



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B41379

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 19, 2012

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

We have reviewed the audit report prepared by KPMG, LLP, Independent Public Accountants, for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the City of Indianapolis, as of December 31, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the twenty-four findings in the Single Audit Report, on pages 13 through 42. Eight of those findings represent deficiencies in internal control over financial reporting. Five of those eight findings represent material weaknesses. The auditors have issued a qualified opinion on compliance with applicable requirements for five of the nine major federal programs.

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

STATE BOARD OF ACCOUNTS



CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2011
(With Independent Auditors' Reports Therein)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2011

Table of Contents

	Page(s)
Schedule of Expenditures of Federal Awards	1 – 3
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5 – 6
Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	7 – 10
Schedule of Findings and Questioned Costs	11 – 42

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2011

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture:					
Indiana State Department of Education	N/A	Summer Food Service Program for Children	10.559	\$ —	470,078
Total U.S. Department of Agriculture				<u>—</u>	<u>470,078</u>
U.S. Department of Housing and Urban Development:					
<i>Community Development Block Grant Cluster:</i>					
Total Community Development Block Grant Cluster:				<u>5,629,057</u>	<u>21,545,236</u>
State of Indiana, Office of Community and Rural Affairs	DR2-09-084	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	2,600,000	2,620,000
		Emergency Shelter Grants Program	14.231	373,236	391,416
		Supportive Housing Program	14.235	1,279,863	1,342,955
		Shelter Plus Care	14.238	2,081,992	2,110,356
		Home Investment Partnerships Program	14.239	3,055,865	3,456,079
		Housing Opportunities for Persons with AIDS	14.241	871,764	897,889
		Economic Development Initiative – Special Project, Neighborhood Initiative, and Miscellaneous Grants	14.251	—	247,997
		ARRA – Recovery Act – Homelessness Prevention and Rapid Re-Housing Program (HRRP)	14.257	1,002,282	1,064,860
		Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants	14.704	—	123,287
Total U.S. Department of Housing and Urban Development				<u>16,894,059</u>	<u>33,800,075</u>
U.S. Department of Justice:					
		Alcohol Tobacco and Firearms Joint Operations	16.XXX	—	112,456
		Customs Joint Operations	16.XXX	—	9,811
		DEA Overtime	16.XXX	—	63,552
		FBI Overtime	16.XXX	—	125,099
		Safe Streets Gang Initiative	16.XXX	—	118,909
		U.S. Marshall Overtime	16.XXX	—	31,951
		Federal Equitable Share Agreements	16.XXX	—	19,600
Marion County, Indiana	N/A	Federal Equitable Share Law Enforcement – Forfeitures	16.XXX	—	1,302,705
				Total 16.XXX	<u>1,784,083</u>
		Services for Trafficking Victims	16.320	148,309	289,615
Indiana State Police	A21-1-100IMP10 and A2-10-100931	Missing Children's Assistance	16.543	—	12,870
		National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	53,131	250,483
Indiana Criminal Justice Institute	09VALE009 and 10VALE216	Crime Victim Assistance	16.575	—	123,192
		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	46,868	202,628
		Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	121,984	275,100
		Community Capacity Development Office	16.595	246,378	446,530
		Bulletproof Vest Partnership Program	16.607	—	148,411
		Public Safety Partnership and Community Policing Grants	16.710	—	175,498
		ARRA – Recovery Act – Public Safety Partnership and Community Policing Grants	16.710	—	3,401,744
				Total 16.710	<u>3,577,242</u>

(continued)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2011

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
Edward Byrne Memorial Justice Assistance Grant Cluster:					
Indiana Criminal Justice Institute	09-DJ-094, 09-DJ-021, and 10-DJ-019	Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 143,917	805,539
Indianapolis Housing Agency	N/A	Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	195,020
Marion County, Indiana Prosecutor's Office	09-DJ-035	Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	15,035
		Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	7,124
		Total 16.738		<u>143,917</u>	<u>1,022,718</u>
Indiana Criminal Justice Institute	09-JRA-017, 09-JRA-022, and 09-JRA-013	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803	114,891	357,176
		ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	<u>1,168,626</u>	<u>1,788,454</u>
Total Edward Byrne Memorial Justice Assistance Grant Cluster				<u>1,427,434</u>	<u>3,168,348</u>
Indiana Criminal Justice Institute	08-PG-013, 09-PG-028, and 11-PG-031	Anti-Gang Initiative	16.744	—	269,283
		Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	37,726	110,455
		Congressionally Recommended Awards	16.753	—	156,002
Indiana State Police	2009-SN-B9-K051	ARRA – Recovery Act – Internet Crimes Against Children Task Force Program	16.800	—	19,568
Total U.S. Department of Justice				<u>2,081,830</u>	<u>10,833,810</u>
U.S. Department of Transportation:					
Highway Planning and Construction Cluster:					
Indiana Department of Transportation	A249-11-320080A, A249-08-320756, A249-09-320756, A249-11-320139, and A249-11-320618	Highway Planning and Construction	20.205	—	4,149,609
Indiana Department of Transportation	A249-10-320265	ARRA – Recovery Act – Highway Planning and Construction	20.205	—	110,430
		Total 20.205		<u>—</u>	<u>4,260,039</u>
Indiana Department of Natural Resources	RT-06-007	Recreational Trails Program	20.219	—	4,217
Total Highway Planning and Construction Cluster				<u>—</u>	<u>4,264,256</u>
Highway Safety Cluster:					
Marion County, Indiana Prosecutor's Office	N/A	State and Community Highway Safety	20.600	—	198,479
Marion County, Indiana Prosecutor's Office	N/A	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	—	233,858
Indiana Criminal Justice Institute	N/A	Occupant Protection Incentive Grants	20.602	—	6,169
Total Highway Safety Cluster:				<u>—</u>	<u>438,506</u>
Total U.S. Department of Transportation				<u>—</u>	<u>4,702,762</u>
Environmental Protection Agency:					
State of Indiana Budget Agency	CS18230501, CS18235801, CS18237101, CS18241201, WW Indy 6-2004 B, WW0501497, Indy Loan 8, Indy Loan 9, Indy Loan #10, #Indy Loan 11, and #Indy Loan 12	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	—	42,595
		Capitalization Grants for Clean Water State Revolving Funds	66.458	—	15,471,117
		Solid Waste Management Assistance Grants	66.808	—	35,559
		Brownfields Assessment and Cleanup Cooperative Agreements	66.818	—	143,808
Total Environmental Protection Agency				<u>—</u>	<u>15,693,079</u>
U.S. Department of Energy:					
Indiana Department of Energy and Defense	DE-EE-002544-10-CCR-005	ARRA – Conservation Research and Development	81.086	468,610	699,051
		ARRA – Recovery Act – Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	459,726	4,917,463
Total U.S. Department of Energy				<u>928,336</u>	<u>5,616,514</u>
U.S. Department of Education:					
Indiana Department of Education	A58-0-10DL-049	Fund for the Improvement of Education	84.215	9,918	9,918
Indianapolis Parks Foundation	U215J080108A	Twenty – First Century Community Learning Centers	84.287	—	328,635
		Twenty – First Century Community Learning Centers	84.287	—	2,168
Total U.S. Department of Education				<u>—</u>	<u>330,803</u>
				<u>9,918</u>	<u>340,721</u>

(continued)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2011

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Homeland Security:					
Indiana Department of Homeland Security	N/A	National Urban Search and Rescue (US&R) Response System Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.025	\$ —	1,260,176
Indiana Department of Homeland Security	C44P-1-050A	Hazard Mitigation Grant	97.036	—	122,654
Indiana Department of Homeland Security	C44P-1-197A	Emergency Management Performance Grant	97.039	—	118,166
		Assistance to Firefighters Grant	97.042	—	3,573
		Cooperating Technical Partners	97.044	—	273,645
Indiana Department of Natural Resources	EMC2009CA7008		97.045	—	108,050
Homeland Security Grant Program Cluster:					
Indiana Department of Homeland Security	C44P-9-234	Urban Areas Security Initiative – FFY 2007 Funding	97.067	—	14,210
Indiana Department of Homeland Security	C44P-0-227A	Urban Areas Security Initiative – FFY 2008 Funding	97.067	787,880	2,665,257
Indiana Department of Homeland Security	C44P-1-068A and C44P-1-088A	Urban Areas Security Initiative – FFY 2009 Funding	97.067	—	2,204,717
Indiana Department of Homeland Security	C44P-0-242A	Metropolitan Medical Response System – FFY 2008 Funding	97.067	282,625	282,625
Indiana Department of Homeland Security	C44P-2-001A	Metropolitan Medical Response System – FFY 2009 Funding	97.067	26,252	26,252
Indiana Department of Homeland Security	C44P-1-274A	State Homeland Security Program (SHSP) – FFY 2009 Funding	97.067	—	1,258
Indiana Department of Homeland Security	C44P-1-226A and C44P-1-248A	State Homeland Security Program (SHSP) – FFY 2010 Funding	97.067	—	83,236
Indiana Department of Homeland Security	C44P-0-073A and C44P-1-039A	Law Enforcement Terrorism Prevention Program (LETPP) – FFY 2007 Funding	97.067	—	45,602
Total Homeland Security Grant Program Cluster			Total 97.067	<u>1,096,757</u>	<u>5,323,157</u>
Indiana Department of Homeland Security	C44P-9-350A, C44P-0-126A, and C44P-263A	Buffer Zone Protection Plan (BZPP)	97.078	—	552,286
Total U.S. Department of Homeland Security				<u>1,096,757</u>	<u>7,761,707</u>
Total Expenditures of Federal Awards				<u>\$ 21,010,900</u>	<u>79,218,746</u>

N/A Pass-through grantor number not available
See accompanying notes to schedule of expenditures of federal awards and independent auditors' report.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2011

(1) General

The accompanying schedule of expenditures of federal awards (schedule) presents the activity of federal awards programs received by City of Indianapolis, Indiana (City), a component unit of the Consolidated City of Indianapolis – Marion County. The City's reporting entity is defined in note 1 to the City's financial statements. For the purposes of the schedule, federal awards include grants, contracts, loans, and loan guarantee agreements entered into directly between the City and agencies and departments of the federal government or passed through other government agencies or other organizations. The City's federal awards are defined as being those administered directly by the City. The schedule also includes federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) and such awards are identified in the program title column of the schedule.

(2) Basis of Accounting

The accompanying schedule has been prepared on an accrual basis of accounting as permitted by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in conformity with U.S. generally accepted accounting principles.

(3) Basis of Presentation

The accompanying schedule does not include expenditures related to federal awards administered by the Indianapolis Housing Agency, an enterprise fund or Insight Development Corporation, Inc. (formerly known as Partners for Affordable Housing, Inc.), a discretely presented component unit of the City because their federal awards programs are reported upon separately.



KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Mr. Jeffrey L. Spalding
Controller and the Audit Committee
City of Indianapolis, Indiana:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianapolis, Indiana (the City), a component unit of the Consolidated City of Indianapolis – Marion County, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 2, 2012. Our report on the financial statements was modified to include a reference to other auditors, the adoption of a new accounting principle, and reference to the restatement of the beginning of year net assets of the Indianapolis Housing Agency enterprise fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Indianapolis Housing Agency, an enterprise fund, and the discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or



detected and corrected on a timely basis. We consider the deficiencies in the City's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as findings 11-01 through 11-05 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 11-06 through 11-08 to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Indianapolis, Indiana
July 2, 2012



KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

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

Mr. Jeffrey L. Spalding
Controller and the Audit Committee
City of Indianapolis, Indiana:

Compliance

We have audited the City of Indianapolis, Indiana's (City), a component unit of the Consolidated City of Indianapolis – Marion County, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct or material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Indianapolis Housing Agency (Housing Agency), an enterprise fund, and the discretely presented component unit, which are not included on the City's schedule of expenditures of federal awards during the year ended December 31, 2011. Our auditing procedures, described below, did not include the federal awards of the Housing Agency and the discretely presented component unit because the Housing Agency and the discretely presented component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in finding 11-10 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding reporting that are applicable to its Community Development Block Grants/Entitlement Grants/Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Community Development



Block Grants/Entitlement Grants/Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Program for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 11-13, 11-15, and 11-16.

As described in findings 11-09 and 11-10 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding special tests and provisions—housing quality standards and reporting that are applicable to its Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Home Investment Partnerships Program for the year ended December 31, 2011. The results of our auditing procedures also disclosed an other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 11-12.

As described in findings 11-18, 11-20, and 11-22 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding equipment and real property management, reporting, subrecipient monitoring, and special tests and provisions that are applicable to its Edward Byrne Memorial Justice Assistance Grant Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the effects of such noncompliance described in this paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Edward Byrne Memorial Justice Assistance Grant Program for the year ended December 31, 2011. The results of our auditing procedures also disclosed an other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 11-21.

As described in finding 11-20 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding reporting that are applicable to its Energy Efficiency and Conservation Block Grant (EECBG) Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Energy Efficiency and Conservation Block Grant (EECBG) Program for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 11-13 and 11-15.

As described in findings 11-17 and 11-18 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding subrecipient monitoring and equipment and real property management that are applicable to its Homeland Security Grant Program Cluster program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Homeland Security Grant Program Cluster program for the year ended December 31, 2011. The results of our auditing procedures also disclosed an other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB



Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 11-23.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii, Public Safety Partnership and Community Policing Grants, Highway Planning and Construction Cluster, and Capitalization Grants for Clean Water State Revolving Funds programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 11-09, 11-10, 11-11, 11-17, 11-18, 11-19, 11-20, 11-21, and 11-22 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 11-12, 11-13, 11-14, 11-15, 11-16, 11-23, and 11-24 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2011, and have issued our report thereon dated July 2, 2012 which contained unqualified opinions on those financial statements. Our report was modified to include a reference to other auditors, the adoption of a new accounting principle, and reference to the



restatement of the beginning of the year net assets of the Indianapolis Housing Agency enterprise fund. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to July 2, 2012. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Indianapolis, Indiana
September 28, 2012, except for our report on the
schedule of expenditures of federal awards,
for which the date is July 2, 2012

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

(1) Summary of Auditors' Results

(a) The type of report issued on the basic financial statements:	Unqualified Opinions
(b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements:	Yes
Material weaknesses:	Yes
(c) Noncompliance which is material to the basic financial statements:	No
(d) Significant deficiencies in internal control over major programs:	Yes
Material weaknesses:	Yes
(e) The type of report issued on compliance for major programs:	
• Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) (CFDA Nos. 14.218 and 14.253)	Qualified Opinion
• Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228)	Unqualified Opinion
• Home Investment Partnerships Program (CFDA No. 14.239)	Qualified Opinion
• Public Safety Partnership and Community Policing Grants and ARRA – Recovery Act – Public Safety Partnership and Community Policing Grants (CFDA No. 16.710)	Unqualified Opinion
• Edward Byrne Memorial Justice Assistance Grant Program and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (CFDA Nos. 16.738, 16.803, and 16.804)	Qualified Opinion
• Highway Planning and Construction Cluster and ARRA – Recovery Act – Highway Planning and Construction Cluster (CFDA Nos. 20.205 and 20.219)	Unqualified Opinion
• Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458)	Unqualified Opinion
• Energy Efficiency and Conservation Block Grant Program (EECBG) – ARRA – Recovery Act (CFDA No. 81.128)	Qualified Opinion

CITY OF INDIANAPOLIS, INDIANA
 (A Component Unit of the Consolidated
 City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

- Homeland Security Grant Program Cluster
 (CFDA No. 97.067) **Qualified Opinion**

- (f) Any audit findings which are required to be reported under
 Section 510(a) of OMB Circular A-133: **Yes**

- (g) Major programs:
 - Community Development Block Grants/Entitlement Grants and
 Community Development Block Grant ARRA Entitlement Grants
 (CDBG-R) (Recovery Act Funded) Cluster, U.S. Department of
 Housing and Urban Development (CFDA Nos. 14.218 and 14.253)
 - Community Development Block Grants/State’s Program and
 Non-Entitlement Grants in Hawaii, U.S. Department of Housing and
 Urban Development passed through State of Indiana, Office of
 Community and Rural Affairs (CFDA No. 14.228)
 - Home Investment Partnerships Program, U.S. Department of Housing
 and Urban Development (CFDA No. 14.239)
 - Public Safety Partnership and Community Policing Grants and
 ARRA – Recovery Act – Public Safety Partnership and Community
 Policing Grants, U.S. Department of Justice (CFDA No. 16.710)
 Edward Byrne Memorial Justice Assistance Grant Program and
 ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance
 Grant (JAG) Program/Grants to States and Territories and ARRA –
 Recovery Act – Edward Byrne Memorial Justice Assistance Grant
 (JAG) Program/Grants to Units of Local Government Cluster, U.S.
 Department of Justice direct and passed through Indiana Criminal
 Justice Institute, Indianapolis Housing Agency, and Marion County,
 Indiana Prosecutor’s Office (CFDA Nos. 16.738, 16.803, and 16.804)
 - Highway Planning and Construction Cluster and ARRA – Recovery
 Act – Highway Planning and Construction Cluster, U.S. Department
 of Transportation passed through Indiana Department of
 Transportation and Indiana Department of Natural Resources (CFDA
 Nos. 20.205 and 20.219)
 - Capitalization Grants for Clean Water State Revolving Funds,
 Environmental Protection Agency passed through State of Indiana
 Budget Agency (CFDA No. 66.458)
 - Energy Efficiency and Conservation Block Grant Program (EECBG)
 – ARRA – Recovery Act, U.S. Department of Energy (CFDA
 No. 81.128)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

- Homeland Security Grant Program Cluster, Department of Homeland Security passed through Indiana Department of Homeland Security (CFDA No. 97.067)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,376,562**

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

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

11-01 Management Review and Supervision of Recording of Transactions and over Financial Reporting Process – Material Weakness

Comment and Recommendation

The City's Office of Finance and Management (OFM) is primarily responsible for the financial reporting process. This process has been identified as a material weakness in prior years. Throughout the year, the accounting entries for the City are typically recorded on a cash basis. At fiscal year-end, the OFM commences their financial reporting process whereby the cash basis financial amounts are converted to the modified accrual basis of accounting for the fund financial statements by recording amounts for accounts receivable and payable, appropriately stating debt expenditure amounts, and making other various accounting entries. A manual conversion process that occurs outside of the financial accounting system is then utilized to convert the fund financial statements to the government-wide financial statements. During the current year, as part of our audit procedures, we identified a significant number of errors in the accounting entries made by the City. The primary causes of these errors are a lack of management review by an individual other than the individual calculating and recording the entries and a failure to comprehensively address unusual or nonroutine situations or accounting entries in normal year-end closing adjustments. The lack of management reviews is primarily due to a shortage of personnel within OFM with financial reporting responsibilities. In addition to the specific financial statement findings included within this report, the additional following specific items were identified:

- Errors in the classification of amounts between capital outlay and economic development expenditures.
- Several errors were identified related to the City's sale of the wastewater collection and treatment facilities and water utility. This was an unusual transaction, which occurred in the current fiscal year.
- Significant changes were made to the City's note disclosure for cash and investments for Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*.

We recommend the City implement additional internal controls/processes to ensure that an effective management review process is occurring for tasks/financial reporting areas that are more complex, nonroutine, or that have resulted in audit differences in prior years (see separate findings included within this report). Additionally, effective management reviews should occur over the financial statement

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

preparation process. Where possible, tasks should be allocated to various individuals in order to provide more senior management members the ability to perform a more robust management review process.

Views of Responsible Officials

Many of the issues we have are caused by the antiquated financial system we use. The City is addressing these issues as part of the implementation of a new financial system. Effective January 1, 2012, the City implemented the financial module and we anticipate seeing improvements in the 2012 audit. In addition, the OFM is seeking to add additional personnel.

11-02 Waterworks Financial Reporting – Material Weakness

Comment and Recommendation

The Waterworks financial reporting process has been identified as a material weakness in prior years. During 2011, the City executed a transaction whereby the City's water utility was sold to a third party. Therefore, the Waterworks fund was closed prior to year-end and only has activity recorded on the statement of revenues, expenses, and changes in net assets. Various adjustments were proposed and recorded through the audit process that were necessary to properly state Waterworks' financial statement amounts. Specifically, these errors were as follows:

- Several adjustments were necessary to accurately account for the classification of various revenues, including water revenues, intergovernmental revenues, interest income, capital contributions, and the gain on the sale of the water utility.
- Waterworks had significant outstanding debt and debt-related balances recorded in their financial statements prior to the sale. An adjustment was required to record the reversal of deferred premium amortization expense that was erroneously recorded on a bond, which had been refunded in the prior year. Additionally, the amortization of deferred premiums and the deferred loss on refundings were not appropriately recorded for the time period prior to the sale of the water utility.

We determined that the overall financial reporting and accounting internal control process for Waterworks was not sufficient during the year. The primary cause of these internal control failures is the lack of a robust review process. Given that the City has sold the water utility, the risks for this process have been eliminated.

Views of Responsible Officials

Effective August 26, 2011, the Waterworks was acquired by Citizens Energy Group. Therefore, the 2011 financial statements will be the final year the Waterworks' enterprise fund is included within the City's Comprehensive Annual Financial Report.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

11-03 City Debt Transactions – Material Weakness

Comment and Recommendation

The City has significant amounts of debt outstanding and typically has several new debt issuances each year. Due to the amount of debt that the City has outstanding, the debt-related entries required each year, while often routine, are numerous and the amounts are significant. Besides the initial recording of new debt issuances, these debt-related entries include the recording of annual principal and interest payments, the recording of matured principal and interest amounts, and the establishment and amortization of debt-related amounts, including debt issuance costs, premiums and discounts, and gains or losses on refundings. At times, the City also executes nonroutine debt transactions such as debt refundings. As part of the City's year-end financial reporting procedures, manual debt rollforward schedules are prepared, which provide a basis for recording debt amounts outstanding in the government-wide financial statements.

Significant audit adjustments were required to accurately record and classify various debt transactions in the City's financial statements. Additionally, errors were discovered through the audit process in the City's manual debt rollforward schedules, which were required to be corrected. The notes to the financial statements also contain significant disclosures related to outstanding debt. Our review of such notes determined that some disclosures were either incorrect or did not appropriately include required disclosures.

We recommend the City implement management oversight procedures to ensure that adequate reviews are performed over debt-related accounting entries and the preparation of debt rollforward schedules, which support the financial statement amounts. Particular attention should be directed toward reviewing the recording of new debt issuances and any unusual transactions that may occur during the year. Accounting entries for new debt transactions should be made as soon as possible after the debt issuance to allow for an adequate review process and to ensure that all related accounts are established on a timely basis. Additionally, a review by an individual other than the preparer of the debt accounting entries as well as the debt rollforward schedules should be executed and the procedures performed by the management reviewer should be more detailed in nature than is currently occurring.

Views of Responsible Officials

The City implemented the financial module of the enterprise resource planning system January 1, 2012; we believe that this new system will assist us in recording debt-related transactions in a more timely and accurate manner. In addition, the OFM is seeking to add additional personnel.

11-04 Recording of Accounts Payable – Material Weakness

Comment and Recommendation

Accounts payable for financial reporting purposes are recorded primarily based on a review of subsequent year cash disbursements and determining whether such disbursements relate to the current year. OFM personnel review transaction coding for each disbursement subsequent to year-end to determine whether it should be accrued at year-end. During our testwork on subsequent year cash disbursements to determine the accuracy of the recorded accounts payable amounts, we identified several items that were not properly accrued, others that had been accrued but should not have been, and items that were recorded in the current

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

year but which should have been recorded in the prior year. Audit adjustments were needed to ensure that accounts payable were appropriately stated. Some of these errors were due to vendors not submitting invoices timely or the payment being delayed in the City's accounts payable department, and thus, since no payment had been made, the accrual was not subject to the City's process described above. Additionally, effective January 1, 2012, the City implemented a new financial accounting system, PeopleSoft. Due to the new system implementation, some aspects of the process to identify which subsequent year disbursements should be accrued have been modified. Based on our testing, the City determined that the departments within the City were not coding the transactions properly, and thus, OFM was not always properly identifying whether such transactions should be accrued.

We recommend the City ensure that all amounts that should be accrued as accounts payable are appropriately accrued. Communication and expanded training should be enhanced with the department personnel who are responsible for coding the expenditures and the Auditor's Office personnel entering the payment information into the accounting system of the importance of proper fiscal year coding and timely processing. Additionally, procedures should ensure that a management review process is effectively in place for the recording of accrual basis transactions. Lastly, as this comment has been present the last several years, management should consider establishing additional procedures to calculate and estimate additional accounts payable amounts for invoices not yet paid or received.

Views of Responsible Officials

Because of the system the City currently uses, it is a very manual process to create the accounts payable balances at year-end. Effective January 1, 2012, we implemented the financial module of the enterprise resource planning system; we anticipate with time and the proper training that the process of indentifying payables will improve. In the interim, we will continue to review our process to determine if any additional improvements can be made.

11-05 Grant Accounting – Material Weakness

Comment and Recommendation

The City receives and administers a significant amount of federal and state grant funds and the federal grants fund was reported as a major fund in the City's current year financial statements. For year-end financial reporting, the City analyzes negative cash balances as well as amounts recorded as year-end accounts payable for each grant that is recorded in the general ledger to estimate and record the related grant receivable balance. Additionally, based on the various City departments providing respective subsequent year reimbursement receipt information, OFM records the amount of related deferred revenue. A significant number and amount of adjustments were required to accurately state the financial statement amounts related to grants. Specifically, the following items were noted:

- Errors whereby federal reimbursement was received prior to year-end but amounts were applied to the wrong grant causing the City to record a grant receivable and either revenue or deferred revenue at year-end.
- Long-term notes receivable recorded in connection with federal grants was not appropriately identified as being uncollectible.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

- We identified several errors in our compliance testing related to the A-133 single audit whereby either expenditures were recorded in the current period and were not reimbursable due to grant award limits already being met or negative expenditures were recorded in grants to account for those instances in the prior year. While the City did not request reimbursement for these expenditures, the expenditures are not being reported in the correct year within the correct major fund on the financial statements. Additionally, the schedule of expenditures of federal awards was misstated by these amounts.
- Grant receivable balances were determined to be misstated due to deficiencies identified in the City's accounts payable process (see finding 11-04). As the City's process for recording grant receivable balances is heavily dependent on the City correctly identifying grant-related accounts payable, the deficiencies identified in that process had a significant impact on the correct reporting of grant receivables as well as related deferred revenue.

We recommend the City undertake a comprehensive review of their procedures related to the recording of grant receivables/payables and deferred revenue. While OFM's processes have merit, they are heavily dependent on personnel in the various City departments correctly coding grant transactions as well as performing timely and regular reconciliations of grants. Due to deficiencies in both of those areas, the overall grant accounting process was not sufficient.

Views of Responsible Officials

Effective January 1, 2012, the City implemented the financial module of the enterprise resource planning system. This was a major change in our enterprise, and with the implementation of any new system there is a learning curve. There were major changes in how we identify accounts payable, and in the early months the departments did not have a clear understanding of these new procedures. This caused us to have issues in properly identifying accrued payables. As soon as we learned about the issues, we provided additional training to the departments; we believe these issues have now significantly improved. In addition as part of the overall implementation of the enterprise resource planning system, we will be implementing a grants module in 2013. This module will have additional capabilities that will give us the resources we need to improve the overall financial reporting for grants, including more accurate reporting of grant receivables, which in our old system was a very manual process.

11-06 Monthly Reconciliations of Trust Accounts – Significant Deficiency

Comment and Recommendation

The preparation of cash reconciliations is a key internal control in the financial accounting process. Reconciliations should be performed on a timely basis and appropriately reviewed and approved in order to be effective. The City maintains numerous trust accounts, which primarily are utilized to invest bond proceeds. The City receives monthly statements on these accounts; however, the City completes reconciliations on these accounts sporadically during the year and for some accounts only once or twice a year. This results in disbursements and interest income, which occur throughout the year, only being recorded when reconciliations are actually performed. Additionally, the year-end financial reporting process takes more time due to the reconciliations being performed sporadically.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

We recommend the City reconcile all trust accounts on a timely basis. All reconciliations should be completed on a monthly basis and reviewed by an individual other than the preparer. This review should be formally documented on the reconciliation to evidence such review and approval.

Views of Responsible Officials

A cash management module within the new financial system will assist in the recording of transactions that are occurring in trust accounts and reconciling these accounts. The cash management module will not be implemented until late 2012, therefore, improvements will not be seen until future years. We will continue to evaluate our processes and make any appropriate improvements before the cash management module is implemented.

11-07 Capital Assets – Significant Deficiency

Comment and Recommendation

The City has a significant amount of capital assets recorded on the financial statements. During testwork over current year transactions, several errors were identified as follows:

- Capital assets were transferred out of construction in progress as they were completed; however, the capital assets were not initially recorded in the correct capital asset category, which understated capital assets by approximately \$17 million.
- Several capital asset additions that met the capitalization dollar criteria of the City were not appropriately capitalized.

We recommend the City ensure that an adequate management review of capital asset entries and schedules prepared for financial reporting purposes is performed. The OFM should ensure that all departments are aware of the required capitalization policies.

Views of Responsible Officials

As part of the overall implementation of the enterprise resource planning system we will be implementing an asset management module in 2013. This module will have additional reporting capabilities that will aid in the overall reporting of capital assets. Currently, a daily review of transactions is being conducted to ensure that those items meeting the threshold for capitalization are captured appropriately. In addition, all entries to transfer out completed construction in progress are posted in conjunction with an entry to record a capital addition to the correct category. The OFM's Fixed Asset Financial Manager has been compiling a listing of Accountable Officer's for all City agencies so that current policies, as well as any policy changes, can be properly disseminated. In addition, we will be reviewing the capitalization policy for appropriate capitalization amounts.

11-08 IT System Program Change Management – Significant Deficiency

Comment and Recommendation

The City contracts with two third-party contractors for their information technology (IT) needs, which include managing and updating the City's IT systems. For each IT system program change that is made, a Siebel ticket is created and a Production Implementation Plan is created and updated by the developer. Key

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

components of the Production Implementation Plan are who requested, prepared, reviewed, approved, and implemented the requested program change. However, typically the components of who reviewed, approved, and implemented the plan are not completed. Additionally, developers have access to migrate changes to source code into production using batch processing by e-mailing a change request directly to Production Analysts. The Production Analysts place the code in a staging library and a job is run automatically to move to production. No formal authorization is obtained for this process and evidence of approvals is not obtained and reviewed by the Production Analysts prior to making the change.

We recommend the City review policies and procedures with the IT system third-party contractors to ensure that all program changes made to the Mainframe are properly reviewed and approved prior to migration into production. These approvals should be formally documented on the Production Implementation Plan. All change management policies should also be formally documented to provide guidance to both of the third-party contractors regarding the City's approval, testing, and implementation procedures. Furthermore, restrictions should be implemented to prevent developer's ability to directly move program changes into production.

Additionally, the City does not have effective controls around the provisioning and monitoring of end-user access. This includes activities such as removing terminated employees from Mainframe systems, conducting a formal review of user access on a periodic basis, and identifying and eliminating segregation of duties conflicts.

We recommend the City also review policies and procedures relating to Information Security and implement new processes or consistently enforce informal processes to remove users from the Mainframe in a timely manner, retain sufficient evidence supporting periodic review of user access rights, and identify and eliminate segregation of duties conflicts.

Views of Responsible Officials

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

(3) Findings and Questioned Costs Relating to Federal Awards

11-01 to 11-08

See Section (2) – Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards*.

11-09 Special Tests and Provisions – Housing Quality Standards

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

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Numbers M-11-MC-18-0205, M-10-MC-18-0205, M-09-MC-18-0205, and M-08-MC-18-0205

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Criteria

According to 24 CFR Sections 92.251, 92.252, and 92.504(b), during the period of affordability (i.e., the period for which the nonfederal entity must maintain subsidized housing) for HOME-assisted rental housing, the participating jurisdiction must perform onsite inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.

Condition Found

The City did not have internal controls that were operating effectively to ensure that physical inspections were performed adequately and timely. We tested a sample of fifteen (15) out of sixty (60) properties that were required to have onsite inspections performed during 2011 and found exceptions in a total of six (6) of the properties. These exceptions were due to either (1) no documentation of a physical inspection was provided for 2011 when one was required, (2) no prior inspection report was provided in order for a determination to be made as to whether the time between inspections was compliant with the time requirements, (3) no inspection report was provided for either the current year or the prior year, or (4) the number of units required to be inspected within the property fell short of the minimum required number of units. Additionally, we determined that, generally, there appeared to be a lack of follow-up with the property owners to ensure that repairs and deficiencies identified in the inspections were communicated to the property owners and corrected on a timely basis. Adequate follow-up on the corrections was not performed by the City or at a minimum was not adequately documented.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management asserts that the primary cause of this finding is a shortage of personnel to complete the inspections on a timely basis. The effect of this finding is that the City is not performing onsite inspections as required under the HOME program. Additionally, identified deficiencies from the inspections are not being monitored to ensure that property owners make timely and adequate repairs.

Recommendation

We recommend the City implement procedures to ensure that onsite inspections are appropriately and timely performed to ensure compliance with the housing quality standards requirement of the HOME program. Procedures should also be implemented to ensure that appropriate communication of deficiencies is provided to the properties and that the City follows up to ensure that deficiencies are adequately remedied.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Views of Responsible Officials

The timeline we used was based on a three (3) year inspection cycle regardless of the number of units, instead of every one (1) to two (2) years as defined in criteria (b) and (c) above; therefore, there would be no inspections were completed in 2011 or 2010. This year we recognized that we were in error and that inspections should have been based on the number of total units in the project. In the future, HOME housing quality standards inspections will be done annually on those properties. This will be corrected by making certain that at least 15% of the total units in the project are inspected. As stated previously, we will now formulate our total Long Term Compliance process on the total number of units in the project rather than the number of HOME units. When this was implemented, our portfolio increased dramatically and we were more focused on exact details; going forward these findings should not occur.

11-10 Reporting – Transparency Act

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

CFDA Nos. 14.218 and 14.253, *Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Cluster*, U.S. Department of Housing and Urban Development, Grant Numbers B-10-MC-18-0007, B-11-MC-18-0007, B-08-MN-18-0007, B-11-MN-18-0007, and B-09-MY-18-0007

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Numbers M-11-MC-18-0205, M-10-MC-18-0205, M-09-MC-18-0205, and M-08-MC-18-0205

Criteria

The Federal Funding Accountability and Transparency Act (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008, that relates to subaward reporting were implemented as interim final guidance by OMB in 2 CFR Part 70, which was effective October 1, 2010. The Transparency Act requirements pertain to recipients of grants or cooperative agreements who make first-tier subawards. There are several reporting requirements under the Transparency Act including reporting of executive compensation and recipient reporting of each first-tier subaward obligating action of \$25,000 or more in federal funds.

Condition Found

The City did not have properly designed and implemented internal controls to ensure that they were in compliance with the Transparency Act reporting requirements. No required reporting under the Transparency Act was submitted for 2011 or to date.

Questioned Costs

There are no questioned costs associated with this finding.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Possible Asserted Cause and Effect

Management asserts that the cause of this finding is that they were unaware that the Transparency Act reporting requirements applied to them, and thus, did not complete the required reporting. The effect is noncompliance with these reporting requirements for the program.

Recommendation

We recommend the City design and implement internal controls related to the Transparency Act reporting requirements, which will ensure that the required reporting is completed within the relevant time requirements.

Views of Responsible Officials

The City was told by HUD that we did not meet the requirements for submitting this report and therefore did not need to submit it. It was not until the audit that we were informed that we received incorrect information regarding the submission requirements of this report. The City is currently working to submit this report for 2011 and 2012.

11-11 Matching, Level of Effort, Earmarking

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

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Numbers M-11-MC-18-0205, M-10-MC-18-0205, M-09-MC-18-0205, and M-08-MC-18-0205

Criteria

According to 24 CFR Sections 92.218 through 92.220, 92.222, and 92.508, each participating jurisdiction must provide eligible matching contributions of 25% of HOME funds drawn down during the fiscal year. The match must be provided by the end of the fiscal year. Participating jurisdictions are required to maintain records, including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contributions by project. Matching information is provided on the HOME Match Report (HUD-40107-A). Additionally, 24 CFR Section 92.221 indicates that the match should be credited generally in the year of disbursement.

Condition Found

The City did not have properly designed and implemented internal controls to ensure that the matching requirements of the program were met. While we found no noncompliance, no internal controls were identified, which could be tested to assure compliance.

Questioned Costs

There are no questioned costs associated with this finding.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Possible Asserted Cause and Effect

Management asserts that the cause of this finding is that there is an internal control, which consists of a management review of the HUD-40107-A; however, there is no evidence or documentation maintained of such a review. The effect of this finding is that inappropriate match amounts could be reported if proper management review procedures are not performed.

Recommendation

We recommend the City design and implement internal controls related to the match requirements, which will ensure that the required reporting is appropriately reviewed by an individual other than the one that prepares the report.

Views of Responsible Officials

The system of internal controls are as follows: when the Match report is completed by the Analyst, it is electronically forwarded to the Manager for approval. Once the report is reviewed and approved, the Manager will send a confirmation email back to the Analyst stating that the report has been reviewed and requires no further edits and it will then be submitted to the Assistant Administrator to publish in the Consolidated Action Plan Evaluation Report (CAPER). This year, the Manager had received the Match report electronically from the Analyst, reviewed and submitted the report for publication in the CAPER, but neglected to send a confirmation email to the Analyst confirming the receipt and accuracy of the report. The Manager will ensure that such oversights do not occur again.

11-12 Eligibility

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

CFDA No. 14.239, *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Numbers M-11-MC-18-0205, M-10-MC-18-0205, M-09-MC-18-0205, and M-08-MC-18-0205

Criteria

The HOME program has income targeting requirements. Only low-income or very low-income persons, as defined in 24 CFR Section 92.2, can receive housing assistance. Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income, as provided for in 24 CFR Section 92.203. Participating jurisdictions must maintain records for each family assisted (24 CFR Section 92.508).

HOME-assisted units in a rental housing project must, pursuant to 24 CFR 92.216(a), be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The requirements also apply to the HOME-assisted nonowner-occupied single-family housing purchased with HOME funds. The maximum HOME rents are the lesser of: the fair market rent for comparable units in the area, as established by the U.S. Department of Housing and Urban Development (HUD) under 24 CFR Section 888.111, or a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of the median income for the area as determined by HUD with

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

adjustments for the number of bedroom units. In rental projects with five or more units, there are additional rent limitations. Twenty percent of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements: (1) the rent does not exceed 30% of the annual income of a family whose income equals 50% of the median income for the area, as determined by HUD, with adjustments for larger or smaller families, or (2) the rent does not exceed 30% of the families adjusted income (24 CFR Section 92.252).

Condition Found

The City did not have internal controls that were operating effectively to ensure that they were in compliance with the requirement that for projects of five or more units, 20% of the units were occupied by very low-income families and (1) the rent does not exceed 30% of the annual income for a family whose income equals 50% of the median income for the area, or (2) the rent does not exceed 30% of the family adjusted income. We selected a sample of eight (8) projects to test and within each of those projects selected five (5) tenants for a total sample of forty (40). Of those projects, all eight (8) had five (5) or more units. We could not ascertain the City's compliance with this requirement for any of those projects and/or tenants.

Additionally, in the sample of projects and tenants noted above, we initially selected one (1) project (5 tenants) that provided transitional housing. The files were not determined to be complete in order for us to ascertain the compliance with the HOME program eligibility requirements. This unit has a total of eleven (11) units.

Questioned Costs

The questioned costs, if any, associated with this finding cannot be determined.

Possible Asserted Cause and Effect

Management asserts that the City does have internal controls that are designed appropriately to monitor the City's compliance with eligibility; however, due to a shortage and turnover in staff, the control was not being performed effectively during all of 2011. Additionally, the asserted cause of the exceptions in the transitional housing project is due to the nature of the tenants that are being housed and the misunderstanding that the landlord had regarding the requirements under the HOME program. The effect of not having an internal control that is implemented and operating effectively is that HOME assistance could be provided to ineligible individuals.

Recommendation

We recommend the City ensure that internal controls are operating effectively to monitor the City's compliance with all eligibility requirements under the program. Communication with and monitoring of landlords should continue to be strengthened to ensure that the landlords are complying with their responsibilities regarding eligibility.

Views of Responsible Officials

Internal controls have been in place to ensure that in developments of five or more units, twenty percent of the HOME designated units have rents that do not exceed the HUD determined Low Home Rent Limit.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

However, through the audit it was discovered that these controls were not operating effectively. HOME Grant staff have already completed measures to ensure that all property managers that were obligated to complete and submit annual recertification documentation of tenant eligibility have done so. Property managers that were not aware of this requirement have also been informed of the requirement and a Long Term Compliance Manual has been created to help property managers stay aware of regulations and annual reporting requirements of the HOME program.

11-13 Subrecipient Monitoring

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

CFDA Nos. 14.218 and 14.253, *Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Cluster*, U.S. Department of Housing and Urban Development, Grant Numbers B-10-MC-18-0007, B-11-MC-18-0007, B-08-MN-18-0007, B-11-MN-18-0007, and B-09-MY-18-0007

CFDA No. 81.128, *Energy Efficiency and Conservation Block Grant Program (EECBG) – ARRA – Recovery Act*, U.S. Department of Energy, Grant Numbers DE-EE0000723 and DE-EE0003577

Criteria

According to OMB Circular A-133 §__.400(d) and the 2011 Compliance Supplement, a pass-through entity is responsible for ensuring that the required subrecipient audits are completed, issuing management decisions on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that subrecipients take appropriate and timely corrective action on all audit findings.

Condition Found

The City does not have adequate internal controls in place that were operating effectively for 2011 to ensure that subrecipient audits are received or that the results of audits that have been received are appropriately reviewed and documented. The City maintains a spreadsheet that tracks the receipt and review of each of the subrecipient audit reports; however, this spreadsheet was not accurately completed for 2011. Additionally, the City performs during-the-year monitoring in the form of site visits to the subrecipients and the annual monitoring schedule for such visits was determined to be incomplete.

For the Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) program, the City had a total of sixty (60) subrecipients with expenditures under this grant in 2011. These subrecipient expenditures amounted to \$5,629,058 or 26% of total accrual basis expenditures during 2011. For a sample of seventeen (17) subrecipients that represented 82% of the expenditure population, the City did not have one (1) of the subrecipients listed on their A-133 audit tracking spreadsheet. Additionally, in our compliance testing, we determined that the City did not have the A-133 audit report for this subrecipient. The total expenditures to this subrecipient in 2011 were \$197,151. As part of the internal controls over this compliance requirement, the City obtains a letter from each subrecipient confirming whether or not they are subject to OMB Circular A-133 audit requirements. The City did not have such a letter for two (2) of the total seventeen (17) subrecipients we tested. Additionally, in our testing of the City's during-the-year monitoring

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

procedures, we noted that one (1) out of the sample of seventeen (17) subrecipients that we tested was not listed on the monitoring schedule. Additionally, the City did not monitor this subrecipient through their site visit procedures during 2011 or to date in 2012.

