	\$ 16,130,162	\$ 194,955,437
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 99,522	\$ 688,106	\$ 14,296	\$ -	\$ 8,255,786	\$ 4,691	\$ 9,062,401
Accrued payroll and withholdings payable	1,455,977	-	-	-	-	299,250	1,755,227
Due to related utility	2,108,496	-	-	-	-	-	2,108,496
Unavailable revenue	6,275,991	-	20,000,000	-	-	697,741	26,973,732
Total liabilities	9,939,986	688,106	20,014,296	-	8,255,786	1,001,682	39,899,856
Fund balances:							
Unreserved, reported in:							
General fund	15,944,001	-	-	-	-	-	15,944,001
Special revenue funds	-	4,724,630	41,155,986	-	-	10,268,537	56,149,153
Debt service funds	-	-	-	17,426,948	-	1,939,049	19,365,997
Capital projects funds	-	-	-	-	60,675,536	2,920,894	63,596,430
Total fund balances	15,944,001	4,724,630	41,155,986	17,426,948	60,675,536	15,128,480	155,055,581
Total liabilities and fund balances	\$ 25,883,987	\$ 5,412,736	\$ 61,170,282	\$ 17,426,948	\$ 68,931,322	\$ 16,130,162	\$ 194,955,437

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

CITY OF CARMEL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2008

Fund Balance - governmental funds		\$ 155,055,581
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land and construction in progress	263,312,893	
Other capital assets, net of depreciation	<u>224,586,751</u>	487,899,644
Net pension asset is prepaid amount and is not a current financial resource; therefore, this is not reported in the funds.		171,344
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		3,005,325
Net pension obligation, including the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan, is not due and payable in the current period and, therefore, is not reported in the funds, but is included in the government-wide statements.		(7,795,931)
Net OPEB obligation is not due and payable in the current period and therefore is not reported in the funds.		(1,304,676)
Compensated absences which are not due and payable in the current period are, therefore, not reported in the funds.		(748,201)
Unavailable revenues are not available to pay current expenses and, therefore, are not reported as revenue in the funds.		26,973,732
Accrued interest on bonds payable is not due and payable in the current period and, therefore, is not reported in the funds.		(3,844,923)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds	(2,711,219)	
Tax increment financing bonds	(10,800,000)	
Redevelopment bonds	(248,159,508)	
Notes and loans	(855,333)	
Bond anticipation notes	(2,995,000)	
Capital leases	(2,718,160)	
Deferred debits (asset)	<u>3,461,076</u>	<u>(264,778,144)</u>
Net assets of governmental activities		<u>\$ 394,633,751</u>

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

CITY OF CARMEL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Redevelopment Commission Operating	Keystone Avenue Construction	Redevelopment Authority Debt Service	Redevelopment Authority Construction	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes:							
Property	\$ 21,543,789	\$ 11,746,644	\$ -	\$ -	\$ -	\$ 13,323,719	\$ 46,614,152
Food and beverage	1,340,575	-	-	-	-	-	1,340,575
Income	18,272,131	-	-	-	-	523,948	18,796,079
Licenses and permits	1,349,628	-	-	-	-	22,700	1,372,328
Intergovernmental	2,380,985	42,908	20,000,000	-	-	4,217,146	26,641,039
Charges for services	5,704,827	10,258	-	-	-	7,784,403	13,499,488
Fines and forfeits	548,087	-	-	-	-	1,832,410	2,380,497
Other:							
Interest on investments	125,191	55,710	2,011,445	759,588	4,259,153	281,634	7,492,721
Sale of property	4,150	53,100	-	-	-	861,156	918,406
Donations	-	24,540	-	-	-	116,451	140,991
Reimbursements	444,321	713,143	-	-	43,500	399,341	1,600,305
Total revenues	51,713,684	12,646,303	22,011,445	759,588	4,302,653	29,362,908	120,796,581
Expenditures:							
Current:							
General government	10,322,532	-	-	1,500	4,000	2,146,398	12,474,430
Public safety	33,887,538	-	-	-	-	296,281	34,183,819
Highways and streets	-	-	2,668,046	-	2,858,296	9,482,838	15,009,180
Economic development	-	1,795,632	-	-	-	20,392	1,816,024
Culture and recreation	2,282,062	-	-	-	-	9,710,925	11,992,987
Debt service:							
Principal	445,000	12,540,000	-	3,365,000	-	1,135,000	17,485,000
Interest	347,141	619,892	-	8,473,444	-	851,412	10,291,889
Bond issue costs	-	210,000	-	-	-	-	210,000
Capital outlay:							
General government	1,086,902	-	-	-	-	1,388,570	2,475,472
Public safety	1,075,377	-	-	-	-	664,810	1,740,187
Highways and streets	-	-	27,514,172	-	-	2,936,801	30,450,973
Economic development	-	11,422,753	-	-	53,604,409	-	65,027,162
Culture and recreation	155,709	-	-	-	-	138,073	293,782
Total expenditures	49,602,261	26,588,277	30,182,218	11,839,944	56,466,705	28,771,500	203,450,905
Excess (deficiency) of revenues over (under) expenditures	2,111,423	(13,941,974)	(8,170,773)	(11,080,356)	(52,164,052)	591,408	(82,654,324)
Other financing sources (uses):							
Transfers in	-	-	-	5,779,324	893,439	2,763,538	9,436,301
Transfers out	(3,033,661)	(1,395,890)	-	(407,750)	-	(4,599,000)	(9,436,301)
Bond issuance	-	14,000,000	-	-	-	-	14,000,000
Capital leases	903,437	-	-	-	-	-	903,437
Total other financing sources and uses	(2,130,224)	12,604,110	-	5,371,574	893,439	(1,835,462)	14,903,437
Net change in fund balances	(18,801)	(1,337,864)	(8,170,773)	(5,708,782)	(51,270,613)	(1,244,054)	(67,750,887)
Fund balance - beginning	15,962,802	6,062,494	49,326,759	23,135,730	111,946,149	16,372,534	222,806,468
Fund balances - ending	\$ 15,944,001	\$ 4,724,630	\$ 41,155,986	\$ 17,426,948	\$ 60,675,536	\$ 15,128,480	\$ 155,055,581

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

CITY OF CARMEL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2008

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

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)		\$ (67,750,887)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays	99,987,576	
Depreciation expense	<u>(6,123,087)</u>	93,864,489
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		2,532,291
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(14,053,268)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Bond issuance:		
Bond anticipation notes	(14,000,000)	
Bond issuance cost	210,000	
Capital leases	(903,437)	
Principal payments:		
General obligation bonds	715,000	
TIF bonds	420,000	
Bond anticipation notes	11,980,000	
Redevelopment bonds	4,370,000	
Notes and loans	106,982	
Capital leases	1,151,726	
Amortization of bond discount	642,733	
Amortization of bond issuance costs	<u>(221,363)</u>	4,471,641
Accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		846,934
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		57,042
Compensated absences which are not due and payable in the current period are, therefore, not reported in the funds.		(144,484)
Net pension asset, net pension obligation, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the funds, but are included in the government-wide statements.		
Net pension asset - PERF	24,372	
Net pension obligation - 1925 Police Pension and 1937 Firefighters Pension	(581,325)	
Net OPEB obligation	<u>(1,304,676)</u>	<u>(1,861,629)</u>
Change in net assets of governmental activities (Statement of Activities)		<u>\$ 17,962,129</u>

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

CITY OF CARMEL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

<u>Assets</u>	Business-Type Activities - Enterprise Funds			Internal Service
	Water Utility	Wastewater Utility	Totals	Health Self-Insurance
Current assets:				
Cash and cash equivalents	\$ -	\$ 18,150	\$ 18,150	\$ 3,586,529
Interest receivable	166,195	-	166,195	-
Accounts receivable (net of allowance)	170,097	129,044	299,141	-
Other receivables	1,203,631	1,799,761	3,003,392	-
Interfund receivable:				
Due from associated City	2,108,496	-	2,108,496	-
Due from associated Utility	-	113,641	113,641	-
Inventories	92,483	232,756	325,239	-
Prepaid items	16,436	18,834	35,270	-
	<u>3,757,338</u>	<u>2,312,186</u>	<u>6,069,524</u>	<u>3,586,529</u>
Total current assets				
Noncurrent assets:				
Restricted cash and cash equivalents	4,097,922	906,849	5,004,771	-
Restricted investments	40,292,255	-	40,292,255	-
	<u>44,390,177</u>	<u>906,849</u>	<u>45,297,026</u>	<u>-</u>
Total restricted assets				
Deferred charges				
Bond issuance costs	1,781,508	346,640	2,128,148	-
Investment in Indianapolis use of water	2,227,927	-	2,227,927	-
	<u>4,009,435</u>	<u>346,640</u>	<u>4,356,075</u>	<u>-</u>
Total deferred charges				
Capital assets:				
Land, improvements to land and construction in progress	32,127,016	9,260,371	41,387,387	-
Other capital assets (net of accumulated depreciation)	91,599,848	61,080,936	152,680,784	-
	<u>123,726,864</u>	<u>70,341,307</u>	<u>194,068,171</u>	<u>-</u>
Total capital assets				
	<u>172,126,476</u>	<u>71,594,796</u>	<u>243,721,272</u>	<u>-</u>
Total noncurrent assets				
Total assets	<u>175,883,814</u>	<u>73,906,982</u>	<u>249,790,796</u>	<u>3,586,529</u>

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

Continued on next page

CITY OF CARMEL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008
(Continued)

<u>Liabilities</u>	<u>Business-Type Activities - Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Totals</u>	<u>Health Self-Insurance</u>
Current liabilities:				
Accounts payable	2,447,390	310,909	2,758,299	-
Interfund payables:				
Due to associated City	-	1,226,819	1,226,819	-
Due to associated Utility	113,641	-	113,641	-
Accrued wages payable	132,614	117,480	250,094	-
Compensated absences	85,401	59,380	144,781	-
Other current payables	411,259	-	411,259	-
Notes payable	704,824	-	704,824	-
Unpaid claims payable	-	-	-	581,204
Current liabilities payable from restricted assets:				
Customer deposits	23,390	-	23,390	-
Revenue bonds payable	1,435,000	395,000	1,830,000	-
Accrued interest payable	932,957	72,683	1,005,640	-
Total current liabilities	<u>6,286,476</u>	<u>2,182,271</u>	<u>8,468,747</u>	<u>581,204</u>
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	94,569,322	9,860,000	104,429,322	-
Notes Payable	<u>18,842,970</u>	<u>-</u>	<u>18,842,970</u>	<u>-</u>
Total noncurrent liabilities	<u>113,412,292</u>	<u>9,860,000</u>	<u>123,272,292</u>	<u>-</u>
Total liabilities	<u>119,698,768</u>	<u>12,042,271</u>	<u>131,741,039</u>	<u>581,204</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	7,751,081	60,136,327	67,887,408	-
Restricted for debt service	2,944,313	903,300	3,847,613	-
Unrestricted	<u>45,489,652</u>	<u>825,084</u>	<u>46,314,736</u>	<u>3,005,325</u>
Total net assets	<u>\$ 56,185,046</u>	<u>\$ 61,864,711</u>	<u>\$ 118,049,757</u>	<u>\$ 3,005,325</u>

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

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CITY OF CARMEL
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2008

	Enterprise Funds			Internal Service
	Water Utility	Wastewater Utility	Totals	Health Self-Insurance
Operating revenues:				
Residential sales	\$ 6,323,643	\$ 2,556,617	\$ 8,880,260	\$ -
Commercial and industrial sales	1,763,262	2,404,555	4,167,817	-
Fire protection revenue	887,572	-	887,572	-
Other	<u>235,902</u>	<u>21,869</u>	<u>257,771</u>	<u>7,815,856</u>
 Total operating revenues	 <u>9,210,379</u>	 <u>4,983,041</u>	 <u>14,193,420</u>	 <u>7,815,856</u>
Operating expenses:				
Source of supply and expense - operations and maintenance	1,158,522	-	1,158,522	-
Water treatment expense - operations and maintenance	2,299,275	-	2,299,275	-
Transmission and distribution	2,186,341	-	2,186,341	-
Collection system - operations and maintenance	-	917,975	917,975	-
Pumping - operations and maintenance	-	162,064	162,064	-
Treatment and disposal expense - operations and maintenance	-	2,451,946	2,451,946	-
Customer accounts	569,597	336,660	906,257	-
Administration and general	713,804	820,711	1,534,515	-
Payroll tax expense	184,702	169,934	354,636	-
Insurance claims and premiums	-	-	-	7,847,260
Utility receipts tax expense	119,012	-	119,012	-
Payment in lieu of taxes	214,500	137,400	351,900	-
Depreciation expense	<u>2,453,489</u>	<u>1,691,316</u>	<u>4,144,805</u>	<u>-</u>
 Total operating expenses	 <u>9,899,242</u>	 <u>6,688,006</u>	 <u>16,587,248</u>	 <u>7,847,260</u>
 Operating income (loss)	 <u>(688,863)</u>	 <u>(1,704,965)</u>	 <u>(2,393,828)</u>	 <u>(31,404)</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	661,928	112,679	774,607	88,446
Miscellaneous revenue	181,202	29,403	210,605	-
Interest expense	(2,037,835)	(229,115)	(2,266,950)	-
Amortization of bond issue costs	-	(16,865)	(16,865)	-
Loss from disposition of property	<u>(115,531)</u>	<u>(864,950)</u>	<u>(980,481)</u>	<u>-</u>
 Total nonoperating revenue (expenses)	 <u>(1,310,236)</u>	 <u>(968,848)</u>	 <u>(2,279,084)</u>	 <u>88,446</u>
 Income (loss) before contributions	 <u>(1,999,099)</u>	 <u>(2,673,813)</u>	 <u>(4,672,912)</u>	 <u>57,042</u>
Capital contributions	<u>2,814,171</u>	<u>1,727,363</u>	<u>4,541,534</u>	<u>-</u>
 Change in net assets	 815,072	 (946,450)	 (131,378)	 57,042
Total net assets - beginning	<u>55,369,974</u>	<u>62,811,161</u>	<u>118,181,135</u>	<u>2,948,283</u>
Total net assets - ending	<u>\$ 56,185,046</u>	<u>\$ 61,864,711</u>	<u>\$ 118,049,757</u>	<u>\$ 3,005,325</u>