For the ARRA – Recovery Act – Energy Efficiency and Conservation Block Grant program, the City had three (3) subrecipients with expenditures in 2011 with total expenditures of \$928,336. The City’s internal control processes were not operating effectively to ensure an adequate review of the subrecipient’s A-133 audit reports as one (1) of the subrecipients did not report expenditures under this program on their schedule of expenditures of federal awards. The City’s management review process did not identify this discrepancy. The amount of the excluded expenditures was \$31,000.

Questioned Costs

There are no questioned costs associated with this finding for either of the programs cited above.

Possible Asserted Cause and Effect

Follow-up on obtaining and reviewing the subrecipient audit report and conduct of the during-the-award monitoring visit did not occur due to staffing shortages. The effect of this finding is that subrecipient audit reports may indicate audit findings that the City is required to issue management decisions on as the pass-through entity and they would not do so. Additionally, the City is required to assess the subrecipient’s noncompliance to determine if it is necessary to report such noncompliance on the City’s own audit report.

Recommendation

We recommend the City ensure that its internal controls are operating effectively to ensure that subrecipient audits are appropriately completed and received by the City. Documentation should include attestation from the subrecipient if they are not subject to OMB Circular A-133 requirements. Additionally, management should ensure internal control procedures are operating effectively to document the management review of the subrecipient audit reports, which would include the issuing of management decisions on any findings and the consideration of any subrecipient audit findings and their effect on the City’s compliance and the need to report such finding within its own audit report. Educational efforts should be undertaken to ensure that those reviewing the subrecipients A-133 audit reports are adequately knowledgeable of the requirements.

Views of Responsible Officials

The City’s current tracking spreadsheet will be updated to include a column to be initialed by the grant manager indicating the date that documents were received and the date reviewed by management. Not only will staff continue to track whether or not we have the A-133 documents, but staff will also keep an electronic file of all audits for more permanent and easier access for all. Moving forward, the City will adopt a new policy of collecting A-133 audit certification documents for every organization making a claim in that calendar year and adding the organization to the tracking spreadsheet. This will be the policy for all organizations going forward, even if the organization has already been certified as a for-profit entity the previous year and is not subject to an A-133 audit.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

11-14 Special Tests and Provisions – Environmental Reviews

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

CFDA Nos. 14.218 and 14.253, *Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Cluster*, U.S. Department of Housing and Urban Development, Grant Numbers B-10-MC-18-0007, B-11-MC-18-0007, B-08-MN-18-0007, B-11-MN-18-0007, and B-09-MY-18-0007

Criteria

According to 24 CFR Sections 58.1, 58.22, 58.34, 58.35, and 570.604 and the 2011 Compliance Supplement, projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from the environmental certification requirements.

Condition Found

For a sample of seventy-one (71) projects that represented 100% of the projects in the population for 2011, one (1) of the projects did not have documentation of an environmental review being conducted or a determination as to why it should be excluded from those requirements. We were able to determine that the project was excluded from requiring an environmental review, so no noncompliance was noted.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The possible asserted cause of this finding is that the omission of the project was an oversight and the management review conducted did not identify this omission. The effect of this condition is that the City may not properly conduct an environmental review when it is required.

Recommendation

We recommend the City strengthen their internal control procedures by implementing a procedure whereby the individual performing the management review of the environmental review schedule also ensures that the project listing is complete.

Views of Responsible Officials

This was an oversight and an isolated incident. The program team has followed up and the required documentation will be placed into the file. We will continue to evaluate our processes and make any appropriate improvements as the new grant module is implemented

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

11-15 Subrecipient Monitoring and Special Tests and Provisions – ARRA Subrecipient Monitoring

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

CFDA Nos. 14.218 and 14.253, *Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Cluster*, U.S. Department of Housing and Urban Development, Grant Numbers B-10-MC-18-0007, B-11-MC-18-0007, B-08-MN-18-0007, B-11-MN-18-0007, and B-09-MY-18-0007

CFDA No. 81.128, *Energy Efficiency and Conservation Block Grant Program (EECBG) – ARRA – Recovery Act*, U.S. Department of Energy, Grant Numbers DE-EE0000723 and DE-EE0003577

Criteria

According to OMB Circular A-133 §_400(d)(1) and the 2011 Compliance Supplement, a pass-through entity is responsible for award identification. At the time of the award, the pass-through entity must identify to the subrecipient the federal award information, which includes the CFDA title and number, award name, name of federal agency, and applicable compliance requirements.

Under 2 CFR section 176.210, for ARRA funding, federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the federal award number, CFDA number, and the amount of ARRA funds and (2) require their subrecipients to provide similar identification in their SEFA and Data Collection Form.

Additionally, Section 1512(h) of ARRA and 2 CFR section 176.50(c) requires that the City identify to its subrecipients the requirement to register in the Central Contractor Registration, including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintaining the accuracy of that information.

Condition Found

For the Community Development Block Grants/Entitlement Grants program, the City had one (1) subrecipient with expenditures under their ARRA award in 2011. In the agreement for this subrecipient, the City did not convey the federal award number to the subrecipient. Additionally, the CFDA number on an amendment to the original subrecipient agreement was incorrect as it stated it was CFDA No. 14.218 rather than CFDA No. 14.253. The CFDA number on the original agreement was correctly communicated. These corrections were ultimately communicated to the subrecipient in September 2012.

For the ARRA – Recovery Act – Energy Efficiency and Conservation Block Grant program, the City had three (3) subrecipients with expenditures in 2011. For one (1) of the three (3) subrecipients, the City was unable to provide documentation of CCR registration.

Questioned Costs

There are no questioned costs associated with this finding.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Possible Asserted Cause and Effect

The asserted cause of this finding is that respective program staff was unaware of the above requirements. The effect of this condition is that the City is not communicating required information to subrecipients regarding ARRA funding.

Recommendation

We recommend that the City implement policies and procedures to make sure that all of the required information is correctly communicated to the subrecipients under ARRA funding including the correct CFDA number and federal award. Additionally, the City should ensure that subrecipients are properly registered in the Central Contractor Registration and perform periodic checks to ensure that the information is properly updated.

Views of Responsible Officials

These are new 2011 ARRA programs and alerting subrecipients of the CFDA number was an error. The subrecipients have since been notified. CDBG staff will ensure that the subrecipient does register with the Central Contractor Registration (CCR) and the City will verify that registration. This verification did occur with one (1) of the City's EECBG subrecipients for this program. The subrecipient was updating their information in the CCR system when the agreement was signed and the registration was delayed until after the award had been signed.

11-16 Reporting

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

CFDA Nos. 14.218 and 14.253, *Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Cluster*, U.S. Department of Housing and Urban Development, Grant Numbers B-10-MC-18-0007, B-11-MC-18-0007, B-08-MN-18-0007, B-11-MN-18-0007, and B-09-MY-18-0007

Criteria

The Community Development Block Grants/Entitlement Grants program requires the City to report program financial information in the filing of a quarterly financial report under the Payment Management System (Form 272). The 2011 Compliance Supplement indicates that the auditor should trace the amounts reported to accounting records that support the audited financial statements and the schedule of expenditures of federal awards and verify agreement.

Condition Found

We obtained the City's four (4) quarterly Form 272 reports submitted for 2011 and agreed the amount of gross disbursements reported on the form to the City's general ledger without exception. However, other errors were noted in the reports as follows:

- The quarter ended June 30, 2011 did not foot properly as the amount reported as cash on hand end of period excluded the federal share of program income amount reported on line 11j for that

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

quarter. However, the program income amount was properly included in the amount reported as net disbursements (line 11g).

- The amount reported on Form 272 as cash on hand beginning of the reporting period (line 11a) did not agree to the prior quarter's amount reported as the cash on hand end of period (line 11j). This discrepancy was found for the quarters ended June 30, September 30, and December 31, 2011.
- Each of the quarterly Form 272 reports submitted reported amounts as adjustments of prior periods (line 11i); however, we were not able to obtain any documentation to support these amounts. The amounts reported for each of the four quarters were \$397,782, \$304,022, \$3,656,085, and \$2,071,227.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The possible asserted cause of this finding is that the City's management review is not detailed enough to identify these errors. The effect of this condition is that the City's Form 272 reports are not being submitted accurately.

Recommendation

We recommend the City ensure that their internal control procedures are reviewed and sufficient procedures put in place to ensure that the Form 272 reports are prepared accurately and that a detailed management review procedure is performed. Additionally, documentation should be retained to support the amounts reported on the form, including any adjustments that are reported.

Views of Responsible Officials

City staff will ensure program income is included in the total amount for 11j, which is a component of the Form 272 Report. City staff will also ensure that the "cash on hand beginning of reporting period" agrees with the "cash on hand end of period" for the previous quarter's Form 272 Report. City staff will seek guidance from HUD as to what is intended to be in 11i of Form 272.

11-17 Subrecipient Monitoring

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

CFDA No. 97.067, *Homeland Security Grant Program Cluster*, Department of Homeland Security, Grant Numbers C44P-9-234, C44P-0-227A, C44P-1-068A, C44P-1-088A, C44P-0-242A, C44P-2-001A, C44P-1-274A, C44P-1-226A, C44P-1-248A, C44P-0-073, and C44P-1-039A

Criteria

According to OMB Circular A-133 §__.400(d) and the 2011 Compliance Supplement, a pass-through entity is responsible for ensuring that the required subrecipient audits are completed, issuing management

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

decisions on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that subrecipients take appropriate and timely corrective action on all audit findings.

Condition Found

The City does not have adequate internal controls in place that were operating effectively for 2011 to ensure that adequate subrecipient monitoring procedures are performed. The City had a total of three (3) subrecipients with expenditures under this grant program in 2011. These subrecipient expenditures amounted to \$1,096,757 or 21% of total accrual basis expenditures during 2011. The City indicated that their during-the-award monitoring procedures consisted of a review of subrecipient invoices to ensure allowability and consistency with program objectives. However, we could find no evidence of such a review occurring. Additionally, for one (1) of the three (3) subrecipients under the program, while the City did obtain the subrecipient's A-133 audit report, the CFDA number(s) for such award(s) were not communicated properly, and thus, the subrecipient did not correctly present the expenditures for this program cluster on their schedule of expenditures of federal awards.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Appropriate subrecipient monitoring procedures and the documentation of such procedures did not occur due to staffing changes. Management of the program indicates that reviews of subrecipient claims are taking place; however, the individual(s) were not appropriately documenting such reviews. The effect of this finding is that subrecipient costs claimed may be inappropriate and not identified.

Recommendation

We recommend the City ensure that its internal controls are operating effectively to ensure that subrecipient costs are appropriately reviewed and that such a review is adequately documented. Additionally, management should ensure internal control procedures are operating effectively to document the management review of the subrecipient audit reports, which would include the issuing of management decisions on any findings and the consideration of any subrecipient audit findings and their effect on the City's compliance and the need to report such finding within its own audit report. Educational efforts should be pursued to ensure that individuals reviewing subrecipient A-133 audit reports have adequate knowledge regarding those responsibilities.

Views of Responsible Officials

We feel that the Integrated Grants Management System (IGMS), where all budget requests are made, is a good control for monitoring. However, there is no way to document all interactions in this system, as it was designed to be a current reporting tool and not a repository of all history. The Department of Public Safety Finance Unit has strengthened its reporting and interaction with the City's OFM to understand exactly what information is needed to accurately monitor these processes. For the Urban Areas Security initiative (UASI) grant, this responsibility is being moved from OFM to the UASI Program Manager and the Program Manager will continue to work directly with OFM to ensure that the appropriate compliance

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

checks are performed. Any questions will be immediately brought to the Grants section of OFM for discussion and resolution. OFM has trained the Program Manager on how to find the relevant federal instructions on ensuring compliance. We will continue to evaluate our processes and make any appropriate improvements as the new grant module is implemented.

11-18 Equipment and Real Property Management

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

CFDA Nos. 16.738, 16.803, and 16.804, *Edward Byrne Memorial Justice Assistance Grant Program and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government Cluster*, U.S. Department of Justice direct and passed through Indiana Criminal Justice Institute; Indianapolis Housing Agency; and Marion County, Indiana Prosecutor’s Office; Grant Numbers 2009-SB-B9-1482, 2010-DJ-BX-0812, 2008-DJ-BX-0218, 2009-DJ-BX-0765, 09-DJ-021, 09-DJ-094, 10-DJ-019, 09-JRA-017, 09-JRA-022, 09-JRA-013, 10-DJ-019, and 09-DJ-035

CFDA No. 97.067, *Homeland Security Grant Program Cluster*, Department of Homeland Security passed through Indiana Department of Homeland Security, Grant Numbers C44P-9-234, C44P-0-227A, C44P-1-068A, C44P-1-088A, C44P-0-242A, C44P-2-001A, C44P-1-274A, C44P-1-226A, C44P-1-248A, C44P-0-073, and C44P-1-039A

Criteria

The requirements for equipment are contained in the A-102 Common Rule (§.32). This guidance requires that a physical inventory of equipment be taken at least once every two years and reconciled to the equipment records.

Condition Found

The City has not taken a physical inventory of equipment since fall of 2009.

For the Edward Byrne Memorial Justice Assistance Grant Program (ARRA and non-ARRA), total capitalized equipment recorded in the property records at the end of 2011 was approximately \$2.3 million.

For the Homeland Security Grant Program Cluster, total capitalized equipment recorded in the property records at the end of 2011 was approximately \$6.5 million.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The asserted cause is that the City’s Office of Finance and Management initiated the physical inventory to be taken in 2011; however, program management did not actually conduct the inventory. The effect is that

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

equipment purchased with federal funds may not be adequately safeguarded, in good condition, or still being used in the operations.

Recommendation

We recommend the City ensure that required physical inventories are conducted at least every two years. Additionally, results from the inventory should be reflected in the property records.

Views of Responsible Officials

The Grants staff within the finance division of the Department of Public Safety will work directly with the City's asset coordinator to ensure all appropriate inventory requirements are maintained. In addition, during the past year, the UASI Program Manager was a member of the PeopleSoft Asset Management module team which is involved in implementing the asset management module within the enterprise resource planning system. In addition, the City is currently restructuring the City Grants Division which will be responsible for addressing compliance issues relating to federal awards. This division intends to develop new policies and procedures to prevent future audit findings.

11-19 Activities Allowed and Unallowed and Allowable Costs/Cost Principles

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

CFDA No. 16.710, *Public Safety Partnership and Community Policing Grants and ARRA – Recovery Act – Public Safety Partnership and Community Policing Grants*, U.S. Department of Justice, Grant Numbers 2009RJWX0045 and 2007CKWX0035

CFDA No. 97.067, *Homeland Security Grant Program Cluster*, Department of Homeland Security passed through Indiana Department of Homeland Security, Grant Numbers C44P-9-234, C44P-0-227A, C44P-1-068A, C44P-1-088A, C44P-0-242A, C44P-2-001A, C44P-1-274A, C44P-1-226A, C44P-1-248A, C44P-0-073, and C44P-1-039A

Criteria

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribe Governments*, Attachment B, Paragraphs 8(h)(3) and (4), states that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition Found

The City indicates that all employees charging salaries and wages to these programs during 2011 worked solely on the respective program.

For the Public Safety Partnership and Community Policing Grants, we determined that ten (10) of thirty-six (36) salary expenditures were not supported by time certifications. These sample items amounted

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

to \$7,513 of a total of \$35,695 of salaries in our sample. The entire amount of salary-related expenditures charged to the program in 2011 was \$3,458,937. While we were able to obtain semiannual certification statements for the respective employees stating that 100% of his/her time was spent on this program, they were not executed on a timely basis. Additionally, we inquired of the timeliness of certifications for all other employees charging time to this program and while they were able to be produced, many of them were executed on a current basis. There was no noncompliance associated with this finding since all time certifications were produced.

For the Homeland Security Grant Program Cluster, we determined that one (1) of three (3) salary expenditures was not supported by a time certification. This sample item amounted to \$1,154 of a total of \$4,377 of salaries in our sample. The entire amount of salary-related expenditures charged to the program in 2011 was \$428,337. While we were able to obtain a semiannual certification statement for this employee stating that 100% of his/her time was spent on this program, it was not executed on a timely basis. Additionally, we inquired of the timeliness of certifications for all other employees charging time to this program and while they were able to be produced, many of them were performed for the entire year at the same time (i.e., not performed semiannually). There was no noncompliance associated with this finding since all time certifications were produced.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The asserted cause of this finding is an oversight by management in obtaining such certifications on a timely basis. The effect is that expenditures related to employees' salary charges may not be charged to a particular program based upon actual time worked on that program.

Recommendation

We recommend that management strengthen the process and related controls to ensure that salary charges are supported by timely certifications for all employees charging time to the program.

Views of Responsible Officials

Due to staff turnover, the time certifications were not completed in a timely manner in 2011. Management has created a new standard certification form that will encompass all employees who work on a particular program. This form will be distributed semiannually and a copy will be filed with the OFM's Financial Reporting Division.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

11-20 Reporting – Section 1512

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

CFDA Nos. 16.738, 16.803, and 16.804, *Edward Byrne Memorial Justice Assistance Grant Program and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government Cluster*, U.S. Department of Justice direct and passed through Indiana Criminal Justice Institute; Indianapolis Housing Agency; and Marion County, Indiana Prosecutor’s Office; Grant Numbers 2009-SB-B9-1482, 2010-DJ-BX-0812, 2008-DJ-BX-0218, 2009-DJ-BX-0765, 09-DJ-021, 09-DJ-094, 10-DJ-019, 09-JRA-017, 09-JRA-022, 09-JRA-013, 10-DJ-019, and 09-DJ-035

CFDA No. 81.128, *Energy Efficiency and Conservation Block Grant Program (EECBG) – ARRA – Recovery Act*, U.S. Department of Energy, Grant Numbers DE-EE0000723 and DE-EE0003577

Criteria

Section 1512 of ARRA includes reporting requirements applicable to recipients of awards under ARRA Division A. Compliance testing of the ARRA reporting requirements includes only the following data elements of the Section 1512 reporting: (1) award number, (2) award amount, (3) total federal amount ARRA funds received/invoiced, and (4) total federal amount of ARRA expenditures.

Condition Found

The City does not have adequate internal controls that are designed and implemented to assure accurate reporting under Section 1512 of ARRA.

For the Edward Byrne Memorial Justice Assistance Grant Program, in our sample of two (2) of four (4) ARRA Section 1512 reports submitted for 2011, we determined that the amount reported as total federal amount of ARRA expenditures were incorrect and did not reconcile to the City’s general ledger. The amounts reported on the Section 1512 reports were \$4,335,201 and \$5,121,844 for the second and fourth quarter, respectively, for grant number 2009-SB-B9-1482. Those same amounts recorded in the City’s general ledger were \$5,755,772 and \$6,239,266, respectively.

For the Energy Efficiency and Conservation Block Grant Program, in our sample of three (3) of eight (8) ARRA Section 1512 reports submitted for 2011, we determined that one (1) of the reports (fourth quarter report for grant DE-EE0003577) reported an incorrect amount of total federal amount of ARRA expenditures. The amount reported was \$5,953,336 and the correct amount that should have been reported was \$4,046,663.

Questioned Costs

There are no questioned costs associated with this finding.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Possible Asserted Cause and Effect

The possible asserted cause of this finding is that the City does not have appropriate management review internal controls that would provide for an adequate review of the Section 1512 reports prior to their submission. The effect of this condition is that the City's Section 1512 reports may not be accurate and complete.

Recommendation

We recommend that the City implement policies and procedures to ensure that a management review of all Section 1512 reports are conducted prior to their submission. Additionally, all reported amounts should be reconciled to the City's general ledger prior to that review to ensure that amounts reported are accurate and complete.

Views of Responsible Officials

The Section 1512 reporting is a new process that is required under the ARRA program. While the City has developed internal controls surrounding Section 1512 reporting, we will assess these controls and add additional review processes where we feel necessary.

11-21 Reporting

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

CFDA Nos. 16.738, 16.803, and 16.804, *Edward Byrne Memorial Justice Assistance Grant Program and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government Cluster*, U.S. Department of Justice direct and passed through Indiana Criminal Justice Institute; Indianapolis Housing Agency; and Marion County, Indiana Prosecutor's Office; Grant Numbers 2009-SB-B9-1482, 2010-DJ-BX-0812, 2008-DJ-BX-0218, 2009-DJ-BX-0765, 09-DJ-021, 09-DJ-094, 10-DJ-019, 09-JRA-017, 09-JRA-022, 09-JRA-013, 10-DJ-019, and 09-DJ-035

Criteria

The Edward Byrne Memorial Justice Assistance Grant Program requires the City to report program financial information in the filing of a quarterly financial report utilizing the Federal Financial Report (FFR) Form SF-425 for the awards under this program, which are direct assistance. The 2011 Compliance Supplement indicates that the auditor should trace the amounts reported to accounting records that support the audited financial statements and the schedule of expenditures of federal awards and verify agreement.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Condition Found

We initially selected three (3) quarterly SF-425 reports from a population of fifteen (15). For all three (3) of the reports selected, the amount reported as federal share of expenditures for the quarter did not agree to the City's general ledger. The following amounts per each report were noted:

- The quarters ended June 30, 2011 and December 31, 2011 for grant 2009-DJ-BX-0765 were selected and the amount reported on the SF-425 were \$0 and \$57,002, respectively. These same amounts recorded in the City's general ledger were \$62,448 and \$53,047, respectively. Management of the program indicated that at the end of calendar year 2010, the cumulative expenditures reported for the program on the SF-425 report was overstated by \$75,845. The City corrected this error by adjusting expenditures reported in the second through fourth quarter 2011 SF-425 reports so that by the end of 2011, the cumulative expenditures reported on the SF-425 and in the general ledger agreed. We were able to determine that these amounts did reconcile by the end of calendar year 2011.
- The quarter ended December 31, 2011 for grant 2009-SB-B9-1482 was selected and the amount reported on the SF-425 was \$0 and the amount per the City's general ledger was \$1,878,921. Management of the program indicated that at the end of calendar year 2011, the cumulative amounts reported on the SF-425 report were \$5,722,460 while that same amount on the general ledger was \$4,986,436 for a difference of \$736,024. The City adjusted the first and second quarter SF-425 reports in 2012 so that at the end of the second quarter of 2012, the cumulative amount of expenditures on as reported on the SF-425 report agrees to the cumulative amount of expenditures reported in the City's general ledger. We were able to determine that these amounts did reconcile.

Based on the errors found in our testwork, we also selected the SF-425 report for grant 2010-DJ-BX-0812 for the quarter ended December 31, 2011 and determined that the amount reported as the federal share of expenditures both for the period and cumulative agreed to the City's general ledger.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The possible asserted cause of this finding is that there is not an independent management review process occurring to assure that amounts are accurately reported. Additionally, the individual preparing the reports is the same individual who approves costs charged to the program and draws down funds under the program. The effect of this condition is that the City's SF-425 reports are not being submitted accurately.

Recommendation

We recommend the City ensure that their internal control procedures are reviewed and sufficient procedures put in place to ensure that the SF-425 reports are prepared accurately and that amounts reported are reconciled to the general ledger. A management review procedure should be performed by an individual other than the preparer.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Views of Responsible Officials

The City recognizes that subrecipient expenditures relating to the ARRA grant should not have been reported on the SF-425 report until the City actually reimbursed the subrecipient for the expenditures. The City has corrected the subsequent SF-425 financial reports to reflect the correct expenditures.

11-22 Subrecipient Monitoring and Special Tests and Provisions – ARRA Subrecipient Monitoring

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

CFDA Nos. 16.738, 16.803, and 16.804, *Edward Byrne Memorial Justice Assistance Grant Program and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government Cluster*, U.S. Department of Justice direct and passed through Indiana Criminal Justice Institute; Indianapolis Housing Agency; and Marion County, Indiana Prosecutor’s Office; Grant Numbers 2009-SB-B9-1482, 2010-DJ-BX-0812, 2008-DJ-BX-0218, 2009-DJ-BX-0765, 09-DJ-021, 09-DJ-094, 10-DJ-019, 09-JRA-017, 09-JRA-022, 09-JRA-013, 10-DJ-019, and 09-DJ-035

Criteria

According to OMB Circular A-133 §__400(d) and the 2011 Compliance Supplement, a pass-through entity is responsible for ensuring that the required subrecipient audits are completed, issuing management decisions on audit findings within six months after receipt of the subrecipient’s audit report, and ensuring that subrecipients take appropriate and timely corrective action on all audit findings.

A pass-through entity is also required, at the time of the subaward, to identify to the subrecipient the federal award information. For subawards of ARRA funds, the pass-through entity also must identify to first-tier subrecipients the requirement to register in the Central Contractor Registration (CCR), including obtaining a DUNS number and maintaining the currency of that information (Section 1512(h) of ARRA and 2CFR Section 176.50(c)). Additionally, for ARRA subawards, the pass-through entity must advise the subrecipient of the requirement to identify ARRA funds in the schedule of expenditures of federal awards and the data collection form (SF-SAC).

Condition Found

The City does not have adequate internal controls in place that were operating effectively for 2011 to ensure that adequate subrecipient monitoring procedures are performed.

The City had a total of nine (9) subrecipients with expenditures under this grant program in 2011. These subrecipient expenditures amounted to \$1,427,444 or 45% of total accrual basis expenditures during 2011. For eight (8) of nine (9) subrecipients selected for testwork, the subrecipient was various agencies within Marion County. We noted that there were findings in the Marion County A-133 audit report related to this program. While the City had obtained Marion County’s A-133 audit report, no communications or management decisions on findings were issued to Marion County to resolve the findings. Additionally, the

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

City had not evaluated the findings to determine the effect on their own compliance with the program requirements.

Also, in our selection of nine (9) subrecipients, the City did not execute subaward agreements with five (5) of the subrecipients. All of these subrecipients were granted funds under the City's ARRA funding, and thus, the required communications that this was ARRA funding were not formally communicated. Additionally, the required communications for CCR registration and the presentation of ARRA funds on the schedule of expenditures of federal awards and the data collection form were not communicated. The total amount of expenditures in 2011 to these five (5) subrecipients was \$991,415.

For four (4) of the subrecipient awards, the City did execute a subaward agreement. However, in one (1) of the agreements, the City did not communicate the CFDA number or indicate that the subaward was ARRA funded.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Appropriate subrecipient monitoring procedures and the documentation of such procedures did not occur due to staffing shortages. Additionally, as Marion County is a related, although separate legal entity, typically Memorandum of Understanding (MOU) documents are executed rather than the City's standard subaward agreement. The MOU document does not contain all of the required information that should be communicated. The effect of this finding is that subrecipients are not being fully informed through written documentation of the award information and requirements, which could lead to noncompliance.

Recommendation

We recommend the City ensure that its internal controls are operating effectively to ensure that subaward documents are executed with all subrecipients and that these documents convey all of the required information. Additionally, management should ensure internal control procedures are operating effectively to document the management review of the subrecipient audit reports, which would include the issuing of management decisions on any findings and the consideration of any subrecipient audit findings and their effect on the City's compliance and the need to report such finding within its own audit report. Educational efforts should be pursued to ensure that individuals reviewing subrecipient A-133 audit reports have adequate knowledge regarding those responsibilities.

Views of Responsible Officials

These were both new ARRA programs and alerting subrecipients of the CFDA number was an oversight. The subrecipients have subsequently been notified.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

11-23 Procurement and Suspension and Debarment

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

CFDA No. 97.067, *Homeland Security Grant Program Cluster*, Department of Homeland Security passed through Indiana Department of Homeland Security, Grant Numbers C44P-9-234, C44P-0-227A, C44P-1-068A, C44P-1-088A, C44P-0-242A, C44P-2-001A, C44P-1-274A, C44P-1-226A, C44P-1-248A, C44P-0-073, and C44P-1-039A

Criteria

According to the 2011 Compliance Supplement, all nonfederal entities shall follow federal laws and implementing regulations applicable to procurements, as noted in federal agency implementation of the A-102 Common Rule. These regulations require the following:

- Contract files should exist and contain appropriate cost or price analysis that was performed in connection with procurement actions, including contract modifications and this analysis should support the procurement action (A-102 Common Rule §__.36(f)).
- Contract files should document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis of contract price (A-102 Common Rule §__.36(b)(9)).
- Procurements should provide full and open competition (A-102 Common Rule §__.36(c)(1)).
- Documentation should be maintained in support of the rationale to limit competition in those cases where competition was limited and justified (A-102 Common Rule §__.36(b)(1)).

Condition Found

In our sample of fifteen (15) vendors, two (2) did not have adequate documentation supporting the procurement actions, including bid recipients or analysis of such bids or adequate documentation/justification supporting that competition was to be limited. The expenditures in 2011 related to these exceptions were \$72,640.

Questioned Costs

The known questioned costs associated with this finding are \$72,640 and were computed as the amount of expenditures in 2011 related to the two (2) vendors in our sample that were considered exceptions. The most likely questioned costs are \$97,627 and were computed by multiplying the ratio of the known questioned costs of \$72,640 to the tested population of \$2,453,082 by the entire population subject to this compliance requirement of \$3,296,915.

Possible Asserted Cause and Effect

The possible asserted cause of this finding is that adequate documentation is not maintained to support all of the procurement actions that are occurring. The effect of the lack of documentation is that open competition for procurements under federal awards is not adequately documented.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Recommendation

We recommend the City implement internal control procedures to ensure that all procurements under federal awards are assured to follow federal and state regulations, as applicable. All procurement actions should have a contract file that documents the history of the individual procurement, including the analysis of such bid responses and the rationale for the selection of the final vendor(s).

Views of Responsible Officials

We are currently reviewing our procurement policies and procedures and plan to make changes that will improve our internal controls. This process shall also improve as there will be additional functionality within the projects module of the new financial system that will be implemented in 2013.

11-24 Procurement and Suspension and Debarment

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

CFDA No. 97.067, *Homeland Security Grant Program Cluster*, Department of Homeland Security passed through Indiana Department of Homeland Security, Grant Numbers C44P-9-234, C44P-0-227A, C44P-1-068A, C44P-1-088A, C44P-0-242A, C44P-2-001A, C44P-1-274A, C44P-1-226A, C44P-1-248A, C44P-0-073, and C44P-1-039A

Criteria

Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services awarded that are expected to equal or exceed \$25,000 or which meet certain other specified criteria and all nonprocurement transactions (e.g., subawards to subrecipients).

When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition Found

During our Procurement and Suspension and Debarment testwork, we noted that the City did not have internal controls in place to assure that its contractors that met the requirements were not suspended and/or debarred. In our sample of fifteen (15) vendors, we found that the City had not determined if the vendor was suspended or debarred prior to entering into a contract with the vendor for three (3) of the selections.

Questioned Costs

There are no questioned costs associated with this finding.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Possible Asserted Cause and Effect

The effect of this condition is that the City could enter into subgrant procurement transactions with vendors that are suspended or debarred. During our testing, we found that none of the vendors were suspended or debarred. There is no noncompliance associated with this finding.

Recommendation

We recommend that the City implement policies and procedures to make sure that all vendors are reviewed for debarred and/or suspended status or that certification is received to that extent or that documentation is maintained of the City's check of the EPLS. The EPLS check should be performed prior to the City contracting with the vendor.

Views of Responsible Officials

We are currently reviewing our procurement policies and procedures and plan to make changes that will improve our internal controls. This process shall also improve as there will be additional functionality within the projects module of the new financial system that will be implemented in 2013.

City of Indianapolis, Indiana

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

Gregory A. Ballard
Mayor



Jeffrey L. Spalding
Controller

Comprehensive Annual Financial Report

December 31, 2011

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

City of Indianapolis, Indiana

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

Year Ended December 31, 2011

Office of Finance and Management

(This page intentionally left blank)

TABLE OF CONTENTS

Page(s)

I. INTRODUCTORY SECTION

Letter of Transmittal	VII – XIII
Certificate of Achievement for Excellence in Financial Reporting	XIV
Organization of Local Government and Taxing Districts	
Introduction	XV
Form of Government	XV
Other Governmental Units	XVI – XVII
Maps	XVII – XVIII
Unigov Organizational Chart – Consolidated Government for Indianapolis – Marion County	XIX
City of Indianapolis Organizational Chart	XX
Schedule of Elected and Appointed Officials	XXI – XXII
Consolidated City Operations	XXIII – XXXIII

II. FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS – REQUIRED SUPPLEMENTARY INFORMATION	3 – 18
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	19 – 20
Statement of Activities	21

TABLE OF CONTENTS (continued)

	Page(s)
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24 – 25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Net Assets – Proprietary Funds	27 – 28
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30 – 31
Statement of Fiduciary Net Assets – Fiduciary Funds	32
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	33
 Notes to Financial Statements	 34 – 100
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis – General Fund	101
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis – Federal Grants Fund	102
Schedules of Funding Progress	103
Schedules of Employer Contributions	104
Schedule of Funding Progress (Postemployment Benefit Obligation)	105
Notes to Required Supplementary Information	106 – 108
 COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES – OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type	109
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds by Fund Type	110
Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund	111 – 112
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund	113 – 114
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget and Actual – Budgetary Basis	115 – 117
Schedule of Expenditures by Character – General Fund – Budget and Actual – Budgetary Basis	118 – 122
Combining Balance Sheet – Nonmajor Special Revenue Funds	123

TABLE OF CONTENTS (continued)

	Page(s)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	124
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances – Special Revenue Funds – Budget and Actual – Budgetary Basis	125
Schedule of Expenditures by Character – Special Revenue Funds – Budget and Actual – Budgetary Basis	126 – 128
Combining Balance Sheet – Nonmajor Debt Service Funds	129
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds	130
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances – Debt Service Funds – Budget and Actual – Budgetary Basis	131 – 133
Schedule of Expenditures by Character – Debt Service Funds – Budget and Actual – Budgetary Basis	134
Combining Balance Sheet – Nonmajor Capital Projects Funds	135 – 136
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	137 – 138
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances – Annually Budgeted Capital Projects Funds – Budget and Actual – Budgetary Basis	139
Schedule of Expenditures by Character – Annually Budgeted Capital Projects Funds – Budget and Actual – Budgetary Basis	140
Combining Statement of Net Assets – Internal Service Funds	141
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	142
Combining Statement of Cash Flows – Internal Service Funds	143
Combining Statement of Pension Trust Funds Net Assets – Fiduciary Funds	144
Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Police and Firefighters Pension Trust Funds	145
Schedule of Revenues and Expenditures – Fiduciary Funds – Police and Firefighters Pension Trust Funds – Budget and Actual – Budgetary Basis	146
Combining Statement of Agency Funds Net Assets – Fiduciary Funds	147
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds – Agency Funds	148 – 149

III. STATISTICAL SECTION (UNAUDITED)

Net Assets by Component	1	150
Changes in Net Assets	2	151 – 153
Program Revenues by Function/Program	3	154
Fund Balances, Governmental Funds	4	155
Changes in Fund Balances, Governmental Funds	5	156 – 157
Tax Revenues by Source, Governmental Funds	6	158

TABLE OF CONTENTS (continued)

		Page(s)
Assessed Value and Estimated Actual Value of Taxable Property	7	159
Direct and Overlapping Governments – Property Tax Rates	8	160
Principal Property Tax Payers	9	161
Property Tax Levies and Collections	10	162
Ratios of Outstanding Debt by Type	11	163
Ratios of General Bonded Debt Outstanding	12	164
Schedule of Direct and Overlapping Debt and Bonded Debt Limit	13	165 – 167
Computation of Legal Debt Margin	14	168
Pledged Revenue Coverage	15	169
Demographic and Economic Statistics	16	170
Principal Employers	17	171
Full-Time Equivalent City Government Employees by Function/Program	18	172
Operating Indicators by Function/Program	19	173
Capital Asset Statistics by Function/Program	20	174

Introductory Section



July 2, 2012

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

I submit to you the Comprehensive Annual Financial Report (“CAFR”) of the City of Indianapolis (“City”) for the fiscal year ended December 31, 2011. The City is a component unit of the Consolidated City of Indianapolis – Marion County Reporting Entity. This report was prepared by the Office of Finance and Management (“OFM”). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Controller of the City of Indianapolis. The data, as presented, is accurate in all material respects. It is presented in a manner designed to set forth the financial position and results of operations of the City. Disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs are included.

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

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

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

ECONOMIC CONDITION AND OUTLOOK

In 2011, economic development efforts for the City of Indianapolis remained strongly focused on targeting high-growth industries while also implementing an enterprise to support the establishment and expansion of small business. As a result, in 2011, the City, with the assistance from our partners at Develop Indy, secured 11,538 job commitments (4,470 new jobs/7,068 retained jobs) and over \$607 million in capital investment from 64 companies.

Although companies from all different industries were represented in the list of successful projects, the City remains focused on several targeted industry clusters. These include life sciences, advanced manufacturing, information technology, motorsports, logistics, and clean technology. Companies in these industries accounted for more than 65% of the 2011 new job commitments. The greatest number of new job commitments came from the information technology industry with 1,007, followed by advanced manufacturing with 938, and the logistics industry with 753. The average wage for new job commitments was \$23.62 per hour.

Develop Indy also secured commitments from Indianapolis-based companies to retain 7,068 jobs with an average wage of \$28.89 per hour, as compared to \$22.59 in 2010. The greatest number of retained jobs was in the advanced manufacturing industry with 4,113 jobs. The second and third highest numbers of retained jobs were in logistics with 1,439 and information technology with 594.

The commitment from companies to add and retain more than 11,000 jobs and invest millions of dollars in Indianapolis is a testament to the fact that the City, even during difficult economic times, remains a very competitive place to do business. Companies benefit from the City's stable, affordable and pro-growth economic environment, overall low costs of doing business, skilled workforce, and central location.

Kronos, Old Dominion, Blue Pillar, Roche, Exact Target, Angie's List, Rolls Royce, Ascension Health, and Allison were among the list of new and growing companies in Indianapolis in 2011.

More specifically, Kronos Incorporated moved quickly in 2011 with its decision to open its first Indianapolis office, bringing with it up to 250 new jobs by 2015. Kronos is the global leader in workforce management solutions that enable organizations to control labor costs, minimize compliance risk, and improve workforce productivity. The company has plans to invest more than \$5.1 million in its new technology center at PNC Tower in Downtown Indianapolis. The new technology center opened its doors in early 2012 and is focused on providing customer implementation services and complements other Kronos technology centers around the globe.

Additionally in 2011, Indianapolis based Angie's List announced plans to expand its headquarters on the City's near east side, adding 500 jobs. Angie's List is a national provider of consumer reviews on local services companies. The company will invest \$11.5 million to expand its campus which currently spans four city blocks. This newest expansion will aid in accommodating the job growth and training of its new employees. Angie's List, with the assistance of its property management partner, has invested more than \$15 million since 2001 to renovate more than a dozen properties and develop its campus.

The expansion of the Angie's List headquarters came at a time when several other headquarter relocation and/or expansion projects came to fruition in Indianapolis. Among those were: Allison Transmission (205 new jobs), Project Lead the Way (30 new jobs), Knowledge Services (200 new jobs), Stonegate Mortgage (300 new jobs), and Blue Pillar, Inc. (70 new jobs).

Since 2008, Develop Indy has secured commitments to create and retain 48,020 jobs, and to invest more than \$2 billion.

LONG-TERM FINANCIAL PLANNING

The Office of Finance and Management ("OFM") is responsible for financial planning for the City and Marion County. OFM is also responsible for the annual budgets for all agencies, both their development and the execution. OFM employs a sophisticated modeling

system to estimate property tax revenues for both the current budget year and looking several years forward. With this tool, we have more visibility into effects of property tax caps and tax increment capture than any other municipality in the State.

The City is expecting to experience a loss in property tax revenues due to property tax caps of approximately \$23 million in 2012, approximately 11% of the certified property tax levies. This impact is down slightly from a \$26 million loss in 2011. This improved result is due to tighter controls imposed by the State on school corporation property tax levies for 2012. Taxable assessed value (“AV”) has been essentially flat in recent years, dropping about 1% in 2011 and another 1% in 2012. With an expectation that taxable AV growth will return in 2013 and beyond, the revenue loss from property caps as a percentage of total levies may have reached its peak.

This revenue loss is due to House Enrolled Act 1001, enacted by the Indiana General Assembly in 2008, which limits the property tax liability of each parcel. The law set a three (3) tiered cap on property tax liability covering the five (5) property classes – homesteads, other residential, agricultural, commercial, and industrial. These tiers are structured as follows: Maximum liability equals 1% of parcel AV – homesteads; Maximum liability equals 2% of parcel AV – agricultural and other residential; Maximum liability equals 3% of parcel AV – commercial and industrial.

Since the enactment of the property tax caps, the City has more actively managed its budget and spending. In every budget cycle since 2008, all City departments have been required to reduce their budgets from the prior year with some exceptions for public safety functions. In each year, these budget reductions have yielded at least \$10 million in savings.

One of Mayor Ballard’s top priorities, since first taking office in 2008, has been reducing the City’s outstanding general obligation debt. He believes that maintaining the City’s AAA credit rating is integral to our on-going economic development and business attraction efforts. So the drive to lower our general obligation debt position is, in part, motivated by this economic goal. Furthermore, the Mayor views this as generally good public finance policy. As these bonds are retired, property tax rates are reduced which both: 1) eases the tax burden on local property owners; and 2) mitigates the adverse effects of the property tax caps.

From the year-end 2008 level of \$245 million in outstanding principal debt on property-tax funded general obligation bonds, the City will have paid down this balance to \$160 million at the end of 2012.

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

For 2012, at the time the City budget was adopted, it appeared Marion County was facing a continued decline in its local income tax revenue distribution of approximately \$23 million. The City impact of this revenue drop was estimated at about \$11 million in 2012 (after normalizing for swings in the flexible allocation of the 1% County Option Income Tax between City and County government). This apparent continued decline was initially attributed to the 2009 – 2010 recession now impacting annual distributions of county income taxes. With the State functioning as an intermediary, the effects of economic events on income tax collections are not revealed in annual distributions to counties until two years later.

However, in April 2012, the State Department of Revenue announced it had profoundly erred in calculations of county income tax distributions to all counties for both 2011 and 2012. For Marion County, the total error was about \$55 million of income tax collected but excluded from official certified distributions. The City’s share of this additional revenue is anticipated to be \$36 million (\$18 million of

which is attributable to the 2011 certified distribution error). We anticipate receipt of this revenue in the second half of 2012, providing release of the funds by the Marion County Treasurer. An estimated amount of \$36 million may be received by the City in the second half of 2012. Coincidentally, the City's income tax error correction amount is approximately equal to the combined income tax revenue decline from 2010 through 2012 upon which the City's 2011 and 2012 budgets were built.

Since these City budgets did not contemplate the moneys from this error correction, it is the our intention to hold the unanticipated revenue in reserve, with that expectation that some may be needed to support the 2013 budget as the City awaits an organic rebound in income tax revenues in 2014 and beyond.

Relevant Financial Policies

Internal Control Structure

Management of the City is responsible to establish and maintain an internal control structure that ensures the assets of the government are protected from loss, theft, or misuse and ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

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

Cash Management

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

Risk Management

The City is self-insured for losses arising from workers' compensation, automobile liability, public liability, and health insurance claims. Internal Service funds are used to record the premiums charged to the operating departments and the claims expense.

MAJOR INITIATIVES

Back in 2009, the City embarked upon the upgrade of its 30-year-old legacy accounting system. This effort continued in full force during 2011. The new integrated financial system will include applications for human capital management and financial applications of general ledger, cash management, accounts receivable, accounts payable, and payroll. The City has a very aggressive timeline to complete the implementation by 2013. In fact, the general ledger, accounts payable, and payroll modules were activated at the beginning of January 2012. Significant operational productivity and financial management gains are expected.

In December 2010, the City executed a lease agreement with a private vendor to operate and modernize its parking meters. The agreement specified an upfront payment to the City of \$20 million, half of which was received in 2010 with the remaining half received in January 2011. Additionally, all future revenues will be shared by the private operator and the City. As early as 2013, the City's share under the new structure may exceed the annual net revenues generated previously and continue to grow from there. This \$20 million, plus the increased annual revenues, will support much needed investments in sidewalk and street repairs across the City.

In August 2011, the City executed a transformational deal by closing on the sale of our wastewater treatment and drinking water distribution assets to Citizens Energy Group ("CEG"). CEG is a unique public charitable trust, which, heretofore, had been providing thermal energy (i.e., steam heat) and natural gas across Indianapolis. At closing, the City received \$262 million in proceeds and recorded approximately \$60 million of expenses as required by the Asset Purchase agreement. The net cash available to the City was \$202 million for its new RebuildIndy subfund of the general fund. Additionally, the net transaction freed \$96 million that had been held in our Sanitation General subfund, from which the City's wastewater treatment operations were funded. Of the \$96 million, \$16 million was also placed in the RebuildIndy subfund.

In keeping with the City's reputation for fiscal prudence, the balance of \$80 million was placed in the Fiscal Stability subfund of the general fund. By ordinance, this subfund exists solely to support the City's AAA credit rating. At such time in the future that the Controller determines the moneys in the fund are no longer needed to support the City's credit rating, they may then be transferred only to the Rebuild Indy subfund. The Rebuild Indy subfund is dedicated solely to investments in City infrastructure, including demolition of abandoned property.

Beyond the cash proceeds generated, the deal also transferred \$1.4 billion of bonded debt for wastewater and drinking water capital improvements to CEG. Furthermore, the deal included a special provision requiring CEG to reimburse the City the annual debt service on another \$42 million of bond debt linked to past wastewater system investments, until the remaining principal balance is repaid.

Lastly, the deal requires CEG to make a payment-in-lieu-of-taxes ("PILOT") to the City, in perpetuity, on the wastewater treatment assets they acquired. The City securitized this new revenue stream, generating an additional \$154 million for reinvestment into the City's capital improvement program.

An emphasis on process improvement has continued as a major focus of the City under Mayor Ballard. Through the City's Six Sigma internal process improvement program, lead by the Office of Audit and Performance ("OAP"), a twelfth wave of "green belt" training programs is scheduled to begin in July 2012.

Already paying dividends from these efforts are time and cost savings from process efficiencies identified and implemented across numerous departments. Most recently, the OAP team led an engagement with the numerous law enforcement agencies across Marion County to identify ways to reduce medical costs incurred for arrestees. By law, these medical costs must be paid by local taxpayers, if they cannot be recovered from the injured party. To date, this effort has yielded a savings of about 30%, which translates to a cost reduction of

about \$1 million – \$2 million per year. These process improvements, along with many others, have helped enable the City to maintain customer service levels while experiencing a squeeze on both property tax and local income tax revenue.

OTHER INFORMATION

Audit Committee

The City's Audit Committee was formalized by City-County Council ordinance to provide an independent review body for the audit activities of the City. At December 31, 2011, the Audit Committee members were:

Mr. William Sheldrake, Chairperson	President, Policy Analytics, LLC
Mr. Deron Kintner	Executive Director, Indianapolis Local Public Improvement Bond Bank
Ms. Kathleen Whitehead	President, The Not-for-Profit Mentor, Inc.
Ms. Lisa Dandridge	Midwest ISO
Ms. Jackie Nytes	City-County Councillor, City of Indianapolis – Marion County
Ms. Christine Scales	City-County Councillor, City of Indianapolis – Marion County
Ms. Patricia Polis McCrory	Frost Brown Todd, LLC

Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Indianapolis for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

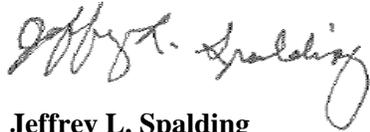
A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement for Excellence in Financial Reporting Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment

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

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

Respectfully submitted,



Jeffrey L. Spalding

Controller

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Indianapolis
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

CITY OF INDIANAPOLIS
ORGANIZATION OF LOCAL GOVERNMENT AND TAXING DISTRICTS

Introduction

The City of Indianapolis (“City”) was originally incorporated in 1832. It is the largest city in the State of Indiana (“the State”) and the twelfth largest city in the nation with a population of 820,445 and a metropolitan area population of approximately 1.8 million people. The City encompasses a land area of 402 square miles, making it the eighth largest city in the nation in terms of land area. The City, located at the geographic center of the state, is the State capital and also serves as the physical, economic, and cultural capital. Indianapolis has a stable and diversified economy with employment rates and income levels consistently above the national averages.

Form of Government

On January 1, 1970, the governments of the City and that of Marion County (“County”) were unified and their form of service delivery consolidated, thereby extending the City’s boundaries to generally coincide with those of the County. Four municipalities (Beech Grove, Lawrence, Speedway, and Southport) located within the County boundaries were specifically excluded from most functions of the consolidated City by the consolidating act. The consolidated government provides for a Mayor and a 29–member legislative council. The City-County Council consists of 25 councillors elected from single-member districts and 4 councillors elected at large. Because the Mayor’s powers extend to the entire county, residents of the Town of Speedway and the Cities of Beech Grove, Lawrence, and Southport, the municipalities not affected by the reorganization, vote for the Mayor as Chief County Executive as well as for the councillors at large.

Since adoption of the consolidated form of government for the City, governmental services within the area of Unigov are provided by 46 different units of local government, including the consolidated City, the County, 5 independent municipal corporations, 11 school corporations, 9 townships, 12 towns, the 4 municipalities excluded from the consolidated City of Indianapolis, 2 library boards, and 1 conservancy district. Within the consolidated City, special taxing districts were created to coincide with user benefit district boundaries then existing or as extended by the consolidating act. Boundaries of the various districts are such that a resident may be a member of one district and not another. Therefore, the resident’s geographic location within the County determines the governmental unit and taxing district rates to be combined in calculating the specific tax rate. As a result of the varying areas in which services are provided by the 46 different governmental units, the County is broken down into 61 different geographical areas for purposes of tax rate determination.

The maps on pages XVII and XVIII illustrate the relationship of the described taxing units.

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

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

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

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

Other Governmental Units

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

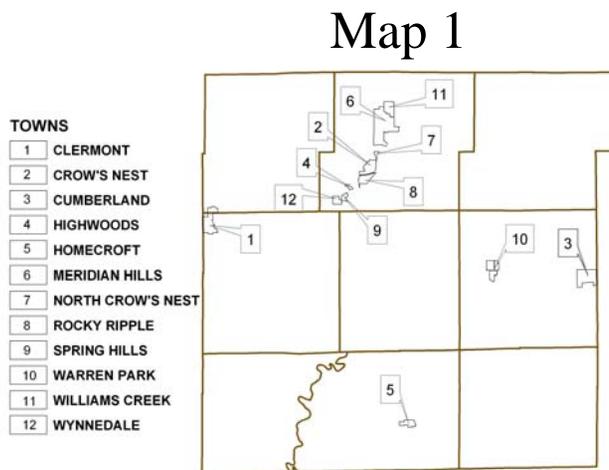
- **Marion County** as a governmental unit provides services such as courts, sheriff, tax assessment, collection, etc., not otherwise provided by other governmental units.
- The **Capital Improvement Board of Managers** (“Board”) is a separate and distinct municipal corporation with territory coterminous to the territory of Marion County. The Board is authorized to finance, construct, equip, operate, and maintain any capital facilities or improvements of general public benefit or welfare, which would tend to promote cultural, recreational, public, or civic well-being of the community. The Board operates facilities used for sports, recreation, and convention activities in downtown Indianapolis. The **Marion County Convention and Recreational Facilities Authority** was created in 1985 under applicable State statutes to provide certain financing for projects of the Board.
- The **Indianapolis Airport Authority** (“Airport Authority”) and the **Health and Hospital Corporation of Marion County** are separate and distinct municipal corporations with territory coterminous to the territory of Marion County. The Airport Authority was established for the general purpose of acquiring, maintaining, operating, and financing airports and landing fields in and bordering on Marion County. The Airport Authority bonds are general obligations payable from unlimited ad valorem taxes assessed on all taxable property of Marion County; however, in practice, the bonds have been paid from the net revenues of the Airport Authority. The Health and Hospital Corporation was given the mandate to provide preventative and curative health programs for the residents of the County, including indigent health care.
- The **Indianapolis-Marion County Building Authority** (“Authority”) is a separate and distinct municipal corporation that acts as landlord for the City-County Building. The County pays 58% and the City pays 42% of the total lease rental. The Authority also has outstanding bonds payable from lease rentals (which are paid from taxes levied) from the County for the Marion County Jail

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

- The **Indianapolis Public Transportation Corporation** (“IndyGo”) is a separate and distinct municipal corporation with territory coterminous to the territory of the consolidated Civil City of Indianapolis. IndyGo provides public transportation service within the County.
- The **Indianapolis Marion County Public Library** is a separate and distinct municipal corporation, the territory of which includes the property in Marion County, excluding the City of Beech Grove and the Town of Speedway.

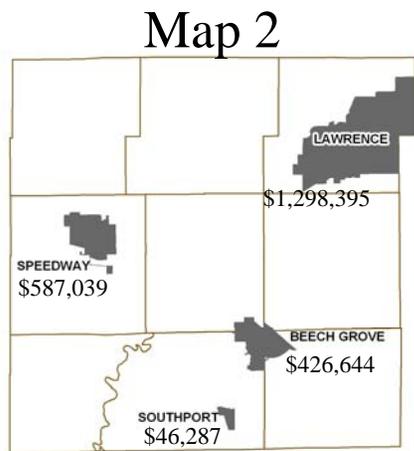
There are also several separate school districts in Marion County. In addition to the general obligation bonds of these school districts, various school building corporations have outstanding bonds payable from lease rentals (which are paid from taxes levied) from school districts for the lease of school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

See page XIX for the Unigov Organizational Chart and page XX for the City of Indianapolis Organizational Chart.



**MARION COUNTY
AND OTHER
INCLUDED TOWNS**

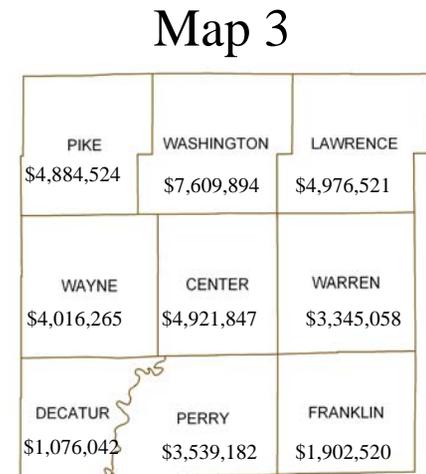
Marion County \$36,271,852



**CONSOLIDATED
CITY OF INDIANAPOLIS**

City of Indianapolis \$33,913,488

Excluded Cities and Towns \$2,358,365



TOWNSHIPS

NOTE: See Statistical Schedule 13 on pages 165, 166, and 167 of Part III of this annual report. The assessed valuation figures are for March 1, 2010 valuations for taxes collectible in 2011.

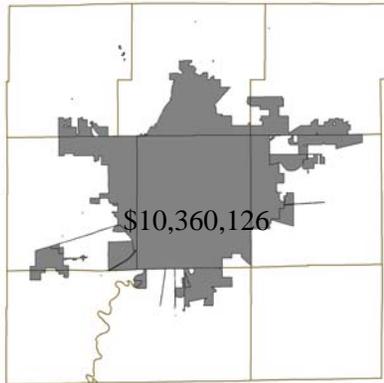
Map 4



LIBRARIES

Beech Grove	\$399,801
Speedway	\$587,039
Marion County Libraries	\$35,285,012

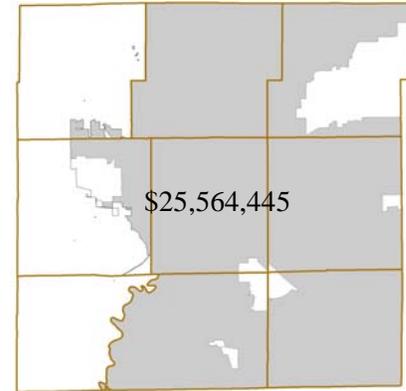
Map 5



INDIANAPOLIS

POLICE SERVICE DISTRICT

Map 6

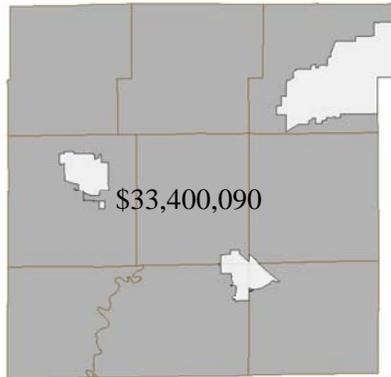


INDIANAPOLIS

FIRE SERVICE DISTRICT

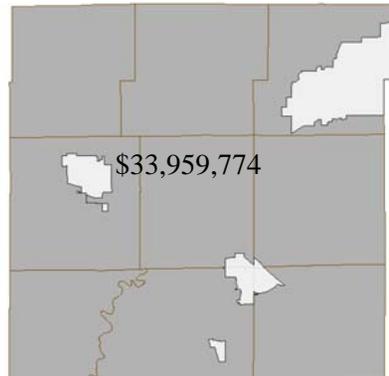
(Outside of this district, townships and excluded cities and towns provide the fire service)

Map 7



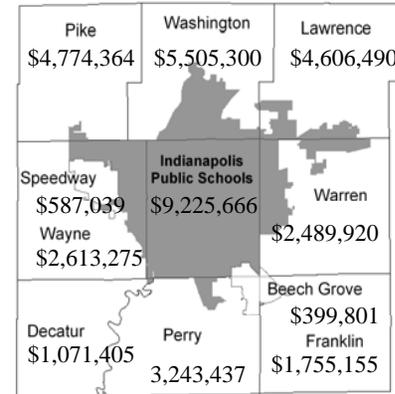
**INDIANAPOLIS SOLID WASTE
SPECIAL SERVICE DISTRICT**

Map 8



**INDIANAPOLIS
SANITARY DISTRICT**

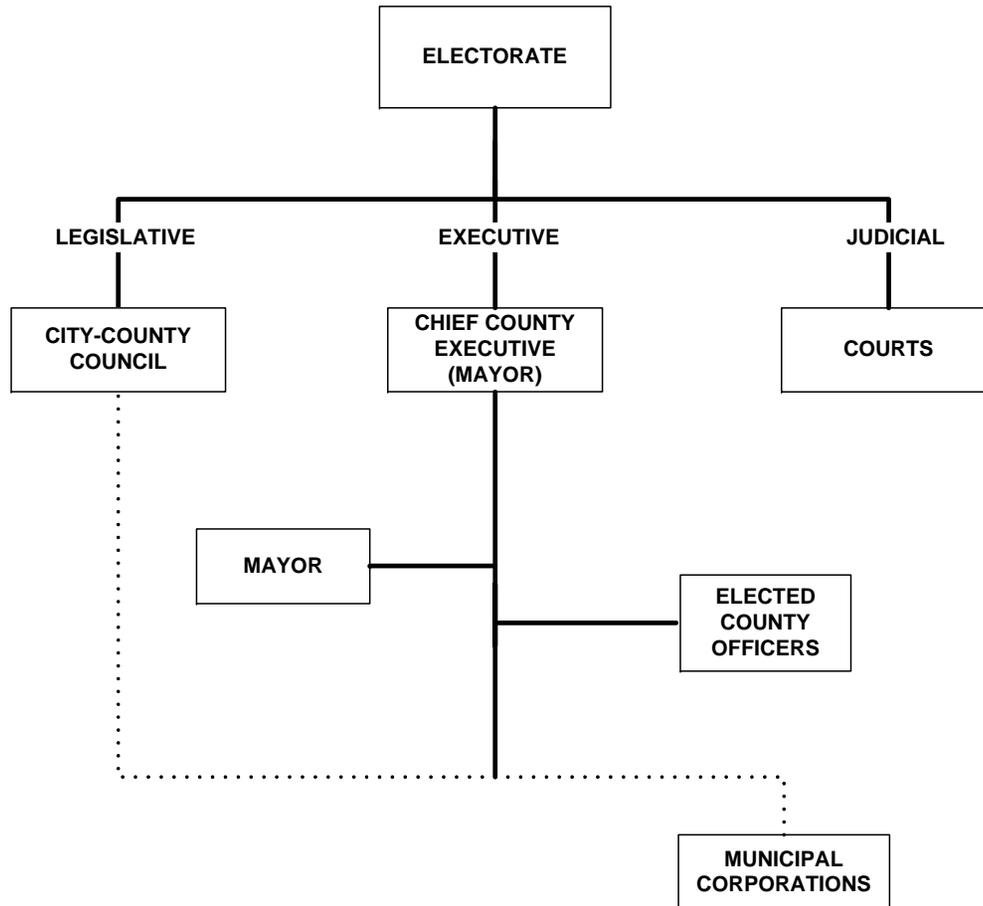
Map 9



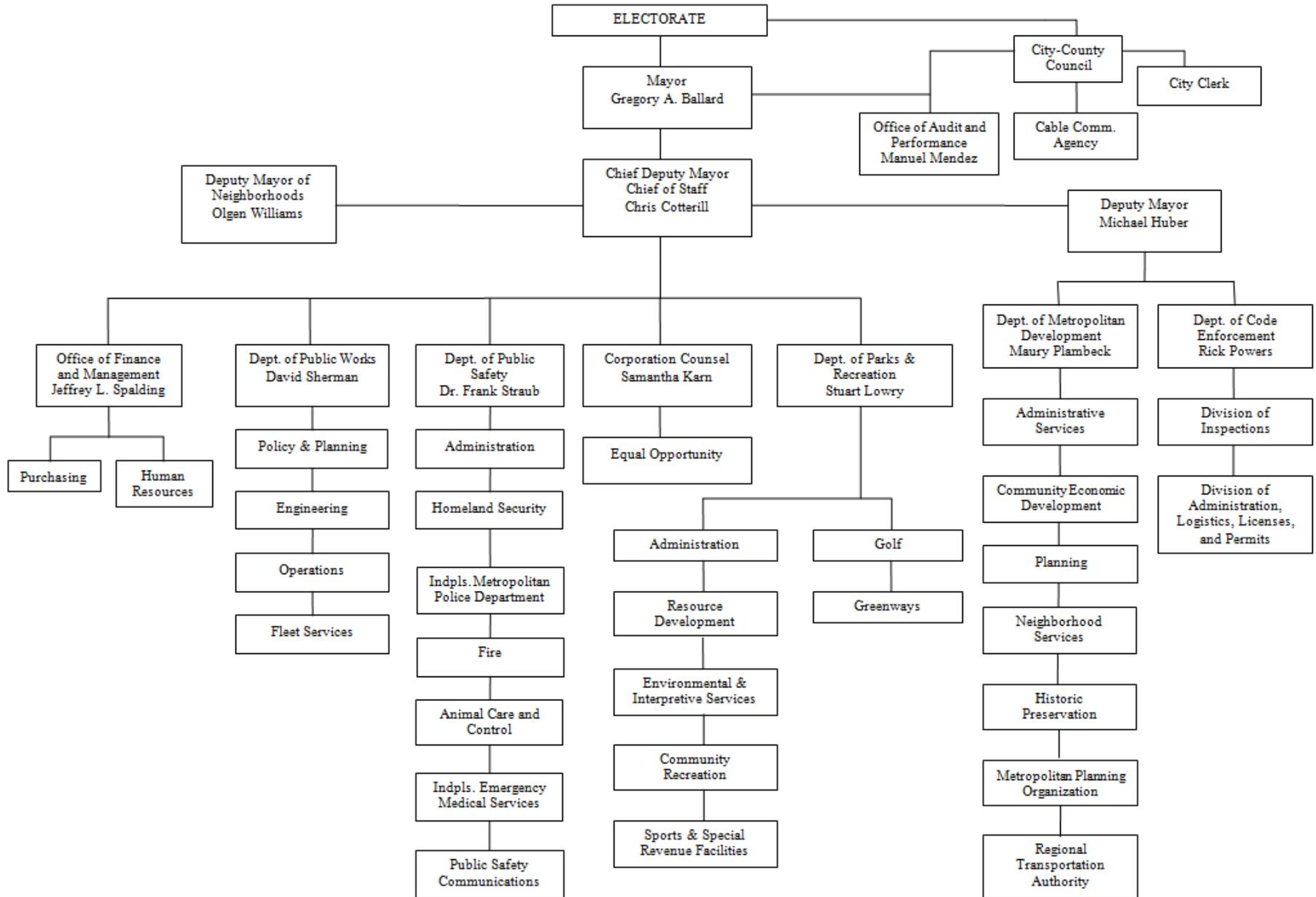
SCHOOL DISTRICTS

NOTE: See Statistical Schedule 13 on pages 165, 166, and 167 of Part III of this annual report. The assessed valuation figures are for March 1, 2010 valuations for taxes collectible in 2011.

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



City of Indianapolis Organization Chart
December 31, 2011



CITY OF INDIANAPOLIS
SCHEDULE OF ELECTED AND APPOINTED OFFICIALS

December 31, 2011

ELECTED OFFICIALS*

Name	Title	Service	Occupation
Gregory A. Ballard	Mayor	4	Mayor and Chief County Executive
Ryan Vaughn	City-County Council President	5	Associate Attorney, Barnes & Thornburg
Marilyn Pfisterer	City-County Council Vice President	8	Retired
Paul Bateman	City-County Councillor	6	Retired
Vernon Brown	City-County Councillor	8	Indianapolis Fire Department Battalion Chief
Virginia J. Cain	City-County Councillor	8	Homemaker and Community Organizer
Jeffrey Cardwell	City-County Councillor	4	Small Business Owner
Bob Cockrum	City-County Councillor	16	Retired
Ed Coleman	City-County Councillor	4	Nurse
N. Susie Day	City-County Councillor	8	Claims Specialist, Department of Workforce Development
Jose Evans	City-County Councillor	4	CEO, Evans & Associates
Aaron Freeman	City-County Councillor	2	Self-Employed Attorney at Law
Monroe Gray, Jr.	City-County Councillor	20	Retired
Ben Hunter	City-County Councillor	4	Public Safety Director, Butler University
Maggie Lewis	City-County Councillor	4	Executive Director, Dove Recovery House for Women
Robert Lutz	City-County Councillor	5	Self-Employed Attorney at Law
Brian Mahern	City-County Councillor	4	Policy Analyst, Indiana Utility Regulatory Commission
Dane Mahern	City-County Councillor	8	Human Resource Consultant, City of Indianapolis
Barbara Malone	City-County Councillor	4	Self-Employed Attorney at Law
Angela Mansfield	City-County Councillor	8	Attorney and Certified Public Accountant
Janice McHenry	City-County Councillor	4	Retired
Michael McQuillen	City-County Councillor	4	Owner, PoliticalParade.com
Doris Minton-McNeil	City-County Councillor	4	Executive Assistant, Indianapolis Public Schools
Mary Bridget Moriarty Adams	City-County Councillor	24	Human Resources Manager, Marion County Assessor's Office
Jackie Nytes	City-County Councillor	12	Executive Director, Mapleton Fall Creek Development Corp.
William C. Oliver	City-County Councillor	8	Retired
Angel Rivera	City-County Councillor	2	Salesman
Joanne Sanders	City-County Councillor	12	International Representative, Alliance of Theatrical Stage Employees

CITY OF INDIANAPOLIS
SCHEDULE OF ELECTED AND APPOINTED OFFICIALS (Cont.)
December 31, 2011

Name	Title	Service	Occupation
Jack Sandlin	City-County Councillor	2	Small Business Owner
Christine Scales	City-County Councillor	4	Homemaker and Community Organizer
Michael A. Rodman	Ex-Officio City Treasurer	8	Marion County Treasurer

* The term of office for all elected officials expires December 31, 2011 except for the Marion County Treasurer, whose term expires December 31, 2012.

APPOINTED OFFICIALS

Name	Position	Number of Years in This Position	Number of Years Associated with City of Indianapolis – Marion County
Chris Cotterill	Chief Deputy Mayor/Chief of Staff	3	4
Olgen Williams	Deputy Mayor of Neighborhoods	4	4
Michael Huber	Deputy Mayor	2	4
Jeffrey Spalding	Controller-Office of Finance and Management	2	2
Samantha Karn	Corporation Counsel	3	4
Maury Plambeck	Director of Metropolitan Development	12	23
David Sherman	Director of Public Works	4	4
Frank Straub	Director of Public Safety	2	2
Stuart Lowry	Director of Parks and Recreation	4	4
Rick Powers	Director of Code Enforcement	2	11
Melissa Thompson	Clerk of the City-County Council	4	12
Manuel Mendez	Director of Office of Audit and Performance	2	3

CERTIFIED PUBLIC ACCOUNTANTS

KPMG LLP

CONSOLIDATED CITY OPERATIONS

EXECUTIVE & LEGISLATIVE

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

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

City-County Council

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

Cable Communications Agency

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

Office of the Corporation Counsel

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

Office of Finance and Management

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

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

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

DEPARTMENT OF METROPOLITAN DEVELOPMENT

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

Division of Administrative Services

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

Division of Community Economic Development

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

Division of Planning

The Division of Planning has wide-ranging responsibilities in areas of social, physical, and economic planning. It analyzes present community conditions and makes projections of future development, recommending various plans for private and public action. The division processes all land use petitions for public hearing, and reviews, revises, and updates zoning ordinances to reflect the needs of the community. Transactions are accounted for in the Federal Grants Special Revenue Fund and the Consolidated County subfund of the General Fund.

Metropolitan Planning Organization

Previously a section within the Division of Planning, this group became a separate division in 2010. The division is responsible for transportation planning activities as the Metropolitan Planning Organization (“MPO”) for the Indianapolis Urbanized Area. Transactions are accounted for in the Federal Grants Special Revenue Fund and the Consolidated County and Transportation subfunds of the General Fund.

Neighborhood Services

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

Indianapolis Historic Preservation Commission

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

Regional Transportation Authority

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

DEPARTMENT OF CODE ENFORCEMENT

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

Department Structure

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

Administration, Logistics, Licenses, and Permits Division

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

Inspections Division

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

DEPARTMENT OF PUBLIC WORKS

The Department of Public Works (“DPW”) is responsible for the following: street and traffic signal maintenance, trash collection and disposal, flood control maintenance, snow removal, and environmental remediation. DPW also has responsibility for the acquisition and maintenance of vehicles and heavy equipment used by City and County agencies. Park maintenance and forestry are also included in the DPW’s set of responsibilities and duties. The department has four major divisions: Policy and Planning, Engineering, Operations, and Fleet Services. During 2011, the responsibility for the City’s sanitary sewer collection system and water treatment facilities were transferred to Citizen’s Energy Group (“CEG”). This arrangement was effective August 26, 2011. Portions of the monetary proceeds, resulting from this transaction, were approved, by the City-County Council, to establish the Rebuild Indy Fund. This fund will be used in future years to fund capital improvements. Also in 2010, management of the parking meter operations was placed with Park Indy, LLC. The private group is now responsible for management of the system, including installation and repair of parking meter equipment, collection of revenue, and coordination with the public business community. DPW is responsible for management of this contractual relationship. Portions of the monetary proceeds, resulting from this transaction, were approved, by City-County Council, to be used to fund capital improvements.

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

Policy and Planning Division

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

The Administrative Services Section has three main areas of responsibility:

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

The Public Information Services and Strategic Planning sections assist the DPW and the City by arranging and executing public meetings, media services, public speaking, departmental presentations, and neighborhood coordination. Jointly, they provide public access to the many programs administered by the Engineering and Operations Divisions and throughout the DPW. This section disseminates information through the media, written publications, correspondence, and by telephone on engineering projects. This section also provides neighborhood services and citizen's relations services.

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

The Office of Environmental Services ("OES") was restructured, during 2009, with the management of air quality, water and land pollution abatement, and environmental remediation projects being redistributed to the State of Indiana's Department of Environmental Management ("IDEM") and the then recently created City Department of Code Enforcement. In 2011, the former OES staff involved with water quality was moved to CEG. The remaining former OES staff members, who are primarily involved with managing the hazardous household waste and other land pollution abatement programs, are now with the Solid Waste section. The transactions of this division are accounted for in the Solid Waste Collection, Park, and Consolidated County subfunds of the General Fund.

Engineering Division

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

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

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

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

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

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

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

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

Operations Division

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

The Maintenance Services Section has six main areas of responsibility:

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

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

Fleet Services Division

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

DEPARTMENT OF PUBLIC SAFETY

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

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

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

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

Indianapolis Metropolitan Police Department ("IMPD")

This division is primarily responsible for enforcement of laws to protect life and property while creating and maintaining active police/community partnerships and assisting citizens in identifying and solving problems to improve the quality of life in their neighborhoods. The IMPD was established January 1, 2007 through the consolidation of the Indianapolis Police Department and the law enforcement force of the Marion County Sheriff. On January 1, 2007, IMPD assumed all law enforcement functions for the consolidated City. Transactions are accounted for in the Metropolitan Police subfund of the General Fund, which is funded from the consolidated City district that includes the entire County except for the excluded cities and towns. A portion of police operations are funded through Special Revenue Funds, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund. The Police Special Service District exists only for the purpose of the police pensions.

Indianapolis Fire Department ("IFD")

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

Division of Homeland Security

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

Animal Care and Control Division

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

Public Safety Communications (“PSC”)

This division is responsible for providing, operating, and maintaining the critical communications, data systems, and infrastructure used by emergency first responders in Marion County. PSC also is responsible for the operation of the Computer Aided Dispatch (“CAD”) system, Records Management Systems (“RMS”), a paging system, and a Firehouse alerting System. In support of our customers, and the systems that they use, we provide a 24/7 Customer Service Desk with personnel that are trained to mitigate problems at the customer level.

Indianapolis Emergency Medical Services (“IEMS”)

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

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation (“Indy Parks and Recreation”) provides clear leadership and well-defined direction for enhancing the quality of life for Indianapolis and Marion County residents by offering park and recreation resources that 1) provide and/or facilitate quality recreation and leisure opportunities; 2) encourage and support natural and cultural resource stewardship an environmental education; 3) include safe, clean, and well-maintained park facilities for the community’s use and enjoyment; and 4) promote and facilitate mutually beneficial countywide partnerships. Indy Parks and Recreation offers recreational opportunities at regional, community, neighborhood, and nature parks, as well as at schools and other facilities. The parks system includes 8 greenways, 25 recreation centers, 21 aquatic centers, 13 golf courses, 440 sports fields and courts, and 127 playgrounds. City ordinances and state statutes are enforced by Indy Parks and Recreation to protect public parklands and facility use. The Department’s organization consists of seven divisions including Administration, Community Recreation, Sports and Special Revenue Facilities, Golf, Environmental and Interpretive Services, Resource Development, and Greenways. Transactions for this department are recorded in the Parks, Consolidated County, and Parks Special Recreation Non Reverting subfunds of the General Fund, the City Cumulative Capital Development Capital Projects Fund, and the Federal and State of Indiana Grants Special Revenue Funds.

Administration Division

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

Community Recreation Division

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

Sports and Special Revenue Facilities Division

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

Golf Division

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

Environmental and Interpretive Services Division

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

Resource Development Division

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

Greenways Division

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

INDIANAPOLIS HOUSING AGENCY

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

(This page intentionally left blank)

Financial Section



KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

Independent Auditors' Report

Mr. Jeffrey L. Spalding, Controller and the Audit Committee
City of Indianapolis, Indiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianapolis, Indiana (City), a component unit of the Consolidated City of Indianapolis–Marion County, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Indianapolis Housing Agency, an enterprise fund, and the discretely presented component unit, which represent 100 percent of the Indianapolis Housing Agency enterprise fund and 100 percent of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Indianapolis Housing Agency enterprise fund and the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianapolis, Indiana, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1.W to the financial statements, the January 1, 2011 beginning net assets of the Indianapolis Housing Agency enterprise fund have been restated to correct a misstatement from the Indianapolis Housing Agency's previously issued financial statements, which were audited by other auditors whose report thereon had been furnished to us. As discussed in note 1.P to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.



In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 18; the budgetary comparison information and notes to required supplementary information on pages 101 and 102 and 106 through 108; and the schedules of funding progress and employer contributions on pages 103 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules – other supplementary information on pages 109 through 149 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules – other supplementary information are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information presented in the introductory and the statistical sections are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

KPMG LLP

Indianapolis, Indiana

July 2, 2012

Management's
Discussion and Analysis

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

This section of the City of Indianapolis's ("City") Comprehensive Annual Financial Report presents an analysis of the City's financial activities for the year ended December 31, 2011 based on currently known facts, decisions, and conditions. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report, along with the City's financial statements, including the footnotes that follow the basic financial statements.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the City's assets exceeded its liabilities at December 31, 2011 by \$624.2 million. Included in this net asset amount is a \$269.3 million unrestricted deficit due mainly to an unfunded net pension obligation of \$396.1 million. Without this unfunded pension obligation, the net asset amount would be an unrestricted surplus of \$126.8 million. The State of Indiana in 2008, agreed to reimburse the cities and towns of Indiana for pension costs for members of the pre-1977 pensions plans effective January 1, 2009. Since there is always the chance that this enabling legislation could be changed, the City has not recorded a long-term receivable for the balance of the unfunded pension obligation. See note 18 to the financial statements for further discussion of the City's pension plans.
- Governmental activities had net assets of \$520.5 million and business-type activities had net assets of \$103.7 million.
- On a government-wide basis, for 2011, the City's total expenses were \$1,150.6 million or \$70.3 million more than the \$1,080.3 million generated in charges for services, grants, taxes, and other revenues.
- As of December 31, 2011, the City's governmental funds reported combined ending fund balances of \$773.8 million. Of this amount, \$6.6 million was nonspendable, \$424.7 million was restricted, \$216.3 million was committed, \$51.4 million was assigned, and \$74.7 million was unassigned.
- The unassigned fund balance for the general fund was \$84.8 million or 13% of total general fund expenditures.
- The general fund revenues were \$26.2 million lower than original budget estimates.
- On August 11, 2010, the City entered into two Asset Purchase Agreements with Citizens Energy Group ("CEG") to sell the City's water utility and the wastewater collection and treatment facilities. On October 20, 2010, Veolia, the City, and the Department of Public Utilities for the City of Indianapolis, signed a settlement agreement to transfer management and operations of the City's water utility and wastewater collection and treatment facilities to CEG. The management agreement between Veolia and the City for the operation and maintenance of the waterworks system was terminated effective September 30, 2010. The sale of the facilities was completed effective August 26, 2011. All of the assets and liabilities of the wastewater and water systems except for accounts receivable, accounts payable, and certain cash in the General Fund and the Waterworks fund were sold to CEG. The net gain to the City for the transactions was a combined \$39.2 million. (See further discussion on the asset purchase agreement and termination of the management agreement in note 2 to the basic financial statements). The proceeds of \$262.6 million from the sale of the wastewater facilities were deposited into the General Fund.
- In 2011, the City issued \$185.5 million in governmental activities debt which included \$39.0 million for refunding of bonds, \$25.4 million for redevelopment, \$97.0 million for economic development, \$16.6 million for stormwater projects, and \$7.5 million in draw downs of State Revolving Fund debt. As a result of the sale of the wastewater collection and treatment facilities, \$434.3 million of revenue debt was assumed by CEG. There was a net decrease of \$386.5 million, or 25% in bond debt for governmental activities during 2011.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, capital projects, and permanent). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

expenditures, and changes in fund balances for the general fund, revenue debt service fund, federal grants fund, and PILOT (payment in lieu of taxes) revenue bonds capital projects fund which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds are provided in the form of combining statements as supplementary information.

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Additional Supplementary Information

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

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets at December 31, 2011 and 2010 were \$624.2 million and \$651.6 million, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

	Governmental activities 2011	Governmental activities 2010	Business-type activities 2011	Business-type activities 2010	Total 2011	Total 2010
Assets:						
Current and other assets	\$ 964,565	\$ 918,942	\$ 40,642	\$ 343,470	\$ 1,005,207	\$ 1,262,412
Capital assets, net of accumulated depreciation	1,402,395	2,043,748	101,629	671,189	1,504,024	2,714,937
Total assets and deferred outflow of resources	<u>2,366,960</u>	<u>2,962,690</u>	<u>142,271</u>	<u>1,014,659</u>	<u>2,509,231</u>	<u>3,977,349</u>
Liabilities:						
Long-term liabilities	1,716,643	2,077,637	8,593	963,863	1,725,236	3,041,500
Other liabilities	129,820	248,597	30,007	35,633	159,827	284,230
Total liabilities and deferred inflow of resources	<u>1,846,463</u>	<u>2,326,234</u>	<u>38,600</u>	<u>999,496</u>	<u>1,885,063</u>	<u>3,325,730</u>
Net assets:						
Invested in capital assets, net of related debt	605,824	961,358	88,686	99,657	694,510	1,061,015
Restricted	188,976	209,948	10,008	3,338	198,984	213,286
Unrestricted (deficit)	(274,303)	(534,850)	4,977	(87,832)	(269,326)	(622,682)
Total net assets	<u>\$ 520,497</u>	<u>\$ 636,456</u>	<u>\$ 103,671</u>	<u>\$ 15,163</u>	<u>\$ 624,168</u>	<u>\$ 651,619</u>

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$624.2 million in 2011 as compared to \$651.6 million for the previous year.

The largest portion of the City's net assets reflects its investments of \$694.5 million in capital assets (e.g., net book value of land, buildings, equipment, and infrastructure), less related outstanding debt used to acquire those assets. The 2010 balance was \$1.1 billion. The reduction is primarily due to the sale of the water utility and the wastewater collection and treatment facilities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets is \$199.0 million, versus \$213.3 million in 2010, which represents resources that are subject to external restrictions on how they may be used.

All net assets generated by governmental activities are either externally restricted, restricted by enabling legislation, or invested in capital assets. Consequently, unrestricted governmental net assets showed a \$274.3 million deficit at the end of the year as compared to a \$534.9 million deficit for the prior year. This deficit does not mean the City does not have resources available to pay its bills. Rather, it is the result of having long-term commitments that are greater than currently available resources, mainly net pension obligations of \$396.1 million for police and firefighters hired before May 1, 1977 and postemployment obligation of \$73.2 million.

Unrestricted net assets of the business-type activities were \$5.0 million at the end of the year as compared to a \$87.8 million deficit for the prior year. The increase is primarily due to the sale of the water utility.

Changes in net assets. The City's total revenue on a government-wide basis for 2011 was \$1,080.3 million and \$1,134.0 million for 2010. Taxes represent 43% of the City's revenue (43% for 2010). There was a decrease in local income tax of \$17.8 million primarily due to an error in income tax distributions from the State of Indiana. The error will be corrected by the State in the second half of 2012 and the City will receive additional tax distributions. Another 28% of revenue (33% in 2010) came from fees charged for services, and the remainder came from grants and contributions, interest earnings, and miscellaneous revenues. The increase in grants and contributions of \$34.8 million was due to an increase in grant contributions from the State of Indiana for public works projects.

The total cost of all programs and services was \$1,150.6 million for 2011 (\$1,176.4 million for 2010). The City's expenses cover a range of typical city/county services.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

Schedule of Changes in Net Assets
For the Year Ended December 31, 2011 and 2010
(dollars in thousands)

	Governmental activities 2011	Governmental activities 2010	Business-type activities 2011	Business-type activities 2010	Total 2011	Total 2010
Revenues:						
Program revenues						
Charges for services	\$ 185,264	\$ 224,569	\$ 113,070	\$ 147,913	\$ 298,334	\$ 372,482
Operating grants and contributions	161,033	157,126	63,015	61,364	224,048	218,490
Capital grants and contributions	51,681	25,652	17,359	14,124	69,040	39,776
General revenues:					—	—
Property tax	256,517	265,801	—	—	256,517	265,801
Other taxes	203,038	219,314	—	—	203,038	219,314
Other general revenues	27,647	17,104	1,665	1,057	29,312	18,161
Total revenues	<u>885,180</u>	<u>909,566</u>	<u>195,109</u>	<u>224,458</u>	<u>1,080,289</u>	<u>1,134,024</u>
Expenses:						
General government	60,880	65,883	—	—	60,880	65,883
Public safety	442,327	428,230	—	—	442,327	428,230
Public works	252,332	276,331	—	—	252,332	276,331
Health and welfare	4,496	4,079	—	—	4,496	4,079
Cultural and recreation	30,705	30,275	—	—	30,705	30,275
Urban redevelopment and housing	47,262	48,407	—	—	47,262	48,407
Economic development and assistance	79,164	45,441	—	—	79,164	45,441
Interest	69,382	63,280	—	—	69,382	63,280
Swap termination payment	—	—	—	—	—	—
Waterworks	—	—	98,952	145,074	98,952	145,074
Housing Agency	—	—	65,053	69,362	65,053	69,362
Total expenses	<u>986,548</u>	<u>961,926</u>	<u>164,005</u>	<u>214,436</u>	<u>1,150,553</u>	<u>1,176,362</u>
Transfers	(18,777)	—	18,777	—	—	—
Special item – gain on sale of water and wastewater utilities	4,186	—	35,001	—	39,187	—
Special item – termination payment	—	(29,000)	—	—	—	(29,000)
Change in net assets	(115,959)	(81,360)	84,882	10,022	(31,077)	(71,338)
Net assets, beginning of year, as originally stated	636,456	717,816	15,163	5,141	651,619	722,957
Prior period adjustment	—	—	3,626	—	3,626	—
Net assets, beginning of year, as restated	<u>636,456</u>	<u>717,816</u>	<u>18,789</u>	<u>5,141</u>	<u>655,245</u>	<u>722,957</u>
Net assets, ending	<u>\$ 520,497</u>	<u>\$ 636,456</u>	<u>\$ 103,671</u>	<u>\$ 15,163</u>	<u>\$ 624,168</u>	<u>\$ 651,619</u>

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

Governmental activities. Governmental activities decreased the City's net assets by \$116.0 million compared to a decrease of \$81.4 million in the prior year. The change of \$34.6 million is due primarily to the decrease of local income tax revenues of \$17.8 million. There was also a \$9.3 million decrease in property tax due to the property tax "circuit breakers" enacted by the Indiana General Assembly. House Enrolled Act 1001-2008 limited the property tax bill liability based upon the class of property. This "circuit-breaker" limitation is on the assessed valuation of properties –1% on homesteads, 2% on agriculture and other residential, and 3% on commercial industrial.