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

CITY OF CARMEL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2008

	Enterprise Funds			Internal Service Funds
	Water Utility	Wastewater Utility	Totals	
Cash flows from operating activities:				
Receipts from customers and users	\$ 8,388,091	\$ 5,729,824	\$ 14,117,915	\$ 7,815,856
Payments to suppliers	(2,106,244)	(1,539,011)	(3,645,255)	-
Payments to employees	(3,246,264)	(2,978,083)	(6,224,347)	-
Payments for interfund services used	-	-	-	(7,726,678)
Other receipts	417,104	51,272	468,376	-
Net cash provided (used) by operating activities	<u>3,452,687</u>	<u>1,264,002</u>	<u>4,716,689</u>	<u>89,178</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	83,467,552	-	83,467,552	-
Capital contributions	2,814,171	1,727,363	4,541,534	-
Acquisition and construction of capital assets	(12,149,242)	(4,061,678)	(16,210,920)	-
Principal paid on capital debt	(36,185,936)	(380,000)	(36,565,936)	-
Interest paid on capital debt	(1,495,062)	(235,461)	(1,730,523)	-
Proceeds from sale of equipment	42,020	274,616	316,636	-
Net cash provided by capital and related financing activities	<u>36,493,503</u>	<u>(2,675,160)</u>	<u>33,818,343</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(40,292,255)	-	(40,292,255)	-
Interest received	495,733	112,679	608,412	88,446
Net cash provided by capital and related financing activities	<u>(39,796,522)</u>	<u>112,679</u>	<u>(39,683,843)</u>	<u>88,446</u>
Net increase in cash and cash equivalents	149,668	(1,298,479)	(1,148,811)	177,624
Cash and cash equivalents, January 1 (Including \$16,166,523 and \$5,123,528 for the Water and Wastewater Utilities, respectively, reported in restricted accounts)	<u>3,948,254</u>	<u>2,223,478</u>	<u>6,171,732</u>	<u>3,408,905</u>
Cash and cash equivalents, December 31 (Including \$3,854,604 and \$2,169,558 for the Water and Wastewater Utilities, respectively, reported in restricted accounts)	<u>\$ 4,097,922</u>	<u>\$ 924,999</u>	<u>\$ 5,022,921</u>	<u>\$ 3,586,529</u>

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

Continued on next page

CITY OF CARMEL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2008
(Continued)

	Enterprise Funds			Internal Service Funds
	Water Utility	Wastewater Utility	Totals	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (688,863)	\$ (1,704,965)	\$ (2,393,828)	\$ (31,404)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	2,453,489	1,691,316	4,144,805	-
Bad debt expense	12,511	-	12,511	-
Nonoperating income (expense)	181,202	29,403	210,605	-
(Increase) decrease in assets:				
Accounts receivable - customer	(16,422)	11,358	(5,064)	-
Accounts receivable - Other	(163,274)	227,662	64,388	-
Interfund receivables	(406,690)	529,632	122,942	-
Inventories	(9,546)	(15,455)	(25,001)	-
Prepaid items	2,994	3,003	5,997	-
Investment in Indianapolis use of water	1,088,176	-	1,088,176	-
Increase (decrease) in liabilities:				
Accounts payable	1,487,898	74,703	1,562,601	-
Wages payable	31,894	12,221	44,115	-
Compensated absence payable	13,487	(876)	12,611	-
Interfund payables	(529,632)	406,000	(123,632)	-
Other current liabilities	(8,907)	-	(8,907)	-
Customer deposits	4,370	-	4,370	-
Unpaid claims payable	-	-	-	120,582
Total adjustments	4,141,550	2,968,967	7,110,517	120,582
Net cash provided (used) by operating activities	<u>\$ 3,452,687</u>	<u>\$ 1,264,002</u>	<u>\$ 4,716,689</u>	<u>\$ 89,178</u>

Noncash transactions:

Capital assets were contributed by private developers in the amounts of \$2,814,171 and \$1,727,363 for the Water and Wastewater Utilities, respectively.

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

CITY OF CARMEL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ (182,539)	\$ 702,878
Investments at fair value:		
U.S. Government securities	8,769,036	-
Interest Receivable	<u>76,970</u>	<u>-</u>
Total assets	<u>8,663,467</u>	<u>\$ 702,878</u>
 <u>Liabilities</u>		
Withholdings payable	<u>-</u>	<u>\$ 702,878</u>
Total liabilities	<u>-</u>	<u>\$ 702,878</u>
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits	<u>8,663,467</u>	
Total net assets	<u>\$ 8,663,467</u>	

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

CITY OF CARMEL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
Employer	\$ 494,128
Plan members	<u>2,330</u>
Total contributions	<u>496,458</u>
Investment income:	
Net increase in fair value of investments	4,639
Interest	<u>359,882</u>
Net investment income	<u>364,521</u>
Total additions	<u>860,979</u>
<u>Deductions</u>	
Benefits	930,292
Administrative expense	<u>3,122</u>
Total deductions	<u>933,414</u>
Changes in net assets	(72,435)
Net assets - beginning	<u>8,735,902</u>
Net assets - ending	<u>\$ 8,663,467</u>

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Carmel (primary government) was established under the laws of the State of Indiana. The primary government operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

The accompanying financial statements present the activities of the primary government and its significant component units. The component units discussed below are included in the primary government's reporting entity because of the significance of their operational or financial relationships with the primary government. Blended component units, although legally separate entities are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government.

Blended Component Units

The Civic Square Building Corporation is a significant blended component unit of the primary government. It was created in 1985 by the City for the purpose of constructing and financing a master fire station, parking area, and the development of a civic square. These projects, known as Civic Square Phase I, were originally completed and leased by the City in 1987. In 1989, the Civic Square Building Corporation completed financing and constructing a police station and municipal city building, known as Phase II. The Civic Square Building Corporation is reported as if it were part of the primary government because the Building Corporation provides services entirely to the City. To exclude the financial activities of this component unit would render the City's financial statements incomplete or misleading. Complete financial statements may be obtained from the City's administrative office, One Civic Square, Carmel, Indiana, 46032.

The Carmel Redevelopment Authority (Authority) is a significant blended component unit of the primary government. It was created by the primary government for the purpose of planning, replanning, development, and redevelopment of areas within the corporate boundaries of the City. The primary government appoints a voting majority of the Authority's board and a financial benefit/ burden relationship exists between the City and the Authority. Although the Authority is legally separate from the City, it is reported as if it were a part of the primary government because it provides services entirely or almost entirely to the primary government. The Authority exists solely to finance and build/acquire assets/infrastructure for the primary government and is not involved in the operation/maintenance of these assets/infrastructure. Complete financial statements may be obtained from the City's administrative office, One Civic Square, Carmel, Indiana, 46032.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate 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 as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, however, report only assets and liabilities. Since they do not report equity (or changes in equity), they have no measurement focus.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government reports the following major governmental funds:

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

The redevelopment commission operating fund accounts for the receipts and disbursements for redevelopment projects handled by the City.

The keystone avenue construction fund accounts for cash received from the State of Indiana to be used for reconstruction of keystone avenue.

The redevelopment authority debt service fund accounts for the receipts and disbursements related to bond and interest payments of the redevelopment authority (a blended component unit).

The redevelopment authority construction fund accounts for the bond issue proceeds and related construction costs for the redevelopment authority (a blended component unit).

The primary government reports the following major proprietary funds:

The water utility fund accounts for the operation of the primary government's water distribution system.

The wastewater utility fund accounts for the operation of the primary government's wastewater treatment plant, pumping stations and collection systems.

Additionally, the primary government reports the following fund types:

The internal service funds account for the collection and payment to an insurance third party administrator for the City's employee health insurance programs. Funding is provided by employee and City contributions.

The pension trust funds account for the activities of the 1925 police officers' and 1937 firefighters' pension funds which accumulate resources for pension benefit payments.

Agency funds account for payroll tax and benefit withholdings by the primary government as an agent for employees.

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, wastewater and various other functions of the government. 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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of 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.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are maintained separately and their use is limited by ordinance or applicable bond covenants.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

CITY OF CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 1	Not applicable	Not applicable
Buildings and improvements	5,000	Straight-line	50 years
Equipment	5,000	Straight-line	3 to 20 years
Roads – collectors and residential	1	Straight-line	25 to 50 years
Water collection systems	750	Straight-line	3 to 100 years
Wastewater distribution and collection systems	750	Straight-line	3 to 100 years

For depreciated assets, the cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government in its business-type activities during the current year was \$4,253,683. Of this amount, \$1,986,734 was included as part of the cost of capital assets under construction in connection with the Water Utility.

7. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of 5 hours per month. Unused sick leave may be accumulated to a maximum of 300 hours. Accumulated sick leave exceeding the 300 hours (and any portion of the 300 hours which had been elected by the employee in January) is paid to employees as of the year-end, at the rate of 1 hour pay for each 2 hours leave being cashed in, through cash payments made in January of the following year.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 90 hours to 157.5 hours per year, based upon the number of years of service. At year-end, a maximum of 75 hours may be carried forward to next year. Accumulated vacation leave is paid to employees through cash payments upon termination or retirement.

Vacation and sick leave is accrued when incurred and reported as a liability in the statement of net assets and the proprietary funds statements. Only amounts due and payable at year-end to terminated employees are included in the governmental funds statements.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Unavailable Revenue

Unavailable revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt 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 actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

CITY OF CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2008, the City had the following investments:

Investment Type	Fair Value
U.S. Treasuries and Securities	\$ 545,956
U.S. Agencies	<u>22,392,468</u>
Total	<u>\$ 22,938,424</u>

Statutory Authority for Investments

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

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

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments that are uninsured and (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. At December 31, 2008, the City held investments in U.S. Agencies in the amount of \$22,391,659. All of these investments were held by the counterparty's trust department.

Interest Rate Risk

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

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-2
Primary government:			
U.S. Agencies	\$ 22,938,424	\$ 18,479,001	\$ 4,459,423

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2008, the City's investments in U.S. Treasuries and Government Sponsored Agencies were all rated AAA by Standard and Poor's. The City does not have a formal policy in regards to credit risk.

Concentration of Credit Risk

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

Foreign Currency Risk

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

<u>Primary Government</u>	Previously Reported Beginning Balance	Adjustments	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 21,081,431	\$ -	\$ 21,081,431	\$ 3,482,914	\$ -	\$ 24,564,345
Right of ways	109,248,671	-	109,248,671	6,376,298	-	115,624,969
Construction in progress	37,931,064	-	37,931,064	85,192,515	-	123,123,579
Total capital assets, not being depreciated	<u>168,261,166</u>	<u>-</u>	<u>168,261,166</u>	<u>95,051,727</u>	<u>-</u>	<u>263,312,893</u>
Capital assets, being depreciated:						
Buildings	17,961,476	-	17,961,476	1,029,482	-	18,990,958
Improvements other than buildings	3,890,531	-	3,890,531	8,545	-	3,899,076
Machinery and equipment	14,109,961	-	14,109,961	1,622,308	1,570,785	14,161,484
Infrastructure	208,693,475	19,178,615	227,872,090	4,807,805	-	232,679,895
Total capital assets, being depreciated	<u>244,655,443</u>	<u>19,178,615</u>	<u>263,834,058</u>	<u>7,468,140</u>	<u>1,570,785</u>	<u>269,731,413</u>
Less accumulated depreciation:						
Buildings	5,304,310	-	5,304,310	439,933	-	5,744,243
Improvements	2,063,052	-	2,063,052	324,948	-	2,388,000
Machinery and equipment	5,130,427	-	5,130,427	1,165,348	1,570,785	4,724,990
Infrastructure	28,094,571	-	28,094,571	4,192,858	-	32,287,429
Total accumulated depreciation	<u>40,592,360</u>	<u>-</u>	<u>40,592,360</u>	<u>6,123,087</u>	<u>1,570,785</u>	<u>45,144,662</u>
Total capital assets, being depreciated, net	<u>204,063,083</u>	<u>19,178,615</u>	<u>223,241,698</u>	<u>1,345,053</u>	<u>-</u>	<u>224,586,751</u>
Total governmental activities capital assets, net	<u>\$ 372,324,249</u>	<u>\$ 19,178,615</u>	<u>391,502,864</u>	<u>\$ 96,396,780</u>	<u>\$ -</u>	<u>\$ 487,899,644</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,105,228	\$ 276,971	\$ 274,617	\$ 2,107,582
Construction in progress	<u>44,962,581</u>	<u>13,832,251</u>	<u>19,515,027</u>	<u>39,279,805</u>
Total capital assets, not being depreciated	<u>47,067,809</u>	<u>14,109,222</u>	<u>19,789,644</u>	<u>41,387,387</u>
Capital assets, being depreciated:				
Buildings	44,378,209	5,625,410	1,432,517	48,571,102
Improvements other than buildings	113,082,511	13,069,252	190,978	125,960,785
Machinery and equipment	<u>12,255,267</u>	<u>2,922,063</u>	<u>339,331</u>	<u>14,837,999</u>
Totals	<u>169,715,987</u>	<u>21,616,725</u>	<u>1,962,826</u>	<u>189,369,886</u>
Less accumulated depreciation for:				
Buildings	13,056,438	1,026,377	578,433	13,504,382
Improvements other than buildings	15,482,381	2,334,177	44,912	17,771,646
Machinery and equipment	<u>4,945,804</u>	<u>784,251</u>	<u>316,981</u>	<u>5,413,074</u>
Totals	<u>33,484,623</u>	<u>4,144,805</u>	<u>940,326</u>	<u>36,689,102</u>
Total capital assets, being depreciated, net	<u>136,231,364</u>	<u>17,471,920</u>	<u>1,022,500</u>	<u>152,680,784</u>
Total business-type activities capital assets, net	<u>\$ 183,299,173</u>	<u>\$ 31,581,142</u>	<u>\$ 20,812,144</u>	<u>\$ 194,068,171</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Governmental activities:	
General government	\$ 307,309
Public safety	880,463
Highways and streets	4,480,949
Economic development	353,765
Culture and recreation	<u>100,601</u>
 Total depreciation expense - governmental activities	 <u>\$ 6,123,087</u>
 Business-type activities:	
Water	\$ 2,453,489
Wastewater	<u>1,691,316</u>
 Total depreciation expense - business-type activities	 <u>\$ 4,144,805</u>