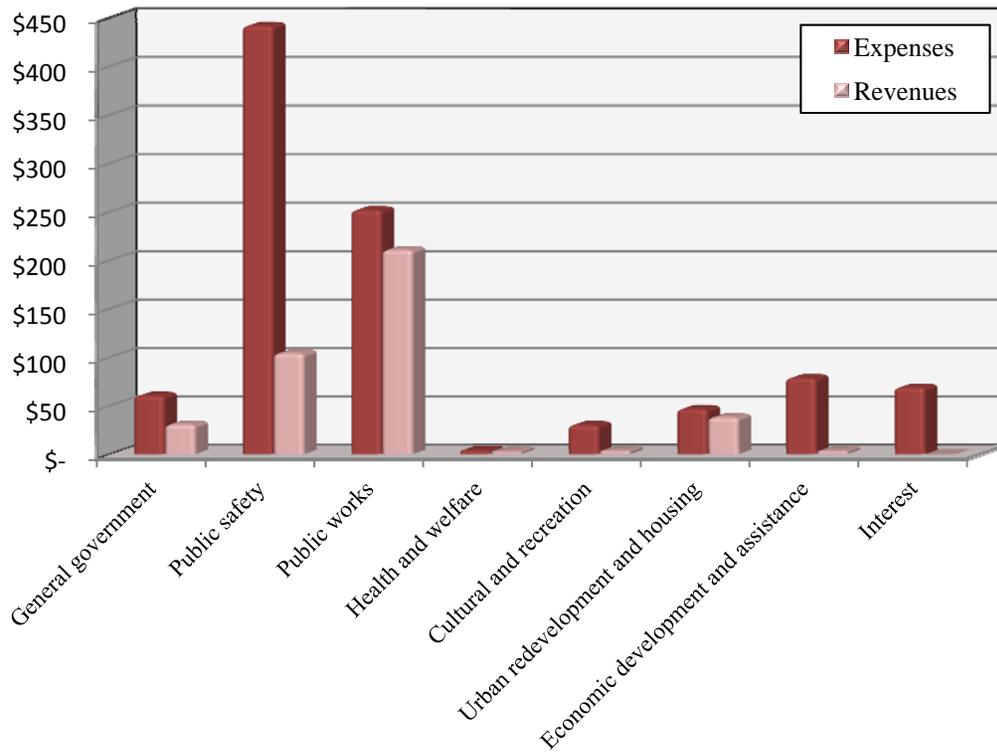
Total expenses for governmental activities for 2011 were \$986.5 million, an increase of \$24.6 million from the prior year mainly due to an increase in public safety expenses due to a \$14.1 million and \$18.7 million increase in the postemployment benefit and net pension obligations. In addition, there was a \$33.7 million increase in economic development and assistance expenses due to a number of economic development projects that began in 2011. Public works expenses decreased by \$24.0 million primarily due to the wastewater collection and treatment facilities sale as expenses for the operation of those facilities were not incurred after the sale date of August 26, 2011.

See page 23 for various other items contributing to the \$116.0 million decrease in net assets versus the \$142.0 million increase in fund balances.

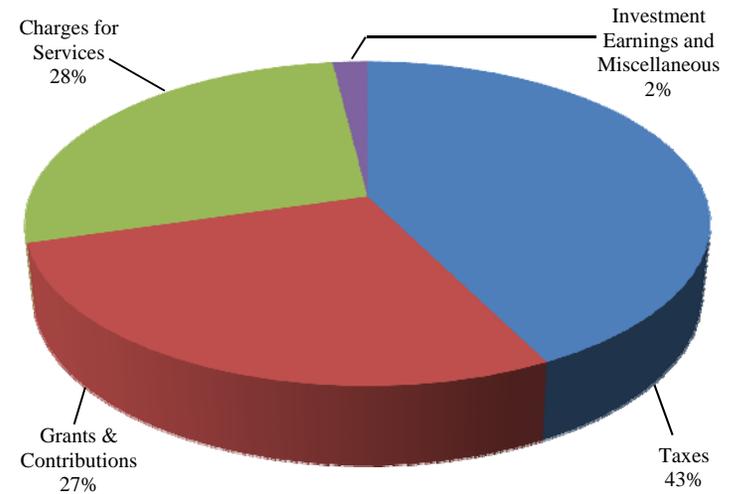
CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

The following charts provide the City's governmental program revenues and expenses by function and revenues by source for 2011. As shown, public safety is the largest function of expense. General revenues such as property tax are not shown by program, but are included in the revenues by source chart to show their significance. Taxes are used to support program activities city-wide.

Expenses and Program Revenues - Governmental Activities
(In millions)



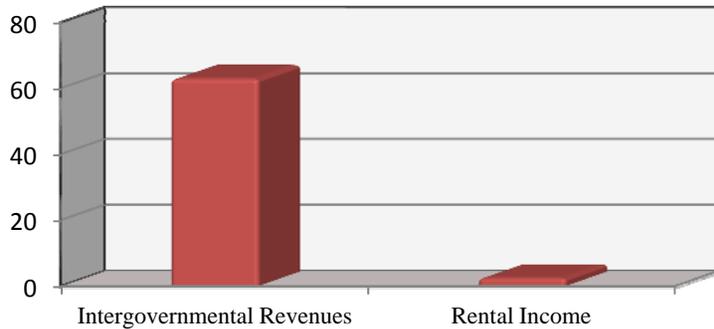
Revenues by Source - Governmental Activities



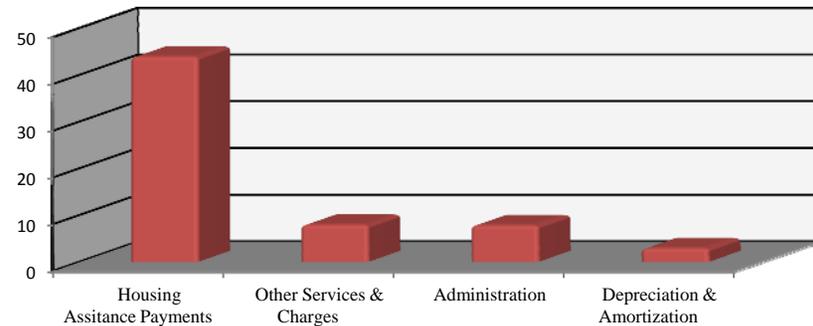
CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

Business-type activities. For the Housing Agency, operating revenues were \$4.8 million and operating expenses were \$62.5 million including depreciation of \$3.0 million. Nonoperating revenues and expenses included mainly \$63.0 million of intergovernmental revenues. Capital contributions were \$16.7 million. Results for the Waterworks are for the period January 1 through August 25, 2011 when it was sold to CEG. Operating revenues for the Waterworks was primarily from the sale of water of \$108.0 million. Capital contributions were \$0.6 million. In 2011, \$40.5 million was paid to a third-party contractor to operate the system. Other operating expenses included increases in the outstanding obligation for postretirement benefits, depreciation and amortization, and other miscellaneous costs totaling \$27.0 million. Nonoperating expenses include \$31.0 million for interest expense and \$0.5 million for amortization of bond issuance costs.

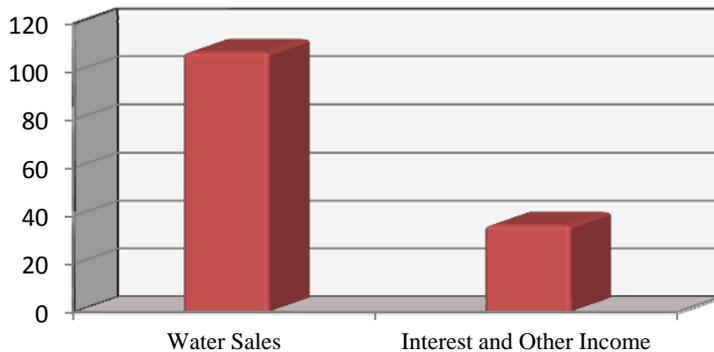
Housing Agency Revenues
(In millions)



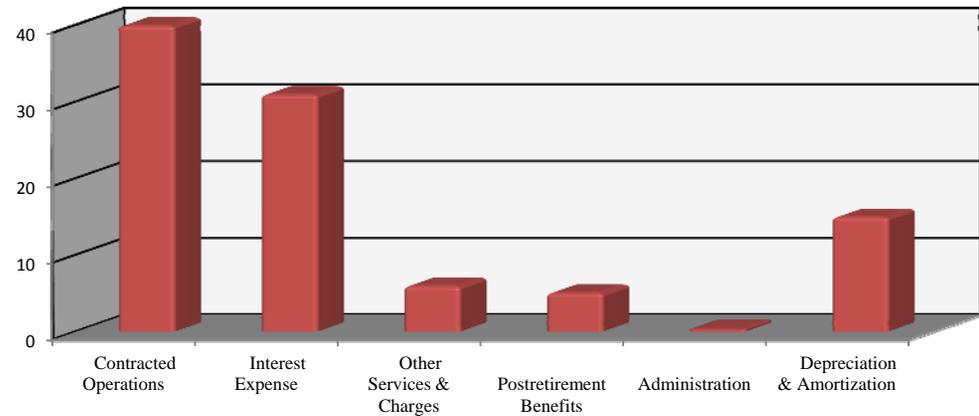
Housing Agency Expenses
(In millions)



Waterworks Revenues
(In millions)



Waterworks Expenses
(In millions)



CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At December 31, 2011, the unassigned fund balance of the general fund was \$84.8 million (due to the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Fund Type Definitions* (GASB Statement No. 54) in 2011, there is not a comparable number for 2010), while the total general fund balance was \$372.4 million (as compared to \$166.6 million in 2010). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 12% of total general fund expenditures and transfers out of \$703.1 million (due to the implementation of GASB Statement No. 54 in 2011 there is not a comparable number for 2010), while total fund balance represents 53% (24% for 2010) of total general fund expenditures and transfers out. The fund balance in the City's general fund increased by \$205.8 million or 123% from the prior year fund balance, this was primarily due to the proceeds from the sale of the water utility and wastewater collection and treatment facilities. After liquidation of all accounts payable and accounts receivable in the General Fund, there was a remaining cash balance of \$113.5 million from the sale that the City retained. Of this amount, \$80.0 million was transferred to a fiscal stability account, \$14.5 million was transferred to the RebuildyIndy account, and \$.01 million was transferred to the utility monitoring account within the General Fund.

The revenue debt service fund ended the year with a \$182.6 million fund balance (as compared to \$204.0 million in 2010) which was restricted for debt service. The fund balance for the revenue debt service fund decreased by \$21.5 million due mainly to transfers made to capital projects funds. The federal grants fund balance decreased by \$3.8 million primarily due to slow submission of reimbursement requests to the Federal government which resulted in deferred revenue. PILOT revenue bonds capital projects fund ended the year with a restricted fund balance of \$36.2 million and a total fund balance of \$36.2 million, a decrease of \$110.8 million over the prior year. The reduction is due to spending down the bond proceeds received by this fund in 2010.

Proprietary Funds

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

At the end of the year, the unrestricted net asset was \$0 (\$103.2 million (deficit) in 2010) for Waterworks and \$5.0 million (\$15.3 million for 2010) for the Housing Agency. The reduction for Waterworks is due to the sale of the water utility to CEG in 2011. The internal service funds, which are used to account for certain risk management governmental activities, had \$0.3 million in unrestricted net assets at year-end (\$2.7 million in 2010).

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for police and firefighters hired before May 1, 1977. At the end of 2011, the net assets of these pension funds were \$3.4 million, which represents an increase of \$2.0 million in total net assets during the year. Effective January 1, 2009, all pension payments are funded by the State of Indiana. No further funding is required by the City.

The City is the custodian of certain agency funds, and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets. At the end of 2011, the combined gross assets of the agency funds totaled \$18.9 million (\$18.9 million in 2010). This amount is composed of activity from the following agency funds: Sanitation 15 Year Law, UAL Personal Property, E-911 Allocation, DPS Retiree Health Insurance, IPD Confiscated Cash, and Other.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

General Fund Budgetary Highlights

The final budget for the City's general fund represents the original budget plus any additional supplemental appropriations during the year. It does not include encumbrances carried over from the prior year. In 2011, there was a \$116.0 million increase in appropriations to the original general fund budget consisting primarily of \$39.3 million for capital outlays and \$61.5 million for public works.

Excluding prior year encumbrances, the original general fund expenditures budget for 2011 was \$523.8 million. The final general fund expenditures budget was \$639.8 million. Actual expenditures were \$596.5 million. Of the total \$43.3 million underspent from the final budget, \$4.4 million was in public safety, \$20.1 million was in public works, \$12.6 million was in capital expenditures, and \$4.3 million was in general government. General revenues were originally estimated at \$588.7 million, final estimated at \$586.2 million, and the actual was \$562.5 million. The underspending in public works and the lower revenues than budgeted was due primarily to partial year results of the wastewater collection and treatment facilities through August 25, 2011 due to the sale of these facilities to CEG.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had a net investment of \$1.5 billion in capital assets at December 31, 2011 (net of accumulated depreciation of \$2.3 billion) in a broad range of capital assets. This amount represents a net decrease for the current year (including additions and deductions) of \$1.2 billion due to the sale of the water utility and the wastewater collection and treatment facilities which accounted for disposals of net capital assets of \$783.1 million and \$605.4 million, respectively.

	Governmental activities 2011	Governmental activities 2010	Business-type activities 2011	Business-type activities 2010	Total 2011	Total 2010
Land	\$ 48,915	\$ 49,421	\$ 15,748	\$ 33,729	\$ 64,663	\$ 83,150
Construction in progress	179,976	258,312	8,021	72,923	187,997	331,235
Buildings	245,857	378,196	76,210	54,665	322,067	432,861
Improvements	68,212	79,292	—	—	68,212	79,292
Equipment	77,306	76,922	1,650	14,521	78,956	91,443
Infrastructure	782,129	1,201,605	—	498,987	782,129	1,700,592
Total	<u>\$ 1,402,395</u>	<u>\$ 2,043,748</u>	<u>\$ 101,629</u>	<u>\$ 674,825</u>	<u>\$ 1,504,024</u>	<u>\$ 2,718,573</u>

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

Major capital asset additions in 2011 for governmental activities included:

- \$192.7 million of additions to construction in progress, principally infrastructure, and equipment. Reductions to construction in progress were \$271.0 million of which \$179.3 consisted of construction in progress sold to CEG.
- \$21.6 million of additions to buildings, principally energy retrofit projects at various sites, and the operations center for homeland security.
- \$13.5 million of additions to equipment, principally for public safety and public works vehicles.
- \$138.7 million of additions to infrastructure, principally \$42.9 million for sewers and drains and \$70.5 million for streets, curbs, and sidewalks and \$18.7 million for bridges.

Donated capital assets for governmental activities were \$40.2 million, principally infrastructure and vehicles. Depreciation expense for 2011 for governmental activities was \$130.9 million.

Major capital asset additions for Waterworks were \$17.5 million of net additions to the water distribution and treatment system (including construction in progress), which included \$0.6 million of contributed capital assets.

At December 31, 2011, the City had commitments related to ongoing capital asset construction projects of \$91.5 million.

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

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

Long-term Debt

At the end of 2011, the City had outstanding long-term debt and other long-term obligations for governmental activities of \$1.72 billion, compared to \$2.08 billion at December 31, 2010 as shown below:

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>% Change</u>
Governmental activities:			
Serial bonds payable	\$ 218,188	\$ 265,900	(18) %
Tax increment bonds payable	650,409	536,092	21
Revenue bonds payable	271,313	728,684	(63)
Deferred loss on refunding	(5,793)	(7,001)	(17)
Deferred discounts	(416)	(433)	(4)
Deferred premiums	35,140	32,086	10
Long-term notes payable and certificates of participation	37,300	41,335	(10)
Capital lease payable	8,175	—	—
Net pension obligation	396,147	387,593	2
Postemployment benefit obligation	73,213	59,175	24
Early retirement obligation	879	1,758	(50)
Compensated absences	32,088	31,314	2
Settlements payable	—	1,134	(100)
Total	\$ <u>1,716,643</u>	\$ <u>2,077,637</u>	(17)
Business-type activities:			
Housing Agency	\$ 30,007	\$ 15,637	92 %
Waterworks	—	950,466	(100)
Total	\$ <u>30,007</u>	\$ <u>966,103</u>	(97)

Increase in net pension obligation reflects the pay-as-you-go pension plan, which is not funded and continues to grow each year.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

During 2011, CEG assumed the twelve prior years' Sanitary District revenue bond issues under the State of Indiana Wastewater Loan Program as part of the sale of the wastewater collection and treatment facilities. The outstanding balance of draws on these twelve bonds at December 31, 2011 was \$419.3 million.

Bonds

On March 10, 2011, the City issued its Redevelopment District Tax Increment Revenue Multipurpose Bonds, Series 2011 A, in the amount of \$39.0 million. The proceeds of the bond were used to refund the outstanding balance of the 1991 District bonds of \$28.3 million and to pay off a loan from a corporate partner of \$14.8 million.

On April 7, 2011, the City issued its Economic Tax Increment Revenue Bonds, Series 2011 A, in the amount of \$81.6 million and Series 2011 B in the amount of \$15.3 million totaling \$96.9 million. The proceeds from the sale of the bonds were used to acquire, construct, and equip economic development facilities known as the North of South project.

On May 19, 2011, the City issued its Economic Development Tax Increment Revenue Bonds, Series 2011 C, in the amount of \$25.4 million. The proceeds from the sale of the bonds were used to acquire, construct, and equip economic development facilities for Indiana University Health.

On August 10, 2011, the City issued its Stormwater District Revenue Bonds of 2011 in the amount of \$16.6 million. The proceeds will be used for building storm drainage improvements.

Other Long-Term Debt

During 2007, the City implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Statement 45). At December 31, 2011, the net postemployment benefit obligation was \$73.2 million.

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

Bond ratings. The City's general obligation bonds are rated AAA by Standards & Poor's, Aa1 by Moody's and AA+ by Fitch. The City's other debt, principally revenue bonds and notes, are rated AAA based on credit insurance or are rated to reflect the creditworthiness of the supporting revenue.

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

Short-term Debt

In 2011, Sanitary District Limited Bond Anticipation Notes were drawn down. The proceeds were being used to construct sewer improvements. These notes in the amount of \$51.1 million were assumed by CEG with the sale of the wastewater collection and treatment facilities on August 26, 2011.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2011

ECONOMIC FACTORS AND THE 2012 BUDGET

- The 2012 original budget for all annually budgeted funds was \$688.8 million. Revisions of \$165.1 million have been made through June 2012 of which \$148.0 was for RebuildIndy projects funded by proceeds of the water utility and wastewater collection and treatment facilities sale in 2011.
- The 2012 general fund original budget was \$449.6 million, a decrease of 14.2% from the 2011 original general fund budget of \$523.8 million. The decrease is due to the elimination of the wastewater collection and treatment activity from the General Fund which was sold to CEG in 2011. Revisions (additions) of \$148.3 million have been made through June 2012 again primarily due to the RebuildIndy projects.
- Unemployment rates were as follows:

	May 2012	May 2011
City of Indianapolis	7.3%	7.8%
State of Indiana	7.9%	8.2%
United States	8.2%	8.7%

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

REQUESTS FOR INFORMATION

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

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

(This page intentionally left blank)

Basic Financial Statements

CITY OF INDIANAPOLIS
Statement of Net Assets
December 31, 2011
(In thousands)

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>	<u>Insight Development Corporation</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
Assets:				
Equity in pooled cash	\$ 292,082	\$ 8,728	\$ 300,810	\$ 2,284
Cash and investments with fiscal agents	334,180	—	334,180	—
Restricted cash and cash equivalents	—	13,702	13,702	—
Investments	223,969	1,922	225,891	—
Accrued interest receivable	228	—	228	—
Property taxes receivable	11,310	—	11,310	—
Accounts receivable, less allowance for uncollectibles	17,049	55	17,104	20
Due from federal and state governments	20,624	171	20,795	7
Due from primary government	—	—	—	1,390
Other assets	—	350	350	2,231
Long-term receivables, less allowance for uncollectibles	48,056	15,714	63,770	189
Restricted assets	—	—	—	4,446
Deferred bond and note issuance costs	16,736	—	16,736	—
Capital assets:				
Land	48,915	15,748	64,663	863
Infrastructure, net of accumulated depreciation	782,129	—	782,129	—
Other capital assets, net of accumulated depreciation	391,375	77,860	469,235	18,497
Construction in progress	179,976	8,021	187,997	9,836
Total assets	<u>2,366,629</u>	<u>142,271</u>	<u>2,508,900</u>	<u>39,763</u>
Deferred outflow of resources	331	—	331	—
Total assets and deferred outflow of resources	<u>\$ 2,366,960</u>	<u>\$ 142,271</u>	<u>\$ 2,509,231</u>	<u>\$ 39,763</u>

(Continued)

CITY OF INDIANAPOLIS
Statement of Net Assets
December 31, 2011
(In thousands)

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Insight Development Corporation
LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 87,857	\$ 7,070	\$ 94,927	\$ 3,517
Accrued interest payable	18,606	30	18,636	—
Due to component unit	—	1,390	1,390	—
Unearned revenue	3,426	—	3,426	9
Customer deposits	—	103	103	22
Other liabilities	—	—	—	283
Derivative instrument – interest rate swap	331	—	331	—
Long-term liabilities:				
Due within one year	63,074	12,751	75,825	472
Due in more than one year	1,653,569	17,256	1,670,825	17,311
Total liabilities	1,826,863	38,600	1,865,463	21,614
Deferred inflow of resources	19,600	—	19,600	—
Total liabilities and deferred inflow of resources	1,846,463	38,600	1,885,063	21,614
NET ASSETS				
Invested in capital assets, net of related debt	605,824	88,686	694,510	11,886
Restricted for:				
Capital projects	50,333	—	50,333	—
Debt service	106,268	—	106,268	—
Restricted for Section 8 vouchers and VASH	—	10,008	10,008	—
Other purposes by grantors	6,309	—	6,309	—
Other purposes by contributor – nonexpendable	378	—	378	—
Statutory restrictions	25,688	—	25,688	—
Unrestricted (deficit)	(274,303)	4,977	(269,326)	6,263
Total net assets	\$ 520,497	\$ 103,671	\$ 624,168	\$ 18,149

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

CITY OF INDIANAPOLIS
Statement of Activities
Year ended December 31, 2011
(In thousands)

Functions/Programs	Program revenues				Net (expense) revenue and changes in net assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Component Unit	
					Governmental activities	Business-type activities	Total	Insight Development Corporation
Governmental activities:								
General government	\$ 60,880	\$ 18,551	\$ 6,168	\$ 6,531	\$ (29,630)	\$ —	\$ (29,630)	\$ —
Public safety	442,327	22,818	75,876	5,997	(337,636)	—	(337,636)	—
Public works	252,332	135,233	37,079	38,920	(41,100)	—	(41,100)	—
Health and welfare	4,496	31	3,647	—	(818)	—	(818)	—
Cultural and recreation	30,705	4,374	—	6	(26,325)	—	(26,325)	—
Urban redevelopment and housing	47,262	3,565	34,796	227	(8,674)	—	(8,674)	—
Economic development and assistance	79,164	692	3,467	—	(75,005)	—	(75,005)	—
Interest	69,382	—	—	—	(69,382)	—	(69,382)	—
Total governmental activities	986,548	185,264	161,033	51,681	(588,570)	—	(588,570)	—
Business-type activities:								
Waterworks	98,952	107,963	—	956	—	9,967	9,967	—
Housing Agency	65,053	4,789	63,015	16,721	—	19,472	19,472	—
Total business-type activities	164,005	112,752	63,015	17,677	—	29,439	29,439	—
Total	\$ 1,150,553	\$ 298,016	\$ 224,048	\$ 69,358	(588,570)	29,439	(559,131)	—
Component Unit								
Insight Development Corporation	\$ 3,153	\$ 2,710	\$ 357	\$ 2,658				2,572
Total component units	\$ 3,153	\$ 2,710	\$ 357	\$ 2,658				2,572
General revenues:								
Taxes:								
Property tax					256,517	—	256,517	—
Wheel tax					12,193	—	12,193	—
Local income tax					170,092	—	170,092	—
Other taxes					20,753	—	20,753	—
Grants and contributions not restricted by function					8,483	—	8,483	—
Investment earnings not restricted by function					4,054	1,353	5,407	43
Miscellaneous					15,110	312	15,422	—
Transfers					(18,777)	18,777	—	—
Total general revenues and transfers					468,425	20,442	488,867	43
Special item – gain on sale of water and wastewater utilities					4,186	35,001	39,187	—
Change in net assets					(115,959)	84,882	(31,077)	2,615
Net assets, beginning of year, as previously reported					636,456	15,163	651,619	15,534
Prior period adjustment (note 1.W)					—	3,626	3,626	—
Net assets, beginning of year, as restated					636,456	18,789	624,168	15,534
Net assets, ending	\$	\$	\$	\$	520,497	103,671	624,168	18,149

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

CITY OF INDIANAPOLIS
Balance Sheet – Governmental Funds
December 31, 2011
(In thousands)

	<u>General</u>	<u>Revenue Debt Service</u>	<u>Federal Grants</u>	<u>PILOT Revenue Bonds Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Equity in pooled cash	\$ 223,971	\$ 19,925	\$ —	\$ —	\$ 41,434	\$ 285,330
Cash and investments with fiscal agents	9,481	148,266	—	46,771	129,645	334,163
Investments	171,707	15,339	—	—	31,732	218,778
Accrued interest receivable	172	21	—	—	29	222
Property taxes receivable	9,620	—	—	—	1,690	11,310
Accounts receivable, less allowance of \$871	16,377	1	—	—	655	17,033
Due from other funds	9,430	—	—	—	—	9,430
Due from federal and state governments	976	—	19,149	—	499	20,624
Long-term receivables, less allowance of \$26,837	—	—	253	—	6,000	6,253
Total assets	<u>\$ 441,734</u>	<u>\$ 183,552</u>	<u>\$ 19,402</u>	<u>\$ 46,771</u>	<u>\$ 211,684</u>	<u>\$ 903,143</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Matured bonds payable	\$ —	\$ 625	\$ —	\$ —	\$ 3,925	\$ 4,550
Matured interest payable	—	339	—	—	6,759	7,098
Accounts payable and other accrued liabilities	25,334	11	8,532	10,375	6,665	50,917
Accrued payroll and payroll taxes	28,209	—	172	—	—	28,381
Due to other funds	—	—	4,271	219	1,838	6,328
Deferred revenue	15,804	—	13,773	—	2,512	32,089
Total liabilities	<u>69,347</u>	<u>975</u>	<u>26,748</u>	<u>10,594</u>	<u>21,699</u>	<u>129,363</u>
Fund balances:						
Nonspendable	—	—	253	—	6,378	6,631
Restricted	20,930	182,577	—	36,177	185,028	424,712
Committed	215,273	—	—	—	1,000	216,273
Assigned	51,434	—	—	—	—	51,434
Unassigned	84,750	—	(7,599)	—	(2,421)	74,730
Total fund balances (deficits)	<u>372,387</u>	<u>182,577</u>	<u>(7,346)</u>	<u>36,177</u>	<u>189,985</u>	<u>773,780</u>
Total liabilities and fund balances	<u>\$ 441,734</u>	<u>\$ 183,552</u>	<u>\$ 19,402</u>	<u>\$ 46,771</u>	<u>\$ 211,684</u>	<u>\$ 903,143</u>

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

CITY OF INDIANAPOLIS
Reconciliation of the Balance Sheet for Governmental Funds
to the Statement of Net Assets
December 31, 2011
(In thousands)

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

Fund balances – total governmental funds (page 22)	\$	773,780
Capital assets not reported in the fund statements (note 7)		1,402,395
Net assets of internal service funds		321
Long-term receivable from sale of wastewater collection and treatment facilities assets for future general obligation debt service (note 2)		41,803
Deferred inflow of resources – parking meter concession agreement (note 16)		(19,600)
Long-term liabilities not in the fund statements (excludes matured bonds payable) (note 21)		(1,712,093)
Deferred revenues in the fund statements not in the statement of net assets		28,663
Deferred bond and note issuance costs not in the fund statements		16,736
Accrued interest payable not in the fund statements (excludes matured interest payable)		<u>(11,508)</u>
Net assets of governmental activities (page 20)	\$	<u><u>520,497</u></u>

CITY OF INDIANAPOLIS
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended December 31, 2011
(In thousands)

	<u>General</u>	<u>Revenue Debt Service</u>	<u>Federal Grants</u>	<u>PILOT Revenue Bonds Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 320,354	\$ 62,465	\$ —	\$ —	\$ 75,216	\$ 458,035
Licenses and permits	14,573	—	—	—	—	14,573
Charges for services	154,561	—	—	—	716	155,277
Intergovernmental revenues	108,594	388	57,312	139	5,738	172,171
Intragovernmental revenues	2,929	—	—	—	—	2,929
Traffic violations and court fees	3,280	—	2,613	—	3,621	9,514
Interest and other operating revenues	12,921	5,277	6	944	8,246	27,394
Total revenues	<u>617,212</u>	<u>68,130</u>	<u>59,931</u>	<u>1,083</u>	<u>93,537</u>	<u>839,893</u>
Expenditures:						
Current:						
General government	33,280	—	2,668	—	32	35,980
Public safety	362,814	—	12,283	—	32,312	407,409
Public works	173,597	—	—	—	638	174,235
Health and welfare	1,431	—	2,698	—	342	4,471
Cultural and recreation	23,102	—	831	—	—	23,933
Urban redevelopment and housing	7,617	—	33,116	—	—	40,733
Economic development and assistance	1,106	8,000	3,383	—	61,269	73,758
Debt service:						
Redemption of bonds and notes	484	44,281	—	—	35,397	80,162
Interest on bonds and notes	92	31,303	96	—	26,480	57,971
Bond and note issuance costs	—	813	—	—	3,317	4,130
Advance refunding escrow	—	3,318	—	—	—	3,318
Operating lease payments and administration	96	926	—	—	14,759	15,781
Capital outlays	37,059	—	8,673	101,670	99,007	246,409
Total expenditures	<u>640,678</u>	<u>88,641</u>	<u>63,748</u>	<u>101,670</u>	<u>273,553</u>	<u>1,168,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (23,466)</u>	<u>\$ (20,511)</u>	<u>\$ (3,817)</u>	<u>\$ (100,587)</u>	<u>\$ (180,016)</u>	<u>\$ (328,397)</u>

(Continued)

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

CITY OF INDIANAPOLIS
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended December 31, 2011
(In thousands)

	<u>General</u>	<u>Revenue Debt Service</u>	<u>Federal Grants</u>	<u>PILOT Revenue Bonds Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):						
Proceeds of financing from capital lease	\$ 8,175	\$ —	\$ —	\$ —	\$ —	\$ 8,175
Sales of capital assets	1,574	—	—	—	—	1,574
Bonds and notes issued	—	—	—	—	146,495	146,495
Premium on bonds and notes issued	—	2,606	—	—	4,204	6,810
Refunding bonds issued	—	39,000	—	—	—	39,000
Payment to refunded bond escrow agent	—	(25,979)	—	—	—	(25,979)
Transfers in	18,148	31,734	—	—	91,607	141,489
Transfers out	(62,409)	(46,868)	—	(10,175)	(40,814)	(160,266)
Total other financing sources (uses)	<u>(34,512)</u>	<u>493</u>	<u>—</u>	<u>(10,175)</u>	<u>201,492</u>	<u>157,298</u>
Special item—sale of wastewater collection and treatment facilities (note 2):						
Assumption of bond anticipation note by CEG	—	—	—	—	51,137	51,137
Proceeds from sale of wastewater collection and treatment facilities	262,600	—	—	—	—	262,600
Assumption of additional liabilities by CEG	1,134	—	—	—	—	1,134
Transfer of debt service reserve and unspent bond proceeds to CEG	—	(1,444)	—	—	(315)	(1,759)
Total special items	<u>263,734</u>	<u>(1,444)</u>	<u>—</u>	<u>—</u>	<u>50,822</u>	<u>313,112</u>
Net change in fund balances	205,756	(21,462)	(3,817)	(110,762)	72,298	142,013
Fund balances (deficits) at beginning of year	166,631	204,039	(3,529)	146,939	117,687	631,767
Fund balances (deficits) at end of year	<u>\$ 372,387</u>	<u>\$ 182,577</u>	<u>\$ (7,346)</u>	<u>\$ 36,177</u>	<u>\$ 189,985</u>	<u>\$ 773,780</u>

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

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

Year ended December 31, 2011

(In thousands)

Amounts reported for governmental activities in the statement of activities (page 21) are different because:

Net change in fund balances – total governmental funds (page 25)	\$ 142,013
Depreciation expense reported in the statement of activities but not in the fund statements	(130,927)
Capital outlay expenditures, exceeding capitalization threshold, reported in the fund statements but reported as additions to capital assets in the statement of activities	235,981
Donations of capital assets not recorded in the fund statements	40,246
Sale of wastewater collection and treatment facilities capital assets not recorded in the fund statements	(783,085)
Disposal of capital assets not recorded in the fund statements	(3,569)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the fund statements	28,663
Revenues in the statement of activities that do not provide current financial resources, representing a long-term receivable from sale of wastewater collection and treatment facilities	41,803
Revenues in the fund statements but not in the current year statement of activities due to the current financial resources focus of the governmental funds	(25,633)
Bond and notes issued, including deferred premiums, reported as financing sources in the fund statements but as additions to long-term liabilities in the statement of activities (note 21)	(200,480)
Bond and note principal payments, principal refunded, and CEG assumption of debt reported as expenditures in the fund statements but as reductions of long-term liabilities in the statement of activities (note 21)	542,848
Amortization of deferred inflow of resources related to the parking meter agreement reported as expenses in the statement of activities but not in the fund statements	400
Termination payment recorded in the fund statements in the current year and payment was accrued in the governmental activities in the prior year	29,000
Change in net assets of internal service funds reported with governmental activities	(2,419)
Amortization of bond premium, discount, and loss on refunding reported in the statement of activities but not in the fund statements	2,531
Increase in compensated absences that is not reported in the fund statements	(774)
Amortization of bond and note issuance costs reported in the statement of activities but not in the fund statements, as these amounts are reported when debt is issued	(3,832)
Capital appreciation bond interest expense that is reported as interest accretes for the statement of activities but not the fund statements, as there is no cash outflow	(8,183)
Current year bond and note issuance costs that are deferred and amortized for the statement of activities but reported when paid in the fund statements	4,130
Accrued interest on bonds and notes payable through December 31, 2011 reported as expenses in the statement of activities but not the fund statements, net of matured interest payable	(11,508)
Accrued interest at December 31, 2010 not reported in the current year statement of activities but reported in the fund statements, as amounts were paid in the current year	8,549
Net increase in the postemployment benefit obligation and early retirement obligation that are not reported in the fund statements	(13,159)
Increase in the net pension obligation that is not reported in the fund statements	<u>(8,554)</u>
Change in net assets of governmental activities (page 21)	<u>\$ (115,959)</u>

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

CITY OF INDIANAPOLIS
Statement of Net Assets
Proprietary Funds
December 31, 2011
(In thousands)

ASSETS	Business-type activities – Enterprise Funds			Governmental
	Housing			activities –
	Waterworks	Agency	Total	Internal Service Funds
Current assets:				
Equity in pooled cash	\$ —	\$ 8,728	\$ 8,728	\$ 6,752
Cash and investments with fiscal agents	—	—	—	17
Restricted cash and cash equivalents	—	13,702	13,702	—
Investments	—	1,922	1,922	5,191
Accrued interest receivable	—	—	—	6
Accounts receivable, less allowance for uncollectibles of \$0	—	55	55	16
Due from federal and state governments	—	171	171	—
Other assets	—	124	124	—
Total current assets	—	24,702	24,702	11,982
Noncurrent assets:				
Long-term notes receivable	—	15,714	15,714	—
Other assets	—	226	226	—
Capital assets:				
Land	—	15,748	15,748	—
Other capital assets, net of accumulated depreciation	—	77,860	77,860	—
Construction in progress	—	8,021	8,021	—
Total noncurrent assets	—	117,569	117,569	—
Total assets	\$ —	\$ 142,271	\$ 142,271	\$ 11,982

(Continued)

CITY OF INDIANAPOLIS
Statement of Net Assets
Proprietary Funds
December 31, 2011
(In thousands)

	<u>Business-type activities – Enterprise Funds</u>			<u>Governmental</u>
	<u>Waterworks</u>	<u>Housing</u>	<u>Total</u>	<u>activities –</u>
		<u>Agency</u>		<u>Internal</u>
LIABILITIES				<u>Service Funds</u>
Current liabilities:				
Accounts payable and other accrued liabilities	\$ —	6,735	\$ 6,735	\$ 8,559
Compensated absences	—	19	19	—
FSS escrow, current	—	287	287	—
Accrued payroll and payroll taxes	—	335	335	—
Customer deposits	—	103	103	—
Leases payable, current portion	—	281	281	—
Interest payable	—	30	30	—
Short-term loans payable	—	12,130	12,130	—
Unearned revenue	—	34	34	—
Due to other funds	—	—	—	3,102
Due to component unit	—	1,390	1,390	—
Total current liabilities	<u>—</u>	<u>21,344</u>	<u>21,344</u>	<u>11,661</u>
Noncurrent liabilities:				
Compensated absences	—	170	170	—
Long-term notes payable	—	12,077	12,077	—
FSS escrow, net of current	—	510	510	—
Due to other governmental units	—	1,756	1,756	—
Lease payable, long-term portion	—	586	586	—
Other liabilities – unearned revenue	—	2,157	2,157	—
Total noncurrent liabilities	<u>—</u>	<u>17,256</u>	<u>17,256</u>	<u>—</u>
Total liabilities	<u>—</u>	<u>38,600</u>	<u>38,600</u>	<u>11,661</u>
NET ASSETS				
Invested in capital assets, net of related debt	—	88,686	88,686	—
Restricted for Section 8 vouchers and VASH	—	10,008	10,008	—
Unrestricted	—	4,977	4,977	321
Total net assets	<u>\$ —</u>	<u>\$ 103,671</u>	<u>\$ 103,671</u>	<u>\$ 321</u>

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

CITY OF INDIANAPOLIS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended December 31, 2011
(In thousands)

	<u>Business-type activities – Enterprise Funds</u>			<u>Governmental</u>
	<u>Waterworks</u>	<u>Housing Agency</u>	<u>Total Enterprise Funds</u>	<u>activities – Internal Service Funds</u>
Operating revenues:				
Water sales pledged as security for revenue bonds	\$ 107,963	\$ —	\$ 107,963	\$ —
Rental income	—	2,567	2,567	—
Charges to other funds	—	—	—	17,698
Other	—	2,222	2,222	—
Total operating revenues	<u>107,963</u>	<u>4,789</u>	<u>112,752</u>	<u>17,698</u>
Operating expenses:				
Contracted operations	40,467	—	40,467	—
Housing assistance payments	—	43,542	43,542	—
Postretirement benefits	5,085	—	5,085	—
Other services and charges	6,163	7,942	14,105	—
Claims	—	—	—	18,152
Administration	398	7,994	8,392	2,002
Depreciation and amortization	15,344	3,035	18,379	—
Total operating expenses	<u>67,457</u>	<u>62,513</u>	<u>129,970</u>	<u>20,154</u>
Operating income (loss)	<u>40,506</u>	<u>(57,724)</u>	<u>(17,218)</u>	<u>(2,456)</u>
Nonoperating revenues (expenses):				
Intergovernmental revenues	318	63,015	63,333	—
Interest income	83	1,270	1,353	37
Interest expense	(31,034)	(2,540)	(33,574)	—
Amortization of bond issuance costs	(461)	—	(461)	—
Other revenues	—	312	312	—
Total nonoperating revenues (expenses)	<u>(31,094)</u>	<u>62,057</u>	<u>30,963</u>	<u>37</u>
Income (loss) before contributions	9,412	4,333	13,745	(2,419)
Capital contributions	638	16,721	17,359	—
Transfers in	18,777	—	18,777	—
Special item – gain on sale of water utility	35,001	—	35,001	—
Changes in net assets	63,828	21,054	84,882	(2,419)
Net assets (deficit), beginning of year, as previously reported	(63,828)	78,991	15,163	2,740
Prior period adjustment (note 1.W)	—	3,626	3,626	—
Net assets, beginning of year, as restated	<u>(63,828)</u>	<u>82,617</u>	<u>18,789</u>	<u>2,740</u>
Total net assets, ending	<u>\$ —</u>	<u>\$ 103,671</u>	<u>\$ 103,671</u>	<u>\$ 321</u>

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

CITY OF INDIANAPOLIS
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2011
(In thousands)

	<u>Business-type activities – Enterprise Funds</u>			<u>Governmental activities – Internal Service Funds</u>
	<u>Waterworks</u>	<u>Housing Agency</u>	<u>Total Enterprise Funds</u>	
Cash flows from operating activities:				
Rental receipts	\$ —	\$ 2,617	\$ 2,617	\$ —
Receipts from users	—	—	—	21,272
Other operating receipts	—	2,101	2,101	—
Receipts from water sales	123,089	—	123,089	—
Receipts from interfund services provided	870	—	870	—
Cash payments to employees	(323)	(7,457)	(7,780)	—
Cash payments to suppliers of goods and services	(59,504)	(8,907)	(68,411)	(20,472)
Housing assistance payments	—	(43,540)	(43,540)	—
Payments in lieu of taxes	(8,402)	—	(8,402)	—
Payments for postretirement benefits	(1,555)	—	(1,555)	—
Tenant security and other deposits	(1,009)	140	(869)	—
Net cash provided by (used in) operating activities	<u>53,166</u>	<u>(55,046)</u>	<u>(1,880)</u>	<u>800</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	18,777	—	18,777	—
Repay advances from other funds	(22,254)	—	(22,254)	—
Intergovernmental revenues received	318	65,915	66,233	—
Net cash provided by (used in) noncapital financing activities	<u>(3,159)</u>	<u>65,915</u>	<u>62,756</u>	<u>—</u>
Cash flows from capital and related financing activities:				
Purchases and construction of capital assets	(15,531)	(27,982)	(43,513)	—
Contributions in aid of construction	—	15,600	15,600	—
Nonoperating receipts, net	—	179	179	—
Receipts on long-term note receivable	504	—	504	—
Proceeds from issuance of bonds and loans	58,803	14,234	73,037	—
Interest paid on capital debt	(29,904)	(30)	(29,934)	—
Payments on revenue bonds	(10,829)	—	(10,829)	—
Payments on notes payable	(1,667)	—	(1,667)	—
Payments on loans and capital leases	—	(316)	(316)	—
Debt issuance costs paid	(1,192)	—	(1,192)	—
Payment to CEG from postretirements benefit trust account	(12,182)	—	(12,182)	—
Payment to CEG of unspent bond proceeds	(58,952)	—	(58,952)	—
Payment to CEG of cash from debt service reserve	(34,543)	—	(34,543)	—
Net cash provided by (used in) capital and related financing activities	<u>(105,493)</u>	<u>1,685</u>	<u>(103,808)</u>	<u>—</u>
Cash flows from investing activities:				
Long-term loans receivables issued	—	(6,902)	(6,902)	—
Proceeds from repayment of loan	—	462	462	—
Sales and maturities of investments	13,012	—	13,012	3,348
Investment purchases	—	(5)	(5)	(5,191)
Interest on cash, investments, and loans	147	1,215	1,362	38
Net cash used in investing activities	<u>13,159</u>	<u>(5,230)</u>	<u>7,929</u>	<u>(1,805)</u>
Net increase (decrease) in cash and cash equivalents	<u>(42,327)</u>	<u>7,324</u>	<u>(35,003)</u>	<u>(1,005)</u>
Cash and cash equivalents, beginning of year	<u>42,327</u>	<u>15,106</u>	<u>57,433</u>	<u>7,774</u>
Cash and cash equivalents, end of year	<u>\$ —</u>	<u>\$ 22,430</u>	<u>\$ 22,430</u>	<u>\$ 6,769</u>

(Continued)

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

CITY OF INDIANAPOLIS
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2011
(In thousands)

	<u>Business-type activities – Enterprise Funds</u>			<u>Governmental activities – Internal Service Funds</u>
	<u>Waterworks</u>	<u>Housing Agency</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 40,506	\$ (57,724)	\$ (17,218)	\$ (2,456)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	15,344	3,035	18,379	—
Provision for uncollectible accounts	—	310	310	—
Change in assets and liabilities:				
Accounts receivable	16,134	28	16,162	3,574
Other assets	—	(48)	(48)	—
Unearned revenues	—	(49)	(49)	—
Accounts payable and other accrued liabilities	(12,920)	(664)	(13,584)	(318)
FSS escrow	—	136	136	—
Accrued payroll and payroll taxes	(18)	(117)	(135)	—
Tenant security deposits	—	5	5	—
Compensated absences	—	42	42	—
Payments in lieu of taxes	(8,402)	—	(8,402)	—
Customer advances	(1,009)	—	(1,009)	—
Accumulated postretirement benefit obligation	3,531	—	3,531	—
Net cash provided by (used in) operating activities	<u>\$ 53,166</u>	<u>\$ (55,046)</u>	<u>\$ (1,880)</u>	<u>\$ 800</u>
Supplemental cash flow information:				
Noncash transactions:				
Contributions of capital assets, net	\$ 638	\$ —	\$ 638	\$ —
Construction and retainage payable on capital assets	—	5,114	—	—
Noncash assets sold to CEG	(831,042)	—	(831,042)	—
Assumption of bonded debt by CEG	951,926	—	951,926	—
Assumption of other liabilities by CEG, net	19,794	—	19,794	—

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

CITY OF INDIANAPOLIS
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2011
(In thousands)

	Police and Firefighters Pension Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash	\$ 1,934	\$ 11,590
Investments (U.S. government agencies)	1,450	7,112
Accrued interest receivable	5	4
Accounts receivable	—	178
Total assets	3,389	\$ 18,884
LIABILITIES		
Accounts payable and other accrued liabilities	12	\$ 18,884
Total liabilities	12	\$ 18,884
NET ASSETS		
Held in trust for pension benefits	\$ 3,377	

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

CITY OF INDIANAPOLIS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Police and Firefighter Pension Trust Funds
Year ended December 31, 2011
(In thousands)

		Police and Firefighters Pension Trust Funds
		<u> </u>
ADDITIONS		
State of Indiana pension subsidy received from the General Fund	\$	61,118
Total additions		<u>61,118</u>
DEDUCTIONS		
Benefits		<u>59,127</u>
Total deductions		<u>59,127</u>
Change in plan net assets		1,991
Net assets – beginning		<u>1,386</u>
Net assets – ending	\$	<u><u>3,377</u></u>

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

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

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

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

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

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

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

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

The City recognizes assets from derived tax revenue transactions (such as local income tax) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Local income tax held by the State of Indiana (“State”) is not recorded as revenue until amounts are approved for distribution by the State since the amounts are not estimable until that time. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of exchange.