C. Construction Commitments

Construction work in progress is composed of the following:

CITY OF CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Project	Total Project Authorized	Expended to December 31, 2008	Committed	Required Future Funding
Governmental activities:				
Redevelopment of blighted areas	\$ 80,000,000	\$ 47,473,496	\$ 32,526,504	\$ -
Road reconstruction	<u>177,510,887</u>	<u>75,650,083</u>	<u>101,860,804</u>	<u>-</u>
Total governmental activities	<u>257,510,887</u>	<u>123,123,579</u>	<u>134,387,308</u>	<u>-</u>
Business-type activities:				
Water treatment facilities	58,782,902	30,137,125	28,645,777	-
Wastewater treatment facilities	<u>38,566,500</u>	<u>9,142,680</u>	<u>29,423,820</u>	<u>-</u>
Total business-type activities	<u>97,349,402</u>	<u>39,279,805</u>	<u>58,069,597</u>	<u>-</u>
Totals	<u>\$ 354,860,289</u>	<u>\$ 162,403,384</u>	<u>\$ 192,456,905</u>	<u>\$ -</u>

D. Interfund Balances and Activity

1. Interfund Receivables and Payables

Interfund balances resulted from the time lag between the dates that (1) Interfund loans are repaid, (2) Interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

The composition of interfund balances as of December 31, 2008, is as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Due To	Due From			Totals
	General Fund	Water Utility	Wastewater Utility	
General Fund	\$ -	\$ -	\$ 1,226,819	\$ 1,226,819
Water Utility	2,108,496	-	-	2,108,496
Wastewater Utility	-	113,641	-	113,641
Totals	<u>\$ 2,108,496</u>	<u>\$ 113,641</u>	<u>\$ 1,226,819</u>	<u>\$ 3,448,956</u>

2. Interfund Transfers

Interfund transfers at December 31, 2008, were as follows:

Transfer From	Transfer to			Totals
	Redevelopment Authority Debt Service	Redevelopment Authority Capital Projects	Nonmajor Governmental	
Major governmental:				
General Fund	\$ 2,659,324	\$ -	\$ 374,337	\$ 3,033,661
Redevelopment Commission Operating	-	485,689	910,201	1,395,890
Redevelopment Authority Debt Service	-	407,750	-	407,750
Nonmajor governmental	<u>3,120,000</u>	<u>-</u>	<u>1,479,000</u>	<u>4,599,000</u>
Totals	<u>\$ 5,779,324</u>	<u>\$ 893,439</u>	<u>\$ 2,763,538</u>	<u>\$ 9,436,301</u>

The primary government typically uses transfers to fund ongoing operating subsidies and to pay lease rental payments to blended component units.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Leases

Capital Leases

The primary government has entered into various capital leases for equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2008, are as follows:

Governmental activities:	
2009	\$ 1,124,602
2010	851,224
2011	541,961
2012	208,440
2013	118,342
2014-2018	<u>132,636</u>
Total minimum lease payments	2,977,205
Less amount representing interest	<u>259,045</u>
Present value of net minimum lease payments	2,718,160
Due within one year	<u>(1,007,038)</u>
Due in more than one year	<u>\$ 1,711,122</u>

The cost of assets acquired through capital leases still in effect is \$3,480,286, of machinery and equipment.

F. Long-Term Debt

1. General Obligation Bonds

The Civic Square Building Corporation (a blended component unit) issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities to be leased to the primary government.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at year end are as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Original Principal Amount	Financial Statement Amount
Governmental activities:			
2004 First Mortgage Bonds, fire and police station	2.0% to 4.0%	<u>\$ 3,400,000</u>	\$ 2,685,000
Due within one year			(735,000)
Unamortized premium			<u>26,219</u>
Due in more than one year			<u>\$ 1,976,219</u>

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

Year Ended December 31	Governmental Activities		
	Principal	Interest	Totals
2009	\$ 735,000	\$ 84,750	\$ 819,750
2010	760,000	60,175	820,175
2011	785,000	34,825	819,825
2012	<u>405,000</u>	<u>7,088</u>	<u>412,088</u>
Totals	<u>\$ 2,685,000</u>	<u>\$ 186,838</u>	<u>\$ 2,871,838</u>

2. Tax Incremental Financing (TIF) Bonds

The primary government issues TIF bonds for the construction of major capital facilities within a TIF District. The bonds are to be repaid from the Carmel Redevelopment Commission Projects Fund (Debt Service). TIF bonds are generally issued as 20 year serial bonds.

TIF bonds currently outstanding are as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Original Principal Amount	Financial Statement Amount
Governmental activities:			
1998 Merchants Square	6.5% to 7.0%	\$ 2,655,000	\$ 2,050,000
2004 Illinois Street	6.65%	<u>9,500,000</u>	<u>8,750,000</u>
Total TIF bonds		<u>\$ 12,155,000</u>	10,800,000
Due within one year			<u>(435,000)</u>
Due in more than one year			<u>\$ 10,365,000</u>

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

Year Ended December 31	Governmental Activities		
	Principal	Interest	Totals
2009	\$ 435,000	\$ 716,389	\$ 1,151,389
2010	510,000	685,028	1,195,028
2011	545,000	649,740	1,194,740
2012	580,000	612,255	1,192,255
2013	615,000	572,241	1,187,241
2014-2018	3,965,000	2,153,104	6,118,104
2019-2023	3,710,000	857,518	4,567,518
2024-2028	<u>440,000</u>	<u>14,630</u>	<u>454,630</u>
Totals	<u>\$ 10,800,000</u>	<u>\$ 6,260,905</u>	<u>\$ 17,060,905</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Redevelopment Bonds

The primary government issues redevelopment bonds to provide for the construction of major capital facilities within its boundaries. The County Option Income Tax revenues are pledged to pay these bonds. The Redevelopment Authority issues redevelopment bonds to provide for the construction/reconstruction of roads and other facilities to be leased to the City.

The City's lease rental payments will be paid from tax increment financing, county option income tax and, if necessary, a special benefits tax.

Purpose	Interest Rates	Original Principal Amount	Financial Statement Amount
Governmental activities:			
Primary government:			
2002 Street facility and road improvements	3.125% to 4.60%	\$ 10,450,000	\$ 8,350,000
2006 City Center construction	6.50% to 7.50%	8,785,000	7,450,000
2008 Redevelopment project bonds	5.85% to 7.80%	14,000,000	14,000,000
Blended component unit:			
2004 Refunding redevelopment	5.00% to 5.25%	27,985,000	20,800,000
2004 Street and roadway improvements	3.00% to 5.00%	35,000,000	31,605,000
2005 Performance Arts Center construction	4.625% to 10.20%	79,998,227	79,998,227
2006 Infrastructure construction	4.625% to 10.20%	<u>72,000,000</u>	<u>72,000,000</u>
Total redevelopment bonds		<u>\$ 234,218,227</u>	234,203,227
Due within one year			(6,105,000)
Unamortized premium			<u>13,956,281</u>
Due in more than one year			<u>\$ 242,054,508</u>

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Governmental Activities		
	Principal	Interest	Totals
2009	\$ 6,105,000	\$ 10,081,002	\$ 16,186,002
2010	7,575,000	9,827,512	17,402,512
2011	11,235,216	11,745,727	22,980,943
2012	9,631,931	10,038,266	19,670,197
2013	9,789,004	10,148,225	19,937,229
2014-2018	56,061,481	46,108,204	102,169,685
2019-2023	48,320,399	46,130,276	94,450,675
2024-2028	57,800,196	29,970,478	87,770,674
2029-2033	27,685,000	2,773,805	30,458,805
Totals	<u>\$ 234,203,227</u>	<u>\$ 176,823,495</u>	<u>\$ 411,026,722</u>

4. Revenue Bonds

The primary government issues revenue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds currently outstanding are as follows:

Purpose	Interest Rates	Original Principal Amount	Financial Statement Amount
Business-type activities:			
2002A Water plant extensions and improvements	4.20% to 5.15%	\$ 4,000,000	\$ 3,880,000
2002B Water plant extensions and improvements	3.50% to 5.10%	5,400,000	4,925,000
2003A Waterworks expansion	2.00% to 3.85%	4,005,000	2,200,000
2008 Water plant appreciation bonds	4.00% to 5.79%	20,644,479	20,968,725
2008 Water plant expansion bonds	4.00% to 5.79%	64,020,000	64,020,000
2005 Wastewater improvements	3.15% to 4.61%	11,000,000	10,255,000
Total revenue bonds		<u>\$ 109,069,479</u>	106,248,725
Net unamortized premium/discount			10,597
Due within one year			<u>(1,830,000)</u>
Due in more than one year			<u>\$ 104,429,322</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Business-Type Activities					
	Water			Wastewater		
	Principal	Interest	Totals	Principal	Interest	Totals
2009	\$ 1,435,000	\$ 3,920,479	\$ 5,355,479	\$ 395,000	\$ 429,382	\$ 824,382
2010	530,000	3,545,399	4,075,399	415,000	415,300	830,300
2011	700,000	3,520,571	4,220,571	425,000	400,178	825,178
2012	740,000	3,493,533	4,233,533	430,000	384,337	814,337
2013	990,000	3,459,762	4,449,762	450,000	367,591	817,591
2014-2018	9,665,000	16,173,317	25,838,317	2,595,000	1,541,379	4,136,379
2019-2023	20,450,000	12,595,807	33,045,807	3,240,000	908,035	4,148,035
2024-2028	40,515,000	5,664,035	46,179,035	2,305,000	162,618	2,467,618
2029-2033	20,968,725	41,465,521	62,434,246	-	-	-
2034-2038	-	14,130,000	14,130,000	-	-	-
Totals	<u>\$ 95,993,725</u>	<u>\$ 107,968,424</u>	<u>\$ 203,962,149</u>	<u>\$ 10,255,000</u>	<u>\$ 4,608,820</u>	<u>\$ 14,863,820</u>

5. Bond Anticipation Notes (BAN) Payable:

The primary government issues bond anticipation notes for the purpose of commencing construction projects. In accordance with Indiana Code 5-1-14-5, each bond anticipation note is scheduled to be replaced by redevelopment or revenue bonds after five years. Bond anticipation notes currently outstanding are as follows:

	Governmental Activities	
	Original Principal Amount	Financial Statement Amount
2006 Golf Course BAN	<u>\$ 2,995,000</u>	<u>\$ 2,995,000</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Notes/Loans Payable

The City (Redevelopment Commission) has entered into two notes payable for the purchase of land for \$1,390,000. The Water Utility has entered into a note payable with Indianapolis Water Company to purchase existing water lines, for \$22,237,250, to be serviced by the City of Carmel. Annual debt service requirements to maturity for the notes are as follows:

Year Ended December 31	Governmental Activities	Business-Type Activities
2009	\$ 214,696	\$ 1,800,000
2010	719,540	1,800,000
2011	-	1,800,000
2012	-	1,800,000
2013	-	1,800,000
2014-2018	-	9,000,000
2019-2023	-	9,000,000
2024-2028	-	3,600,000
Totals	934,236	30,600,000
Less amount representing interest	<u>(78,903)</u>	<u>(11,052,206)</u>
Present value of net payments	855,333	19,547,794
Due within one year	<u>(165,052)</u>	<u>(704,824)</u>
Due in more than one year	<u>\$ 690,281</u>	<u>\$ 18,842,970</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Advance Refunding – Carmel Civic Square Building Corporation

In prior years, the primary government defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. Outstanding bonds at December 31, 2008, considered defeased were \$2,600,000.