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

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

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

All proprietary funds, pension trust funds, and the discretely presented component unit financial statements are accounted for using the same measurement focus and basis of accounting as the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, except as to the accounting for certain pension costs. The City records pension payments made by the State of Indiana on its behalf as both a revenue and an expenditure. Unfunded pension obligations are recorded in the government-wide statements in the long-term liabilities due in more than one year.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

The *waterworks enterprise fund* accounts for the activities of the government's water distribution operations. See note 2 regarding sale of water utility during 2011.

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

Additionally, the City reports the following fund types:

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

Fiduciary funds are classified into subgroupings – Agency Funds and Pension Trust Funds. Funds in this classification are used to account for assets held by the City in a fiduciary capacity. Agency Funds are custodial in nature (assets equal liabilities) and account for moneys held on behalf of contractors, retirement boards, the E-911 dispatch program, and for confiscated items related to public safety activities. Pension Trust Funds are those funds held in trust for disbursement to covered employees (see note 18). The City records expenditures for pension obligations as payments are made to pensioners or to the State of Indiana for state-administered plans.

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

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

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

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

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

D. Effects of Rate Regulation

The City previously elected for the Waterworks to be rate-regulated by the Indiana Utility Regulatory Commission ("IURC"). The Waterworks followed the accounting and reporting requirements of Statement of Financial Accounting Standards Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* ("SFAS No. 71"). SFAS No. 71 provides that rate-regulated entities account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. See note 2 regarding sale of water utility during 2011.

E. Cash and Investments

Investments are stated at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. At December 31, 2011, the City has \$51,068 invested in TrustINDiana, an external investment pool administered by the State of Indiana. Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, the portfolio securities are valued at amortized cost, which approximates fair value. The amortized cost valuation methods involve initially valuing a security at its cost on the date of purchase and thereafter accreting to maturity and discount or amortizing to maturity any premium. The City records its investment in the external pool at its share value. The Indiana Treasurer of State has been designated by State statute as the administrator of the pool and has general oversight over the daily operation of the pool.

When funds pool cash for investments, income from the pooled investments is allocated to the funds based on the participating fund's average daily equity balance. An individual fund's negative position in the pool is reflected as an interfund liability.

F. Receivables and Payables

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

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

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

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

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

G. Inventory

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

H. Restricted Assets

Restricted assets of the Housing Agency amounted to \$13,702 at December 31, 2011 and relate to tenant deposits in the amount of \$103, funds held in the Family Self-Sufficiency (“FSS”) Escrow in the amount of \$798, overdraws of Section 8 Housing Assistance funds in the amount of \$10,008, loan proceeds committed to various low-income housing capital projects in the amount of \$835, and regulatory and operating partnership agreements in the amount of \$1,958.

I. Capital Assets

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

Governmental Activities

The prescribed capitalization levels for governmental activities are as follows:

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

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

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

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

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Business-type Activities

Housing Agency

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

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

Depreciation for the Housing Agency enterprise fund is calculated using the straight-line method. Depreciation lives are as follows (not in thousands):

Buildings	25 to 40 years individual depreciation
Building and site improvements	15 to 20 years individual depreciation
Equipment and vehicles	3 to 10 years individual depreciation

Waterworks

The prescribed capitalization level for the Waterworks enterprise fund is \$5 for all items. Depreciation for the Waterworks enterprise fund is calculated using the straight-line method over the estimated useful life of the various classes of depreciable assets. The group method is used to calculate depreciation, except for vehicles, which are depreciated individually. Depreciation lives (not in thousands) vary widely; e.g., computers 4.72 years and supply mains 35.59 years to 71.94 years. Depreciation of utility plant assets averaged 2% in 2011.

J. Property Taxes

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

The City’s 2011 property taxes were levied based on assessed valuations determined by the Auditor as of the 2010 assessed valuations, which were adjusted for estimated appeals, tax credits, and deductions. The lien date for the 2011 property taxes was March 1, 2010 (assessment date); however, the City does not recognize a receivable on the lien date, as the amount of property tax to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 100% of the true tax value. In 2011, first half of the year 2011 taxes were due and payable to the Treasurer in May 2011. Second half of the year 2011 taxes were due and payable to the Treasurer in November 2011. Property taxes outstanding at December 31, 2011, net of allowance for uncollectible accounts, are recorded as a receivable in the governmental fund and government-wide financial statements. However, for the governmental fund financial statements, all property tax receivable amounts are recorded as deferred revenues.

K. Deferred and Unearned Revenues

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

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

L. Risk Management

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

The change in claims for 2010 and 2011, including an estimate of incurred but not reported claims, is as follows:

	Risk management	Public liability self-insurance	Employee health insurance	Total
Unpaid claims, December 31, 2009	\$ 2,725	\$ 3,513	\$ 1,272	\$ 7,510
Incurred claims and changes in estimates	4,428	3,495	7,321	15,244
Claims paid	<u>(4,736)</u>	<u>(2,028)</u>	<u>(7,541)</u>	<u>(14,305)</u>
Unpaid claims, December 31, 2010	\$ 2,417	\$ 4,980	\$ 1,052	\$ 8,449
Incurred claims and changes in estimates	6,837	2,566	9,177	18,580
Claims paid	<u>(6,468)</u>	<u>(2,975)</u>	<u>(9,027)</u>	<u>(18,470)</u>
Unpaid claims, December 31, 2011	<u>\$ 2,786</u>	<u>\$ 4,571</u>	<u>\$ 1,202</u>	<u>\$ 8,559</u>

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

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

Beginning in 2009, the City elected to become self-insured for a high deductible health insurance plan that is offered to current and eligible retired employees. There is a \$100 stop-loss coverage for each employee per annum. The City has contracted with a third party to service its health insurance claims. The City records a liability for the estimated outstanding claims at year-end in the self-insurance fund, which is included in accounts payable and other current liabilities in the statement of net assets. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

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

Housing Agency

The Housing Agency enterprise fund is a member of the Housing Authority Risk Retention Group, Inc. ("Group"), which provides general liability, public official, and lead-based paint insurance to participating public housing authorities throughout the United States. Coverage provided by general liability is \$5,000 per year with a deductible of \$5 for general liability and \$10 for property claims per occurrence. The risk of participation in the Group is limited to the initial equity contribution of \$90, any subsequent additional equity contribution as determined by the Group's Board of Directors, and the payment of annual premiums for its general liability insurance coverage. The Housing Agency paid total premiums in 2011 of \$542. The Housing Agency enterprise fund has an investment of \$226 in the Group at December 31, 2011. Although the underwriting experience of the Group may result in increased annual premium charged and/or assessments against each participant's equity contribution account, the exposure to any net loss allocation is restricted to its equity contribution account balance, plus any additional assessment that may be required. Management believes that the number of outstanding claims and potential claims outstanding does not materially affect the financial position of the Housing Agency enterprise fund.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

M. Compensated Absences

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

The entire cost of benefit and sick leave is recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e., matured) during the year ended December 31, 2011.

N. Estimates and Uncertainties

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

O. Interfund Transactions

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

P. Fund Balance

Effective January 1, 2011, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB Statement No. 54"), which requires fund balance for governmental funds to be reported in classifications that primarily comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Adoption of GASB Statement No. 54 affects the City's fund financial statements.

Within the fund financial statements, the fund balances are reported as follows:

1. **Nonspendable:** This consists of resources not in spendable form or that are legally and contractually required to remain in intact.
2. **Restricted:** This consists of amounts that can be spent only for the specific purpose stipulated by constitution, external parties (e.g., grantors, creditors, or other governments), or enabling legislation.
3. **Committed:** This consists of amounts that can only be used for specific purposes pursuant to formal action of the government's highest level of decision-making authority, which for the City is the Council. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit these amounts.
4. **Assigned:** This consists of amounts constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. Assigned balances are a result of encumbrances of fund balances for purchases or assignments made by the City Controller. Within the assigned fund balance for the general fund are encumbrances of \$29,118, these amounts have been assigned to cover future purchases.
5. **Unassigned:** This consists of residual fund balances that do not meet the criteria of nonspendable, restricted, committed, or assigned.

Effective August 2011, the Council established the Fiscal Stability subfund under Fiscal Ordinance No. 11, which is reported as part of the General Fund. As part of the ordinance, \$80,000 was deposited into the Fiscal Stability subfund, these funds can be spent subject to appropriation by the Council. At December 31, 2011, the unassigned fund balance is \$80,000.

The City's policy is to apply expenditures to restricted resources first, then committed, then assigned, and unassigned, respectively, as applicable.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Q. Amortization of Bond Costs and Amounts Deferred on Refundings

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

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

R. Statement of Cash Flows

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

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

In January 2006, the Department of Housing and Urban Development (“HUD”) issued notice PIH 2006-03, which, among other things, changed the regulatory reporting requirements for the overdraws of Section 8 voucher funds. Previously, HUD had required that overdraws of Section 8 and any other grants be presented in financial disclosures as a liability. The Housing Agency had presented such overdraws in prior years financial statements as current liabilities to which subsequent year voucher payments would be charged. Notice PIH 2006-03, and subsequent interpretive guidance issued by HUD, required all public housing agencies with fiscal years ended December 31, 2006 or later report overdrawn Section 8 voucher funds as unrestricted net assets in the Financial Data Schedule filings. The Housing Agency changed its treatment of Section 8 overdraws in 2006 presenting them as unrestricted net assets. In January 2008, HUD issued Notice PIH 2008-09, which amended PIH 2006-03 to require the presentation of Section 8 overdraws as restricted net assets. At December 31, 2011, net assets restricted for future Section 8 payments were \$10,008.

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

T. Deferred Inflow of Resources

In 2010, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (“GASB Statement No. 60”). The City recorded upfront payments received under concession arrangements as a deferred inflow of resources on the government-wide statement of net assets (note 16). The deferred inflow of resources is being amortized using the straight-line method over the term of the agreement.

U. Net Assets

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

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

V. Future Adoption of Accounting Pronouncements

GASB has issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The City intends to implement these GASB statements on their respective effective dates.

W. Prior Period Adjustment – Housing Agency

Subsequent to the issuance of the City’s December 31, 2010 Comprehensive Annual Financial Report, the December 31, 2010 Housing Agency financial statements, which were audited by other auditors, were restated and reissued to reflect a correction of an error. The December 31, 2010 Housing Agency financial statements were restated and reissued, by other auditors, to reflect an increase in the capital assets and an increase in 2010 revenue in the amount of \$3,626. This adjustment has been reflected within the accompanying December 31, 2011 Housing Agency financial statements as a correction of the beginning of year, January 1, 2011, net assets. This adjustment was related to the HUD REAC filing, HUD determined that certain balances and activities considered to be interfund service transactions should not be eliminated. Therefore, the elimination of interfund service transactions as identified by HUD were reversed and the 2010 financial statements were adjusted and reissued to agree to the REAC filing.

As a result, the January 1, 2011 beginning net assets increased by \$3,626.

	Business-type activities		
	Housing Agency		
	As previously reported	Adjustment	As restated
Net assets, January 1, 2011	\$ 78,991	\$ 3,626	\$ 82,617

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

2. Sale of Water Utility and Wastewater Collection and Treatment Facilities

On August 11, 2010, the City entered into two Asset Purchase Agreements with Citizens Energy Group (“CEG”) to sell the City’s water utility and the wastewater collection and treatment facilities. The primary assets sold included the Waterworks production and distribution systems, and the wastewater collection and treatment system, including the advanced wastewater treatment facilities. CEG is governed by a five-member board of trustees and seven-member board of directors. The board of directors and trustees are fully accountable to state and local elected officials and regulators including the Indiana Utility Regulatory Commission (“IURC”) and Indiana Department of Environmental Management. On July 26, 2010, the Council approved the sale. On August 11, 2010, a petition was filed with the IURC seeking approval of the transaction. The IURC assigned Cause No. 43936 to the transfer petition, and on August 27, 2010, the case in chief of the petitioner was filed for review. On July 13, 2011, the IURC approved the sale of the City’s water utility and the wastewater collection and treatment facilities to CEG.

On October 20, 2010, Veolia (the former contracted operator of the water utility), the City, and the Department of Public Utilities for the City of Indianapolis, d/b/a CEG, signed a settlement agreement to transfer management and operations of the City’s water utility and wastewater collection and treatment facilities to CEG. The management agreement between Veolia and the City for the operation and maintenance of the waterworks system was terminated effective September 30, 2010. With the termination of the management agreement, Veolia was entitled to a termination payment of \$29,000, which was mutually agreed upon by all parties, and such amount was paid from the General Fund on August 26, 2011. This payment is recorded as a public works expenditure in 2011 within the General Fund. This amount was accrued and reported as a special item in the 2010 government-wide statements of activities.

The sale of the City’s water utility and wastewater collection and treatment facilities to CEG was closed on August 26, 2011. The wastewater collection and treatment facilities operations had historically been accounted for in the City’s General Fund. The water utility operations had historically been accounted for in the City’s Waterworks enterprise fund. The City received gross cash proceeds of \$170,600 at closing which were recorded in the General Fund. On September 30, 2011, the City received an additional payment of \$92,000 of cash proceeds from the sale. From the gross proceeds of \$262,600, closing costs of \$2,200 were deducted for a total of \$260,400 in net proceeds. The \$2,200 of closing costs are recorded as a public works expenditure within the General Fund in 2011. In addition, CEG assumed \$485,483 of wastewater collection and treatment facilities debt (\$434,346 of bonded debt and \$51,137 of bond anticipation notes) and \$951,926 of water utility debt in addition to other water utility and wastewater collection and treatment facilities liabilities. CEG also assumed the future funding of principal and interest payments of wastewater collection and treatment facilities (i.e., sanitary district) general obligation debt in the principal amount of \$41,803, with a final maturity of January 1, 2018. CEG received \$783,085 of net wastewater collection and treatment facilities capital assets with a carrying value \$783,085 and \$924,537 of net water utility assets with a capital asset carrying value of \$605,439 in exchange for the above amounts.

<u>Sale of wastewater collection and treatment facilities</u>	
Capital assets (at carrying value)	\$ 783,085
Cash from unspent bond proceeds	315
Cash from debt service reserve	<u>1,444</u>
Total assets sold	<u>784,844</u>
Less:	
Cash proceeds received on August 26, 2011	170,600
Additional cash proceeds received September 30, 2011	<u>92,000</u>
Total cash proceeds	<u>262,600</u>
Assumption of Sanitary District Revenue Bonds	450,099
City’s allocated principal portion of debt assumed through August 25, 2011	<u>(15,753)</u>
Total assumption of bonded debt	<u>434,346</u>
Assumption of Bond Anticipation Notes	<u>51,137</u>
Total assumption of debt	<u>485,483</u>
Write-off of unamortized premiums, discounts, and deferred loss on refunding related to CEG assumed bonds	(1,990)
Assumption of additional liabilities	<u>1,134</u>
Total other liabilities assumed	<u>(856)</u>
Receipt of long-term receivable for future general obligation debt service	<u>41,803</u>
Net gain on transaction \$	<u><u>4,186</u></u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

The net proceeds of \$260,400 were deposited into the RebuildIndy account in the General Fund to be used for various infrastructure projects in the City. Of this amount, \$40,000 was set aside in an escrow account for various legal settlements including the contract termination of \$29,000 to Veolia. At December 31, 2011, there was a balance of \$9,172 in the escrow. If this balance is not spent for authorized costs under the agreement by August 25, 2013, the remainder will be split in accordance with an agreement between CEG and the City. At December 31, 2011, a payable for \$2,981 was recorded in the General Fund as accounts payable and a public works expenditure for the portion of the escrow amount that would be payable to CEG assuming no further costs are paid from the escrow.

After liquidation of all accounts payable and accounts receivable in the General Fund, there was a remaining cash balance of \$113,467 that the City retained. Of this amount, \$80,000 was transferred to a fiscal stability account in the General Fund. In addition, \$14,490 and \$100 was transferred to the RebuildIndy and utility monitoring account within the General Fund. The remaining \$18,877 was transferred to the Waterworks enterprise fund to close out the negative cash position in that fund, which represents amounts that Waterworks had previously borrowed from the General Fund.

Sale of water utility

Assets sold:

Land, infrastructure, construction in process, and other (at carrying value)	\$ 605,439
Intangible asset	187,932
Long-term notes receivable	19,516
Unspent bond proceeds	58,952
Cash from debt service reserve	34,543
Other assets	18,155
Total assets sold	<u>924,537</u>

Liabilities assumed:

Bonds payable – Waterworks District revenue bond debt	958,270
City's allocated principal portion of debt assumed through August 25, 2011	<u>(6,344)</u>
Total assumption of bonded debt	951,926
Write off of unamortized premiums, discounts, and deferred loss on refunding related to CEG assumed bonds	(49,414)
Net postretirement benefit obligation (net of cash received of \$12,182)	39,014
Customer advances and other liabilities	18,012
Total debt and liabilities assumed	<u>959,538</u>
Net gain on transaction \$	<u><u>35,001</u></u>

The Waterworks sale involved CEG accepting all outstanding obligations of the water utility enterprise fund in exchange for all of the assets of the fund except for outstanding accounts receivable and accounts payable.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

3. Cash and Investments

A summary of all cash and investments for the primary government at December 31, 2011 including a reconciliation to the financial statement amounts is as follows:

	Primary government (excluding Housing Agency)	Housing Agency	Total
Cash and investments	\$ 516,051	\$ 10,650	\$ 526,701
Cash and investments with fiscal agents	334,180	—	334,180
Restricted cash and cash equivalents	—	13,702	13,702
Cash and investments – Fiduciary Funds	<u>22,086</u>	<u>—</u>	<u>22,086</u>
Total cash and investments	<u>\$ 872,317</u>	<u>\$ 24,352</u>	<u>\$ 896,669</u>

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

Primary Government Excluding Housing Agency

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

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

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

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

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

As of December 31, 2011, funds were invested as follows (excluding Housing Agency):

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	Greater than 10
Federal Farm Credit Bank	\$ 13,772	\$ —	\$ 13,772	\$ —
Federal Home Loan Bank	20,998	18,452	2,546	—
Federal Home Loan Mortgage Corporation	77,505	5,001	72,504	—
Federal National Mortgage Association	62,419	2,438	59,981	—
United States Treasury Notes	92,844	37,812	55,032	—
United States Treasury STRIPS	6,217	6,217	—	—
United States Government Backed:				
Guaranteed Investment Contracts	1,064	—	—	1,064
Money Market Funds	104,371	104,371	—	—
Repurchase Agreements	46,846	46,846	—	—
Mutual Funds	25,398	25,398	—	—
Money Market Funds	49,486	49,486	—	—
State External Investment Pool – TrustINDiana	51,068	51,068	—	—
	<u>\$ 551,988</u>	<u>\$ 347,089</u>	<u>\$ 203,835</u>	<u>\$ 1,064</u>

States statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments can be made in obligations of the U.S. government or any agency or instrumentality thereof. All City investments must mature within two years from date of investment unless managed by a bank's trust department and then the maturity length can be longer. Total cash deposits at December 31, 2011 amounted to \$320,329.

Interest Rate Risk

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

Credit Risk

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Investments were rated as follows by Moody's, Standard & Poor's, or Fitch at December 31, 2011:

<u>Investment type</u>	<u>Fair value</u>	<u>Ratings</u> <u>Moody's / S&P</u>
Federal Farm Credit Bank	\$ 13,772	Aaa /AA +
Federal Home Loan Bank	20,998	Aaa /AA +
Federal Home Loan Mortgage Corporation	77,505	Aaa /AA +
Federal National Mortgage Association	62,419	Aaa /AA +
United States Treasury Notes	92,844	Aaa/AA+
United States Treasury STRIPS	6,217	Aaa/AA+
United States Government Backed:		
Guaranteed Investment Contracts	1,064	Not Rated
Money Market Funds	104,371	Aaa /AAA
Repurchase Agreements	46,846	P-1/A-1+
Mutual Funds	25,398	AAA
Money Market Funds	33,099	Aaa/AAA
Money Market Funds	16,387	A+/A-
State External Investment Pool – TrustINDiana	51,068	Not Rated
	<u>\$ 551,988</u>	

Custodial Credit Risk

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

At December 31, 2011, all City investments and all collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name except for \$324,053, which is not held in the City's name.

Concentration of Credit Risk

The City policy provides that the City may invest up to 30% of their investment pool in negotiable certificates of deposit having maturities of less than two years and in multiples of one million dollars providing that market yields on certificates of deposit exceed treasury bills of comparable maturity duration. The City has no investments in certificates of deposit at December 31, 2011.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Housing Agency

A summary of all cash and investments for the Housing Agency at December 31, 2011 is as follows:

	<u>Carrying value</u>
Cash	\$ 8,728
Restricted cash and cash equivalents	13,702
Investments	<u>1,922</u>
Total cash and investments	<u>\$ 24,352</u>

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

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits

In accordance with Section 401(E) of the HUD/PHA Annual Contributions Contract, it is the policy of the Housing Agency to invest its funds in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Housing Agency, and comply with all federal, state, and local statutes or ordinances governing the investment of public funds. Demand deposits are fully insured by the Federal Depository Insurance Corporation ("FDIC") or by the Indiana Public Deposits Insurance Fund.

Credit Risk and Custodial Credit Risk

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

The Housing Agency has one institutional money market deposit account valued at \$231 to consider for credit risk and custodial credit risk. The money market account had a Moody's credit rating of P-2. The Housing Agency has one certificate of deposit with a six-month maturity valued at \$1,922 at December 31, 2011. The certificate of deposit had a Standard & Poor's credit rating of A-1, a Moody's credit rating of P-1, and a Fitch's credit rating of F1+.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The Agency has one certificate of deposit with a six-month maturity valued at \$1,922 at December 31, 2011.

Interest Rate Risk

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

Foreign Currency Risk

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

The Housing Agency maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2011 is as follows:

	<u>Carrying value</u>
On deposit:	
Insured by FDIC	\$ 1,946
Insured by Indiana Public Deposits Insurance Fund	18,099
Uninsured	<u>2,385</u>
	<u>\$ 22,430</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

4. Receivables Disaggregation

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

	<u>Accounts</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total accounts receivable</u>
Governmental activities:				
General	\$ 6,013	\$ 9,635	\$ 1,600	\$ 17,248
Revenue debt service	1	—	—	1
Other nonmajor governmental	293	362	—	655
Internal service	16	—	—	16
Total receivables	<u>6,323</u>	<u>9,997</u>	<u>1,600</u>	<u>17,920</u>
Allowance for uncollectible accounts	<u>(871)</u>	<u>—</u>	<u>—</u>	<u>(871)</u>
Total governmental activities	<u>\$ 5,452</u>	<u>\$ 9,997</u>	<u>\$ 1,600</u>	<u>\$ 17,049</u>
Amounts not scheduled for collection during the subsequent year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Business-type activities:				
Housing Agency	<u>55</u>	<u>—</u>	<u>—</u>	<u>55</u>
Total business-type activities	<u>\$ 55</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55</u>
Amounts not scheduled for collection during the subsequent year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

5. Due from Federal and State Governments

Amounts due at December 31, 2011 were as follows:

	<u>Governmental activities</u>			<u>Business-type activities</u>
	<u>General</u>	<u>Federal grants</u>	<u>Other nonmajor governmental</u>	<u>Housing Agency</u>
Reimbursements under federal grants from:				
U.S. Department of Housing and Urban Development (HUD)	\$ 19	7,682	\$ —	\$ 154
U.S. Department of Justice (DOJ)	69	2,328	461	13
Environmental Protection Agency (EPA)	—	22	—	—
U.S. Department of Transportation (DOT)	—	2,010	—	—
Federal Emergency Management Agency (FEMA)	—	310	—	—
U.S. Department of Education (DOE)	—	700	—	—
U.S. Department of Homeland Security (DHS)	99	6,051	—	—
Due from State of Indiana grants	<u>789</u>	<u>46</u>	<u>38</u>	<u>4</u>
	<u>\$ 976</u>	<u>\$ 19,149</u>	<u>\$ 499</u>	<u>\$ 171</u>

At December 31, 2011, the City had available lines of credit or grant authorizations from HUD totaling \$16,180.

6. Long-term Receivables

A. Long-term receivables as of December 31, 2011 consist of the following:

Governmental Activities

The City has U.S. Department of Housing and Urban Development (“HUD”) loans outstanding at December 31, 2011 of \$26,590 including accrued interest of \$5,857. The City has provided a reserve of \$26,337 for these receivables given the uncertainty of collection. Many of these loans bear interest at rates ranging from 0% to 10% and mature over the next 30 years. Generally, principal and interest payments are based upon defined net cash flows and are deferred until sufficient cash flow is available. All deferred principal and interest are due at maturity. Loan repayments to the City are restricted for community and economic development purposes that would otherwise be eligible for reimbursement by HUD under Title I of the Housing and Community Development Act of 1974.

On August 1, 2011, the City loaned Comlux Realty, LLC (“Comlux”) \$6,500, which will be used to finance the construction, acquisition, design, renovation, and equipping of an existing airport hangar building. Upon completion, the new development facilities will allow for 112 (not in thousands) new full-time employees. Under the terms of this agreement, the City will forgive \$500 of the loan if Comlux maintains 112 (not in thousands) full-time employees. At December 31, 2011, within the nonmajor governmental funds, the City has recorded a \$500 reserve related to the long-term receivable and the outstanding balance is \$6,000.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

The minimum future payments as of December 31, 2011 on these notes are as follows:

	<u>Governmental activities</u>	
	<u>Nonmajor</u>	
	<u>governmental funds</u>	
2012	\$	150
2013		150
2014		4,650
2015		150
2016		900
2017-2021		500
		<u>6,500</u>
Less: Allowance		<u>(500)</u>
Total	\$	<u><u>6,000</u></u>

Housing Agency

The Housing Agency has long-term loans receivable outstanding at December 31, 2011. These loans are a result of grant-funded affordable or low-income housing capital projects with fixed interest rates. Noninterest-bearing loans are recorded at present value with a discount that is amortized over the term of the loan.

	<u>Business-type activities</u>						
	<u>Housing Agency</u>						
	<u>Interest rate</u>	<u>Principal</u>	<u>Accrued interest</u>	<u>Unamortized discount</u>	<u>Allowance for loan loss</u>	<u>Net loans receivable</u>	<u>Maturity date</u>
Red Maple Grove Phase I	4.84 %	\$ 347	\$ 154	\$ —	\$ —	\$ 501	6/30/2044
Red Maple Grove Phase IIA – Perm A and B	0.00 – 5.36	3,877	184	(2,630)	—	1,431	12/31/2047
Red Maple Grove Phase IIB – Perm A and B	0.00 – 5.25	4,088	378	(1,691)	—	2,775	12/31/2049
Georgetown IHA Partners II	4.90	5,067	634	—	—	5,701	12/31/2055
Tibbs I	0.00	200	—	—	(200)	—	9/14/2036
Tibbs II	5.74	300	—	—	(300)	—	9/14/2038
16 Park, LP – Capital	5.00	4,425	142	—	—	4,567	12/31/2060
Trail Side	0.00	1,651	—	(1,305)	—	346	9/1/2042
St. Clair	0.00	1,575	—	(1,182)	—	393	12/31/2054
Red Maple Grove – Second Mortgages	0.00	539	—	—	(539)	—	N/A
		\$ <u>22,069</u>	\$ <u>1,492</u>	\$ <u>(6,808)</u>	\$ <u>(1,039)</u>	\$ <u>15,714</u>	

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

B. Long-term pledge receivable

As of December 31, 2011, the City had a long-term pledge receivable amount outstanding of \$1,290. This amount is not recorded on the financial statements and represents a \$1,290 pledge receivable for Canal Square. The pledge agreement states that these funds shall be returned to the City only if a sale or refinancing occurs. If either event occurs, the City is entitled to full repayment; however, the City is subordinate to the mortgage and also to the investors (to the extent of their capital contributions).

7. Capital Assets

Following is a summary of changes in capital assets for the year ended December 31, 2011:

	Balance, January 1, 2011	Additions	Reductions	Balance, December 31, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,421	\$ 1,888	\$ 2,394	\$ 48,915
Construction in progress	258,312	192,652	270,988	179,976
	<u>307,733</u>	<u>194,540</u>	<u>273,382</u>	<u>228,891</u>
Capital assets being depreciated:				
Buildings	789,984	21,561	432,037	379,508
Improvements	157,020	63	7,701	149,382
Equipment	169,934	13,522	11,651	171,805
Infrastructure	3,538,726	138,680	989,111	2,688,295
	<u>4,655,664</u>	<u>173,826</u>	<u>1,440,500</u>	<u>3,388,990</u>
Less accumulated depreciation:				
Buildings	411,788	19,687	297,824	133,651
Improvements	77,728	4,535	1,093	81,170
Equipment	93,012	19,303	17,816	94,499
Infrastructure	2,337,121	87,402	518,357	1,906,166
Total accumulated depreciation	<u>2,919,649</u>	<u>130,927</u>	<u>835,090</u>	<u>2,215,486</u>
Total capital assets being depreciated, net	<u>1,736,015</u>	<u>42,899</u>	<u>605,410</u>	<u>1,173,504</u>
Governmental activities capital assets, net	<u>\$ 2,043,748</u>	<u>\$ 237,439</u>	<u>\$ 878,792</u>	<u>\$ 1,402,395</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

	Balance, January 1, 2011, as restated (note 1.W)	Additions	Reductions	Balance, December 31, 2011
Business-type activities:				
Waterworks				
Capital assets not being depreciated:				
Land	\$ 18,329	\$ 3	\$ 18,332	\$ —
Construction in progress	68,801	13,261	82,062	—
Total capital assets not being depreciated	<u>87,130</u>	<u>13,264</u>	<u>100,394</u>	<u>—</u>
Capital assets being depreciated:				
Water distribution and treatment system	976,698	4,252	980,950	—
Equipment	24,906	—	24,906	—
Total capital assets being depreciated	<u>1,001,604</u>	<u>4,252</u>	<u>1,005,856</u>	<u>—</u>
Less accumulated depreciation:				
Water distribution and treatment system	273,639	14,835	288,474	—
Equipment	11,010	653	11,663	—
Total accumulated depreciation	<u>284,649</u>	<u>15,488</u>	<u>300,137</u>	<u>—</u>
Less acquisition adjustment	151,461	—	151,461	—
Less contributions in aid of construction	52,611	—	52,611	—
Total capital assets being depreciated, net	<u>512,883</u>	<u>(11,236)</u>	<u>501,647</u>	<u>—</u>
Total Waterworks	<u>\$ 600,013</u>	<u>\$ 2,028</u>	<u>\$ 602,041</u>	<u>\$ —</u>
Housing Agency				
Capital assets not being depreciated:				
Land	\$ 15,400	\$ 356	\$ 8	\$ 15,748
Construction in progress	4,122	8,021	4,122	8,021
Total capital assets not being depreciated	<u>19,522</u>	<u>8,377</u>	<u>4,130</u>	<u>23,769</u>
Capital assets being depreciated:				
Buildings	97,031	24,182	7,560	113,653
Equipment	3,721	1,433	216	4,938
Total capital assets being depreciated	<u>100,752</u>	<u>25,615</u>	<u>7,776</u>	<u>118,591</u>
Less accumulated depreciation:				
Buildings	42,376	2,685	7,618	37,443
Equipment	3,096	350	158	3,288
Total accumulated depreciation	<u>45,472</u>	<u>3,035</u>	<u>7,776</u>	<u>40,731</u>
Total capital assets being depreciated, net	<u>55,280</u>	<u>22,580</u>	<u>—</u>	<u>77,860</u>
Total Housing Agency	<u>74,802</u>	<u>30,957</u>	<u>4,130</u>	<u>101,629</u>
Business-type activities capital assets, net	<u>\$ 674,815</u>	<u>\$ 32,985</u>	<u>\$ 606,171</u>	<u>\$ 101,629</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

An intangible asset was recorded in connection with the purchase of the Waterworks utility, which represents a negotiated amount paid by the City for the right to operate the Waterworks. Following is a summary of changes in intangible assets for the year ended December 31, 2011:

	Balance, January 1, 2011	Additions	Reductions	Balance, December 31, 2011
Business-type activities:				
Waterworks				
Intangible assets	\$ 191,917	\$ —	\$ 191,917	\$ —

Total depreciation and amortization expense for Waterworks of \$15,344 reported on the proprietary funds statement of revenue, expenses, and changes in fund net assets consists of depreciation expense of \$15,488, amortization expense of \$3,984 for intangible assets, and amortization expense of \$139 of deferred charges and is offset by negative amortization of \$4,267 for the acquisition adjustment and contributions in aid of construction.

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

Governmental activities:

General government	\$ 1,213
Public safety	15,936
Public works	101,275
Health and welfare	12
Cultural and recreation	5,081
Urban redevelopment and housing	4,311
Economic development and assistance	3,099
	\$ 130,927

Business-type activities:

Waterworks	\$ 15,488
Housing Agency	3,035
	\$ 18,523

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is capitalized and amounted to \$2,269 in 2011. Construction in progress at December 31, 2011 consists of several ongoing projects. These types of projects include but are not limited to regulatory upgrades, source water expansion, security upgrades, process improvements, and infrastructure improvements. At December 31, 2011, the City's commitments related to construction in progress are composed of the following:

	<u>Authorized</u>	<u>Accrued expenditures through December 31, 2011</u>	<u>Committed</u>
Department of Parks and Recreation	\$ 6,703	\$ 5,471	\$ 1,232
Department of Public Safety	2,647	1,676	971
Department of Public Works	249,213	165,971	83,242
Department of Metropolitan Development	12,961	6,858	6,103
Total governmental activities	<u>\$ 271,524</u>	<u>\$ 179,976</u>	<u>\$ 91,548</u>

During 2011, the City sold the water utility and wastewater treatment and collection facilities to CEG. The total reduction in the governmental activities and Waterworks for capital assets related to the sale is as follows:

	<u>Governmental activities</u>	<u>Business-type activities Waterworks</u>
Land	\$ 2,394	\$ 18,332
Construction in progress	201,573	81,192
Buildings	134,020	—
Improvements	418	—
Infrastructure	444,680	705,719
Total gross capital assets sold to CEG	783,085	805,243
Less: acquisition adjustment	—	(148,316)
Less: contributions in aid of construction	—	(51,488)
Total carrying value sold to CEG	<u>\$ 783,085</u>	<u>\$ 605,439</u>

During 2011, the Housing Agency sold several properties to Indiana Limited Partnerships, which were formed to develop, rehabilitate, own, maintain, and operate these developments. The partnerships have received allocations of low-income housing tax credits from the State of Indiana. The partnerships have entered into contracts with general contractors and at December 31, 2011, remaining contract commitments were \$25,900.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

8. Accounts Payable and Other Current Liabilities Disaggregation

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

	<u>Vendors</u>	<u>Third-party contracts</u>	<u>Due to other governments</u>	<u>Claims and settlements</u>	<u>Accrued payroll and taxes</u>	<u>Other</u>	<u>Total payables and other current liabilities</u>
Governmental activities:							
General	\$ 21,111	\$ 192	\$ 1,469	\$ —	\$ 28,201	\$ 2,570	\$ 53,543
Federal grants	4,292	4,057	183	—	172	—	8,704
Revenue debt service	11	—	—	—	—	—	11
PILOT revenue bonds capital projects	10,375	—	—	—	—	—	10,375
Other nonmajor governmental	6,465	107	93	—	—	—	6,665
Internal service	—	—	—	8,559	—	—	8,559
	<u>42,254</u>	<u>4,356</u>	<u>1,745</u>	<u>8,559</u>	<u>28,373</u>	<u>2,570</u>	<u>87,857</u>
Total governmental activities	<u>\$ 42,254</u>	<u>\$ 4,356</u>	<u>\$ 1,745</u>	<u>\$ 8,559</u>	<u>\$ 28,373</u>	<u>\$ 2,570</u>	<u>\$ 87,857</u>
Business-type activities:							
Housing Agency	6,735	—	—	—	335	—	7,070
Total business-type activities	<u>\$ 6,735</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 335</u>	<u>\$ —</u>	<u>\$ 7,070</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

9. Leases and Other Financing Transactions

A. Lessee Arrangements

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

The City has entered into various operating leases for rental of equipment and properties. Total rental expense for these operating leases was \$16,392 for governmental activities in 2011. The minimum future payments as of December 31, 2011 on these operating leases are as follows:

	Governmental activities
2012	\$ 16,036
2013	15,912
2014	15,849
2015	15,821
2016	15,787
2017–2021	3,273
2022–2026	538
2027–2031	414
2032–2036	263
Total future payments	\$ 83,893

The City entered into an agreement with the Marion County Convention and Recreational Facility Authority (“MCCRFA”) to lease a portion of land located at the airport over a 25-year term expiring in December 2016. This land was being used for a major aircraft maintenance and overhaul center for United Airlines, Inc. (“United”) prior to United’s bankruptcy filing in 2003. The lease requires the City to make annual payments equal to MCCRFA’s debt service requirements. Lease payments in 2011 amounted to \$14,217.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

B. Lessor Arrangements

The City is the lessor in several operating lease agreements with outside parties. These leases include various properties and portions of property acquired by the City. The cost of the leased property is \$2,655. As of December 31, 2011, the leased property had a carrying amount of \$2,183 and current year depreciation of \$68. These properties are leased for terms generally ranging from 5 to 50 years. Total rental income amounted to \$771 in 2011.

The minimum future rental income to be received as of December 31, 2011 on these operating leases is as follows:

		<u>Governmental activities</u>
2012	\$	519
2013		439
2014		432
2015		426
2016		396
2017 – 2021		955
2022 – 2026		610
2027 – 2031		610
2032 – 2036		<u>489</u>
Total future receipts	\$	<u><u>4,876</u></u>

C. Other Financing Transactions

City Market:

In 2007, the City renewed its long-term operating lease with the Indianapolis City Market Corporation (“Market”), a not-for-profit organization formed for the purpose of operating the Indianapolis City Market. The lease extended through February 28, 2011 and provides for a five-year renewal option at that time. As of June 2012, the renewal option has not been exercised. The Market is to pay an annual rental fee of one dollar, plus 100% of the net cash flow, if any, remaining after the payment of normal costs of operations and maintenance. In 2011, the City was required to contribute additional subsidies to the Market of \$158.

Circle Centre Mall:

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

10. Long-Term Liabilities

A. Changes in Long-Term Debt

The following is a summary of long-term debt and other long-term liabilities for the year ended December 31, 2011:

	<u>Balance, January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2011</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds payable	\$ 265,900	\$ 740	\$ 48,452	\$ 218,188	\$ 7,935
Tax increment bonds payable	536,092	168,818	54,501	650,409	27,508
Revenue bonds payable	728,684	24,120	481,491	271,313	2,660
Deferred amounts:					
Less: Deferred discounts	(433)	—	(17)	(416)	—
Loss on refunding	(7,001)	—	(1,208)	(5,793)	—
Plus: Deferred premiums	32,086	6,810	3,756	35,140	—
Total bonds payable	<u>1,555,328</u>	<u>200,488</u>	<u>586,975</u>	<u>1,168,841</u>	<u>38,103</u>
Notes payable and certificates of participation	41,335	—	4,035	37,300	6,351
Capital leases payable	—	8,175	—	8,175	730
Net pension obligation	387,593	73,178	64,624	396,147	—
Postemployment benefit obligation	59,175	15,733	1,695	73,213	—
Early retirement obligation	1,758	—	879	879	879
Compensated absences	31,314	29,925	29,151	32,088	17,011
Settlements payable – internal service fund	1,134	—	1,134	—	—
Total governmental activities	<u>\$ 2,077,637</u>	<u>\$ 327,499</u>	<u>\$ 688,493</u>	<u>\$ 1,716,643</u>	<u>\$ 63,074</u>
Business-type activities:					
Waterworks:					
Revenue bonds	\$ 903,965	\$ 58,790	\$ 962,755	\$ —	\$ —
Less: Loss on refunding	(57,398)	—	(57,398)	—	—
Deferred discounts	(14,215)	—	(14,215)	—	—
Plus: Deferred premiums	20,793	13	20,806	—	—
Total bonds payable	<u>853,145</u>	<u>58,803</u>	<u>911,948</u>	<u>—</u>	<u>—</u>
Notes payable	1,667	—	1,667	—	—
Customer advances	14,515	478	14,993	—	—
Accumulated postretirement benefit obligation	81,139	3,530	84,669	—	—
Housing Agency:					
Capital leases payable	698	442	273	867	281
Notes payable	10,149	14,234	176	24,207	12,130
Due to other governmental units	1,756	—	—	1,756	—
Unearned revenue and FSS escrow	2,902	423	337	2,988	321
Compensated absences	132	379	322	189	19
Total business-type activities	<u>\$ 966,103</u>	<u>\$ 78,289</u>	<u>\$ 1,014,385</u>	<u>\$ 30,007</u>	<u>\$ 12,751</u>

Included in additions to bonds payable is \$8,183 representing accretion of capital appreciation, which is not included in the statement of revenues, expenditures, and changes in fund balance. That amount plus the \$185,495 of bonds and notes issued on the statement of revenues, expenditures, and changes in fund balance amount to the \$193,678 of related additions reflected in the rollforward above.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

B. General Obligation Bonds

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

	<u>Issue date</u>	<u>Final maturity date</u>	<u>Interest</u>	<u>Outstanding</u>
Civil City Bonds:				
Pension Bonds, Series 2005 A	02/03/2005	01/15/2022	3.790% – 5.280%	\$ <u>76,715</u>
Total Civil City Bonds				<u>76,715</u>
Redevelopment District Bonds:				
Redevelopment District of 1993:				
Capital appreciation	03/04/1993	01/01/2013	6.050 – 6.300	6,002
Redevelopment District Refunding Bonds, Series 2009 A	08/04/2009	01/01/2015	2.750 – 4.000	<u>775</u>
Total Redevelopment District Bonds				<u>6,777</u>
Sanitary District Bonds:				
Sanitary District of 1993 – 2nd	03/04/1993	01/01/2013	5.700 – 5.900	4,660
Sanitary District of 2003 A Refunding	07/09/2003	01/01/2018	4.500 – 5.500	6,838
Sanitary District of 2007 C Refunding	11/08/2007	01/01/2018	5.000	28,570
Sanitary District of 2007 D Refunding	11/08/2007	01/01/2013	0.000	235
Sanitary District of 2009 A Refunding	08/04/2009	01/01/2015	2.750 – 4.000	<u>1,500</u>
Total Sanitary District Bonds				<u>41,803</u>
Public Safety Comm Systems &				
Computer Facilities District Bonds, Series 2008 B	12/18/2008	01/15/2024	2.350 – 5.600	<u>35,030</u>
Total Public Safety Comm System (MECA)				\$ <u>35,030</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

	<u>Issue date</u>	<u>Final maturity date</u>	<u>Interest</u>	<u>Outstanding</u>
Flood Control District Bonds:				
Flood Control District of 1993 – 2nd	03/04/1993	01/01/2013	5.750% – 5.900%	\$ 925
Flood Control District Refunding Bonds, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.250	1,354
Flood Control District Refunding Bonds, Series 2007 A	11/08/2007	01/01/2018	5.000	5,660
Flood Control District Refunding Bonds, Series 2007 B	11/08/2007	01/01/2013	0.000	47
Flood Control District Refunding Bonds, Series 2009 A	08/04/2009	02/01/2015	2.750 – 4.000	525
Total Flood Control District Bonds				<u>8,511</u>
Metropolitan Thoroughfare District Bonds:				
Metropolitan Thoroughfare District – 1993 – 2nd	02/18/1993	01/01/2013	5.750 – 5.900	3,550
Metropolitan Thoroughfare District Refunding, Series 2003A	07/09/2003	01/01/2018	4.500 – 5.500	5,211
Metropolitan Thoroughfare District, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.500	1,485
Metropolitan Thoroughfare District, Series 2007 A	11/08/2007	01/01/2018	5.000	21,770
Metropolitan Thoroughfare District, Series 2007 B	11/08/2007	01/01/2013	0.000	179
Total Metropolitan Thoroughfare District Bonds				<u>32,195</u>
Park District Bonds:				
Park District of 1993 – 2nd	02/18/1993	01/01/2013	5.750 – 5.900	1,985
Park District of 1993 Refunding, Series 2003 A	07/09/2003	01/01/2018	4.500 – 5.500	2,912
Park District Refunding Bonds, Series 2007 A	11/08/2007	01/01/2018	5.000	12,160
Park District Refunding Bonds, Series 2007 B	11/08/2007	01/01/2013	0.000	100
Total Park District Bonds				<u>17,157</u>
Total general obligation bonds recorded in governmental activities				218,188
Less: Matured bonds payable recorded in the debt service funds				<u>(3,925)</u>
				<u>\$ 214,263</u>

All principal and interest payments are due on January 1 and July 1 of the respective year. Accordingly, the City appropriates all payments due on January 1 in the year before payment is due and provides the amount in the Debt Service Funds. Due to a change in accounting financial systems the City elected to pay on December 30, 2011, all serial bond principal and interest payments due January 1, 2012. Any remaining amounts due on January 15 have been recorded as matured bonds payable and matured interest payable at December 31, 2011 within the fund financial statements.

As part of the purchase agreement of the wastewater collection and treatment facilities, CEG agreed to fund the remaining sanitary district general obligation bonds as they come due to maturity through 2018. Therefore, a receivable of \$41,803, representing the remaining principal outstanding on this remaining sanitary district general obligation bonds at December 31, 2011, has been recorded in the statement of net assets within the government-wide financial statements. During 2011, CEG paid amounts of \$2,946 representing principal and interest

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

payments on these bonds due in 2011. These amounts have been recorded as other revenues within the nonmajor governmental funds on the statement of revenues, expenditures, and changes in fund balances and within miscellaneous revenues on the statement of activities.

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

Year ending December 31	Redevelopment							
	Civil City		General		Sanitary		Flood Control	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 5,785	\$ 3,727	\$ —	\$ 30	\$ —	\$ 1,058	\$ —	\$ 214
2013	6,045	3,468	6,590	23	6,378	1,943	1,341	392
2014	6,325	3,190	260	15	6,725	1,606	1,407	322
2015	6,625	2,892	265	5	7,046	1,267	1,473	253
2016	6,940	2,573	—	—	6,864	918	1,360	182
2017 – 2021	40,360	7,208	—	—	14,790	755	2,930	149
2022 – 2026	4,635	122	—	—	—	—	—	—
	<u>76,715</u>	<u>23,180</u>	<u>7,115</u>	<u>73</u>	<u>41,803</u>	<u>7,547</u>	<u>8,511</u>	<u>1,512</u>
Less deferred interest on capital appreciation bonds	—	—	(338)	—	—	—	—	—
	<u>\$ 76,715</u>	<u>\$ 23,180</u>	<u>\$ 6,777</u>	<u>\$ 73</u>	<u>\$ 41,803</u>	<u>\$ 7,547</u>	<u>\$ 8,511</u>	<u>\$ 1,512</u>
	Metropolitan							
	Thoroughfare		Park		MECA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ —	\$ 825	\$ —	\$ 439	\$ 2,150	\$ 1,689	\$ 7,935	\$ 7,981
2013	4,707	1,519	2,510	808	2,220	1,618	29,791	9,770
2014	4,969	1,263	2,649	672	2,310	1,528	24,645	8,597
2015	5,223	1,006	2,778	535	2,420	1,422	25,830	7,380
2016	5,485	735	2,926	391	2,520	1,317	26,095	6,117
2017 – 2021	11,811	604	6,294	321	14,570	4,624	90,755	13,662
2022 – 2026	—	—	—	—	8,840	750	13,475	873
	<u>32,195</u>	<u>5,952</u>	<u>17,157</u>	<u>3,166</u>	<u>35,030</u>	<u>12,948</u>	<u>218,526</u>	<u>54,380</u>
Less deferred interest on capital appreciation bonds	—	—	—	—	—	—	(338)	—
	<u>\$ 32,195</u>	<u>\$ 5,952</u>	<u>\$ 17,157</u>	<u>\$ 3,166</u>	<u>\$ 35,030</u>	<u>\$ 12,948</u>	<u>\$ 218,188</u>	<u>\$ 54,380</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

C. Tax Increment Revenue Bonds

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

	<u>Issue dates</u>	<u>Final maturity dates</u>	<u>Effective interest rates</u>	<u>Balance, December 31, 2011</u>
Redevelopment District 1992	11/01/92	02/01/14	6.750% – 6.800%	<u>44,010</u>
Redevelopment District 1999 Series B:				
Capital appreciation	08/12/99	02/01/29	5.650 – 5.820	241,640
Less discount				<u>(122,750)</u>
				118,890
Redevelopment District 2002 Series B	12/19/02	02/01/29	3.900 – 5.000	<u>29,365</u>
Redevelopment District 2004 Series A	07/08/04	02/01/28	3.300 – 5.400	<u>11,640</u>
Redevelopment District 2004 Series A, Junior Subordinate	10/28/04	02/01/19	variable rate	<u>1,353</u>
Redevelopment District 2004 Series B	10/28/04	08/01/14	variable rate	<u>6,825</u>
Redevelopment District 2004 Series C	10/28/04	02/01/16	variable rate	<u>11,050</u>
Redevelopment District 2007 Series A	12/13/07	02/01/21	4.000 – 4.125	<u>7,225</u>
Redevelopment District 2007 Series (Ameriplex)	12/28/07	02/01/23	6.200	<u>4,520</u>
Redevelopment District 2007 Series (Glendale)	05/10/07	02/01/27	5.450 – 6.210	<u>4,970</u>
Redevelopment District 2008 Series B	05/08/08	02/01/38	3.250 – 5.000	<u>58,875</u>
Redevelopment District 2009 Series A	09/02/09	02/01/20	3.000 – 5.000	<u>145,780</u>
Redevelopment District 2009 Series B	09/02/09	02/01/15	1.790 – 3.800	<u>15,705</u>
Redevelopment District 2010 Series A	06/03/10	02/01/25	5.000	<u>6,696</u>
Redevelopment District 2011 Series A	03/10/11	08/01/24	.500 – 5.000	<u>38,710</u>
Redevelopment District 2011 Series C	05/19/11	02/01/36	4.000 – 5.750	<u>25,425</u>
Redevelopment District 2010 Series (Dow AgroSciences)	06/22/10	02/01/25	3.000 – 5.125	<u>17,375</u>
Redevelopment District 2010 Series (AIT Laboratories)	11/04/10	02/01/35	2.600 – 5.150	<u>5,045</u>
Economic Development Revenue 2011A Series (North of South)	04/07/11	02/01/36	5.000 – 5.750	<u>81,640</u>
Economic Development Revenue Taxable 2011B Series (North of South)	04/07/11	02/01/21	2.913 – 4.813	<u>15,310</u>
Total Tax Increment Revenue Bonds				<u>\$ 650,409</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

All principal and interest payments are due on January 15 and July 15, February 1, and August 1 of the respective year. Accordingly, the City appropriates all payments due on January 15 in the year before payment is due and provides the amount in the Debt Service Funds. All Tax Increment Bond principal and interest payments due January 15, 2012 have been recorded as matured bonds payable and matured interest payable at December 31, 2011 in the fund financial statements.

The City has previously issued its Redevelopment District Taxable Junior Subordinate Tax Increment Revenue Refunding Bonds, Series 2004 A and Series 2004 B in the amount of \$14,600 and \$13,985, respectively, to the Indianapolis Local Public Improvement Bond Bank, which issued its related Taxable Refunding Notes of 2004, Series A and Series B in the amount of \$14,600 and \$13,985, respectively. Interest is variable and is calculated on an actual/360-day basis. Interest is adjusted at least quarterly each February 1, May 1, August 1, and November 1, based upon the London InterBank Offering Rate Index (“LIBOR”) plus 110 basis points. The Indianapolis Local Public Improvement Bond Bank can select either the 30-day LIBOR, 60-day LIBOR, or 90-day LIBOR prior to each interest period. On December 31, 2011, the interest rate on the Series A was 1.681% and was based on the 30-day LIBOR. The interest rate on the Series 2004 B on December 31, 2011 was 1.395% and was based on the 30-day LIBOR.

The City has previously issued its Redevelopment District Bonds, 2004 Series C in the amount of \$17,600 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Notes of 2004, and Series C in the amount of \$17,600. Interest is variable and is calculated on an actual/360-day basis. Interest is adjusted at least quarterly each February 1, May 1, August 1, and November 1, based upon LIBOR plus 110 basis points. The Indianapolis Local Public Improvement Bond Bank can select either the 30-day LIBOR, 60-day LIBOR, or 90-day LIBOR prior to each interest period. On December 31, 2011, the interest rate on the Series C was 1.395% and was based on the 30-day LIBOR.

On March 10, 2011, the City issued its Redevelopment District Tax Increment Revenue Multipurpose Bonds, Series 2011 A, in the amount of \$39,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2011 C Bonds in the amount of \$39,000. The proceeds from these bonds were used to refund all of the City’s outstanding Tax Increment Revenue Bonds of 1991 (Harding Street Project), which had an outstanding principal amount of \$28,340 (the “1991 District Bonds”), fund a debt service reserve fund or pay premiums on a debt service reserve surety bond and municipal bond insurance policy allocable to the 2011 Bonds; pay all or a portion of amounts payable pursuant to an agreement dated April 24, 1991 (“Taxpayer Agreement”), with Eli Lilly and Company (“Eli Lilly”), and pay costs of issuance of the bonds. Under the Taxpayer Agreement, if the distributions from the tax increment financing (“TIF”) portion of the bond were not sufficient to pay the debt service on the bonds, Eli Lilly made up the difference. At the time of issuance of the 2011 A bonds, the City owed Eli Lilly \$14,822. The refunding resulted in an increase of \$706 in future debt service payments and an economic loss (present value of the difference in debt service payments) of \$6.

On April 7, 2011, the City issued its Economic Development Revenue Bonds, Series 2011 A and B, in the amounts of \$81,640 and \$15,310, respectively, to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2011 A and B Bonds in the amounts of \$81,640 and 15,310, respectively. The proceeds from these bonds were used make a loan to NOS Innovation Partners, LLC for the purposes of financing the acquisition, construction, design, and equipping of one or more economic development facilities in the City, pay capitalized interest on the bonds, and pay the costs of issuance. The economic development facilities consist of a new mixed-use development project including residential rental units, retail space, commercial office and/or laboratory space, and a new independent hotel.

On May 19, 2011, the City issued its Economic Development Tax Increment Revenue Bonds, Series 2011 C, in the amount of \$25,425 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2011 F Bonds in the amount of \$25,425. The proceeds from these bonds will be used to acquire, construct, and equip one or more economic development facilities in the City, pay capitalized interest on the bonds, and pay the costs of issuance. The economic development facility funded is to be used by Indiana University Health, Inc. and Indianapolis NCOE, LLC for the purposes of the IU Health Neurosciences Center of Excellence and the construction of a City fire station.

Included in additions to tax increment bonds payable is \$7,443 representing accretion of capital appreciation, which is not included in the statement of revenues, expenditures, and changes in fund balance. That amount, plus the \$161,375 of bonds and notes described above, amount to the \$168,818 of related additions reflected in note 10.A.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 27,508	\$ 25,422	\$ 52,930
2013	30,736	23,732	54,468
2014	38,275	22,209	60,484
2015	33,730	20,564	54,294
2016	36,644	19,061	55,705
2017 – 2021	196,807	70,134	266,941
2022 – 2026	208,359	43,657	252,016
2027 – 2031	135,885	26,912	162,797
2032 – 2036	59,495	9,918	69,413
2037 – 2041	5,720	288	6,008
	<u>773,159</u>	<u>261,897</u>	<u>1,035,056</u>
Less deferred interest on capital appreciation bonds	<u>(122,750)</u>	<u>—</u>	<u>(122,750)</u>
Total	<u>\$ 650,409</u>	<u>\$ 261,897</u>	<u>\$ 912,306</u>

D. Derivatives

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

Terms, Fair Values, and Credit Risk: The terms, including the fair value and credit ratings of the outstanding swap as of December 31, 2011, are as follows. The City’s swap agreement contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated “bonds and notes payable” category.

<u>Associated bond/note issue</u>	<u>Outstanding notional amount</u>	<u>Effective date</u>	<u>Fixed rate paid</u>	<u>Variable rate received</u>	<u>Fair value</u>	<u>Swap termination date</u>	<u>Counterparty credit rating S&P/Moody's/Fitch</u>
Redevelopment District 2004 Series C	\$ 8,050	4/23/2003	4.27%	100% of USD – LIBOR – BBA	\$ (331)	2/1/2013	A-2/A-/BBB+

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Fair Value: The City engaged a third party to calculate the ‘mark-to-market’ or ‘market value’ of the swap agreement. The fair value is derived from the counterparty proprietary models based upon well-recognized financial principles, which provide a reasonable approximation of the fair value. Because interest rates declined, the swap had a negative fair value as of December 31, 2011. The negative fair value may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the City’s variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

Credit Risk: As of December 31, 2011, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s fair value.

The swap is held by one counterparty, Key Bank National Association. That counterparty is rated A-2/A-/BBB+.

Basis Risk: The City is exposed to basis risk on the swap when the variable payment received is based on an index other than Securities Industry and Financial Markets Association (“SIFMA”). As of December 31, 2011, the SIFMA rate was 0.15%, whereas the 1-month LIBOR was 0.28% and 5-year LIBOR was 1.22%.

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

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

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

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

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

Swap Payments and Associated Debt: As of December 31, 2011, debt service requirements of the City’s outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Year ending December 31	Principal	Interest	Interest rate swaps, net	Total
2012	\$ 3,900	\$ 61	\$ 252	\$ 4,213
2013	4,150	5	89	4,244
Total	\$ 8,050	\$ 66	\$ 341	\$ 8,457

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

E. Revenue Bonds

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

	<u>Issue dates</u>	<u>Final maturity dates</u>	<u>Effective interest rates</u>	<u>Balance, December 31, 2011</u>
Governmental activities:				
Indy Roads Revenue Bonds — 2003 Series	11/25/03	01/01/19	3.000 – 5.000	\$ 11,400
Redevelopment District — 2002 Series A	11/21/02	02/01/12	3.150 – 3.850	455
Facilities Revenue Bonds of 2006	02/16/06	01/15/21	4.000 – 5.000	12,795
Facilities Revenue Bonds of 2007	12/17/07	07/15/21	3.750 – 4.125	2,800
Stormwater District Revenue Bonds, Series 2006 A	03/21/06	01/01/26	4.000 – 5.000	39,450
Stormwater District Revenue Bonds, Series 2011	08/10/11	01/01/41	3.580	16,445
PILOT Revenue Bonds — 2010 Series A	08/12/10	01/01/40	5.000	159,515
Economic Development Bonds — 2004 Series B	06/23/04	04/01/30	variable rate	9,300
Economic Development Bonds — 2004 Series C	06/23/04	04/01/39	3.500 – 5.375	<u>19,153</u>
Total revenue bonds recorded in governmental activities				<u>271,313</u>
Less matured bonds payable recorded in debt service funds				<u>(625)</u>
				<u>\$ 270,688</u>

Due to the sale of the wastewater collection and treatment facilities, CEG assumed \$450,099 of sanitary district revenue bond debt, less the City's allocated principal portion of debt assumed through August 25, 2011, in the amount of \$15,753. The City had issued \$8,649 of revenue debt during 2011 prior to the sale, which is included in the above-assumed debt amount. In addition, CEG agreed to continue to pay a wastewater payment in lieu of taxes ("PILOT") sufficient to cover the debt service on the PILOT Revenue Bonds 2010 Series A. In 2011, \$1,416 was recorded as other operating revenue in the nonmajor governmental funds (PILOT debt service fund).

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Governmental Activities

All principal and interest payments are due on January 1 and July 1, January 15 and July 15, and April 1 and October 1 of the respective year. Accordingly, the City appropriates all payments due on January 1 and January 15 in the year before payment is due and provides the amount in the Debt Service Funds. Payments due in April and October will be appropriated in the year due. Due to a change in accounting financial systems, the City elected to pay on December 30, 2011 all revenue bond principal and interest payments due January 1, 2012. Any remaining amounts due on January 15 have been recorded as matured bonds payable and matured interest payable at December 31, 2011 within the fund financial statements.

The variable rate Economic Development Revenue Bonds, Series 2004 B bear interest payable on each interest payment per annum established on the basis of a 365- or 366-day year and on a weekly basis. The maximum will not exceed 12%. The rate effective at December 31, 2011 is 1.0%.

On August 10, 2011, the City issued its Stormwater District Revenue Bonds, Series 2011, in the amount of \$16,570 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2011 H Bonds in the amount of \$16,570. The proceeds from these bonds will be used to fund capital projects within the stormwater district and to pay costs of issuance.

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending</u> <u>December 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,660	\$ 11,197
2013	4,358	12,589
2014	4,555	12,400
2015	4,765	12,188
2016	5,205	11,951
2017 – 2021	42,950	54,741
2022 – 2026	51,375	42,781
2027 – 2031	48,605	31,692
2032 – 2036	53,705	19,941
2037 – 2040	53,135	5,336
	<u>\$ 271,313</u>	<u>\$ 214,816</u>

Prior to 2011, a portion of the Redevelopment District Series 1991 bonds are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding principal of \$7,700 at December 31, 2011.

Business-type Activities

On May 26, 2011, the City issued Waterworks District Net Revenue Bonds, Series 2011 A in the amount of \$58,790. The proceeds of the bonds were to be used for the construction of capital projects as identified in the recently concluded rate case before the IURC. The bonds were payable in annual principal installments ranging from \$600 to \$3,655 and fully mature on January 1, 2041. The bonds bore interest rates ranging from 2.00% to 5.13%. Due to the sale of the waterworks utility, CEG assumed \$958,270 of outstanding waterworks district revenue bond debt including the \$58,790 issued on May 26, 2011.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

F. Pledged Revenues

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

Revenue bond issue	General purpose for debt	Term of commitment	Pledged revenue	Principal and interest for fiscal year ended December 31, 2011	Pledged revenues for fiscal year ended December 31, 2011	Total principal and interest remaining on debt
Tax increment revenue	Infrastructure investment in various special taxing districts	Through 2038	Property tax increment	\$ 65,033	\$ 60,980	\$ 503,797
Transportation revenue	Construction, reconstruction, and repair of roads, streets, and sidewalks	Through 2019	Wheel tax and state transportation distributions	1,947	12,194	13,623
Redevelopment revenue	Construct roads, sidewalks, and water and sewer utilities in Martindale-Brightwood Industrial Development area	Through 2012	Transfers from the cumulative funds of the City	466	471	463
Facilities revenue	Improvements and repairs to various city and county-owned buildings	Through 2021	Rent charged back to City and County agencies	1,601	1,947	15,926
Stormwater	Improvements of stormwater handling capabilities	Through 2026	Net revenues of the stormwater system	3,220	3,220	84,441
Sanitary revenue	Construction of additions and improvements to the sewage works system	Through 2028	Net revenues of the sewer system	461,143	64,138	—
Enhanced emergency telephone system	Upgrade and improvements to the enhanced emergency telephone system (E-911)	Through 2011	E-911 fees	846	1,336	—
Economic development	Provide financial incentives and assistance to a private developer for the construction of a downtown hotel	Through 2039	Parking garage fees	1,200	1,365	50,783
Waterworks	Purchase of and capital improvements to the public water utility	Through 2038	Net revenues of the public water system	43,016	56,016	—
PILOT	City's public roads, street and sidewalks, and other public facilities.	Through 2040	Payments in lieu of taxes	7,910	14,214	317,427

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

G. Notes Payable and Certificates of Participation

1. The City has outstanding notes payable related to HUD Section 108 loan proceeds. The notes payable, with an original amount of \$5,700, were issued in 2000 and 2001. Under the terms of the agreement, the City makes principal and interest payments on each February 1 and August 1, with the last payment being made on August 1, 2020. At December 31, 2011, \$2,700 was still outstanding.
2. On June 27, 2002, a loan for \$175 was secured from Indiana Development Finance Authority through the Department of Metropolitan Development. The purpose was to assist in financing the cost of assessment and remediation activities at a Brownfield site (as defined in IC 13-11-2-19.3) known as Riverside Plaza, located at 1426 W. 29th Street in Indianapolis, Indiana. Up to twenty percent (20%) of the \$175 loan may be forgiven if the project attains its Economic Development Goals timely. In 2004, \$35 was forgiven. At December 31, 2011, this note has been paid in full.
3. On November 10, 2006, the City signed an agreement with the Indianapolis Local Public Improvement Bond Bank for an amount not to exceed \$7,800. The proceeds from the notes were used to purchase vehicles and equipment for the City. The term for this agreement is 60 months, with the first principal payment due November 10, 2007. At December 31, 2011, the notes were paid in full.
4. On November 16, 2007, the City signed an agreement with the Indianapolis Local Public Improvement Bond Bank for amounts not to exceed \$920 and \$1,440 for the purchase of vehicles and equipment for the City. The term for this agreement is 60 months, with the first principal payment due November 10, 2008. At December 31, 2011, the notes were paid in full.
5. On September 25, 2007, the City issued Redevelopment Note, Series 2007 E in the amount of \$5,000. The proceeds from the note are to be used for demolition of structures, excavation, and proper disposal of contaminated soils left when Ertel Manufacturing Company went out of business in 2003. Interest and principal are payable at maturity on September 25, 2012. The note bears interest on the 30-Day LIBOR plus 2.14%, multiplied by 65% and set on the 25th day of each month beginning September 25, 2007. For the year ended December 31, 2011, the outstanding balance was \$4,685. The interest rate in effect at December 31, 2011 was 1.57%.
6. On April 29, 2010, the City entered into a Master Lease-Purchase Agreement with the Capital Asset Financing Corporation (“CAFCO”). CAFCO is an Indiana Leasing Trust who acts as the lessor of the equipment, with the City as lessee. A trustee has been appointed to collect and disburse all amounts due under the lease agreements.

CAFCO issued Certificates of Participation Series 2010 A and B for \$6,010 and \$1,360, respectively. The proceeds from the Certificates were used to purchase vehicles for the City’s Departments of Public Safety and Public Works. The basic rent payments and, consequently, the principal and interest components payable to the owners of Certificates are payable on June 1 and December 1, with the Certificates fully maturing on June 1, 2018. The outstanding balance at December 31, 2011 is \$5,525. The principal amount of the Certificates has been included in notes payable and certificates of participation obligations.
7. On July 30, 2010, the City issued Redevelopment District Notes, Series 2010 C in the amount of \$2,500. The proceeds from the sale of the Series 2010 C Notes, along with \$197 of cash on hand, were used to pay off the Redevelopment District Limited Recourse Notes, Series 2005 C, which were outstanding in the amount of \$2,500. Principal and interest will be paid from tax increment revenues collected in the Barrington (“HOTIF”) allocation area. The notes bear interest at a per annum rate of 3.92%. The outstanding balance at December 31, 2011 is \$2,500, which will mature on July 30, 2015.
8. On August 9, 2010, the City issued Redevelopment District Notes, Series 2010 B in the amount of \$3,200. The proceeds from the sale of the Series 2010 B Notes, along with \$2,856 of cash on hand, were used to pay off the Series 2005 A and B Redevelopment District Limited Recourse Notes, which were outstanding in the amount of \$3,195 and \$2,750, respectively. Principal and interest will be paid from tax increment revenues collected in the Fall Creek/Citizens Consolidated Housing Tax Increment HOTIF area.

The Series 2010 B Notes interest and principal are payable annually on February 1 and August 1 commencing on February 1, 2011 and fully maturing on August 1, 2030. The notes bear interest at a per annum rate of 3.75%. The outstanding balance at December 31, 2011 is \$3,090.
9. On October 8, 2010, the City entered into an agreement with Fifth Third Leasing Company to issue notes in the amount of \$18,800. The proceeds will be used to complete energy improvements at various City owned properties. The notes are payable over a 15-year period beginning on January 1, 2013 and fully mature on July 31, 2027. The stated interest rate is 3.23%. The provision of the not agreement guarantees that the City will realize sufficient energy savings to fully cover the note’s debt service. The outstanding balance at December 31, 2011 is \$18,800.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

10. Housing Agency notes payable consist of five zero interest loans at December 31, 2011 between tax credit limited partnerships controlled by the Housing Agency and Indiana Housing Community Development Agency (“IHCDA”) related to tax credit assistance programs and Section 1602 tax credit exchange programs. Tax credit assistance program (“TCAP”) note payments begin on the Conversion Date (or no later than December 31, 2012). One fifteenth of the principal balance of Section 1602 tax credit exchange program notes will be forgiven each year beginning with the first anniversary of the Conversion Date if the projects stay in compliance. The mortgages are secured by the buildings of the projects located in Indianapolis, Indiana. Balances of TCAP and Section 1602 loans at December 31, 2011 were \$12,000 and \$3,904, respectively.

In 2011, the Housing Agency issued a \$2,100 revenue bond for the purchase of its administrative office building located on Meridian Street. The revenue bond is payable over a 10-year period with an interest rate of 3.65%. Balance of the revenue bond at December 31, 2011 was \$2,058.

In 2011, B and H Housing, LP (an affiliate) entered into a construction loan with Chase Bank for up to \$10,700 for construction at B and H Housing, LP. The loan carries a prime floating interest rate plus 0.65% that calculates daily. Balance of the construction loan at December 31, 2011 was \$6,245.

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

	<u>Governmental activities</u>		<u>Business-type activities</u>
			<u>Housing Agency</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2012	\$ 6,351	\$ 502	\$ 12,130
2013	1,705	2,140	1,019
2014	2,793	1,033	1,962
2015	4,873	919	1,969
2016	1,914	746	1,976
2017 – 2021	8,816	2,668	3,939
2022 – 2026	8,356	1,198	1,212
2027 – 2031	2,492	113	—
	<u>\$ 37,300</u>	<u>\$ 9,319</u>	<u>\$ 24,207</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

H. Capital Leases Payable:

Governmental Activities

The City and the County jointly lease their office building and parking lot from the Indianapolis-Marion County Building Authority (“Building Authority”), a related party, over a 50-year term expiring in December 2012 (note 14). The Building Authority is a separate municipal corporation whose purpose is to finance, acquire, construct, improve, renovate, equip, operate, maintain, and manage land, governmental buildings, and communication systems for governmental entities within the County. The Building Authority has no stockholders nor equity holders, and all bond and note loan proceeds, rentals, and other revenues must be disbursed for specific purposes in accordance with provisions of Indiana Code 36.9-13 et seq. and several trust indentures and loan agreements executed for the security of the holders of the bonds and notes. The facilities are financed through the issuance of general obligation debt. The Building Authority enters into long-term lease agreements with the City and other government entities, which provide for sufficient rent to service the debt and offset operating costs. All of the leases contain lease renewals and purchase options. If these options are not exercised, the leases provide for the transfer, upon expiration of the lease, of ownership of the properties to the lessees free and clear of all obligations of the lease. The governing Indiana statute with respect to each of the Building Authority’s leases provides that the government lessee(s) shall be obligated to levy annually a tax sufficient to produce each year the necessary funds to pay the lease rentals to the Building Authority. These leases provide for sufficient rent to service the debt and provide for operating costs. The County and the City will jointly obtain title to the building and parking lot in the future. The lease requires the City to make annual payments equal to the Building Authority’s debt service requirements (\$0 in 2011) plus the City’s share of building operating and maintenance costs (\$1,688 in 2011).

On June 30, 2008, the capital lease with the Building Authority for the central maintenance garage expired. The City obtained title to the garage at the end of the lease term. On July 1, 2008, a maintenance operation agreement was signed and the maintenance operation agreement requires that the City make annual payments in an amount sufficient to cover costs of operation and maintenance of the garage. For the year ended December 31, 2011, the City had paid \$387 in maintenance operation costs.

On May 20, 2011, the City entered into a capital lease with 401-Public Safety, LLC to lease 76,000 (not in thousands) square feet of the old Eastgate Consumer Mall. This facility will house the new Indianapolis Regional Operations Center (“ROC”). The ROC will be equipped with the newest crime fighting technology, which will allow the City to better track crime trends and more quickly deploy police, firefighters, and other state and federal resources in case of an emergency. This is a 25-year lease with annual payments of \$730. At December 31, 2011, the total capitalized cost of the lease is \$8,175, which represents the fair value of the leased property and the capital lease obligation outstanding is \$8,175.

Housing Agency

The Housing Agency has an agreement with Energy Systems Group (“ESG”) for capital improvements to Housing Agency-owned properties to enhance energy efficiency (“Energy Savings Project”). The agreement called for the project to be financed through a separate lease purchase agreement with payments made semiannually over a 12-year period. Payments for the Energy Savings Project are to be made from energy cost savings achieved through the capital improvements or from guaranteed payments from ESG should the desired energy cost savings not be achieved. Accrued interest payable totaled \$5 at December 31, 2011. At December 31, 2011, the total capitalized cost, net of related depreciation, of this project is \$1,741.

In 2011, the Housing Agency entered into a lease for vehicles. The lease is a three-year loan with an interest rate of 3.180%. At December 31, 2011, the total capitalized cost of these vehicles was \$311, the accumulated depreciation was \$31, and the capital lease obligation was \$223. Payments in 2011 totaled approximately \$97.

In 2011, the Housing Agency entered into a lease for a trash truck. The lease is a five-year loan with an interest rate of 3.472%. At December 31, 2011, the total capitalized cost of the equipment was \$132, the accumulated depreciation was \$9, and the capital lease obligation was \$108. Payments in 2011 totaled approximately \$24.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

The following is a schedule of future minimum lease payments and the net present value of these minimum lease payments for both governmental and business-type activities as of December 31, 2011:

	Governmental activities	Business-type activities Housing Agency
2012	\$ 730	315
2013	730	350
2014	730	233
2015	730	29
2016	730	5
2017 – 2021	3,650	—
2022 – 2026	3,650	—
2027 – 2031	3,650	—
2032 – 2036	3,650	—
	18,250	932
	(10,075)	(65)
	\$ 8,175	867

- I. Net Pension Obligations:** As discussed in note 18, the Police and Firefighters (City) Pension Plans are funded on a “pay-as-you-go” basis.
- J. Postemployment Benefit Obligation:** As discussed in note 13, the City provides postemployment healthcare benefits for Police and Firefighters. Civilian employees may continue healthcare coverage but are required to contribute 100% of their annual premium.
- K. Early Retirement Obligation:** In November 2010, the City offered an early retirement incentive plan to those employees who were eligible for full retirement as of December 31, 2010, and which required them to retire as of December 31, 2010. For each year of service, the employee received \$1.50 per year of service up to a maximum of \$45. The individuals receive equal installments of one-third of the total amount each on January 31, 2011, 2012, and 2013. Forty-six employees accepted the plan for a total cost of \$2,637 of which \$879 is recorded on the balance sheet of the General Fund and on the government-wide statement of net assets as accrued payroll and represents the amounts to be paid on January 31, 2012. The remaining liability of \$879 is recorded in the government-wide statement of net assets as the current portion of long-term liabilities.
- L. Compensated Absences Payable:** A long-term liability for benefit and sick leave earned but not paid of \$32,088 at December 31, 2011 is recorded in the government-wide statements. Compensated absences are generally liquidated by the General Fund.
- M. Conduit Debt:** From time to time, the City has issued Economic Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition, rehabilitation, and construction of industrial, commercial, and housing facilities and projects deemed to be in the public interest. The bonds are secured by the property financed. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

As of December 31, 2011, the Council had approved 99 series of Economic Development Revenue Bonds for a total not to exceed \$1,206,053. In 2011, of the not-to-exceed amount of \$24,320 that was approved by the Council, bonds in the amount of \$24,320 were issued. The aggregate principal amount outstanding on bonds issued prior to 2001 could not be determined. The aggregate principal amount outstanding at December 31, 2011 on bonds issued since 2001 is \$302,896.

N. HUD Section 8 Overdraws (Due to Other Governmental Units): The Housing Agency has two agreements with HUD to repay Section 8 overdraws in equal installments over 10-year periods beginning in 2006 and 2016. These agreements totaled \$1,756 at December 31, 2011. Future minimum payments on these repayment agreements are as follows:

	Business-type activities	
	Housing Agency	
2012	\$	—
2013		129
2014		129
2015		129
2016		129
2017–2021		783
2022–2026		818
2027–2031		164
Total future minimum payments		2,281
Less: Amount representing present value discount		(525)
	\$	1,756

O. Unearned Revenues – Ground Lease: Effective 2010, the Housing Agency entered into a ground lease with an Indiana Limited Partnership whereby property described as 16 Park is leased for \$2,215 for a term of 90 years. The entire ground lease payment for the term was paid in 2010. The Housing Agency has reported deferred ground lease revenue for \$2,157 at December 31, 2011 to be recognized over the remainder of the lease term.

11. Short-Term Debt Analysis

In 2011, \$30,000 of Sanitary District Limited Bond Anticipation Notes were drawn down. The proceeds were being used to construct sewer improvements. As a result of the sale of the wastewater collection and treatment facilities to CEG (see discussion in note 2) on August 26, 2011, the remaining outstanding notes at that time of \$51,137 were assumed by CEG. The remaining amount of \$23,963 was paid by the City prior to the sale.

Bond anticipation notes		Balance, January 1, 2011	Issued	Redeemed	Balance, December 31, 2011
Nonmajor governmental funds	\$	45,100	\$ 30,000	\$ 75,100	\$ —
	\$	45,100	\$ 30,000	\$ 75,100	\$ —

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

12. Fund Balance

The following table displays the breakdown of fund balance by purpose in accordance with GASB Statement No. 54:

	<u>General Fund</u>	<u>Federal Grants Fund</u>	<u>Revenue Debt Service Fund</u>	<u>PILOT Revenue Bonds Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Permanent fund (principal and interest)	\$ —	—	—	—	378	\$ 378
Long-term receivable	—	253	—	—	6,000	6,253
	<u>—</u>	<u>253</u>	<u>—</u>	<u>—</u>	<u>6,378</u>	<u>6,631</u>
Restricted for:						
Street maintenance and projects	8,830	—	—	—	—	8,830
Sidewalk, curb, and street repair	—	—	—	—	4,248	4,248
Stormwater management	12,100	—	—	—	—	12,100
Debt service	—	—	182,577	—	31,152	213,729
Capital projects	—	—	—	36,177	63,214	99,391
Other purposes by grantors	—	—	—	—	2,487	2,487
Public safety	—	—	—	—	94	94
Economic development projects	—	—	—	—	83,833	83,833
	<u>20,930</u>	<u>—</u>	<u>182,577</u>	<u>36,177</u>	<u>185,028</u>	<u>424,712</u>
Committed to:						
Rebuild Indy projects	215,173	—	—	—	—	215,173
Utility monitoring	100	—	—	—	—	100
Sidewalk, curb, and street repair	—	—	—	—	1,000	1,000
	<u>215,273</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000</u>	<u>216,273</u>
Assigned to:						
Redevelopment	9,157	—	—	—	—	9,157
Solid waste collection	11,080	—	—	—	—	11,080
Solid waste disposal	152	—	—	—	—	152
Parks and recreation	2,711	—	—	—	—	2,711
Stormwater management	3,425	—	—	—	—	3,425
Permitting and code enforcement	10,568	—	—	—	—	10,568
Other purposes	14,341	—	—	—	—	14,341
	<u>51,434</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,434</u>
Unassigned	<u>84,750</u>	<u>(7,599)</u>	<u>—</u>	<u>—</u>	<u>(2,421)</u>	<u>74,730</u>
Total fund balance	<u>\$ 372,387</u>	<u>(7,346)</u>	<u>182,577</u>	<u>36,177</u>	<u>189,985</u>	<u>\$ 773,780</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

13. Postemployment Benefits Other Than Pensions

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

A. Plan Description

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

Eligible retirees must meet the following criteria:

Civilian

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

Police

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

Firefighters

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

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

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes 60% of the cost of current year premiums for eligible police and fire retired plan members and their spouses. For fiscal year 2011, the City contributed \$1,695 to the plan. Plan members receiving benefits contribute 40% of their premium costs. In fiscal year 2011, total member contributions were \$879, or 0.32% of total covered payroll. Civilian employees who are eligible for retirement may choose to continue their healthcare coverage on the City's insurance plan until the age of 65 but are required to contribute 100% of their annual premium costs. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go financing method through paying the higher rate for active employees each year.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

C. Annual OPEB costs and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. In accordance with GASB Statement 45, the City has elected to perform an actuarial valuation of the OPEB on a biennial basis. The last actuarial valuation performed by the City was as of December 31, 2011. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The City's annual OPEB cost for the current year and the related information are as follows at December 31, 2011:

Annual required contribution	\$	17,341
Interest on net OPEB obligation		2,299
Amortization		(2,218)
Adjustment to annual required contribution		<u>(1,689)</u>
Annual OPEB cost (expense)		15,733
Contributions made		<u>(1,695)</u>
Increase in net OPEB obligation		14,038
Net OPEB obligation – beginning of year		<u>59,175</u>
Net OPEB obligation – end of year	\$	<u><u>73,213</u></u>

The adjustment to annual required contribution in the amount of \$1,689 represents the required current year adjustment to reflect the fact that the City obtains a biennial actuarial valuation. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010, and 2009 were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Employer contributions</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2011	\$ 15,733	\$ 1,695	10.77 %	\$ 73,213
2010	17,626	1,647	9.34	59,175
2009	18,409	1,404	7.62	43,196

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

D. Funded Status and Funding Progress

The funded status of the plan based on the last actuarial valuation, which was as of December 31, 2011, was as follows:

Actuarial accrued liability	\$	154,652
Actuarial value of plan assets		—
Unfunded actuarial accrued liability	\$	<u>154,652</u>
Funded ratio		0%
Covered payroll	\$	270,491
Unfunded actuarial accrued liability as a percentage of covered payroll		57.17%

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

E. Actuarial Methods and Assumptions

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

Actuarial valuation date	December 31, 2011*
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of expected payroll
Remaining amortization period	25 years
Actuarial Assumptions:	
Discount rate	3.75% effective annual rate
Projected salary increases	2.75%
Healthcare inflation rate	Starting at 6.90% per year and gradually decreasing to 4.70% over a period of 75–85 years, depending on the medical plan

* In accordance with GASB Statement 45, the City obtains actuarial valuations biennially. The next valuation will be completed as of December 31, 2013.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

14. Joint Venture

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

The Building Authority has various long-term debt obligations, which are secured by the rent payments received from the City and County. During 2011, the City paid approximately \$4,023 in rent. The amount of the Building Authority's principal's current portion and long-term debt portion at June 30, 2011 was \$2,650 and \$13,530, respectively. The amount of accumulated net revenues retained in operation accounts at June 30, 2011 was \$63,186, and the amount of accumulated net revenues retained and used for building, site, and project costs and related debt service was \$30,710.