8. Advance Refunding – Carmel Redevelopment Authority

In 2002, the Authority defeased certain redevelopment bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. Outstanding bonds, at December 31, 2008, considered defeased were \$26,670,000.

9. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 3,400,000	\$ -	\$ 715,000	\$ 2,685,000	\$ 735,000
Redevelopment bonds	224,573,227	14,000,000	4,370,000	234,203,227	6,105,000
TIF bonds	11,220,000	-	420,000	10,800,000	435,000
Total bonds payable	239,193,227	14,000,000	5,505,000	247,688,227	7,275,000
Capital leases	2,966,449	903,437	1,151,726	2,718,160	1,007,038
Notes	962,315	-	106,982	855,333	165,052
Bond anticipation notes	14,975,000	-	11,980,000	2,995,000	2,995,000
Compensated absences	603,717	2,756,242	2,635,174	724,785	724,785
Net pension obligation	7,214,606	581,325	-	7,795,931	-
Total governmental activities long-term liabilities	<u>\$ 265,915,314</u>	<u>\$ 18,241,004</u>	<u>\$ 21,378,882</u>	<u>\$ 262,777,436</u>	<u>\$ 12,166,875</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 11,505,000	\$ 84,988,725	\$ 500,000	\$ 95,993,725	\$ 1,435,000
Wastewater Utility	<u>10,635,000</u>	<u>-</u>	<u>380,000</u>	<u>10,255,000</u>	<u>395,000</u>
Total revenue bonds payable	22,140,000	84,988,725	880,000	106,248,725	1,830,000
Bond anticipation notes	35,000,000	-	35,000,000	-	-
Notes	20,233,729	-	685,945	19,547,784	723,711
Compensated absences	<u>132,170</u>	<u>271,597</u>	<u>258,986</u>	<u>144,781</u>	<u>144,781</u>
Total business-type activities long-term liabilities	<u>\$ 77,505,899</u>	<u>\$ 85,260,322</u>	<u>\$ 36,824,931</u>	<u>\$ 125,941,290</u>	<u>\$ 2,698,492</u>

Compensated absences for governmental activities typically have been liquidated from the general fund and the motor vehicle highway special revenue funds.

G. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 23,390
Revenue bond operations and maintenance account	<u>45,273,636</u>
Total restricted assets	<u>\$ 45,297,026</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Investment in Capital Assets Net of Related Debt

The investment in capital assets net of related debt is composed of the outstanding debt associated with the acquisition of capital assets, less the cash on hand from bond issues at year-end. The computation is as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net	\$ 487,899,644	\$ 194,118,191
Related debt:		
Bonds payable (general obligation, revenue, TIF, and redevelopment)	247,688,227	105,924,479
Bond anticipation notes	2,995,000	-
Notes and loans	855,333	18,842,970
Capital leases	2,718,160	-
Unused bond proceeds	68,406,045	1,463,334
Total related debt	322,662,765	126,230,783
Investment in capital assets, net of related debt	\$ 165,236,879	\$ 67,887,408

I. Restatements and Reclassifications

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government. The following schedule presents a summary of restated beginning balances by fund type. Prior period adjustments represent the following:

Capital assets – the City had not previously included some of the completed roads from the 2004 Road Bond construction in the capital assets due to confusion over ownership of the roads with the Redevelopment Authority. During 2008, City officials reviewed the capital asset records and determined the amount that needed to be included to make the City's asset records accurate.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Statement of Activities
Net assets - beginning - as previously stated	\$ 357,493,007
Prior period adjustment	
Capital assets - roads	19,178,615
Net assets - beginning - as restated	\$ 376,671,622

IV. Other Information

A. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters. The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents

The primary government has chosen to establish a risk financing fund for risks associated with employee health claims. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$50,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based primarily upon the percentage of each fund's current year payroll as it relates to total payroll and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

CITY OF CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2008	2007
Unpaid claims, beginning of fiscal year	\$ 460,622	\$ 440,683
Incurred claims and changes in estimates	7,967,842	6,883,168
Claim payments	7,847,260	6,863,229
 Unpaid claims, end of fiscal year	 \$ 581,204	 \$ 460,622

Claims and judgments typically have been liquidated from the internal service fund.

B. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government with at least 20 years of services or who retire under disability. Currently, 16 retirees meet these eligibility requirements. The primary government's share of these postemployment benefits is as follows: 50% for 20 years of service plus 2% for each additional year over 20, up to a maximum of \$600 per month. If an employee retires as disabled, the City pays 100% of this benefit, not subject to the \$600 limit. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2008, expenditures of \$89,367 were recognized for postemployment benefits.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	\$ 1,704,676
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
 Annual OPEB cost	 1,704,676
Contributions made	<u>400,000</u>
 Increase in net OPEB obligation	 1,304,676
Net OPEB obligation, beginning of year	<u>-</u>
 Net OPEB obligation, end of year	 <u><u>\$ 1,304,676</u></u>

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

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12-31-06	*	*	*
12-31-07	*	*	*
12-31-08	\$ 1,704,676	23.5%	\$ 1,304,676

*Information is not available for the two preceding years because this is the first year for reporting OPEB liability.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was 23.5% funded. The actuarial accrued liability for benefits was \$12,403,032, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,403,032. The covered payroll (annual payroll of active employees covered by the plan) was \$31,825,856, and the ratio of the UAAL to covered payroll was -39%.

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

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 6.0% after 10 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was 29 years.

C. Conduit Debt Obligation

From time to time, the primary government has issued Economic Development Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

At December 31, 2008, there were three series of Economic Development Bonds outstanding with an aggregate principal amount payable of \$8,685,000.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

PERF members are required to contribute 3% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 6.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the PERF Board of Trustees. The contribution requirements of plan members for PERF are established by the board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available. Therefore, the prepayment for Net Pension Obligation (NPO) is considered an asset of the primary government and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds.

b. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a first class patrolman. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2008 is \$250,495. The contribution requirements of plan members and the City are established by the state statute. This entire amount is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2008, the City's annual pension cost is \$345,500 for the 1925 Police Officers' Pension Plan.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a first class firefighter. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2008 is \$243,633. The contribution requirements of plan members and the City are established by the state statute. This entire amount is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2008, the City's annual pension cost is \$556,400 for the 1937 Firefighters' Pension Plan.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 993,521	\$ 396,800	\$ 621,100
Interest on net pension obligation	(10,655)	196,300	247,000
Adjustment to annual required contribution	<u>12,143</u>	<u>(196,087)</u>	<u>(189,660)</u>
Annual pension cost	995,009	397,013	678,440
Contributions made	<u>1,019,381</u>	<u>250,495</u>	<u>243,633</u>
Increase in net pension obligation	(24,372)	146,518	434,807
Net pension obligation, beginning of year	<u>(146,972)</u>	<u>3,219,705</u>	<u>3,994,901</u>
Net pension obligation, end of year	<u><u>\$ (171,344)</u></u>	<u><u>\$ 3,366,223</u></u>	<u><u>\$ 4,429,708</u></u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.25%	21%	21%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-09	01-01-09
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital
 <u>Actuarial Assumptions</u>			
Investment rate of return	7.25%	4%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75%/4%*	2.75%/4%*

*2.75% for converted members; 4% for nonconverted members

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-06	\$ 740,135	90%	\$ (206,209)
	06-30-07	849,454	93%	(146,972)
	06-30-08	995,009	102%	(171,344)
1925 Police Officers' Pension Plan	12-31-06	331,600	98%	3,265,205
	12-31-07	342,200	98%	3,271,218
	12-31-08	345,500	73%	3,366,223
1937 Firefighters' Pension Plan	12-31-06	590,900	51%	3,832,801
	12-31-07	601,000	53%	4,116,941
	12-31-08	556,400	44%	4,429,708

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Retires and beneficiaries currently receiving benefits	14	14
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	-	1

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded Status and Funding Progress for the Above Plans:

The funded status of each plan as of December 31, 2008, except for PERF which is as of June 30, 2008, is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$9,862,796	\$ 12,736,157	\$(2,873,361)	77%	\$15,563,727	(18%)
1925 Police Officers' Pension Plan	3,830,180	5,395,300	(1,565,120)	71%	-	0%
1937 Firefighters' Pension Plan	4,905,722	8,085,300	(3,179,578)	61%	114,600	(2,775%)

Statements of Fiduciary Net Assets:

<u>Assets</u>	1925 Police Officers' Pension	1937 Firefighters' Pension
Cash and cash equivalents	\$ (225,127)	\$ 42,588
Investments at fair value:		
U.S. Government Securities	3,981,607	4,787,429
Interest receivable	35,137	41,833
Total assets	<u>3,791,617</u>	<u>4,871,850</u>
<u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits	<u>3,791,617</u>	<u>4,871,850</u>
Total net assets	<u>\$ 3,791,617</u>	<u>\$ 4,871,850</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Statements of Changes in Fiduciary Net Assets:

<u>Additions</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Contributions:		
Employer	\$ 250,495	\$ 243,633
Employee	<u>2,330</u>	<u>-</u>
Total contributions	<u>252,825</u>	<u>243,633</u>
Investment income:		
Net increase in fair value of investments	11,279	13,320
Interest	<u>152,758</u>	<u>187,164</u>
Net investment income	<u>164,037</u>	<u>200,484</u>
Total additions	<u>416,862</u>	<u>444,117</u>
<u>Deductions</u>		
Benefits	453,595	476,697
Administrative expenses	<u>1,830</u>	<u>1,292</u>
Total deductions	<u>455,425</u>	<u>477,989</u>
Changes in net assets	(38,563)	(33,872)
Net assets - beginning	<u>3,830,180</u>	<u>4,905,722</u>
Net assets - ending	<u><u>\$ 3,791,617</u></u>	<u><u>\$ 4,871,850</u></u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$2,954,298, \$2,834,114, and \$2,717,526, respectively, equal to the required contributions for each year.

E. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes first due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARMEL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 7,112,631	\$ 8,960,229	\$ (1,847,598)	79%	\$ 12,180,445	15%
07-01-07	8,323,758	10,713,926	(2,390,168)	78%	13,742,720	17%
07-01-08	9,862,796	12,736,157	(2,873,361)	77%	15,563,727	18%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 3,472,830	\$ 7,568,300	\$ (4,095,470)	46%	\$ 235,700	(1,738%)
01-01-04	3,580,789	8,161,200	(4,580,411)	44%	197,900	(2,315%)
01-01-05	3,571,842	6,253,000	(2,681,158)	57%	50,800	(5,278%)
01-01-06	3,472,229	5,254,400	(1,782,171)	66%	-	0%
01-01-07	3,595,904	5,376,600	(1,780,696)	67%	-	0%
01-01-08	3,830,180	5,395,300	(1,565,120)	71%	-	0%

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 4,260,736	\$ 6,972,000	\$ (2,711,264)	61%	\$ 235,700	(1,150%)
01-01-04	4,437,783	7,473,700	(3,035,917)	59%	197,900	(1,534%)
01-01-05	4,453,497	6,832,800	(2,379,303)	65%	152,500	(1,560%)
01-01-06	4,475,485	8,449,700	(3,974,215)	53%	161,000	(2,468%)
01-01-07	4,654,741	8,519,200	(3,864,459)	55%	167,300	(2,310%)
01-01-08	4,905,722	8,085,300	(3,179,578)	61%	114,600	(2,775%)

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-05	*	*	*	*	*	*
01-01-06	*	*	*	*	*	*
01-01-07	*	*	*	*	*	*
01-01-08	\$ -	\$ 12,403,032	\$ (12,403,032)	0%	\$ 31,825,856	(039%)

*Information is not available

The notes to the required supplementary information are an integral part of the required supplementary information.

CITY OF CARMEL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
12-31-03	\$ 903,400	32%	17%	
12-31-04	978,000	16%	14%	
12-31-05	452,800	3%	40%	
12-31-06	375,800	31%	55%	
12-31-07	389,800	26%	60%	
12-31-08	396,800	0%	63%	

1937 Firefighters' Pension Plan				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
12-31-03	\$ 825,500	30%	23%	
12-31-04	896,100	13%	20%	
12-31-05	512,200	51%	37%	
12-31-06	639,000	19%	28%	
12-31-07	656,800	18%	30%	
12-31-08	621,100	0%	39%	

Other Postemployment Benefits				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
12-31-03	*	*	*	
12-31-04	*	*	*	
12-31-05	*	*	*	
12-31-06	*	*	*	
12-31-07	*	*	*	
12-31-08	\$ 1,704,676	0%	0%	

*Information is not available.

The notes to the required supplementary information are an integral part of the required supplementary information.