A copy of the separately issued financial statements of the Building Authority for the year ended June 30, 2011, which is prepared on a basis other than U.S. generally accepted accounting principles, is available upon request.

15. Contingent Liabilities and Commitments

- A. Various lawsuits are pending against the City. In the opinion of the City's Corporation Counsel, the aggregate potential loss on all outstanding litigation for public liability self-insurance was estimated to be \$4,571. This amount has been accrued for in the Internal Service Fund. This opinion concurs with the Indiana law limiting the liability of municipalities to \$700 per person and \$5,000 per occurrence. Additionally, the City is a defendant in various lawsuits for which management has determined that there is a reasonable possibility of an adverse outcome. No accrual has been made in the financial statements for these items, which approximate \$9,825, as the loss is not both probable and estimable.
- B. The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grants.
- C. Effective December 1, 2008, the City entered into a service agreement with the owner of a resource recovery facility that is in effect until December 31, 2018 with the option of extending the agreement for two additional five-year periods. The City has agreed to deliver a certain amount of "acceptable waste" each year to the facility. The City pays a tipping fee of \$0.027 per ton for the first three years of the service agreement, which escalates at 2.7% in years four through ten. The City also will reimburse the owner of the resource recovery facility for any taxes levied by any governmental entity, other than income taxes, and the leased cost of the facility site. The owner of the resource recovery facility will revenue share 12.5% of its steam revenues, with a minimum guarantee of \$2,500 and a maximum of \$2,700 per year, also escalating in years four through ten.
- D. The City has entered into operating agreements on a number of City-owned golf courses, which provide for termination payments to be made to the operator if the City cancels the agreements prematurely. These payments are primarily to cover the costs for improvements made to the courses by the operators. The termination payment declines over the term of the agreements. While the City has no intention to do so, if the agreements were terminated at December 31, 2011, the total termination payments due would be \$5,313.
- E. The State of Indiana collects all county option income tax for all counties that have enacted the tax. Each year, the State certifies a distribution to each affected government for the following year. The distribution is done in accordance with State statute and once the amounts are certified they must be distributed. Two years after the year of the distribution, the State is able to calculate the final tax collections based on actual income tax returns and compare that amount to the amount actually distributed. The distributions in subsequent years are adjusted for any excess or deficit of the actual to the certified amounts. As distribution amounts are not measurable (i.e., estimatable) until the State certifies and distributes the taxes, the City does not record a receivable or payable for any county option income tax amounts at December 31, 2011.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

F. The Housing Agency entered into two repayment agreements with HUD in September 2010 to resolve noncompliance with program requirements. HUD has agreed that the Housing Agency may satisfy these obligations totaling \$3,172 by investing future nonfederal funds in a task force, which performs various duties to support compliance with program requirements. The Housing Agency established a tracking account and monthly reports showing the amount paid, hours worked, and goals accomplished by the task force. Task force performance (prorated to include past and current task force performance) shall offset annual payments starting January 1, 2011. Costs associated with this task force incurred as of December 31, 2011 were approximately \$164. The Housing Agency is contingently liable in connection with claims and contracts arising in the normal course of its activities. The Housing Agency management is of the opinion that the outcome of any such matters will not have a material effect on the financial statements.

16. Parking Meter Concession Agreement

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

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

At December 31, 2011, \$19,600 is recorded as a deferred inflow of resources on the government-wide statement of net assets. The deferred inflow of resources is being amortized using the straight-line method over the 50-year term of the agreement, and in 2011, \$400 was amortized and recognized as revenue in the government-wide statement of activities.

17. Related Party Transactions

The legislative body of the City is the same in several respects as that of the County, and the position of the County Executive is the same as the Mayor of Indianapolis. The County provides certain information and telephone services to the City. During the year, the City incurred approximately \$13,232 in costs, of which approximately \$1,213 is due to the County at December 31, 2011 for these services; the City also paid the County \$1,937 to support the cost and implementation of an Enterprise Resource Planning system, which will be used to support the operations of both the City and the County. At December 31, 2011, the County owed the City \$1,007 for fuel charges and \$317 for court costs. In addition, the City and County both act in capacities of pass through and subrecipient agents for federal and state grants.

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

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

On December 19, 2011, Fiscal Ordinance No. 28 was approved by the Council to appropriate \$9,900 to cover payments to the Corrections Corporation of America for their management of the Marion County Jail. As of December 31, 2011, the City had paid \$7,134 on behalf of the County.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

18. Pension Plans

A. Plan Descriptions

1. Police and Firefighters (PERF) Plan

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

State statute regulates the operations of the system, including benefits, vesting, and contributions. Employees covered may retire and receive full benefits upon attainment of age 52 and 20 years of service. An employee with 20 years of service may leave, but will not receive benefits until reaching age 50. The plan also provides for certain death and disability benefits. The PERF issues a publicly available financial report that includes financial statements and required supplementary information for the City's Police and Firefighters (PERF) Plan and the All Other City Employees Plans. That report may be obtained by writing to Public Employees' Retirement Fund, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204.

Covered employees are required to contribute 6.0% of their compensation. The amount of the employer's contribution is determined by PERF based on a valuation using the entry age normal cost method. The rate of employer contribution is 19.5% of each employee's annual compensation. The City's contributions to the plan for the years ended December 31, 2011, 2010, and 2009 were \$29,639, \$28,660, and \$24,994, respectively, equal to the required contributions for the year.

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

2. Police and Firefighters (City) Plans

The City also maintains two single-employer retirement plans covering police and firefighters hired on or before April 30, 1977 and is accounted for in a pension trust fund. No separately prepared financial statements are available for the Police and Firefighters City Plans. Retirement benefits are available after 20 years of service. State statute grants authority for these pension plans and sets the regulations covering benefits. Participants contribute 3% of base salary, defined as the salary of a first-class police officer or a first-class firefighter in 2011. As these salaries increase year by year, benefits are directly adjusted. Since the City still must pay the benefits under the plans and be reimbursed by the State, this is still considered to be a "pay-as-you-go" plan. The payments from the State will be estimated each year and any overage and underage will be adjusted in the next year. No significant plan assets are accumulated for the payment of future benefits, except as discussed below. During the 2008 State of Indiana Legislative Session, the State agreed to pay the entire annual cost of future pension payments to the police officers and firefighters who are members of the pre-77 plan beginning in 2009.

Indiana's deferred retirement option plan (DROP), which was enacted into law in 2002, is available to all members of the employees of the police and firefighters (City) plans. Those members who elect to participate will continue active employment. Those electing this provision continue to make contributions to the plan and must elect a DROP retirement date not less than twelve (12) months and not more than thirty-six (36) months after the member's DROP entry date. Furthermore, the member may not remain in the DROP after the date the member reaches any mandatory retirement age that may apply and may make a DROP election only once in the member's lifetime. Upon retirement, a member will receive a DROP frozen benefit to be paid in a lump-sum distribution or in three (3) equal installments commencing on the member's DROP retirement date.

3. All Other City Employees (PERF) Plans

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

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

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

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

B. Actuarial Valuation and Net Pension Obligation

The following schedules are derived from the respective actuarial reports and City information for the four pension plans as of December 31, 2011 and, with regard to contributions for 2011, based on the January 1, 2011 actuarial report for the Police and Firefighters (City) plans and June 30, 2011 for the other two PERF plans.

Census data for the four plans are as follows (not in thousands):

	Police and firefighters (City) (2)	Police and firefighters (PERF)	All other City employees (PERF)
Retirees and beneficiaries currently receiving benefits	<u>1,780</u>	<u>N/A</u>	<u>N/A (1)</u>
Terminated vested employees not yet receiving benefits	—	16	835
Terminated nonvested employees – refund of contributions	—	168	959
Current employees:			
Vested	64	793	950
Nonvested	—	<u>1,543</u>	<u>930</u>
Total	<u>64</u>	<u>2,336</u>	<u>1,880</u>

(1) Number does not include retirees and beneficiaries currently receiving benefits since PERF pays those benefits from a separate plan and therefore, are not traceable by employer.

(2) Census data not separately available for police and firefighters (City) plans.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

Assumptions	Police and firefighters (City)	Police and firefighters (PERF)	All other City employees (PERF)
Rate of return on present and future assets	6.00%	7.00%	7.00%
Inflation rate	2.25% for converted and 4.00% for nonconverted	2.25%	1.00%
Salary increase	4.00%	3.25%	3.25% – 4.5%*
Asset valuation method	N/A	4-year smoothing of gains/losses on market value with a 20% corridor	4-year smoothing of gains/losses on market value with a 20% corridor
Amortization method	Level dollar	Level dollar	Level dollar
Amortization period	Closed – 30 years	Open – 30 years	Open – 30 years

* Based on PERF experience 2005 – 2010.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

	<u>Police (City)</u>	<u>Firefighters (City)</u>	<u>Total</u>
Actuarial valuation date	<u>January 1, 2011</u>		
Annual required contribution	\$ 37,925	\$ 35,421	\$ 73,346
Interest on net pension obligation	12,550	10,633	23,183
Adjustment to annual required contribution	<u>(16,666)</u>	<u>(14,120)</u>	<u>(30,786)</u>
Annual pension cost	33,809	31,934	65,743
Contributions made	<u>31,154</u>	<u>29,963</u>	<u>61,117</u>
Increase in net pension obligation	2,655	1,971	4,626
Net pension obligation – beginning of year	<u>209,159</u>	<u>177,211</u>	<u>386,370</u>
Net pension obligation – end of year	<u>\$ 211,814</u>	<u>\$ 179,182</u>	<u>\$ 390,996</u>

	<u>All other City employees (PERF)</u>
Actuarial valuation date	<u>July 1, 2011</u>
Annual required contribution	\$ 7,447
Interest on net pension obligation	86
Adjustment to annual required contribution	<u>(98)</u>
Annual pension cost	7,435
Contributions made	<u>3,507</u>
Increase in net pension obligation	3,928
Net pension obligation – beginning of year	<u>1,223</u>
Net pension obligation – end of year	<u>\$ 5,151</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

C. Contribution Requirements and Contributions Made

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

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

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

The present value of expected future funding to be received from the State of Indiana for pension relief contributions on the City plan for police and firefighters totaled \$907,244 as of January 1, 2011. In 2011, the State of Indiana contributed \$61,118 of pension relief to the Police and Firefighters (City) Plans.

For the year ended December 31, 2011, the City's total payroll for all employees consists of the following:

Police and Firefighters (City) Plans	\$	4,938
Police and Firefighters (PERF) Plan		170,490
All Other City Employees (PERF) Plan		73,233
Former Marion County Sheriff Deputies Plan		21,830
Noncovered employees		3,203
Total payroll	\$	273,694

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information for the Police and Firefighters (PERF) Plan showing PERF's progress in accumulating sufficient assets to pay benefits when due is presented in PERF's June 30, 2011 annual report.

<u>Fiscal year ending</u>	<u>Annual pension cost</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation (asset)</u>
Police (City) Plan:			
2011	\$ 33,809	92.1 %	\$ 211,814
2010	30,514	100.3	209,159
2009	29,270	98.7	209,239
Firefighters (City) Plan:			
2011	31,934	93.8	179,182
2010	29,697	92.7	177,211
2009	29,712	92.1	175,040
All Other City Employees (PERF) Plan:			
2011	7,435	47.2	5,151
2010	4,671	69.1	1,223
2009	3,053	100.1	(221)

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Pension Trust Funds Net Assets
December 31, 2011
(In thousands)

	Police Pension	Firefighters Pension	Total
ASSETS			
Equity in pooled cash	\$ 1,391	\$ 543	\$ 1,934
Investments (U.S. government agencies)	1,052	398	1,450
Accrued interest receivable	3	2	5
Total assets	2,446	943	3,389
LIABILITIES			
Accounts payable and other accrued liabilities	—	12	12
Total liabilities	—	12	12
NET ASSETS			
Held in trust for pension benefits	\$ 2,446	\$ 931	\$ 3,377

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

CITY OF INDIANAPOLIS
Combining Statement of Changes in Fiduciary Net Assets
Police and Firefighter Pension Trust Funds
Year ended December 31, 2011
(In thousands)

	Pension Trust Funds		
	Police Pension	Firefighters Pension	Total
ADDITIONS			
State of Indiana pension subsidy received from the General Fund	\$ 31,154	\$ 29,964	\$ 61,118
	<u>31,154</u>	<u>29,964</u>	<u>61,118</u>
DEDUCTIONS			
Benefits	29,484	29,643	59,127
Total deductions	<u>29,484</u>	<u>29,643</u>	<u>59,127</u>
Change in plan net assets	1,670	321	1,991
Net assets – beginning	<u>776</u>	<u>610</u>	<u>1,386</u>
Net assets – ending	<u>\$ 2,446</u>	<u>\$ 931</u>	<u>\$ 3,377</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

F. Funded Status

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

<u>Asset valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial liability (AAL) entry age</u>	<u>Unfunded (overfunded) AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
Police (City) Plan 1/1/2011	\$ —	\$ 470,430	\$ 470,430	— %	\$ 1,571	29,947 %
Firefighters (City) Plan 1/1/2011	—	436,557	436,557	—	2,095	20,838
All Other City Employees (PERF) Plan 7/1/2011	74,320	126,438	52,118	59	77,098	68

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

19. Postretirement Benefits

In connection with the City's purchase of the Waterworks in 2002, the City acquired an obligation for paying for postretirement healthcare and life insurance benefits ("Retiree Benefits") for certain employees and former employees of IWCR (later changed to Veolia). The plan was administered by Veolia through the date of the sale of Waterworks on August 26, 2011 as it was a plan for their employees. As of January 1, 2011, there were 328 (not in thousands) participants currently receiving Retiree Benefits.

Prior to the purchase of the Waterworks by the City, IURC approved a rate increase so that assets could be accumulated over time to pay for the current and future costs of the Retiree Benefits. As a condition of including Retiree Benefit costs in rates on an accrual basis, the IURC required IWCR to establish a grantor trust ("Trust"). Money received from rates to pay for Retiree Benefits were to be deposited into the Trust. The Trust must be disbursed to pay for the Retiree Benefits, and certain administrative expenses. The Trust was subject to the creditors of the City. In the event that the Trust assets were no longer needed to pay for Retiree Benefits, the assets were to be paid to ratepayers. After the closing of the sale of Waterworks to CEG, control of the Trust was relinquished to CEG resulting in the removal of all assets and liabilities associated with the postretirement plan.

The information that follows on the postretirement benefit plan was obtained from the actuarial valuation of the plan as of September 30, 2011, which was performed to estimate the liability of the plan on August 26, 2011 for the purposes of the sale of Waterworks to CEG.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

The following table sets forth the change in the plan's accumulated postretirement benefit obligation ("APBO") as of August 26, 2011:

Accumulated postretirement benefit obligation at beginning of year	\$ 81,139
Service cost	892
Interest cost	2,639
Benefits paid	(2,366)
Adjustment	—
Actuarial loss	<u>2,366</u>
Accumulated postretirement benefit obligation at August 26, 2011	\$ 84,670
Gross liability assumed by CEG (see note 2)	<u>(84,670)</u>
Accumulated postretirement benefit obligation as of December 31, 2011	<u><u>—</u></u>

The accumulated postretirement benefit obligation at August 26, 2011 was reduced by a deferred charge – postretirements benefits amount of \$33,474 as well as cash maintained in a grantor trust account which was restricted for payment of the postretirement benefits in the amount of \$12,182 to arrive at the net obligation assumed by CEG of \$39,014 (see note 2).

As a result of the First Amendment to the Management Agreement with Veolia, which was signed in 2007, Waterworks had assumed the postretirement liability for benefit payments made after April 30, 2002 for those participants not eligible to retire as of December 31, 2004.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

The change in the fair value of the plan's assets as of August 26, 2011 (date of sale to CEG) was as follows:

Fair value of plan assets at beginning of year	\$	—
City contributions		2,366
Benefits paid		<u>(2,366)</u>
Plan assets at fair value as of August 26, 2011	\$	<u>—</u>

A discount rate of 5.07% and a pre-Medicare medical trend rate of 9.00% declining to a long-term rate of 4.50% in 2024 were used to determine the APBO for the valuation performed as of September 30, 2011.

Net periodic postretirement benefit costs for the period January 1, 2011 through August 26, 2011 (date of sale to CEG) include the following components:

Service cost	\$	892
Interest cost		<u>2,639</u>
	\$	<u>3,531</u>

Assumptions used in the determination of 2011 net periodic postretirement benefits costs were as follows:

Discount rate		5.00 %
Rate of increase in compensation levels		3.50
Assumed annual rate of increase in healthcare benefits		8.50
Assumed ultimate trend rate		4.50

20. Interfund Transactions and Balances

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. The composition of interfund receivable and payable balances as of December 31, 2011 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,838
General	Internal Service Risk Management	3,102
General	Federal Grants	4,271
General	PILOT Revenue Bonds Capital Projects	<u>219</u>
		<u>\$ 9,430</u>

Because of budgetary constraints, the interfund payable in the internal service fund will not be repaid by the end of the next fiscal year but instead will be recovered over the next four years through increased charges to the City departments.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Interfund transfers for the year ended December 31, 2011 consisted of the following:

<u>Transfers out</u>	<u>Transfers in</u>				
	<u>Governmental activities</u>			<u>Business-type activities</u>	
	<u>General Fund</u>	<u>Revenue Debt Service Fund</u>	<u>Nonmajor governmental funds</u>	<u>Waterworks</u>	<u>Total</u>
General Fund	\$ —	\$ 25,375	\$ 18,257	\$ 18,777	\$ 62,409
Revenue Debt Service Fund	434	555	45,879	—	46,868
PILOT Revenue Bonds Capital Projects Fund	—	—	10,175	—	10,175
Nonmajor governmental funds	17,714	5,804	17,296	—	40,814
Total transfers out	<u>\$ 18,148</u>	<u>\$ 31,734</u>	<u>\$ 91,607</u>	<u>\$ 18,777</u>	<u>\$ 160,266</u>

Interfund transfers were used to (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them or (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization. In addition, a transfer of \$18,777 was made from the General Fund to the Waterworks fund to closeout the operation of the Waterworks.

21. Explanation of Certain Difference between Governmental Fund Financial Statements and the Government-wide Financial Statements

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

Balances at December 31, 2011 were as follows:

Bonds and notes payable and certificates of participation	\$ 1,177,210
Deferred premiums, net of discounts	34,724
Deferred amount from refunding	(5,793)
Amounts recorded as matured bonds payable at December 31, 2011	(4,550)
Capital leases payable	8,175
Net pension obligation	396,147
Postemployment benefit obligation	73,213
Early retirement obligation	879
Compensated absences	<u>32,088</u>
Combined adjustment	<u>\$ 1,712,093</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

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

Debt issued:

General obligation bonds, excluding capital appreciation accretion of \$740	\$	—
Tax increment bonds, excluding capital appreciation accretion of \$7,443		161,375
Revenue bonds		24,120
Capital lease		8,175
Deferred premiums		<u>6,810</u>

Combined adjustment \$ 200,480

Repayments:

Bond principal, including decrease in matured bonds payable of \$45,631	\$	76,127
Principal refunded		28,340
Assumption of debt		434,346
Notes payable and certificates of participation		<u>4,035</u>

Combined adjustment \$ 542,848

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

22. Deficit Fund Balances and Net Assets

Negative fund balances by fund are as follows:

Deficit fund balances	December 31, 2011
Special Revenue Funds	
Federal Grants	\$ (7,346)
Drug Free Community	(250)
	\$ (7,596)
Debt Service Funds	
Civil City	\$ (424)
Redevelopment District	(1,747)
	\$ (2,171)
Internal Service Funds	
Risk Management	\$ (5,855)
	\$ (5,855)

The deficit fund balance for the special revenue funds will be covered by future grant reimbursements from the federal government. The deficit fund balance for the debt service funds will be covered by a future transfer that will cover the debt service payments. The risk management internal service fund negative fund balance will be covered by future charges to City departments.

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

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

A. Cash and Investments

Insight follows the same investment policy and legal contractual provisions that govern the Housing Agency (see note 3). A summary of cash deposits at December 31, 2011 is as follows:

	Carrying value
On deposit:	
Insured by FDIC	\$ 2,358
Uninsured	4,372
	\$ 6,730

Insight has one institutional money market deposit account valued at \$93 to consider for credit risk and custodial credit risk. The money market account had a Standard & Poor's credit rating of AAA, a Moody's credit rating of Aaa, and a Fitch's credit rating of AAA.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Restricted assets of \$4,446 are included in the above balance. Restricted assets primarily consist of amounts per the terms of regulatory and operating agreements, which totaled \$3,074. The remaining restricted assets totaling \$1,372 relate to tenant security deposits, commitments to low-income housing projects, and developer fee accounts that are restricted until the related project agreement is completed.

B. Loans Receivable

Insight has long-term loans receivable outstanding at December 31, 2011. These loans are a result of grant funded affordable or low-income housing capital projects with fixed interest rates. Noninterest-bearing loans are recorded at present value with a discount that is amortized over the term of the loan.

	<u>Interest rate</u>		<u>Principal</u>	<u>Unamortized discount</u>		<u>Allowance for Loan Loss</u>	<u>Net loans receivable</u>	<u>Maturity date</u>
Red Maple Grove Phase I	0.00%	\$	332	\$ (230)	\$	—	\$ 102	12/31/2036
Red Maple Grove Phase IIA – Perm A and B	0.00		318	(272)		—	46	12/31/2047
Red Maple Grove Phase IIB – Perm A and B	0.00		290	(249)		—	41	12/31/2049
		\$	<u>940</u>	<u>(751)</u>	\$	<u>—</u>	<u>\$ 189</u>	

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

C. Capital Assets

A summary of Insight capital assets at December 31, 2011 is as follows:

	Balance, January 1, 2011	Additions	Reductions	Balance, December 31, 2011
Capital assets not being depreciated:				
Land	\$ 303	\$ 560	\$ —	\$ 863
Construction in progress	5,122	9,836	5,122	9,836
Total capital assets not being depreciated	<u>5,425</u>	<u>10,396</u>	<u>5,122</u>	<u>10,699</u>
Capital assets being depreciated:				
Buildings	16,896	4,728	66	21,558
Equipment	167	52	—	219
Total capital assets being depreciated	<u>17,063</u>	<u>4,780</u>	<u>66</u>	<u>21,777</u>
Less accumulated depreciation:				
Buildings	2,551	620	1	3,170
Equipment	61	49	—	110
Total accumulated depreciation	<u>2,612</u>	<u>669</u>	<u>1</u>	<u>3,280</u>
Total capital assets being depreciated, net	<u>14,451</u>	<u>4,111</u>	<u>65</u>	<u>18,497</u>
Total Insight Development Corporation Inc.	<u>\$ 19,876</u>	<u>\$ 14,507</u>	<u>\$ 5,187</u>	<u>\$ 29,196</u>

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

D. Long-Term Liabilities

	Balance, January 1, 2011	Additions	Reductions	Balance, December 31, 2011	Due within one year
Loans payable	\$ 13,997	\$ 4,209	\$ 424	\$ 17,782	\$ 472
Accrued compensated absences	<u>1</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>—</u>
Total	<u>\$ 13,998</u>	<u>\$ 4,213</u>	<u>\$ 428</u>	<u>\$ 17,783</u>	<u>\$ 472</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

Loans payable consist of three loans at December 31, 2011:

- A second mortgage in the original amount of \$5,067 bears interest at 4.9% per annum and matures on December 31, 2055. As of December 31, 2011, the entire balance of the loan is outstanding. Starting on the date of the first advance on the note and ending on the maturity date, December 31, 2055, interest shall be accrued and compounded annually at a rate of 4.9% per annum. Annual payments of interest shall be made in an amount equal to the lesser of (1) all accrued and unpaid interest on the loan or, (2) the net available operating cash flow amount, as defined in the Partnership Agreement. The outstanding principal and any unpaid interest shall be due and payable on the maturity date. The loan is collateralized by real estate held for lease and an assignment of rents and leases. Accrued interest payable totaled \$634 at December 31, 2011. The total outstanding balance at December 31, 2011 was \$5,701.
- 16 Park, LP entered into a capital funds loan with the Housing Agency for up to \$4,425 with a fixed interest rate of 5%, compounding annually. No principal or interest payments are due until the maturity date of December 31, 2060. The mortgage is secured by the apartment buildings of the project located in Indianapolis, Indiana. The amount borrowed and outstanding at December 31, 2011 was \$4,425.
- 16 Park, LP entered into a Section 1602 tax credit exchange program note with IHCDA for \$7,080 with an interest rate of 0%. One fifteenth of the principal balance will be forgiven each year beginning with the first anniversary of the Conversion Date if the project stays in compliance. The mortgage is secured by the apartment buildings of the project located in Indianapolis, Indiana. The balance outstanding at December 31, 2011 was \$7,080.
- 16 Park, LP entered into a construction loan with Merchants Bank for up to \$17,782 in 2011. The loan carries a LIBOR-based variable interest rate that calculates daily. Balance of the construction loan at December 31, 2011 was \$576.

Scheduled maturities on loans payable as of December 31, 2011 are as follows:

2012	\$	472
2013		1,048
2014		472
2015		472
2016		472
2017 – 2021		2,360
2022 – 2026		2,360
2027 – 2051		10,126
Total	\$	<u>17,782</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2011
(In thousands)

24. Subsequent Events

In March 2012, the State of Indiana sent a notice to the City indicating that the county option income taxes had been under distributed beginning in 2011 through the first three months of 2012. The State of Indiana approved and distributed an additional \$33,900 to the Marion County Treasurer in April 2012, which will be distributed to the appropriate taxing districts in the County.

On June 15, 2012, the Housing Agency's 16 Park Apartment project was damaged in a major fire. This project was under construction at the time and only property damage was incurred; the property was covered by insurance. As of the date of issuance of the financial statements, the Indianapolis Fire Department estimated the loss to be \$3,500.

Required
Supplementary Information

CITY OF INDIANAPOLIS
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis (Required Supplementary Information)
Year ended December 31, 2011
(In thousands)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget – positive (negative)
Revenues:				
Taxes	\$ 322,418	\$ 309,043	\$ 313,767	\$ 4,724
Licenses and permits	16,142	16,142	14,917	(1,225)
Charges for services	189,926	192,584	164,792	(27,792)
Intergovernmental revenues	44,702	51,359	46,548	(4,811)
Traffic violations and court fees	3,525	3,925	3,139	(786)
Intragovernmental revenues	2,351	2,351	2,818	467
Interest and other operating revenues	9,620	10,779	16,501	5,722
Total revenues	<u>588,684</u>	<u>586,183</u>	<u>562,482</u>	<u>(23,701)</u>
Expenditures:				
Current:				
General government	27,456	43,278	38,993	4,285
Public safety	297,219	294,122	289,759	4,363
Public works	137,938	199,461	179,371	20,090
Health and welfare	1,816	1,876	1,542	334
Cultural and recreation	24,011	24,321	23,711	610
Urban redevelopment and housing	6,074	8,260	7,591	669
Economic development and assistance	1,564	1,452	1,107	345
Capital outlays	27,751	67,074	54,443	12,631
Total expenditures	<u>523,829</u>	<u>639,844</u>	<u>596,517</u>	<u>43,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,855</u>	<u>(53,661)</u>	<u>(34,035)</u>	<u>19,626</u>
Other financing sources (uses):				
Sale and lease of property	1,362	262,580	241,958	(20,622)
Transfers out	(54,448)	(54,448)	(39,452)	14,996
Total other financing sources (uses)	<u>(53,086)</u>	<u>208,132</u>	<u>202,506</u>	<u>(5,626)</u>
Revenues over expenditures and other financing sources (uses)	11,769	154,471	168,471	14,000
Fund balance at beginning of year	141,676	105,418	128,129	22,711
Cancellation of purchase orders and other	(35,492)	66,860	(5,526)	(72,386)
Fund balance at end of year	<u>\$ 117,953</u>	<u>\$ 326,749</u>	<u>\$ 291,074</u>	<u>\$ (35,675)</u>

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Federal Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis (Required Supplementary Information)
Year ended December 31, 2011
(In thousands)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget – positive (negative)</u>
Revenues:				
Intergovernmental revenues	\$ 63,281	\$ 83,224	\$ 25,339	\$ (57,885)
Traffic violations and court fees	1,615	1,615	2,594	979
Interest and other operating revenues	—	—	19	19
Total revenues	<u>64,896</u>	<u>84,839</u>	<u>27,952</u>	<u>(56,887)</u>
Expenditures:				
Current:				
General government	3,584	3,584	3,309	275
Public safety	22,669	22,671	12,565	10,106
Public works	—	—	—	—
Health and welfare	2,409	2,409	2,196	213
Cultural and recreation	928	928	835	93
Urban redevelopment and housing	35,148	35,148	23,136	12,012
Economic development and assistance	260	260	340	(80)
Capital outlays	21,186	21,186	10,372	10,814
Total expenditures	<u>86,184</u>	<u>86,186</u>	<u>52,753</u>	<u>33,433</u>
Deficiency of revenues over expenditures	(21,288)	(1,347)	(24,801)	(23,454)
Other financing sources and (uses):				
Transfers in (out)	—	—	(593)	(593)
Total other financing sources and (uses)	<u>—</u>	<u>—</u>	<u>(593)</u>	<u>(593)</u>
Revenues under expenditures and other financing sources and (uses)	(21,288)	(1,347)	(25,394)	(24,047)
Fund balance at beginning of year	—	—	—	—
Cancellation of purchase orders and other	21,288	1,347	25,394	24,047
Fund balance at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See notes to required supplementary information.

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

<u>Asset valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL) entry age</u>	<u>Unfunded (overfunded) AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
Police (City) Plan						
1/1/2011	\$ —	\$ 470,430	\$ 470,430	— %	\$ 1,571	29,947 %
1/1/2010	—	446,400	446,400	—	1,825	24,459
1/1/2009	—	434,034	434,034	—	1,593	27,246
1/1/2008	—	416,860	416,860	—	2,983	13,975
1/1/2007	—	418,288	418,288	—	6,502	6,433
1/1/2006	—	416,473	416,473	—	6,918	6,020
Firefighters (City) Plan						
1/1/2011	—	436,557	436,557	—	2,095	20,838
1/1/2010	—	423,741	423,741	—	2,832	14,962
1/1/2009	—	427,480	427,480	—	2,596	16,467
1/1/2008	—	314,836	314,836	—	2,927	10,756
1/1/2007	—	333,998	333,998	—	4,644	7,192
1/1/2006	—	352,202	352,202	—	6,115	5,760
All Other City Employees (PERF) Plan*						
7/1/2011	74,320	126,438	52,118	59	77,098	68
7/1/2010	95,376	126,997	31,621	75	78,585	40
7/1/2009	115,618	117,645	2,027	98	76,801	3

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

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

Plan year ended June 30	Police and Firefighters (PERF)			All Other City Employees (PERF)		
	Annual required contribution	Percentage contributed	%	Annual required contribution	Percentage contributed	%
2011	\$ 29,639	100	%	\$ 7,447	47	%
2010	28,660	100		4,669	69	
2009	24,994	100		3,051	100	
2008	24,818	100		2,667	108	
2007	22,513	100		2,774	82	
2006	18,335	100		2,988	66	

Plan year ended December 31	Police (City)			Firefighters (City)		
	Annual required contribution	Percentage contributed	%	Annual required contribution	Percentage contributed	%
2011	\$ 37,925	82	%	\$ 35,421	85	%
2010	34,328	89		32,887	84	
2009	32,801	88		32,631	84	
2008	31,403	91		23,903	110	
2007	31,939	80		25,547	98	
2006	31,494	76		26,823	87	

See notes to required supplementary information.

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

Actuarial valuation date	Actuarial value of assets (a)	Accrued liability (b)	Unfunded accrued liability (UAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAL as a percentage of covered payroll ((b-a)/c)
12/31/2011	\$ —	\$ 154,652	\$ 154,652	— %	\$ 270,491	57.17 %
12/31/2009 *	—	140,288	140,288	—	269,790	52.00
12/31/2009	—	140,288	140,288	—	251,005	55.89

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

CITY OF INDIANAPOLIS
Notes to Required Supplementary Information
December 31, 2011
(In thousands)

1. Budgets and Budgetary Accounting

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

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

	General Fund	Federal Grants Special Revenue Fund
Original appropriations	\$ 523,829	\$ 86,184
Revisions	116,015	2
Revised appropriations	\$ 639,844	\$ 86,186

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

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

CITY OF INDIANAPOLIS
Notes to Required Supplementary Information
December 31, 2011
(In thousands)

- 4) Before Council budget ordinances are approved by the Council, they are advertised by the City Controller twice in a local newspaper prior to the last Council meeting in September. The Council may not pass a budget above the level advertised. The Mayor may veto separate items of an approved budget ordinance, but the Council may override a veto by a two-thirds vote.
 - 5) The Indiana Department of Local Government Finance makes the final review of the budget. It can revise, reduce, or restore on appeal budgets, levies, and tax rates removed by the City-County Council. Except for Debt Service Funds, the Indiana Department of Local Government Finance may not increase a budget, levy, or tax rate above the level originally advertised. If the budgets seek to exceed the tax limits of the state control laws, an excess levy may be granted if the excess levy meets state law requirements, and is approved by the Indiana Department of Local Government Finance. The Indiana Department of Local Government Finance is required to certify the budgets, levies, and rates by February 15.
 - 6) The City's maximum permissible annual ad valorem property tax levy is restricted by Indiana law, with certain adjustments and exceptions, to the prior year's maximum permissible ad valorem property tax levy adjusted by the average growth factor in nonfarm income in the State of Indiana.
- C) Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Pension Trust Funds. Encumbrances do not lapse with the expiration of the budget period. Encumbrances to be financed from future revenues other than approved grant revenues are recorded in their entirety as a reservation of fund balance since they do not constitute expenditures.
- D) In 2011, the City exceeded the appropriation for personal services for the Department of Public Safety by \$370 in the General Fund for supplies by and \$9 in the State of Indiana Grant Fund. This was due to the department underestimating these expenses at the character level in late 2011 budget transfer ordinance. In total, the department did not overspend the budget at the fund level.

CITY OF INDIANAPOLIS
Notes to Required Supplementary Information
December 31, 2011
(In thousands)

2. Budget/GAAP Reporting Differences

Adjustments necessary to convert the results of 2011 operations from a budgetary basis to a GAAP basis are as follows:

	General Fund	Federal Grants Special Revenue Fund
Revenues over (under) expenditures and other financing sources (uses) (budgetary basis)	\$ 168,471	\$ (24,089)
Adjustments:		
Accrued revenues	86,255	31,816
Accrued expenditures	(64,056)	(1,244)
Transfers, net	(4,809)	593
Encumbrances	56,787	21,004
Expenditures from prior year encumbrances	(36,892)	(30,447)
Net change in fund balances (GAAP basis)	\$ 205,756	\$ (2,367)

3. Copy of Pension Plan's Report

The Public Employees' Retirement Fund of Indiana ("PERF") issues a publicly available financial report that includes financial statements and required supplementary information for the Police and Firefighters (PERF) Plan and the All Other City Employees (PERF) Plan. That report may be obtained by writing to Public Employees' Retirement Fund, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204.

Additional
Supplementary Information

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type
December 31, 2011
(In thousands)

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Equity in pooled cash	\$ 5,080	\$ 9,417	\$ 26,937	\$ —	\$ 41,434
Cash and investments with fiscal agents	—	24,793	104,474	378	129,645
Investments	3,904	7,180	20,648	—	31,732
Accrued interest receivable	6	9	14	—	29
Property taxes receivable	—	1,149	541	—	1,690
Accounts receivable	131	391	133	—	655
Due from federal and state governments	40	—	459	—	499
Long-term receivables, net allowance \$500	—	—	6,000	—	6,000
Total assets	<u>\$ 9,161</u>	<u>\$ 42,939</u>	<u>\$ 159,206</u>	<u>\$ 378</u>	<u>\$ 211,684</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Matured bonds payable	\$ —	\$ 3,925	\$ —	\$ —	\$ 3,925
Matured interest payable	—	6,759	—	—	6,759
Accounts payable and other accrued liabilities	1,396	206	5,063	—	6,665
Due to other funds	142	1,696	—	—	1,838
Deferred revenue	44	1,372	1,096	—	2,512
Total liabilities	<u>1,582</u>	<u>13,958</u>	<u>6,159</u>	<u>—</u>	<u>21,699</u>
Fund balances:					
Nonspendable	—	—	6,000	378	6,378
Restricted	6,829	31,152	147,047	—	185,028
Committed	1,000	—	—	—	1,000
Unassigned	(250)	(2,171)	—	—	(2,421)
Total fund balances	<u>7,579</u>	<u>28,981</u>	<u>153,047</u>	<u>378</u>	<u>189,985</u>
Total liabilities and fund balances	<u>\$ 9,161</u>	<u>\$ 42,939</u>	<u>\$ 159,206</u>	<u>\$ 378</u>	<u>\$ 211,684</u>

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds by Fund Type
Year ended December 31, 2011
(In thousands)

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Taxes	\$ 29,988	\$ 32,040	\$ 13,188	\$ —	\$ 75,216
Charges for services	716	—	—	—	716
Intergovernmental revenues	163	—	5,575	—	5,738
Traffic violations and court fees	3,621	—	—	—	3,621
Interest and other operating revenues	67	7,679	498	2	8,246
Total revenues	<u>34,555</u>	<u>39,719</u>	<u>19,261</u>	<u>2</u>	<u>93,537</u>
Expenditures:					
Current:					
General government	32	—	—	—	32
Public safety	32,312	—	—	—	32,312
Public works	638	—	—	—	638
Health and welfare	342	—	—	—	342
Economic development and assistance	6,350	—	54,919	—	61,269
Debt service:					
Redemption of bonds and notes	11	32,238	3,148	—	35,397
Interest on bonds and notes	—	26,405	75	—	26,480
Bond and note issuance costs	—	—	3,317	—	3,317
Operating lease payments and administration	—	14,759	—	—	14,759
Capital outlays	3,795	—	95,212	—	99,007
Total expenditures	<u>43,480</u>	<u>73,402</u>	<u>156,671</u>	<u>—</u>	<u>273,553</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>(8,925)</u>	<u>(33,683)</u>	<u>(137,410)</u>	<u>2</u>	<u>(180,016)</u>
Other financing sources (uses):					
Bonds and notes issued	—	—	146,495	—	146,495
Premium on bonds and notes issued	—	—	4,204	—	4,204
Transfers in	—	51,907	39,700	—	91,607
Transfers out	(3,802)	(1,370)	(35,642)	—	(40,814)
Total other financing sources (uses)	<u>(3,802)</u>	<u>50,537</u>	<u>154,757</u>	<u>—</u>	<u>201,492</u>
Special item—sale of wastewater collection and treatment facilities (note 2):					
Assumption of bond anticipation note by CEG	—	—	51,137	—	51,137
Transfer of debt service reserve and unspent bond proceeds to CEG	—	—	(315)	—	(315)
Total special item	<u>—</u>	<u>—</u>	<u>50,822</u>	<u>—</u>	<u>50,822</u>
Net change in fund balances	(12,727)	16,854	68,169	2	72,298
Fund balances at beginning of year	20,306	12,127	84,878	376	117,687
Fund balances at end of year	<u>\$ 7,579</u>	<u>\$ 28,981</u>	<u>\$ 153,047</u>	<u>\$ 378</u>	<u>\$ 189,985</u>

See accompanying independent auditors' report.