CITY OF CARMEL
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2008

<u>Assets</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 9,085,149	\$ 1,939,049	\$ 2,920,894	\$ 13,945,092
Receivables:				
Taxes	356,302	175,216	51,297	582,815
Accounts	1,039,407	-	-	1,039,407
Intergovernmental	<u>507,630</u>	<u>29,362</u>	<u>25,856</u>	<u>562,848</u>
Total assets	<u>\$ 10,988,488</u>	<u>\$ 2,143,627</u>	<u>\$ 2,998,047</u>	<u>\$ 16,130,162</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 4,691	\$ -	\$ -	\$ 4,691
Accrued payroll and withholdings payable	299,250	-	-	299,250
Unavailable revenue	<u>416,010</u>	<u>204,578</u>	<u>77,153</u>	<u>697,741</u>
Total liabilities	<u>719,951</u>	<u>204,578</u>	<u>77,153</u>	<u>1,001,682</u>
Fund balances:				
Unreserved, reported in:				
Special revenue funds	10,268,537	-	-	10,268,537
Debt service funds	-	1,939,049	-	1,939,049
Capital projects funds	<u>-</u>	<u>-</u>	<u>2,920,894</u>	<u>2,920,894</u>
Total fund balances	<u>10,268,537</u>	<u>1,939,049</u>	<u>2,920,894</u>	<u>15,128,480</u>
Total liabilities and fund balances	<u>\$ 10,988,488</u>	<u>\$ 2,143,627</u>	<u>\$ 2,998,047</u>	<u>\$ 16,130,162</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Special Revenue	Debt Service	Capital Projects	Totals
Revenues:				
Property taxes	\$ 7,881,389	\$ 4,306,170	\$ 1,136,160	\$ 13,323,719
Income taxes	523,948	-	-	523,948
Licenses and permits	22,700	-	-	22,700
Intergovernmental	3,585,414	315,905	315,827	4,217,146
Charges for services	7,784,403	-	-	7,784,403
Fines and forfeits	1,832,410	-	-	1,832,410
Other:				
Interest on investments	162,710	18,109	100,815	281,634
Sale of property	861,156	-	-	861,156
Donations	116,451	-	-	116,451
Reimbursements	397,841	1,500	-	399,341
Total revenues	<u>23,168,422</u>	<u>4,641,684</u>	<u>1,552,802</u>	<u>29,362,908</u>
Expenditures:				
Current:				
General government	1,876,518	12,013	257,867	2,146,398
Public safety	296,281	-	-	296,281
Highways and streets	9,482,838	-	-	9,482,838
Economic development	-	-	20,392	20,392
Culture and recreation	9,686,070	-	24,855	9,710,925
Debt service:				
Principal	-	1,135,000	-	1,135,000
Interest	-	851,412	-	851,412
Capital outlay:				
General government	-	-	1,388,570	1,388,570
Public safety	664,810	-	-	664,810
Highways and streets	2,164,064	-	772,737	2,936,801
Culture and recreation	138,073	-	-	138,073
Total expenditures	<u>24,308,654</u>	<u>1,998,425</u>	<u>2,464,421</u>	<u>28,771,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,140,232)</u>	<u>2,643,259</u>	<u>(911,619)</u>	<u>591,408</u>
Other financing sources (uses):				
Transfers in	1,024,337	1,739,201	-	2,763,538
Transfers out	-	(3,949,000)	(650,000)	(4,599,000)
Total other financing sources and uses	<u>1,024,337</u>	<u>(2,209,799)</u>	<u>(650,000)</u>	<u>(1,835,462)</u>
Net change in fund balances	<u>(115,895)</u>	<u>433,460</u>	<u>(1,561,619)</u>	<u>(1,244,054)</u>
Fund balance - beginning	<u>10,384,432</u>	<u>1,505,589</u>	<u>4,482,513</u>	<u>16,372,534</u>
Fund balances - ending	<u>\$ 10,268,537</u>	<u>\$ 1,939,049</u>	<u>\$ 2,920,894</u>	<u>\$ 15,128,480</u>

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2008

<u>Assets</u>	Motor Vehicle Highway	Local Road and Street	Park Impact	Park and Recreation Nonreverting Operating	Tree City Grant Project	Brookshire Golf Course	Local Law Enforcement Continuing Education	Law Enforcement Aid VII
Cash and cash equivalents	\$ 2,885,021	\$ 901,758	\$ 459,318	\$ 537,110	\$ 56,360	\$ 39,305	\$ 125,085	\$ 212,785
Receivables:								
Taxes	356,302	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	<u>338,692</u>	<u>168,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,580,015</u>	<u>\$ 1,070,696</u>	<u>\$ 459,318</u>	<u>\$ 537,110</u>	<u>\$ 56,360</u>	<u>\$ 39,305</u>	<u>\$ 125,085</u>	<u>\$ 212,785</u>
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 3,308	\$ -	\$ -	\$ 806	\$ -	\$ -	\$ -	\$ 577
Accrued payroll and withholdings payable	141,102	-	-	156,649	-	-	-	-
Unavailable revenue	<u>416,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>560,420</u>	<u>-</u>	<u>-</u>	<u>157,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577</u>
Fund balances:								
Unreserved, reported in:								
Special revenue funds	<u>3,019,595</u>	<u>1,070,696</u>	<u>459,318</u>	<u>379,655</u>	<u>56,360</u>	<u>39,305</u>	<u>125,085</u>	<u>212,208</u>
Total fund balances	<u>3,019,595</u>	<u>1,070,696</u>	<u>459,318</u>	<u>379,655</u>	<u>56,360</u>	<u>39,305</u>	<u>125,085</u>	<u>212,208</u>
Total liabilities and fund balances	<u>\$ 3,580,015</u>	<u>\$ 1,070,696</u>	<u>\$ 459,318</u>	<u>\$ 537,110</u>	<u>\$ 56,360</u>	<u>\$ 39,305</u>	<u>\$ 125,085</u>	<u>\$ 212,785</u>

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2008
 (Continued)

<u>Assets</u>	Emergency Ambulance and Fire	Fire Gift	Police Gift	Park Gift	Community Relations Gift	Court Records Perpetuation	Grant Fund	Rainy Day
Cash and cash equivalents	\$ 197,431	\$ 4,828	\$ 30,539	\$ 334,457	\$ 821	\$ 39,982	\$ 536,970	\$ 1,420,497
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Accounts	1,039,407	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Total assets	\$ 1,236,838	\$ 4,828	\$ 30,539	\$ 334,457	\$ 821	\$ 39,982	\$ 536,970	\$ 1,420,497
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
Fund balances:								
Unreserved, reported in:								
Special revenue funds	1,236,838	4,828	30,539	334,457	821	39,982	536,970	1,420,497
Total fund balances	1,236,838	4,828	30,539	334,457	821	39,982	536,970	1,420,497
Total liabilities and fund balances	\$ 1,236,838	\$ 4,828	\$ 30,539	\$ 334,457	\$ 821	\$ 39,982	\$ 536,970	\$ 1,420,497

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2008
 (Continued)

<u>Assets</u>	<u>Economic Development</u>	<u>Housing Authority</u>	<u>Barrett Law</u>	<u>Deferral Fund</u>	<u>Thoroughfare</u>	<u>City Court</u>	<u>Court Interpreter</u>	<u>Totals</u>
Cash and cash equivalents	\$ 33,158	\$ 58,291	\$ 162,701	\$ 472,694	\$ 517,880	\$ 55,563	\$ 2,595	\$ 9,085,149
Receivables:								
Taxes	-	-	-	-	-	-	-	356,302
Accounts	-	-	-	-	-	-	-	1,039,407
Intergovernmental	-	-	-	-	-	-	-	507,630
Total assets	<u>\$ 33,158</u>	<u>\$ 58,291</u>	<u>\$ 162,701</u>	<u>\$ 472,694</u>	<u>\$ 517,880</u>	<u>\$ 55,563</u>	<u>\$ 2,595</u>	<u>\$ 10,988,488</u>
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,691
Accrued payroll and withholdings payable	-	-	-	1,499	-	-	-	299,250
Unavailable revenue	-	-	-	-	-	-	-	416,010
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>719,951</u>
Fund balances:								
Unreserved, reported in:								
Special revenue funds	<u>33,158</u>	<u>58,291</u>	<u>162,701</u>	<u>471,195</u>	<u>517,880</u>	<u>55,563</u>	<u>2,595</u>	<u>10,268,537</u>
Total fund balances	<u>33,158</u>	<u>58,291</u>	<u>162,701</u>	<u>471,195</u>	<u>517,880</u>	<u>55,563</u>	<u>2,595</u>	<u>10,268,537</u>
Total liabilities and fund balances	<u>\$ 33,158</u>	<u>\$ 58,291</u>	<u>\$ 162,701</u>	<u>\$ 472,694</u>	<u>\$ 517,880</u>	<u>\$ 55,563</u>	<u>\$ 2,595</u>	<u>\$ 10,988,488</u>

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 December 31, 2008

<u>Assets</u>	<u>Lease Rental</u>	<u>2002 Bond and Interest</u>	<u>2004 Bond and Interest</u>	<u>Redevelopment Commission Debt Service</u>	<u>Civic Square Building Corporation</u>	<u>Totals</u>
Cash and cash equivalents	\$ 43,963	\$ 2,133	\$ 191,152	\$ 1,199,541	\$ 502,260	\$ 1,939,049
Receivables:						
Taxes	36,465	-	-	138,751	-	175,216
Intergovernmental	6,111	-	-	23,251	-	29,362
Total assets	<u>\$ 86,539</u>	<u>\$ 2,133</u>	<u>\$ 191,152</u>	<u>\$ 1,361,543</u>	<u>\$ 502,260</u>	<u>\$ 2,143,627</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Unavailable revenue	\$ 42,576	\$ -	\$ -	\$ 162,002	\$ -	\$ 204,578
Total liabilities	<u>42,576</u>	<u>-</u>	<u>-</u>	<u>162,002</u>	<u>-</u>	<u>204,578</u>
Fund balances:						
Unreserved, reported in:						
Debt service funds	<u>43,963</u>	<u>2,133</u>	<u>191,152</u>	<u>1,199,541</u>	<u>502,260</u>	<u>1,939,049</u>
Total fund balances	<u>43,963</u>	<u>2,133</u>	<u>191,152</u>	<u>1,199,541</u>	<u>502,260</u>	<u>1,939,049</u>
Total liabilities and fund balances	<u>\$ 86,539</u>	<u>\$ 2,133</u>	<u>\$ 191,152</u>	<u>\$ 1,361,543</u>	<u>\$ 502,260</u>	<u>\$ 2,143,627</u>

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2008

<u>Assets</u>	<u>Cumulative Capital Improvement</u>	<u>Cumulative Capital Development</u>	<u>Cumulative Capital Storm Sewer</u>	<u>2002 Bond Construction</u>	<u>Civic Square Construction</u>	<u>Land Acquisition</u>
Cash and cash equivalents	\$ 182,077	\$ 47,743	\$ 2,011,985	\$ 364	\$ 592	\$ 353,418
Receivables:						
Taxes	-	-	51,297	-	-	-
Intergovernmental	17,260	-	8,596	-	-	-
Total assets	<u>\$ 199,337</u>	<u>\$ 47,743</u>	<u>\$ 2,071,878</u>	<u>\$ 364</u>	<u>\$ 592</u>	<u>\$ 353,418</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Unavailable revenue	\$ 17,260	\$ -	\$ 59,893	\$ -	\$ -	\$ -
Total liabilities	17,260	-	59,893	-	-	-
Unreserved, reported in:						
Capital projects funds	182,077	47,743	2,011,985	364	592	353,418
Total fund balances	182,077	47,743	2,011,985	364	592	353,418
Total liabilities and fund balances	<u>\$ 199,337</u>	<u>\$ 47,743</u>	<u>\$ 2,071,878</u>	<u>\$ 364</u>	<u>\$ 592</u>	<u>\$ 353,418</u>

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2008
 (Continued)

<u>Assets</u>	<u>1997 Road Construction</u>	<u>2004 Road Construction</u>	<u>Park Capital</u>	<u>Redevelopment Commission Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 426	\$ 3	\$ 324,244	\$ 42	\$ 2,920,894
Receivables:					
Taxes	-	-	-	-	51,297
Intergovernmental	-	-	-	-	25,856
Total assets	<u>\$ 426</u>	<u>\$ 3</u>	<u>\$ 324,244</u>	<u>\$ 42</u>	<u>\$ 2,998,047</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Unavailable revenue	\$ -	\$ -	\$ -	\$ -	\$ 77,153
Total liabilities	-	-	-	-	77,153
Unreserved, reported in:					
Capital projects funds	426	3	324,244	42	2,920,894
Total fund balances	426	3	324,244	42	2,920,894
Total liabilities and fund balances	<u>\$ 426</u>	<u>\$ 3</u>	<u>\$ 324,244</u>	<u>\$ 42</u>	<u>\$ 2,998,047</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road and Street	Park Impact	Park and Recreation Nonreverting Operating	Tree City Grant Project	Brookshire Golf Course	Local Law Enforcement Continuing Education	Law Enforcement Aid VII
Revenues:								
Property taxes	\$ 7,881,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	22,700	-
Intergovernmental	2,548,173	941,363	-	-	-	-	-	-
Charges for services	-	-	459,249	5,474,323	-	589,619	10,717	-
Fines and forfeits	-	-	-	-	-	-	24,576	80,492
Other:								
Interest on investments	21,778	35,846	23,460	9,803	1,187	841	1,889	4,769
Sale of property	2,548	-	-	-	-	-	-	-
Donations	-	-	-	77,250	-	-	-	-
Reimbursements	26,377	323,335	-	20,037	-	13,363	2,501	-
Total revenues	<u>10,480,265</u>	<u>1,300,544</u>	<u>482,709</u>	<u>5,581,413</u>	<u>1,187</u>	<u>603,823</u>	<u>62,383</u>	<u>85,261</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	30,497	135,464
Highways and streets	8,701,710	780,944	-	-	-	-	-	-
Culture and recreation	-	-	2,312,577	6,497,000	5,660	754,703	-	-
Capital outlay								
Public safety	-	-	-	-	-	-	-	577
Highways and streets	1,005,403	1,158,661	-	-	-	-	-	-
Culture and recreation	-	-	4,810	50,386	-	82,877	-	-
Total expenditures	<u>9,707,113</u>	<u>1,939,605</u>	<u>2,317,387</u>	<u>6,547,386</u>	<u>5,660</u>	<u>837,580</u>	<u>30,497</u>	<u>136,041</u>
Excess (deficiency) of revenues over (under) expenditures	<u>773,152</u>	<u>(639,061)</u>	<u>(1,834,678)</u>	<u>(965,973)</u>	<u>(4,473)</u>	<u>(233,757)</u>	<u>31,886</u>	<u>(50,780)</u>
Other financing sources (uses):								
Transfers in	-	-	-	650,000	-	91,953	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>-</u>	<u>91,953</u>	<u>-</u>	<u>-</u>
Net change in fund balances	773,152	(639,061)	(1,834,678)	(315,973)	(4,473)	(141,804)	31,886	(50,780)
Fund balances - beginning	<u>2,246,443</u>	<u>1,709,757</u>	<u>2,293,996</u>	<u>695,628</u>	<u>60,833</u>	<u>181,109</u>	<u>93,199</u>	<u>262,988</u>
Fund balances - ending	<u>\$ 3,019,595</u>	<u>\$ 1,070,696</u>	<u>\$ 459,318</u>	<u>\$ 379,655</u>	<u>\$ 56,360</u>	<u>\$ 39,305</u>	<u>\$ 125,085</u>	<u>\$ 212,208</u>

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CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Emergency Ambulance and Fire	Fire Gift	Police Gift	Park Gift	Community Relations Gift	Court Records Perpetuation	Grant Fund	Rainy Day
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-	-	-	-	523,948
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	95,878	-
Charges for services	1,164,211	-	-	-	-	13,976	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other:								
Interest on investments	1,914	96	688	8,179	32	625	9,977	20,378
Sale of Property	-	-	-	-	-	-	-	858,608
Donations	-	10,436	15,281	1,684	4,100	-	7,700	-
Reimbursements	1,000	-	-	-	-	-	-	11,228
Total revenues	1,167,125	10,532	15,969	9,863	4,132	14,601	113,555	1,414,162
Expenditures:								
Current:								
General government	-	-	-	-	4,815	-	297,468	-
Public safety	47,564	9,993	18,717	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	116,130	-	-	-	-
Capital outlay								
Public safety	646,523	-	-	-	-	1,862	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	694,087	9,993	18,717	116,130	4,815	1,862	297,468	-
Excess (deficiency) of revenues over (under) expenditures	473,038	539	(2,748)	(106,267)	(683)	12,739	(183,913)	1,414,162
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	282,384	-
Total other financing sources and uses	-	-	-	-	-	-	282,384	-
Net change in fund balances	473,038	539	(2,748)	(106,267)	(683)	12,739	98,471	1,414,162
Fund balances - beginning	763,800	4,289	33,287	440,724	1,504	27,243	438,499	6,335
Fund balances - ending	\$ 1,236,838	\$ 4,828	\$ 30,539	\$ 334,457	\$ 821	\$ 39,982	\$ 536,970	\$ 1,420,497

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CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Economic Development	Housing Authority	Barrett Law	Deferral Fund	Thoroughfare	City Court	Court Interpreter	Totals
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,881,389
Income taxes	-	-	-	-	-	-	-	523,948
Licenses and permits	-	-	-	-	-	-	-	22,700
Intergovernmental	-	-	-	-	-	-	-	3,585,414
Charges for services	-	-	-	-	69,748	-	2,560	7,784,403
Fines and forfeits	-	-	-	134,563	-	1,592,779	-	1,832,410
Other:								
Interest on investments	645	1,134	1,094	8,979	9,376	-	20	162,710
Sale of Property	-	-	-	-	-	-	-	861,156
Donations	-	-	-	-	-	-	-	116,451
Reimbursements	-	-	-	-	-	-	-	397,841
Total revenues	645	1,134	1,094	143,542	79,124	1,592,779	2,580	23,168,422
Expenditures:								
Current:								
General government	-	-	582	-	-	1,573,653	-	1,876,518
Public safety	-	-	-	54,046	-	-	-	296,281
Highways and streets	-	-	-	-	184	-	-	9,482,838
Culture and recreation	-	-	-	-	-	-	-	9,686,070
Capital outlay								
Public safety	-	-	-	15,848	-	-	-	664,810
Highways and streets	-	-	-	-	-	-	-	2,164,064
Culture and recreation	-	-	-	-	-	-	-	138,073
Total expenditures	-	-	582	69,894	184	1,573,653	-	24,308,654
Excess (deficiency) of revenues over (under) expenditures	645	1,134	512	73,648	78,940	19,126	2,580	(1,140,232)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	1,024,337
Total other financing sources and uses	-	-	-	-	-	-	-	1,024,337
Net change in fund balances	645	1,134	512	73,648	78,940	19,126	2,580	(115,895)
Fund balances - beginning	32,513	57,157	162,189	397,547	438,940	36,437	15	10,384,432
Fund balances - ending	\$ 33,158	\$ 58,291	\$ 162,701	\$ 471,195	\$ 517,880	\$ 55,563	\$ 2,595	\$ 10,268,537

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 For The Year Ended December 31, 2008

	Lease Rental	2002 Bond and Interest	2004 Bond and Interest	Redevelopment Commission Bond and Interest	Civic Square Building Corporation	Totals
Revenues:						
Property taxes	\$ 803,101	\$ -	\$ 3,056,098	\$ 446,971	\$ -	\$ 4,306,170
Intergovernmental	65,744	-	250,161	-	-	315,905
Other:						
Interest on investments	807	42	657	14,571	2,032	18,109
Reimbursements	-	-	1,500	-	-	1,500
Total revenues	869,652	42	3,308,416	461,542	2,032	4,641,684
Expenditures:						
Current:						
General government	-	-	-	4,566	7,447	12,013
Debt service:						
Principal	-	-	-	420,000	715,000	1,135,000
Interest	-	-	-	744,581	106,831	851,412
Total expenditures	-	-	-	1,169,147	829,278	1,998,425
Excess (deficiency) of revenues over (under) expenditures	869,652	42	3,308,416	(707,605)	(827,246)	2,643,259
Other financing sources (uses):						
Transfers in	-	-	-	910,201	829,000	1,739,201
Transfers out	(829,000)	-	(3,120,000)	-	-	(3,949,000)
Total other financing sources and uses	(829,000)	-	(3,120,000)	910,201	829,000	(2,209,799)
Net change in fund balances	40,652	42	188,416	202,596	1,754	433,460
Fund balances - beginning	3,311	2,091	2,736	996,945	500,506	1,505,589
Fund balances - ending	<u>\$ 43,963</u>	<u>\$ 2,133</u>	<u>\$ 191,152</u>	<u>\$ 1,199,541</u>	<u>\$ 502,260</u>	<u>\$ 1,939,049</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2008

	Cumulative Capital Improvement	Cumulative Capital Development	Cumulative Capital Storm Sewer	2002 Bond Construction	Civic Square Construction	Land Acquisition
Revenues:						
Property taxes	\$ -	\$ -	\$ 1,136,160	\$ -	\$ -	\$ -
Intergovernmental	223,340	-	92,487	-	-	-
Other:						
Interest on investments	6,820	4,875	32,646	2,119	11	6,875
Total revenues	230,160	4,875	1,261,293	2,119	11	6,875
Expenditures:						
Current:						
General government	8,188	203,925	45,754	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
General government	531,220	61,531	795,819	-	-	-
Highways and streets	-	-	-	128,959	-	-
Total expenditures	539,408	265,456	841,573	128,959	-	-
Excess (deficiency) of revenues over (under) expenditures	(309,248)	(260,581)	419,720	(126,840)	11	6,875
Other financing sources:						
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-
Net change in fund balances	(309,248)	(260,581)	419,720	(126,840)	11	6,875
Fund balances - beginning	491,325	308,324	1,592,265	127,204	581	346,543
Fund balances - ending	\$ 182,077	\$ 47,743	\$ 2,011,985	\$ 364	\$ 592	\$ 353,418

Continued on next page

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	1997 Road Construction	2004 Road Construction	Park Capital	Redevelopment Commission Construction	Totals
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,136,160
Intergovernmental	-	-	-	-	315,827
Other:					
Interest on investments	<u>8</u>	<u>28,358</u>	<u>18,966</u>	<u>137</u>	<u>100,815</u>
Total revenues	<u>8</u>	<u>28,358</u>	<u>18,966</u>	<u>137</u>	<u>1,552,802</u>
Expenditures:					
Current:					
General government	-	-	-	-	257,867
Economic development	-	-	-	20,392	20,392
Culture and recreation	-	-	24,855	-	24,855
Capital outlay:					
General government	-	-	-	-	1,388,570
Highways and streets	<u>-</u>	<u>643,778</u>	<u>-</u>	<u>-</u>	<u>772,737</u>
Total expenditures	<u>-</u>	<u>643,778</u>	<u>24,855</u>	<u>20,392</u>	<u>2,464,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8</u>	<u>(615,420)</u>	<u>(5,889)</u>	<u>(20,255)</u>	<u>(911,619)</u>
Other financing sources:					
Transfers out	<u>-</u>	<u>-</u>	<u>(650,000)</u>	<u>-</u>	<u>(650,000)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(650,000)</u>	<u>-</u>	<u>(650,000)</u>
Net change in fund balances	8	(615,420)	(655,889)	(20,255)	(1,561,619)
Fund balances - beginning	<u>418</u>	<u>615,423</u>	<u>980,133</u>	<u>20,297</u>	<u>4,482,513</u>
Fund balances - ending	<u>\$ 426</u>	<u>\$ 3</u>	<u>\$ 324,244</u>	<u>\$ 42</u>	<u>\$ 2,920,894</u>

CITY OF CARMEL
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 December 31, 2008

<u>Assets</u>	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Cash and cash equivalents	\$ (225,127)	\$ 42,588	\$ (182,539)
Investments at fair value:			
U.S. Government securities	3,981,607	4,787,429	8,769,036
Interest Receivable	<u>35,137</u>	<u>41,833</u>	<u>76,970</u>
Total assets	<u>3,791,617</u>	<u>4,871,850</u>	<u>8,663,467</u>
 <u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	<u>3,791,617</u>	<u>4,871,850</u>	<u>8,663,467</u>
Total net assets	<u>\$ 3,791,617</u>	<u>\$ 4,871,850</u>	<u>\$ 8,663,467</u>

CITY OF CARMEL
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2008

<u>Additions</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Contributions:			
Employer	\$ 250,495	\$ 243,633	\$ 494,128
Plan members	<u>2,330</u>	<u>-</u>	<u>2,330</u>
Total contributions	<u>252,825</u>	<u>243,633</u>	<u>496,458</u>
Investment income:			
Net increase in fair value of investments	2,516	2,123	4,639
Interest	<u>161,521</u>	<u>198,361</u>	<u>359,882</u>
Net investment income	<u>164,037</u>	<u>200,484</u>	<u>364,521</u>
Total additions	<u>416,862</u>	<u>444,117</u>	<u>860,979</u>
<u>Deductions</u>			
Benefits	453,595	476,697	930,292
Administrative expense	<u>1,830</u>	<u>1,292</u>	<u>3,122</u>
Total deductions	<u>455,425</u>	<u>477,989</u>	<u>933,414</u>
Changes in net assets	(38,563)	(33,872)	(72,435)
Net assets - beginning	<u>3,830,180</u>	<u>4,905,722</u>	<u>8,735,902</u>
Net assets - ending	<u>\$ 3,791,617</u>	<u>\$ 4,871,850</u>	<u>\$ 8,663,467</u>

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CITY OF CARMEL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For The Year Ended December 31, 2008

	Payroll
Assets:	
Cash and cash equivalents, January 1, 2008	\$ 137,133
Additions	44,952,272
Deductions	(44,386,527)
Cash and cash equivalents, December 31, 2008	\$ 702,878
 Liabilities:	
Withholdings payable, January 1, 2008	\$ 137,133
Additions	44,952,272
Deductions	(44,386,527)
Withholdings payable, December 31, 2008	\$ 702,878

CITY OF CARMEL
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Water Operating and Water Availability funds were overdrawn by \$336,136 and \$275,503, respectively, at December 31, 2008.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The City/Town Annual Report prepared by the Clerk-Treasurer's office and advertised for 2008 was incorrect. The following funds were omitted from the report.

	Balance January 1	Receipts	Disbursements	Balance December 31
Payroll	\$ 137,133	\$ 44,952,272	\$ 44,386,527	\$ 702,878
2004 Roadway Construction	615,423	28,358	643,778	3
2006 Water Construction	1,877,858	23,562	1,901,420	-
2008 Water Construction	<u>-</u>	<u>122,205,390</u>	<u>80,449,801</u>	<u>41,755,589</u>
 Total Omitted Funds	 <u>\$ 2,630,414</u>	 <u>\$ 167,209,582</u>	 <u>\$ 127,381,526</u>	 <u>\$ 42,458,470</u>

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

PAYROLL DEDUCTIONS

Reports filed with the Internal Revenue Service (IRS) and the Indiana Department of Revenue (IDR), during the 2008 audit period, were not always accurate. There were variances between the wages reported on the 941 forms filed with the IRS and the W-2 forms filed with the Social Security Administration of \$19,092.79. During the course of the audit, it was discovered that a portion of this variance was due to Short-Term Disability payments, of \$15,173, being properly included on the employees' W-2 forms, but were not included in the 941 reports. The remaining balance, of \$3,919.79, was still being researched by the City's payroll administrator for a possible solution.

CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

Also, there were variances between the monthly WH-1s and the annual WH-3 filed with the IDR totaling \$204.87. We noted that an employee-withheld \$120 in State tax was not reported on the employee's W-2 form. An additional variance of \$84.87 was still being researched by the City's payroll administrator for a possible solution.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PETTY CASH FUND – BROOKSHIRE GOLF COURSE

The Petty Cash Fund has had routine fluctuations in amounts of money missing. As of August 27, 2009, the Petty Cash Fund was missing \$184.82. Some disbursements were not supported by receipts or other documentation. Without such documentation, it appears that money could have been taken from the Petty Cash Fund without proper approval. The original Petty Cash funds were issued to the Brookshire Golf Course. A responsible custodian was not designated at the time of issue.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS – BROOKSHIRE GOLF COURSE

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

- (1) Numerous credit adjustments were made to the golf course funds. The City did not have a procedure or control in place that identified credit or refund policies or who was required to oversee and approve these adjustments. Due to the lack of proper internal controls, we are unable to determine if these negative transactions reflect correction of errors or concealment of fraud.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

Accounting information must not be modified by computer utility programs which are not contained in the accounting application system. The accounting application system must be supported by computerized and manual procedures to assure the following error correction controls are implemented:

- The type of error condition is recorded.
- The original transaction creating the error is retained within the system.
- A reversing transaction to eliminate the effect of the error is entered and retained within the system.
- The correct transaction is entered into the system and recorded.
- Management approval for error correction is documented. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (2) Two Brookshire Golf Course employees received golf clubs that were purchased by the golf course on April 24, 2009, and there was no record of payment by either employee. On July 28, 2009, the Clerk-Treasurer requested reimbursement from the employees who received the clubs, and on July 31, 2009, the City was reimbursed the full amount.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (3) A police report was filed on June 23, 2009, regarding a presumed theft of approximately \$1,000. Three more instances of theft were reported to the police as follows:

- (a) On June 1, 2009, \$367.00 was missing from a prepared deposit.
- (b) On June 19, 2009, \$229.00 was missing from the Petty Cash fund.
- (c) On July 4, 2009, \$120.00 was missing from the Petty Cash fund.

All of these cases are still under investigation.

Break-ins, burglaries or other crimes committed against the governmental unit should be documented by the filing of an official police report. Insurance companies should be contacted to request payment for any allowable coverage. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

CRIME INSURANCE POLICY

The City of Carmel has an insurance policy that has a provision to cover crime related incidents as follows:

	<u>Limit of Coverage</u>	<u>Deductible Amount</u>
1. Employee Theft	\$ 100,000	\$ 1,000
2. Forgery or Alteration	10,000	1,000
3. Loss Inside Building	100,000	1,000
4. Loss Outside Building	100,000	1,000
5. Computer Fraud	2,500	1,000

REDEVELOPMENT COMMISSION PAYROLL

Carmel Redevelopment Commission (CRC) staff positions are filled by employees of Stivers Staffing Service. CRC receives periodic billings from, and makes periodic payments to, Stivers Staffing Service, for the reimbursement of salaries, wages and benefits to, or on behalf of, these individuals. During the period from April 1, 2009 to July 31, 2009, the CRC used tax increment financing (TIF) funds for these payments to Stivers Staffing Service. The table below reflects the staff positions, the percentage of salaries or wages of the position paid from TIF funds, and the total amount paid from TIF funds.

<u>Title</u>	<u>Allocation to TIF Funds</u>	<u>Total Paid from TIF Funds</u>
Director of Redevelopment	100%	\$ 54,627.47
Accounting Manager	100%	32,062.50
Finance Director	75%	30,726.61
Redevelopment Coordinator	100%	15,888.38
Communications Manager	50%	12,696.92
Arts District Office Supervisor	25%	3,521.69
Summer Intern	100%	2,993.25
Event Coordinator	50%	1,277.25
Total		<u>\$ 153,794.07</u>

CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

In establishing the accounting for and the use of TIF funds, IC 36-7-14-39(b)(2) states in part: "Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:"

What follows are IC 36-7-14-39(b)(2), clauses (A) through (L), establishing the authorized uses of TIF funds, none of which appear to allow for the general payment of salaries, wages and benefits. Clauses (A) through (F) allow for the payment of debt and various debt-related expenses. Clauses (H), (I), (K) and (L) allow for the payment of building or parking facility rentals, a property tax replacement credit, reimbursements to public and private entities for the training of industrial facility employees and costs related to an eligible energy efficiency project, respectively. Clauses (G) and (J) allow for reimbursements or direct payments, respectively, for certain local public improvements and read as follows:

"(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area."

"(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter."

The only possible reference, in IC 36-7-14-25.1(a), to salaries, wages and benefits being allowable is IC 36-7-14-25.1(a)(2), which appears to relate to specific professional fees, and states: "all reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds; . . ."

In addition to the passages above from IC 36-7-14-39, a section of the Indiana Administrative Code, 50 IAC 8-2-13(e) allows for TIF funds to be used to reimburse a unit for certain supervisory expenses, as follows:

"A unit may be reimbursed under subsection (a)(7) or (a)(8) only for expenditures that qualify under that subsection and that were made after the adoption of the resolution in which the allocation area was declared. Supervisory expenses related to redevelopment projects in the allocation area that are paid to individuals retained to supervise such projects qualify as expenditures for which reimbursement can be made."

It does not appear as though the salaries, wages and benefits of the staff positions detailed in the table above would qualify, in whole or in part, as allowable expenditures from TIF funds, except to the extent that the individuals may have been "retained to supervise" redevelopment projects, in which case TIF funds could be utilized to reimburse the CRC, or the City of Carmel, for such expenditures.

CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

GRANTS TO CARMEL PERFORMING ARTS FOUNDATION

In 2009, disbursements totaling \$550,000 were made from Carmel Redevelopment Commission (CRC) funds to the Carmel Performing Arts Foundation, a not-for-profit corporation.

As there was no contract or agreement between the CRC and the Carmel Performing Arts Foundation, minutes from meetings of the CRC board meetings are the only written documentation available in support of these payments. The March 18, 2009, minutes of the CRC stated, ". . . approve a \$150,000 grant which would be used for staffing for the Regional Performing Arts Center." The June 30, 2009, minutes of the CRC stated, ". . . it is necessary to provide additional funding to hire an Executive Director and support staff for the operations of the facility. The funding source for this grant will be excess funds from a higher than anticipated TIF distribution . . . The CRC is looking to approve a grant for \$400,000 to the Regional Performing Arts Center Foundation."

Although TIF (Tax Increment Financing) funds are mentioned in the minutes as a source of funding for these payments, the disbursements were not made from TIF allocation funds.

IC 36-7-14-12.2 (a) lists twenty-seven (27) powers granted to a redevelopment commission. Only the powers numbered twenty-five (25) and twenty-six (26) grant the authority to provide financial assistance to individuals or another entity. Those powers are stated in the code as follows:

"(25) Provide financial assistance (including grants and loans) to enable individuals and families to purchase or lease residential units within the district. However, financial assistance may be provided only to individuals and families whose income is at or below the unit's median income for individuals and families, respectively.

(26) Provide financial assistance (including grants and loans) to neighborhood development corporations to permit them to:

- (A) provide financial assistance for the purposes described in subsection (25); or
- (B) construct, rehabilitate, or repair commercial property within the district."

Providing grants to not-for-profit corporations is not listed as one of the powers granted to a Redevelopment Commission.

ACCOUNTING FOR TAX INCREMENT FINANCING (TIF) FUNDS

The City of Carmel receives TIF tax collections for twenty-one (21) individual allocation areas on a semiannual basis. These collections are receipted to a TIF cash account within the Redevelopment Operating Fund. The receipts from all twenty-one allocation areas are comingled in the same cash account. Expenditures paid from TIF funds come from the one TIF cash account and are not segregated by allocation area.

CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-7-14-39 states in part:

"(a) As used in this section: 'Allocation area' means that part of a redevelopment project area to which an allocation provision of a declaratory resolution adopted under section 15 of this chapter refers for purposes of distribution and allocation of property taxes.

...

(2) Except as otherwise provided in this section, property tax proceeds . . .

(1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following: . . ."

CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2009, with Eric Seidensticker, President of the Common Council; Rick Sharp and Luci Snyder, Common Council members; and Diana Cordray, Clerk-Treasurer. The contents of this report were discussed on November 12, 2009, with James Brainard, Mayor. The official responses have been made a part of this report and may be found on pages 102 through 114.



CITY OF CARMEL

JAMES BRAINARD, MAYOR

January 6, 2010

Bruce A. Hartman, CPA, State Examiner
Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

Re: City of Carmel, Indiana

Dear Mr. Hartman:

This letter constitutes the response of the City of Carmel, Indiana (the "City") to the most recent draft Audit Results and Comments (the "Audit Comments") that were recently provided to the City by your office. For the reasons already stated in my letter to you dated November 19, 2009 (copy attached), the City strongly objects to the inclusion of the comments under the headings "Redevelopment Commission Payroll" and "Grants to Carmel Performing Arts Foundation" in the final version of the Audit Comments. Frankly I am at a bit of a loss as to why the State Board of Accounts is taking audit positions contrary to the legal opinions provided by two highly respected law firms in the municipal law area. In past instances the State Board of Accounts has been willing to refrain from taking audit positions contrary to legal opinions provided by trained, qualified lawyers who routinely practice in the municipal law area. We have provided you with strong, credible legal analysis from the law firms of Barnes & Thornburg LLP and Wallack Somers & Haas on the issues raised in the Audit Comments, which validates the practices of the Carmel Redevelopment Commission (CRC) that you comment on in the current draft of the Audit Comments. We are convinced that the CRC was on solid legal ground in both its payroll practices and on providing funding for the operations of the concert hall that it owns through the grant to the Carmel Performing Arts Foundation, and we therefore urge you to remove your comments under the two sections at issue in their entirety.

To underscore our conviction in the propriety of the CRC's payroll practices, we are willing to provide you with an affidavit that the employees who worked for the CRC (through Stivers Staffing Service) devoted their time to specific project related activities in accordance with the percentages set forth in the Audit Comments. It seems clear even in the Audit Comments (and from our meeting with field staff) that the State Board of Accounts agrees that

ONE CIVIC SQUARE, CARMEL, IN 46032 OFFICE 317.571.2401, FAX 317.844.3498

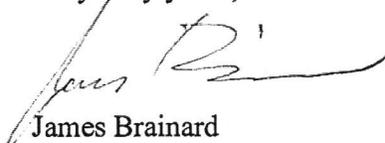
EMAIL jbrainard@carmel.in.gov

Bruce A. Hartman, CPA, State Examiner
January 6, 2010
Page 2

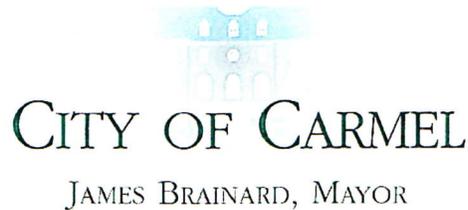
time spent by employees on specific project activities, as opposed to general administrative tasks, may be properly compensated from TIF funds. We are prepared to validate for you that the employees in question, who were compensated in whole or in part from TIF funds, were so engaged.

We would be happy to further discuss these responses with you or your staff at your convenience. Please let me know if we can answer any questions you may have. We appreciate your consideration of these responses.

Very truly yours,



James Brainard
Mayor



CITY OF CARMEL
JAMES BRAINARD, MAYOR

November 19, 2009

Bruce A. Hartman, CPA, State Examiner
Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

Re: City of Carmel, Indiana

Dear Mr. Hartman:

This letter constitutes the response of the City of Carmel, Indiana (the “City”) to the draft Audit Results and Comments (the “Draft Audit Comments”) that were recently provided to the City by your office. In preparing this response, we have consulted with the law firm of Barnes & Thornburg LLP, who frequently serves as bond counsel for the City and the Carmel Redevelopment Commission (“CRC”) on bond financings, and the law firm of Wallack Somers & Haas, who serves as general counsel to the CRC. These firms have provided the City with the legal basis for the comments set forth below.

Redevelopment Commission Payroll

The section of the Draft Audit Comments entitled “Redevelopment Commission Payroll” notes that the CRC has used allocated taxes commonly known as tax increment finance (“TIF”) revenues to pay all or a portion of salaries of certain CRC staff members. TIF revenues from a given TIF allocation area are deposited into an allocation fund and may be used for the purposes set forth in IC 36-7-14-39(b)(2). The last sentence of that subsection provides as follows: “The allocation fund may not be used for operating expenses of the commission.” The question raised by the Draft Audit Comments is whether salaries or portions of salaries are necessarily considered operating expenses for purposes of this provision.

The redevelopment statute (IC 36-7-14) contains no guidance as to what do and do not constitute operating expenses of the CRC for purposes of the statute quoted above. However, it seems clear that costs incurred by a redevelopment commission for land acquisition and project costs would not constitute operating expenses. For example, if a redevelopment commission

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EMAIL jbrainard@carmel.in.gov

hired an owner's representative to oversee the development and construction of a project, compensation paid to that person or entity clearly would not be an operating expense of the commission, but rather would be chargeable against the project as a project cost. On the other hand, operating expenses would consist of costs incurred for general administrative overhead that could not be allocated to a given project or projects.

The CRC has engaged several staff members, some of which work solely on projects, some of which are primarily administrative, and some of which allocate some of their time to projects and some to general administrative tasks. We believe that it is entirely appropriate under the redevelopment statute for the CRC to pay salaries of staff members who work solely on specific identified projects, such as the Director of Redevelopment, out of TIF funds. We also believe that it is entirely appropriate for the CRC to make reasonable determinations as to how much time a given staff member works on projects, and how much on general administrative tasks, and to pay for the portion of that person's salary allocated to projects from TIF funds. The mere fact that the staff member is an employee rather than an independent contractor should not matter for purposes of determining whether that staff member is hired to work on projects, or for general administrative duties. The CRC is entitled to use TIF funds to pay for all of the personnel that are necessary to carry out the projects that the CRC has undertaken.

We understand from our discussions with your staff that the State Board of Accounts does not disagree with the analysis set forth above. However, staff requested that in the future, the CRC provide documentation to support the basis upon which the salary allocations are arrived at.

Grants to Carmel Performing Arts Foundation

The other section of the Draft Audit Comments that we wish to respond to is entitled "Grants to Carmel Performing Arts Foundation." By way of background – CRC has undertaken the construction and operation of a redevelopment project that includes a premier concert hall. That concert hall requires on-going staffing and operation, which, at this point, requires CRC funding (it is hoped that, later, private donations and operating revenues will cover the expenses of operating the hall). The Carmel Performing Arts Foundation ("CPAF") is a 501(c)(3) entity formed to undertake and carry out the operation of the concert hall on behalf of the CRC. When the CRC authorized payments to CPAF, the payments were, by the terms of the resolutions, designated to pay concert hall staffing and operating expenses. In effect, whether denominated as "grants" or another form of payment, CRC was doing nothing more than providing funds to pay the expenses of staffing and operating a building that it constructed and owns. This is a common practice for non-profit entities to manage city arts facilities.

It is manifest in IC 36-7-14 that a redevelopment commission may: (a) acquire land; (b) undertake on that land redevelopment projects that it owns or leases; and (c) maintain and

operate those projects, including staffing the projects. (See IC 36-7-14-12.2(a)(1), (15) - (16), and (22), and other sections of IC 36-7-14). Maintenance and operation of those projects invariably require funding, and IC 36-7-14 addresses from what sources operating costs may be funded. (See IC 36-7-14-39 and other sections of IC 36-7-14). The permissible means available to a redevelopment commission to maintain and operate its projects include: (a) directing its own staff or employees to carry out the maintenance and/or operation (see IC 36-7-14-12.2(a)(14)-(18) and other sections of IC 36-7-14); (b) arranging with another governmental agency or department to perform the maintenance and/or operation and provide staffing; and (c) arranging with a non-governmental third-party to provide the maintenance and/or operation, including staffing (again, see IC 36-7-14-12.2(a)(14)-(18) and other sections of IC 36-7-14). There are not statutory limitations on the type of party that may serve as a non-governmental third-party provider. The third-party provider may be a "for-profit" or a "not-for-profit" entity, and it may be a corporation, partnership, limited liability company, sole proprietorship, or an individual. When a redevelopment commission arranges with or employs a non-governmental third-party to provide maintenance and/or operation for one of its projects, the commission, of course, is authorized to cover or pay costs incurred by the third-party provider and/or to compensate the third-party provider (again, see IC 36-7-14-12.2(a)(14)-(18) and other sections of IC 36-7-14). There are not statutory limitations in IC 36-7-14 on how payment of such costs or compensation must be characterized. In the case of a third-party provider that is a "not-for-profit" corporation, payment of such costs or compensation legally could be characterized as a "grant," rather than as another form of recompense or remuneration, and, in such cases, the payment qualifies under IC 36-7-14 as recompense or remuneration, rather than as financial assistance, because the payment is being made to cover the costs of maintaining and/or operating a redevelopment commission project. The specific provision (IC 36-7-14-12.2(a)(26)) authorizing redevelopment commissions to make grants to neighborhood development corporations is simply that: it is another power granted to redevelopment commissions, not a limitation on powers otherwise provided by IC 36-7-14, including that it is not a limitation on how payments to third-party providers may be characterized.

In the case of payments that were made by CRC to CPAF and were characterized as "grants," the following analysis applies. CRC acquired the land on which the Carmel Regional Performing Arts Center is located and undertook on that land a redevelopment project, including a world-class concert hall (the "Concert Hall") that CRC owns and is responsible for maintaining and operating. CRC has the statutory authority to fund the maintenance and operation of the Concert Hall, including funding the costs to staff the Concert Hall and hire an executive director for the Concert Hall. CPAF is a "not-for-profit" (IRC 501(c)(3)) corporation formed for purposes that include maintaining, operating, and staffing the Concert Hall, and, under IC 36-7-14, CPAF is an appropriate and permissible party to carry out maintenance, operation, and staffing of the Concert Hall on behalf of CRC. Because: (a) CPAF is an appropriate and permissible party for that purpose; (b) CRC is authorized to cover or pay costs incurred by parties carrying out the maintenance, operation, and staffing of the Concert Hall; and (c) in the case of a "not-for-profit" corporation, CRC may characterize payment of such costs as a grant;

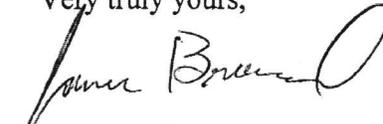
Bruce A. Hartman, CPA, State Examiner
November 19, 2009
Page 4

CRC had the statutory authority to: (a) cover or pay costs incurred by CPAF in carrying out the maintenance, operation, and staffing of the Concert Hall; and (b) characterize those payments as "grants", rather than as another form of recompense or remuneration.

For the reasons set forth above, we believe that the CRC acted appropriately and in accordance with state statute in using TIF funds to pay for portions of its staffing expenses relating to ongoing projects of the CRC, and that the CRC also acted appropriately and in accordance with state statute in paying for the maintenance, operation and staffing of a CRC facility by way of a grant to a non-profit organization hired to perform those functions.

We would be happy to discuss these responses with you further at your convenience. Please let me know if we can answer any questions you may have. We appreciate your consideration of these responses.

Very truly yours,



James Brainard
Mayor



City of Carmel

Office of the
Clerk-Treasurer

November 18, 2009

Bruce Hartman
State Examiner
302 W. Washington St. #E418
Indianapolis, IN 46204

Mr. Hartman:

The following is my response to your draft report of the Audit Results and Comments for fiscal 2008.

OVERDRAWN CASH BALANCES

The Carmel Utility is the responsibility of the Director of Utilities. They staff two accountants who manage all utility finances with the exception of payroll and accounts payable.

ANNUAL REPORT

The Clerk Treasurers Annual Report omitted funds managed by the bond trustees, two of which were the Water Utility debt. The State of Indiana has mandated that this report be forwarded to the Board of Accounts electronically. We agree to the utility of this report. However, the software proscribed by the state creates major challenges for the user. This report omission in no way indicates the misuse or misallocation of financial transactions for the City. It is our desire always to accommodate all state requirement on a timely manner.

PAYROLL DEDUCTIONS

My former payroll administrator was asked to leave my administration in June, 2008 The assistant payroll administrator stepped into this role immediately. We have made great progress in the last 18 months. After numerous calls to the IRS in late summer of '08, we finally connected with a representative who gave us the phone number for the Carmel IRS Office. Within 30 days, the IRS agent met with us for almost 3 ½ hours. He found many discrepancies on the part of the IRS and he left stating that these adjustments would be corrected.

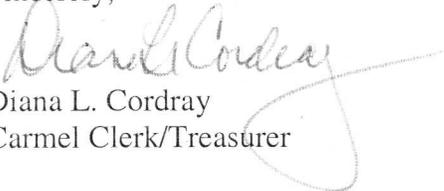
In June '08 we received correspondence (Attach.1) stating that the IRS was over-worked and they had not resolved our inquiry. The same correspondence was received on Aug. 10, 2009 (Attach.2). On August 28, 2009 I sent a letter to the IRS reiterating our dissatisfaction (Attach. 3). Since August, we have received numerous checks from the IRS correcting their previous adjustments (Attach 4). I have also included a letter from Long and Associates who have worked with us recently on this matter (Attach 5).

Short term disability is managed by the Human Relations Department. We have discussed this issue with H.R., and we are carefully following short term disability as reportable income. We have also contacted the Indiana Department of Revenue and are providing resolution to this issue.

ACCOUNTING FOR TAX INCREMENT FINANCING (TIF) FUNDS

The Tax Increment Finance (TIF) tax collections from the county are designated by allocation area. However, the expenses incurred by the CRC (Carmel Redevelopment Commission) are not charged to each allocation area. This issue has been discussed with the CRC, and we anticipate that they will comply with this requirement beginning in fiscal 2010.

Sincerely,



Diana L. Cordray
Carmel Clerk/Treasurer

CINCINNATI OH 45999-0049

In reply refer to: 0264105190
June 08, 2009 LTR 2644C 0
200612 01 000
00001242
BODC: TE



*Rec'd
6-10-09*

CITY OF CARMEL CLERK-TREASURER
1 CIVIC SQ
CARMEL IN 46032-2584



16456

Taxpayer Identification Number: _____
Tax Period(s): Dec. 31, 2006

Form: 941

Dear Taxpayer:

We previously sent you a letter concerning your Form 941 referenced above. Although we try to respond quickly, often extensive research is required. At this time we are unable to provide a complete response because:

Due to heavy workload, we have not yet completed our research to resolve your inquiry.

While waiting to hear from us, you can still make payments to reduce your tax liability and interest charges. To help us apply a payment properly, please write the taxpayer identification number and tax period listed at the top of this letter on your check or money order.

Please allow an additional 60 days for us to obtain the information we need and to let you know what action we are taking.

If you have any questions, please call us toll free at 1-800-829-0115.

If you prefer, you may write to us at the address shown at the top of the first page of this letter.

Whenever you write, please include your telephone number, the hours we can reach you, and this letter. Keep a copy of this letter for your records.

Your Telephone Number (____) _____ Hours _____

CINCINNATI OH 45999-0049

In reply refer to: 0264026776
Aug. 10, 2009 LTR 2644C 0
200612 01

00002276
BODC: NOBOD

CITY OF CARMEL CLERK-TREASURER
1 CIVIC SQ
CARMEL IN 46032-2584

*Rec'd
8-13-09*



007451

Taxpayer Identification Number: _____
Tax Period(s): Dec. 31, 2006

Form: 941

Dear Taxpayer:

We previously sent you a letter concerning your Form 941 referenced above. Although we try to respond quickly, often extensive research is required. At this time we are unable to provide a complete response because:

Due to heavy workload, we have not yet completed our research to resolve your inquiry.

While waiting to hear from us, you can still make payments to reduce your tax liability and interest charges. To help us apply a payment properly, please write the taxpayer identification number and tax period listed at the top of this letter on your check or money order.

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Whenever you write, please include your telephone number, the hours we can reach you, and this letter. Keep a copy of this letter for your records.

Your Telephone Number (____) _____ Hours _____



City of Carmel

Office of the
Clerk-Treasurer

August 28, 2009

Rita A. Leete
Accounts Management II
Internal Revenue Service
Cincinnati Service Center
Cincinnati, Ohio 45999

Dear Ms. Leete:

I am in receipt of your undated correspondence which was received by my municipal office on Wednesday, August 26, 2009.

We have pursued resolution of this matter for over 18 months. We had the opportunity to work with a Richard De Shields in the field office last fall (2008) which proved very helpful. At that time, we felt we had met your requirement. However, we have since received correspondence from the IRS (see attached) that you are very busy.

We wish to reconcile any questions regarding 941. We are, however, a tax supported municipality which receives its authority from the State of Indiana. We are forbidden to pay late fees to any entity. A Notice of Intent to Levy is also inappropriate when our attempts to work with your organization have not resulted in satisfaction. We are sincerely interested in reconciling our differences particularly with your local office.

Our efforts to satisfy your demands can best be reconciled with your field office. I do not doubt that you have a heavy workload, but so do we. Your cooperation would be greatly appreciated.

Sincerely,

Diana L. Cordray
Treasurer of the City of Carmel

Encl.



Individual/Corporate Tax • Accounting Services • Management Consulting • Business Valuations • Estate Planning

November 12, 2009

City of Carmel
One Civic Square
Carmel, IN 46032

Dear Diana:

I have had discussions with the IRS and the Social Security Administration in regards to the tax period December 2006. The difference between the 941s that were filed and the W-2's filed has been processed by the IRS to be additional tax liability in the fourth quarter of Tax Year 2006 until further evaluation.

We have requested a copy of the W-2s filed with the Social Security Administration in order to send them to the IRS for evaluation.

You have received a letter from the IRS stating there is no tax liability due and that you are due a refund. With my past experience with the IRS this is provided after they have taken into consideration all correspondence from all parties and that the Social Security Administration has probably provided the IRS directly the copies of W-2s. I would consider this a closed matter and expect a check from the IRS.

If you have any further questions please do not hesitate to contact me.

Sincerely,
Long & Associates, P.C.

Sally Reid