General Fund

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

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

(This page intentionally left blank)

CITY OF INDIANAPOLIS
Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund
December 31, 2011
(In thousands)

	General Fund Total	Intrafund Eliminations	Consolidated County	Redevelop- ment	Solid Waste		Sanitation
					Collection	Disposal	
ASSETS							
Equity in pooled cash	\$ 223,971	\$ —	\$ 192,462	\$ 5,278	\$ 6,963	\$ 2,330	\$ —
Cash and investments with fiscal agents	9,481	—	9,172	—	—	—	—
Investments	171,707	—	147,528	4,069	5,355	1,777	—
Accrued interest receivable	172	—	150	3	2	1	—
Property taxes receivable	9,620	—	950	15	1,052	—	—
Accounts receivable	17,248	—	4,414	5	385	1,356	—
Allowance for estimated uncollectibles – accounts receivable	(871)	—	—	—	—	(30)	—
Due from other funds	9,430	—	9,430	—	—	—	—
Due from federal and state governments	976	—	24	—	—	—	—
Total assets	<u>\$ 441,734</u>	<u>\$ —</u>	<u>\$ 364,130</u>	<u>\$ 9,370</u>	<u>\$ 13,757</u>	<u>\$ 5,434</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable and other accrued liabilities	\$ 25,334	\$ —	\$ 12,123	\$ 168	\$ 1,034	\$ 3,926	\$ —
Accrued payroll and payroll taxes	28,209	—	21,241	25	275	—	—
Deferred revenue	15,804	—	1,304	20	1,368	1,356	—
Total liabilities	<u>69,347</u>	<u>—</u>	<u>34,668</u>	<u>213</u>	<u>2,677</u>	<u>5,282</u>	<u>—</u>
Fund balances:							
Restricted	20,930	—	—	—	—	—	—
Committed	215,273	—	215,273	—	—	—	—
Assigned	51,434	—	24,909	9,157	11,080	152	—
Unassigned	84,750	—	89,280	—	—	—	—
Total fund balances (deficits)	<u>372,387</u>	<u>—</u>	<u>329,462</u>	<u>9,157</u>	<u>11,080</u>	<u>152</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 441,734</u>	<u>\$ —</u>	<u>\$ 364,130</u>	<u>\$ 9,370</u>	<u>\$ 13,757</u>	<u>\$ 5,434</u>	<u>\$ —</u>

(Continued)

CITY OF INDIANAPOLIS
Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund
December 31, 2011
(In thousands)

	<u>Transportation</u>	<u>Fire</u>	<u>Park</u>	<u>Metropolitan Police</u>	<u>Storm Water Management</u>
ASSETS					
Equity in pooled cash	\$ 3,541	\$ 849	\$ 2,097	\$ 1	\$ 10,450
Cash and investments with fiscal agents	309	—	—	—	—
Investments	2,736	655	1,567	—	8,020
Accrued interest receivable	—	—	—	—	16
Property taxes receivable	—	3,420	585	3,598	—
Accounts receivable	5,468	1,301	243	770	3,306
Allowance for estimated uncollectibles – accounts receivable	—	—	—	—	(841)
Due from other funds	—	—	—	—	—
Due from federal and state governments	633	99	111	109	—
	<u>12,687</u>	<u>6,324</u>	<u>4,603</u>	<u>4,478</u>	<u>20,951</u>
Total assets	\$ <u>12,687</u>	\$ <u>6,324</u>	\$ <u>4,603</u>	\$ <u>4,478</u>	\$ <u>20,951</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and other accrued liabilities	\$ 3,069	\$ 609	\$ 697	\$ 766	\$ 2,942
Accrued payroll and payroll taxes	442	2,559	408	3,158	101
Deferred revenue	346	4,146	787	4,094	2,383
	<u>3,857</u>	<u>7,314</u>	<u>1,892</u>	<u>8,018</u>	<u>5,426</u>
Total liabilities	3,857	7,314	1,892	8,018	5,426
Fund balance:					
Restricted	8,830	—	—	—	12,100
Committed	—	—	—	—	—
Assigned	—	—	2,711	—	3,425
Unassigned	—	(990)	—	(3,540)	—
	<u>8,830</u>	<u>(990)</u>	<u>2,711</u>	<u>(3,540)</u>	<u>15,525</u>
Total fund balances (deficits)	8,830	(990)	2,711	(3,540)	15,525
Total liabilities and fund balances	\$ <u>12,687</u>	\$ <u>6,324</u>	\$ <u>4,603</u>	\$ <u>4,478</u>	\$ <u>20,951</u>

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund
Year ended December 31, 2011
(In thousands)

	General Fund Total	Intrafund eliminations	Consolidated County	Redevelop- ment	Solid Waste		Sanitation
					Collection	Disposal	
Revenues:							
Taxes	\$ 320,354	\$ —	\$ 24,143	\$ 1,745	\$ 29,182	\$ —	\$ —
Licenses and permits	14,573	—	11,293	—	—	—	2,961
Charges for services	154,561	—	13,841	46	579	8,140	101,313
Other intergovernmental revenues:							
Federal revenues	6,939	—	57	—	—	—	46
State revenues	98,439	—	3,791	—	—	—	—
Other revenues	3,216	—	2,475	—	—	—	—
Intragovernmental revenue	2,929	—	2,929	—	—	—	—
Traffic violations and court fees	3,280	—	2,019	—	—	—	8
Interest and other operating revenues	12,921	—	3,337	195	455	221	1,007
Total revenues	<u>617,212</u>	<u>—</u>	<u>63,885</u>	<u>1,986</u>	<u>30,216</u>	<u>8,361</u>	<u>105,335</u>
Expenditures:							
Current:							
General government	33,280	—	33,280	—	—	—	—
Public safety	362,814	—	12,596	—	—	—	—
Public works	173,597	—	54,856	—	25,021	11,632	42,016
Health and welfare	1,431	—	87	—	744	—	600
Cultural and recreation	23,102	—	1,000	—	423	—	—
Urban redevelopment and housing	7,617	—	5,547	1,781	—	—	—
Economic development and assistance	1,106	—	655	451	—	—	—
Debt service:							
Redemption of bonds and notes	484	—	357	—	—	—	—
Interest on bonds and notes	92	—	19	—	—	—	—
Operating lease payments and administration	96	—	—	—	—	1	94
Capital outlay	37,059	—	14,656	79	271	—	3,207
Total expenditures	<u>640,678</u>	<u>—</u>	<u>123,053</u>	<u>2,311</u>	<u>26,459</u>	<u>11,633</u>	<u>45,917</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,466)</u>	<u>—</u>	<u>(59,168)</u>	<u>(325)</u>	<u>3,757</u>	<u>(3,272)</u>	<u>59,418</u>
Other financing sources (uses):							
Proceeds of financing from capital lease	8,175	—	—	—	—	—	—
Sales of capital assets	1,574	—	796	9	—	—	—
Transfers in	18,148	(107,934)	108,402	432	—	—	—
Transfers out	(62,409)	107,934	(7,600)	(101)	—	—	(154,389)
Total other financing sources (uses)	<u>(34,512)</u>	<u>—</u>	<u>101,598</u>	<u>340</u>	<u>—</u>	<u>—</u>	<u>(154,389)</u>
Special item—sale of wastewater collection and treatment facilities (note 2):							
Sale of capital assets from sale of wastewater collection and treatment facilities	262,600	—	262,600	—	—	—	—
Assumption of additional liabilities by CEG	1,134	—	—	—	—	—	1,134
Total special item	<u>263,734</u>	<u>—</u>	<u>262,600</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,134</u>
Net change in fund balance	205,756	—	305,030	15	3,757	(3,272)	(93,837)
Fund balances (deficits) at beginning of year	166,631	—	24,432	9,142	7,323	3,424	93,837
Fund balances (deficits) at end of year	<u>\$ 372,387</u>	<u>\$ —</u>	<u>\$ 329,462</u>	<u>\$ 9,157</u>	<u>\$ 11,080</u>	<u>\$ 152</u>	<u>\$ —</u>

(Continued)

CITY OF INDIANAPOLIS
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund
Year ended December 31, 2011
(In thousands)

	<u>Transportation</u>	<u>Fire</u>	<u>Park</u>	<u>Metropolitan Police</u>	<u>Storm Water Management</u>
Revenues:					
Taxes	\$ 9,772	\$ 119,728	\$ 19,707	\$ 116,077	\$ —
Licenses and permits	—	31	—	288	—
Charges for services	3,922	629	4,005	1,687	20,399
Other intergovernmental revenues:					
Federal revenues	6,667	98	63	8	—
State revenues	28,929	30,510	—	35,209	—
Other revenues	—	599	—	142	—
Intragovernmental revenue	—	—	—	—	—
Traffic violations and court fees	—	—	—	1,253	—
Interest and other operating revenues	3,052	1,265	612	2,573	204
Total revenues	<u>52,342</u>	<u>152,860</u>	<u>24,387</u>	<u>157,237</u>	<u>20,603</u>
Expenditures:					
Current:					
General government	—	—	—	—	—
Public safety	—	162,214	—	185,729	2,275
Public works	34,191	—	—	—	5,881
Health and welfare	—	—	—	—	—
Cultural and recreation	43	—	21,636	—	—
Urban redevelopment and housing	289	—	—	—	—
Economic development and assistance	—	—	—	—	—
Debt service:					
Redemption of bonds and notes	—	—	127	—	—
Interest on bonds and notes	—	—	73	—	—
Operating lease payments and administration	1	—	—	—	—
Capital outlay	7,794	889	698	94	9,371
Total expenditures	<u>42,318</u>	<u>163,103</u>	<u>22,534</u>	<u>185,823</u>	<u>17,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,024</u>	<u>(10,243)</u>	<u>1,853</u>	<u>(28,586)</u>	<u>3,076</u>
Other financing sources (uses):					
Proceeds of financing from capital lease	—	—	—	8,175	—
Sales of capital assets	—	—	—	750	19
Transfers in	1	2,337	4	14,906	—
Transfers out	—	—	(3,000)	—	(5,253)
Total other financing sources (uses)	<u>1</u>	<u>2,337</u>	<u>(2,996)</u>	<u>23,831</u>	<u>(5,234)</u>
Special item—sale of wastewater collection and treatment facilities (note 2):					
Sale of capital assets from sale of wastewater collection and treatment facilities	—	—	—	—	—
Assumption of additional liabilities by CEG	—	—	—	—	—
Total special item	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	10,025	(7,906)	(1,143)	(4,755)	(2,158)
Fund balances (deficits) at beginning of year	(1,195)	6,916	3,854	1,215	17,683
Fund balances (deficits) at end of year	<u>\$ 8,830</u>	<u>\$ (990)</u>	<u>\$ 2,711</u>	<u>\$ (3,540)</u>	<u>\$ 15,525</u>

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
General Fund
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	Total General Fund		Consolidated County		Redevelopment		Solid Waste Collection	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	\$ 309,043	\$ 313,767	\$ 23,424	\$ 24,143	\$ 1,340	\$ 1,745	\$ 29,394	\$ 29,182
Licenses and permits	16,142	14,917	9,681	11,660	—	—	—	—
Charges for services	192,584	164,792	14,616	10,962	40	46	255	579
Other intergovernmental revenues:								
Federal revenues	7,595	4,556	95	—	—	—	—	—
State revenues	39,737	39,546	4,494	3,879	750	—	—	—
Other revenues	4,027	2,446	2,452	2,313	—	—	—	—
Traffic violations and court fees	3,925	3,139	2,798	1,976	—	—	—	—
Intragovernmental revenues	2,351	2,818	2,351	2,818	—	—	—	—
Interest and other operating revenues	10,779	16,501	1,117	8,163	230	191	229	383
Total revenues	<u>586,183</u>	<u>562,482</u>	<u>61,028</u>	<u>65,914</u>	<u>2,360</u>	<u>1,982</u>	<u>29,878</u>	<u>30,144</u>
Expenditures:								
Current:								
General government	43,278	38,993	43,278	38,993	—	—	—	—
Public safety	294,122	289,759	11,687	10,774	—	—	—	—
Public works	199,461	179,371	59,693	59,107	—	—	27,044	26,597
Health and welfare	1,876	1,542	96	88	—	—	791	749
Cultural and recreation	24,321	23,711	1,000	1,000	—	—	400	428
Urban redevelopment and housing	8,260	7,591	6,417	5,727	1,544	1,574	—	—
Economic development and assistance	1,452	1,107	567	625	885	482	—	—
Capital outlays	67,074	54,443	51,013	41,385	98	79	330	283
Total expenditures	<u>639,844</u>	<u>596,517</u>	<u>173,751</u>	<u>157,699</u>	<u>2,527</u>	<u>2,135</u>	<u>28,565</u>	<u>28,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,661)</u>	<u>(34,035)</u>	<u>(112,723)</u>	<u>(91,785)</u>	<u>(167)</u>	<u>(153)</u>	<u>1,313</u>	<u>2,087</u>
Other financing sources (uses):								
Sales of capital assets	262,580	241,958	262,550	261,163	—	9	—	—
Transfers in (out)	(54,448)	(39,452)	(9,567)	99,220	245	223	—	1
Total other financing sources (uses)	<u>208,132</u>	<u>202,506</u>	<u>252,983</u>	<u>360,383</u>	<u>245</u>	<u>232</u>	<u>—</u>	<u>1</u>
Revenues over (under) expenditures and other financing sources and (uses)	154,471	168,471	140,260	268,598	78	79	1,313	2,088
Fund balance at beginning of year	105,418	128,129	9,569	21,130	6,701	8,732	5,971	7,407
Cancellation of purchase orders and other	66,860	(5,526)	137,093	(37,097)	2,093	14	3,834	1,109
Fund balances at end of year	<u>\$ 326,749</u>	<u>\$ 291,074</u>	<u>\$ 286,922</u>	<u>\$ 252,631</u>	<u>\$ 8,872</u>	<u>\$ 8,825</u>	<u>\$ 11,118</u>	<u>\$ 10,604</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	Solid Waste Disposal		Sanitation		Transportation		Metropolitan Police	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 8,750	\$ 9,685	\$ 109,626	\$ 109,577
Licenses and permits	—	—	5,621	2,938	—	—	330	287
Charges for services	8,815	8,140	142,587	116,032	1,900	2,465	1,681	1,669
Other intergovernmental revenues:								
Federal revenues	—	—	—	2	7,500	4,554	—	—
State revenues	—	—	—	—	30,497	31,061	3,450	4,060
Other revenues	—	—	—	—	—	—	984	109
Traffic violations and court fees	—	—	—	8	—	—	1,127	1,155
Intragovernmental revenues	—	—	—	—	—	—	—	—
Interest and other operating revenues	170	218	—	536	8,100	2,580	158	2,570
Total revenues	<u>8,985</u>	<u>8,358</u>	<u>148,208</u>	<u>119,516</u>	<u>56,747</u>	<u>50,345</u>	<u>117,356</u>	<u>119,427</u>
Expenditures:								
Current:								
General government	—	—	—	—	—	—	—	—
Public safety	—	—	—	—	—	—	147,005	145,986
Public works	10,064	9,973	60,847	42,572	35,822	35,302	—	—
Health and welfare	—	—	909	625	80	80	—	—
Cultural and recreation	—	—	—	—	—	44	—	—
Urban redevelopment and housing	—	—	—	—	299	290	—	—
Economic development and assistance	—	—	—	—	—	—	—	—
Capital outlays	—	—	5,023	2,395	4,235	4,174	137	108
Total expenditures	<u>10,064</u>	<u>9,973</u>	<u>66,779</u>	<u>45,592</u>	<u>40,436</u>	<u>39,890</u>	<u>147,142</u>	<u>146,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,079)</u>	<u>(1,615)</u>	<u>81,429</u>	<u>73,924</u>	<u>16,311</u>	<u>10,455</u>	<u>(29,786)</u>	<u>(26,667)</u>
Other financing sources (uses):								
Sale of capital assets	—	—	—	(19,983)	—	—	—	750
Transfers in (out)	—	—	(64,095)	(154,389)	—	(1)	23,300	21,406
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(64,095)</u>	<u>(174,372)</u>	<u>—</u>	<u>(1)</u>	<u>23,300</u>	<u>22,156</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(1,079)</u>	<u>(1,615)</u>	<u>17,334</u>	<u>(100,448)</u>	<u>16,311</u>	<u>10,454</u>	<u>(6,486)</u>	<u>(4,511)</u>
Fund balance at beginning of year	1,988	2,709	71,621	72,469	(8,141)	(10,207)	2,580	3,722
Cancellation of purchase orders and other	1,354	1,932	(88,955)	27,979	(6,534)	574	3,234	1,570
Fund balances at end of year	<u>\$ 2,263</u>	<u>\$ 3,026</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,636</u>	<u>\$ 821</u>	<u>\$ (672)</u>	<u>\$ 781</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	Fire		Park		Storm Water Management	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 117,171	\$ 119,728	\$ 19,338	\$ 19,707	\$ —	\$ —
Licenses and permits	510	32	—	—	—	—
Charges for services	512	640	4,178	3,984	18,000	20,275
Other intergovernmental revenues:						
Federal revenues	—	—	—	—	—	—
State revenues	546	546	—	—	—	—
Other revenues	591	24	—	—	—	—
Traffic violations and court fees	—	—	—	—	—	—
Intragovernmental revenues	—	—	—	—	—	—
Interest and other operating revenues	—	1,244	775	485	—	131
Total revenues	<u>119,330</u>	<u>122,214</u>	<u>24,291</u>	<u>24,176</u>	<u>18,000</u>	<u>20,406</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public safety	133,952	131,540	—	—	1,478	1,459
Public works	—	—	—	—	5,991	5,820
Health and welfare	—	—	—	—	—	—
Cultural and recreation	—	—	22,921	22,239	—	—
Urban redevelopment and housing	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—
Capital outlays	647	533	64	62	5,527	5,424
Total expenditures	<u>134,599</u>	<u>132,073</u>	<u>22,985</u>	<u>22,301</u>	<u>12,996</u>	<u>12,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,269)</u>	<u>(9,859)</u>	<u>1,306</u>	<u>1,875</u>	<u>5,004</u>	<u>7,703</u>
Other financing sources (uses):						
Sale of capital assets	—	—	—	—	30	19
Transfers in (out)	3,600	2,337	(3,000)	(2,996)	(4,931)	(5,253)
Total other financing sources (uses)	<u>3,600</u>	<u>2,337</u>	<u>(3,000)</u>	<u>(2,996)</u>	<u>(4,901)</u>	<u>(5,234)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(11,669)</u>	<u>(7,522)</u>	<u>(1,694)</u>	<u>(1,121)</u>	<u>103</u>	<u>2,469</u>
Fund balance at beginning of year	5,122	8,555	2,073	3,329	7,934	10,283
Cancellation of purchase orders and other	7,707	(656)	1,909	38	5,125	(989)
Fund balances at end of year	<u>\$ 1,160</u>	<u>\$ 377</u>	<u>\$ 2,288</u>	<u>\$ 2,246</u>	<u>\$ 13,162</u>	<u>\$ 11,763</u>

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Executive and Legislative				
Office of the Mayor				
	Consolidated County			
Personal services		\$ 3,964	\$ 3,923	\$ 41
Supplies		12	6	6
Other services and charges		3,127	3,071	56
Capital outlay		2	1	1
Internal charges		(988)	(988)	—
Total		<u>6,117</u>	<u>6,013</u>	<u>104</u>
Office of Audit and Performance				
	Consolidated County			
Personal services		625	614	11
Supplies		4	3	1
Other services and charges		159	138	21
Capital outlay		2	1	1
Internal charges		1	1	—
Total		<u>791</u>	<u>757</u>	<u>34</u>
City-County Council				
	Consolidated County			
Personal services		1,023	1,023	—
Supplies		4	3	1
Other services and charges		659	563	96
Total		<u>1,686</u>	<u>1,589</u>	<u>97</u>
Cable Franchise Board				
	Consolidated County			
Personal services		326	321	5
Supplies		5	5	—
Other services and charges		143	136	7
Capital outlay		40	39	1
Internal charges		1	1	—
Total		<u>515</u>	<u>502</u>	<u>13</u>
Office of the Corporation Counsel				
	Consolidated County			
Personal services		2,908	2,885	23
Supplies		7	6	1
Other services and charges		1,361	1,357	4
Capital outlay		5	—	5
Internal charges		(1,813)	(1,781)	(32)
Total		<u>\$ 2,468</u>	<u>\$ 2,467</u>	<u>\$ 1</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Office of Finance and Management	Consolidated County			
Personal services		\$ 3,581	\$ 3,550	\$ 31
Supplies		11	8	3
Other services and charges		13,067	13,006	61
Capital outlay		2	1	1
Internal charges		106	106	—
Total		<u>16,767</u>	<u>16,671</u>	<u>96</u>
Total – Executive and Legislative		\$ <u>28,344</u>	\$ <u>27,999</u>	\$ <u>345</u>
Department of Metropolitan Development	Consolidated County			
Personal services		\$ 2,123	\$ 2,057	\$ 66
Supplies		20	11	9
Other services and charges		3,855	3,386	469
Capital outlay		353	227	126
Internal charges		(124)	(178)	54
Total		<u>6,227</u>	<u>5,503</u>	<u>724</u>
Department of Metropolitan Development	Transportation			
Personal services		203	203	—
Other services and charges		96	89	7
Total		<u>299</u>	<u>292</u>	<u>7</u>
Department of Metropolitan Development	Redevelopment			
Personal services		636	620	16
Supplies		3	1	2
Other services and charges		2,160	1,748	412
Capital outlay		98	79	19
Internal charges		(370)	(313)	(57)
Total		<u>2,527</u>	<u>2,135</u>	<u>392</u>
Total – Department of Metropolitan Development		\$ <u>9,053</u>	\$ <u>7,930</u>	\$ <u>1,123</u>
Department of Code Enforcement	Consolidated County			
Personal services		\$ 8,010	\$ 6,506	\$ 1,504
Supplies		71	57	14
Other services and charges		7,412	6,657	755
Capital outlay		259	204	55
Internal charges		982	982	—
Total – Department of Code Enforcement		\$ <u>16,734</u>	\$ <u>14,406</u>	\$ <u>2,328</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Public Works	Consolidated County			
Personal services		\$ 9,556	\$ 9,146	\$ 410
Supplies		18,201	17,762	439
Other services and charges		59,998	59,844	154
Capital outlay		50,205	40,772	9,433
Internal charges		(25,466)	(27,398)	1,932
Total		<u>112,494</u>	<u>100,126</u>	<u>12,368</u>
Department of Public Works	Transportation			
Personal services		14,507	14,419	88
Supplies		7,553	7,275	278
Other services and charges		9,374	9,325	49
Capital outlay		4,235	4,173	62
Internal charges		4,468	4,406	62
Total		<u>40,137</u>	<u>39,598</u>	<u>539</u>
Department of Public Works	Park			
Personal services		4,328	4,328	—
Supplies		312	243	69
Other services and charges		1,708	1,647	61
Capital outlay		3	2	1
Internal charges		733	733	—
Total		<u>7,084</u>	<u>6,953</u>	<u>131</u>
Department of Public Works	Solid Waste Collection			
Personal services		9,281	9,224	57
Supplies		174	162	12
Other services and charges		14,680	14,339	341
Capital outlay		330	283	47
Internal charges		4,100	4,049	51
Total		<u>28,565</u>	<u>28,057</u>	<u>508</u>
Department of Public Works	Solid Waste Disposal			
Other services and charges		9,531	9,479	52
Internal charges		533	494	39
Total		<u>\$ 10,064</u>	<u>\$ 9,973</u>	<u>\$ 91</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Public Works	Sanitation			
Personal services		\$ 2,672	\$ 1,681	\$ 991
Supplies		75	48	27
Other services and charges		56,708	39,254	17,454
Capital outlay		5,023	2,395	2,628
Internal charges		2,301	2,214	87
Total		<u>66,779</u>	<u>45,592</u>	<u>21,187</u>
Department of Public Works	Storm Water Management			
Personal services		2,767	2,571	196
Supplies		39	37	2
Other services and charges		3,211	3,206	5
Capital outlay		5,527	5,424	103
Internal charges		1,452	1,465	(13)
Total		<u>12,996</u>	<u>12,703</u>	<u>293</u>
Total – Department of Public Works		<u>\$ 278,119</u>	<u>\$ 243,002</u>	<u>\$ 35,117</u>
Department of Public Safety	Consolidated County			
Personal services		\$ 4,079	\$ 4,091	\$ (12)
Supplies		216	173	43
Other services and charges		3,803	3,554	249
Capital outlay		147	141	6
Internal charges		707	706	1
Total		<u>8,952</u>	<u>8,665</u>	<u>287</u>
Indianapolis Fire Department	Fire			
Personal services		122,401	120,614	1,787
Supplies		1,621	1,416	205
Other services and charges		6,175	5,755	420
Capital outlay		647	533	114
Internal charges		3,755	3,755	—
Total		<u>134,599</u>	<u>132,073</u>	<u>2,526</u>
Total – Department of Public Safety		<u>\$ 143,551</u>	<u>\$ 140,738</u>	<u>\$ 2,813</u>
Department of Parks and Recreation	Consolidated County			
Other services and charges		\$ 1,000	\$ 1,000	\$ —
Total		<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ —</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Parks and Recreation	Park			
Personal services		\$ 9,174	\$ 8,681	\$ 493
Supplies		604	591	13
Other services and charges		5,820	5,774	46
Capital outlay		61	60	1
Internal charges		242	242	—
Total		<u>15,901</u>	<u>15,348</u>	<u>553</u>
Total – Department of Parks and Recreation		\$ <u>16,901</u>	\$ <u>16,348</u>	\$ <u>553</u>
Indianapolis Metropolitan Police Department	Metropolitan Police			
Personal services		\$ 122,733	\$ 123,103	\$ (370)
Supplies		1,338	1,079	259
Other services and charges		11,483	10,847	636
Capital outlay		137	108	29
Internal charges		11,451	10,957	494
Total – Indianapolis Metropolitan Police Department		\$ <u>147,142</u>	\$ <u>146,094</u>	\$ <u>1,048</u>
Total – General Fund – by Department and Division		\$ <u><u>639,844</u></u>	\$ <u><u>596,517</u></u>	\$ <u><u>43,327</u></u>

Nonmajor Special Revenue Fund

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

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

(This page intentionally left blank)

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Special Revenue Funds
December 31, 2011
(In thousands)

	<u>Parking</u>	<u>Cable Franchise PEG Grants</u>	<u>State of Indiana Grants</u>	<u>Public Safety Income Tax</u>	<u>Drug Free Community</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS						
Equity in pooled cash	\$ 3,654	\$ 28	\$ 1,380	\$ 18	\$ —	\$ 5,080
Investments	2,806	23	1,052	23	—	3,904
Accrued interest receivable	4	—	2	—	—	6
Accounts receivable	—	—	78	53	—	131
Due from federal and state governments	—	—	40	—	—	40
Total assets	<u>\$ 6,464</u>	<u>\$ 51</u>	<u>\$ 2,552</u>	<u>\$ 94</u>	<u>\$ —</u>	<u>\$ 9,161</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other accrued liabilities	\$ 1,216	\$ —	\$ 72	\$ —	\$ 108	\$ 1,396
Due to other funds	—	—	—	—	142	142
Deferred revenue	—	—	44	—	—	44
Total liabilities	<u>1,216</u>	<u>—</u>	<u>116</u>	<u>—</u>	<u>250</u>	<u>1,582</u>
Fund balances:						
Restricted	4,248	51	2,436	94	—	6,829
Committed	1,000	—	—	—	—	1,000
Unassigned	—	—	—	—	(250)	(250)
Total fund balances (deficits)	<u>5,248</u>	<u>51</u>	<u>2,436</u>	<u>94</u>	<u>(250)</u>	<u>7,579</u>
Total liabilities and fund balances	<u>\$ 6,464</u>	<u>\$ 51</u>	<u>\$ 2,552</u>	<u>\$ 94</u>	<u>\$ —</u>	<u>\$ 9,161</u>

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds
Year ended December 31, 2011
(In thousands)

	<u>Parking</u>	<u>Cable Franchise PEG Grants</u>	<u>State of Indiana Grants</u>	<u>Public Safety Income Tax</u>	<u>Drug Free Community</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ 29,988	\$ —	\$ 29,988
Charges for services	716	—	—	—	—	716
Other intergovernmental revenues:						
Federal revenues	—	—	18	—	—	18
State revenues	—	—	53	—	—	53
Other revenues	—	—	—	—	92	92
Traffic violations and court fees	584	—	3,037	—	—	3,621
Interest and other operating revenues	65	—	8	(6)	—	67
Total revenues	<u>1,365</u>	<u>—</u>	<u>3,116</u>	<u>29,982</u>	<u>92</u>	<u>34,555</u>
Expenditures:						
Current:						
General government	—	32	—	—	—	32
Public safety	83	—	2,302	29,927	—	32,312
Public works	638	—	—	—	—	638
Health and welfare	—	—	—	—	342	342
Economic development and assistance	6,350	—	—	—	—	6,350
Debt service:						
Redemption of bonds and notes	—	—	11	—	—	11
Capital outlay	3,795	—	—	—	—	3,795
Total expenditures	<u>10,866</u>	<u>32</u>	<u>2,313</u>	<u>29,927</u>	<u>342</u>	<u>43,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,501)</u>	<u>(32)</u>	<u>803</u>	<u>55</u>	<u>(250)</u>	<u>(8,925)</u>
Other financing sources (uses):						
Transfers out	(3,800)	—	(2)	—	—	(3,802)
Total other financing sources (uses)	<u>(3,800)</u>	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>—</u>	<u>(3,802)</u>
Net change in fund balances	(13,301)	(32)	801	55	(250)	(12,727)
Fund balances at beginning of year	18,549	83	1,635	39	—	20,306
Fund balances (deficits) at end of year	<u>\$ 5,248</u>	<u>\$ 51</u>	<u>\$ 2,436</u>	<u>\$ 94</u>	<u>\$ (250)</u>	<u>\$ 7,579</u>

CITY OF INDIANAPOLIS
Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	Parking		Federal Grants		State of Indiana Grants		Public Safety Income Tax		Drug Free Community		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:												
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 29,935	\$ 29,935	\$ —	\$ —	\$ 29,935	\$ 29,935
Charges for services	2,400	716	—	—	—	—	—	—	—	—	2,400	716
Other intergovernmental revenues:												
Federal revenues	—	—	83,024	25,073	—	—	—	—	—	—	83,024	25,073
State revenues	—	—	—	41	20	9	—	—	—	—	20	50
Other revenues	—	—	200	225	11	16	—	—	—	—	211	241
Traffic violations and court fees	1,800	592	1,615	2,594	813	2,969	—	—	—	—	4,228	6,155
Interest and other operating revenues	10,000	10,057	—	19	—	7	—	2	—	—	10,000	10,085
Total revenues	<u>14,200</u>	<u>11,365</u>	<u>84,839</u>	<u>27,952</u>	<u>844</u>	<u>3,001</u>	<u>29,935</u>	<u>29,937</u>	<u>—</u>	<u>—</u>	<u>129,818</u>	<u>72,255</u>
Expenditures:												
Current:												
General government	—	—	3,584	3,309	—	—	—	—	—	—	3,584	3,309
Public safety	77	76	22,671	12,565	1,740	1,572	29,927	29,927	—	—	54,415	44,140
Public works	3,691	3,509	—	—	—	—	—	—	—	—	3,691	3,509
Health and welfare	—	—	2,409	2,196	20	—	—	—	450	391	2,879	2,587
Cultural and recreation	—	—	928	835	—	—	—	—	—	—	928	835
Urban redevelopment and housing	—	—	35,148	23,136	—	—	—	—	—	—	35,148	23,136
Economic development and assistance	—	—	260	340	11	11	—	—	—	—	271	351
Capital outlays	14,546	12,308	21,186	10,372	—	—	—	—	—	—	35,732	22,680
Total expenditures	<u>18,314</u>	<u>15,893</u>	<u>86,186</u>	<u>52,753</u>	<u>1,771</u>	<u>1,583</u>	<u>29,927</u>	<u>29,927</u>	<u>450</u>	<u>391</u>	<u>136,648</u>	<u>100,547</u>
Excess (deficiency) of revenues over expenditures	(4,114)	(4,528)	(1,347)	(24,801)	(927)	1,418	8	10	(450)	(391)	(6,830)	(28,292)
Other financing sources (uses), net:												
Transfers out	(3,800)	(3,800)	—	(593)	—	(869)	—	—	450	—	(3,350)	(5,262)
Total other financing sources (uses)	<u>(3,800)</u>	<u>(3,800)</u>	<u>—</u>	<u>(593)</u>	<u>—</u>	<u>(869)</u>	<u>—</u>	<u>—</u>	<u>450</u>	<u>—</u>	<u>(3,350)</u>	<u>(5,262)</u>
Revenues over (under) expenditures and other financing sources (uses)	(7,914)	(8,328)	(1,347)	(25,394)	(927)	549	8	10	—	(391)	(10,180)	(33,554)
Fund balances at beginning of year	1,258	11,114	—	—	811	1,704	—	31	—	—	2,069	12,849
Cancellation of purchase orders and other	9,524	(2,413)	1,347	25,394	116	(2,253)	33	2	57	483	11,077	21,213
Fund balances at end of year	<u>\$ 2,868</u>	<u>\$ 373</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 41</u>	<u>\$ 43</u>	<u>\$ 57</u>	<u>\$ 92</u>	<u>\$ 2,966</u>	<u>\$ 508</u>

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Executive and Legislative				
Mayor's Office	Federal Grants			
Personal services		\$ 21	\$ 19	\$ 2
Supplies		3	1	2
Other services and charges		656	459	197
Capital outlay		3	—	3
Total		<u>683</u>	<u>479</u>	<u>204</u>
Office of Finance and Management	Federal Grants			
Personal services		60	17	43
Other services and charges		64	60	4
Total		<u>124</u>	<u>77</u>	<u>47</u>
Office of Finance and Management	Drug Free Community			
Other services and charges		450	391	59
Total		<u>450</u>	<u>391</u>	<u>59</u>
Total – Executive and Legislative		<u>\$ 1,257</u>	<u>\$ 947</u>	<u>\$ 310</u>
Department of Metropolitan Development	Federal Grants			
Personal services		\$ 3,259	\$ 2,736	\$ 523
Supplies		29	15	14
Other services and charges		32,942	21,551	11,391
Capital outlay		15	5	10
Internal charges		498	492	6
Total		<u>36,743</u>	<u>24,799</u>	<u>11,944</u>
Department of Metropolitan Development	State of Indiana Grants			
Other services and charges		11	11	—
Total		<u>11</u>	<u>11</u>	<u>—</u>
Total – Department of Metropolitan Development		<u>\$ 36,754</u>	<u>\$ 24,810</u>	<u>\$ 11,944</u>

(Continued)

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Code Enforcement	Federal Grants			
Other services and charges		\$ 122	\$ 122	\$ —
Total – Department of Code Enforcement		<u>\$ 122</u>	<u>\$ 122</u>	<u>\$ —</u>
Department of Public Works	Parking			
Personal services		\$ 249	\$ 68	\$ 181
Supplies		86	85	1
Other services and charges		3,388	3,388	—
Capital outlay		14,546	12,308	2,238
Internal charges		45	44	1
Total		<u>18,314</u>	<u>15,893</u>	<u>2,421</u>
Department of Public Works	Federal Grants			
Personal services		190	54	136
Supplies		2	1	1
Other services and charges		3,678	3,576	102
Capital outlay		10,181	4,740	5,441
Total		<u>14,051</u>	<u>8,371</u>	<u>5,680</u>
Department of Public Works	State of Indiana Grants			
Other services and charges		20	—	20
Total		<u>20</u>	<u>—</u>	<u>20</u>
Total – Department of Public Works		<u>\$ 32,385</u>	<u>\$ 24,264</u>	<u>\$ 8,121</u>
Department of Public Safety	Federal Grants			
Personal services		\$ 1,156	\$ 739	\$ 417
Supplies		1,673	617	1,056
Other services and charges		6,134	2,735	3,399
Capital outlay		6,177	4,255	1,922
Internal charges		17	12	5
Total		<u>15,157</u>	<u>8,358</u>	<u>6,799</u>
Total – Department of Public Safety		<u>\$ 15,157</u>	<u>\$ 8,358</u>	<u>\$ 6,799</u>

(Continued)

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Parks and Recreation	Federal Grants			
Personal services		\$ 286	\$ 286	\$ —
Supplies		5	5	—
Other services and charges		637	544	93
Capital outlay		1,428	269	1,159
Total		<u>2,356</u>	<u>1,104</u>	<u>1,252</u>
Total – Department of Parks and Recreation		\$ <u>2,356</u>	\$ <u>1,104</u>	\$ <u>1,252</u>
Indianapolis Metropolitan Police Department	Federal Grants			
Personal services		\$ 6,384	\$ 5,256	\$ 1,128
Supplies		939	527	412
Other services and charges		6,245	2,557	3,688
Capital outlay		3,382	1,103	2,279
Total		<u>16,950</u>	<u>9,443</u>	<u>7,507</u>
Indianapolis Metropolitan Police Department	State of Indiana Grants			
Personal services		527	527	—
Supplies		41	50	(9)
Other services and charges		1,172	995	177
Total		<u>1,740</u>	<u>1,572</u>	<u>168</u>
Indianapolis Metropolitan Police Department	Public Safety Income Tax			
Personal services		29,927	29,927	—
Total		<u>29,927</u>	<u>29,927</u>	<u>—</u>
Total – Indianapolis Metropolitan Police Department		\$ <u>48,617</u>	\$ <u>40,942</u>	\$ <u>7,675</u>
Total – Special Revenue Funds – by Department and Division		\$ <u><u>136,648</u></u>	\$ <u><u>100,547</u></u>	\$ <u><u>36,101</u></u>

Nonmajor Debt Service Funds

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

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

(This page intentionally left blank)

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Debt Service Funds
December 31, 2011
(In thousands)

	Civil City	Redevelopment District	MECA	Sanitary District	Flood Control District	Metropolitan Thoroughfare District	Park District	Economic Development District	PILOT	Total Nonmajor Debt Service Funds
ASSETS										
Equity in pooled cash	\$ 2,457	\$ —	\$ 1,106	\$ 125	\$ 15	\$ 30	\$ 15	\$ 2,041	\$ 3,628	\$ 9,417
Cash and investments with fiscal agents	5	4	—	32	12	30	10	18,433	6,267	24,793
Investments	1,871	—	865	94	—	—	—	1,567	2,783	7,180
Accrued interest receivable	—	—	—	3	1	1	—	1	3	9
Property taxes receivable	372	333	133	—	—	191	120	—	—	1,149
Accounts receivable	64	40	205	—	—	53	29	—	—	391
Total assets	<u>\$ 4,769</u>	<u>\$ 377</u>	<u>\$ 2,309</u>	<u>\$ 254</u>	<u>\$ 28</u>	<u>\$ 305</u>	<u>\$ 174</u>	<u>\$ 22,042</u>	<u>\$ 12,681</u>	<u>\$ 42,939</u>
LIABILITIES AND FUND BALANCES										
Matured bonds payable	\$ 2,860	\$ —	\$ 1,065	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,925
Matured interest payable	1,894	5	852	8	7	19	19	—	3,955	6,759
Accounts payable and other accrued liabilities	2	50	—	114	11	21	8	—	—	206
Due to other funds	—	1,696	—	—	—	—	—	—	—	1,696
Deferred revenue	437	373	171	—	—	244	147	—	—	1,372
Total liabilities	<u>5,193</u>	<u>2,124</u>	<u>2,088</u>	<u>122</u>	<u>18</u>	<u>284</u>	<u>174</u>	<u>—</u>	<u>3,955</u>	<u>13,958</u>
Fund balances:										
Restricted	—	—	221	132	10	21	—	22,042	8,726	31,152
Unassigned	(424)	(1,747)	—	—	—	—	—	—	—	(2,171)
Total fund balances (deficits)	<u>(424)</u>	<u>(1,747)</u>	<u>221</u>	<u>132</u>	<u>10</u>	<u>21</u>	<u>—</u>	<u>22,042</u>	<u>8,726</u>	<u>28,981</u>
Total liabilities and fund balances	<u>\$ 4,769</u>	<u>\$ 377</u>	<u>\$ 2,309</u>	<u>\$ 254</u>	<u>\$ 28</u>	<u>\$ 305</u>	<u>\$ 174</u>	<u>\$ 22,042</u>	<u>\$ 12,681</u>	<u>\$ 42,939</u>

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds
Year ended December 31, 2011
(In thousands)

	Civil City	Redevelopment District	MECA	Sanitary District	Flood Control District	Metropolitan Thoroughfare District	Park District	Economic Development District	PILOT	Total Nonmajor Debt Service Funds
Revenues:										
Property taxes	\$ 7,478	\$ 10,923	\$ 3,151	\$ —	\$ —	\$ 4,666	\$ 2,576	\$ 1,253	\$ —	\$ 30,047
Other taxes	645	339	300	—	—	456	253	—	—	1,993
Interest on investments	2	7	—	15	5	6	3	(39)	62	61
Other revenues	—	—	1,336	2,953	—	48	—	1,865	1,416	7,618
Total revenues	8,125	11,269	4,787	2,968	5	5,176	2,832	3,079	1,478	39,719
Expenditures:										
Redemption of bonds and notes	5,660	6,605	2,940	6,935	2,461	4,465	2,378	794	—	32,238
Interest on bonds and notes	3,850	35	1,740	3,318	2,723	1,896	1,010	3,923	7,910	26,405
Operating lease payments and administration	83	14,242	30	80	51	40	20	53	160	14,759
Total expenditures	9,593	20,882	4,710	10,333	5,235	6,401	3,408	4,770	8,070	73,402
Excess (deficiency) of revenues over (under) expenditures	(1,468)	(9,613)	77	(7,365)	(5,230)	(1,225)	(576)	(1,691)	(6,592)	(33,683)
Other financing sources (uses):										
Transfers in	1,031	7,870	—	7,382	5,309	1,201	574	15,742	12,798	51,907
Transfers out	—	(5)	—	—	(56)	—	—	(1,309)	—	(1,370)
Total other financing sources	1,031	7,865	—	7,382	5,253	1,201	574	14,433	12,798	50,537
Net change in fund balances	(437)	(1,748)	77	17	23	(24)	(2)	12,742	6,206	16,854
Fund balances (deficits) at beginning of year	13	1	144	115	(13)	45	2	9,300	2,520	12,127
Fund balances (deficits) at end of year	\$ (424)	\$ (1,747)	\$ 221	\$ 132	\$ 10	\$ 21	\$ —	\$ 22,042	\$ 8,726	\$ 28,981

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	Civil City		Redevelopment District		MECA	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 9,058	\$ 8,123	\$ 17,331	\$ 11,262	\$ 3,441	\$ 3,459
Charges for services	—	—	—	—	1,300	1,169
Other operating revenues	—	—	—	5	—	(1)
Total revenues	<u>9,058</u>	<u>8,123</u>	<u>17,331</u>	<u>11,267</u>	<u>4,741</u>	<u>4,627</u>
Expenditures:						
Economic development and assistance	—	—	—	—	—	—
Debt service	<u>9,592</u>	<u>9,592</u>	<u>20,910</u>	<u>20,882</u>	<u>4,718</u>	<u>4,718</u>
Total expenditures	<u>9,592</u>	<u>9,592</u>	<u>20,910</u>	<u>20,882</u>	<u>4,718</u>	<u>4,718</u>
Deficiency of revenues under expenditures	<u>(534)</u>	<u>(1,469)</u>	<u>(3,579)</u>	<u>(9,615)</u>	<u>23</u>	<u>(91)</u>
Other financing sources, net:						
Bond proceeds	—	—	—	—	—	—
Transfers in	<u>—</u>	<u>1,031</u>	<u>3,730</u>	<u>7,865</u>	<u>—</u>	<u>—</u>
Total other financing sources	<u>—</u>	<u>1,031</u>	<u>3,730</u>	<u>7,865</u>	<u>—</u>	<u>—</u>
Revenues over (under) expenditures and other financing sources	<u>(534)</u>	<u>(438)</u>	<u>151</u>	<u>(1,750)</u>	<u>23</u>	<u>(91)</u>
Fund balances (deficits) at beginning of year	—	16	96	48	(340)	166
Cancellation of purchase orders and other	<u>113</u>	<u>(1)</u>	<u>(1,948)</u>	<u>2,074</u>	<u>371</u>	<u>(75)</u>
Fund balances (deficits) at beginning of year	<u>\$ (421)</u>	<u>\$ (423)</u>	<u>\$ (1,701)</u>	<u>\$ 372</u>	<u>\$ 54</u>	<u>\$ —</u>

(Continued)

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	<u>Sanitary District</u>		<u>Flood Control District</u>		<u>Metropolitan Thoroughfare District</u>	
	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 5,764	\$ 5,122
Charges for services	—	—	—	—	—	—
Other operating revenues	—	2,963	—	1	—	51
Total revenues	<u>—</u>	<u>2,963</u>	<u>—</u>	<u>1</u>	<u>5,764</u>	<u>5,173</u>
Expenditures:						
Economic development and assistance	—	—	—	—	—	—
Debt service	11,263	10,333	5,236	5,235	6,398	6,398
Total expenditures	<u>11,263</u>	<u>10,333</u>	<u>5,236</u>	<u>5,235</u>	<u>6,398</u>	<u>6,398</u>
Deficiency of revenues under expenditures	<u>(11,263)</u>	<u>(7,370)</u>	<u>(5,236)</u>	<u>(5,234)</u>	<u>(634)</u>	<u>(1,225)</u>
Other financing sources, net:						
Bond proceeds	—	—	—	—	—	—
Transfers in	12,051	7,381	4,931	5,253	540	1,201
Total other financing sources	<u>12,051</u>	<u>7,381</u>	<u>4,931</u>	<u>5,253</u>	<u>540</u>	<u>1,201</u>
Revenues over (under) expenditures and other financing sources	788	11	(305)	19	(94)	(24)
Fund balances (deficits) at beginning of year	55	87	40	—	19	1
Cancellation of purchase orders and other	<u>(843)</u>	<u>(98)</u>	<u>265</u>	<u>(19)</u>	<u>92</u>	<u>23</u>
Fund balances (deficits) at beginning of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ —</u>

(Continued)

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	<u>Revenue</u>		<u>Park District</u>		<u>Economic Development</u>		<u>PILOT</u>		<u>Totals</u>	
	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>
Revenues:										
Taxes	\$ 52,853	\$ 62,465	\$ 3,179	\$ 2,827	\$ 1,150	\$ 1,253	\$ —	\$ —	\$ 92,776	\$ 94,511
Charges for services	—	—	—	—	2,075	1,365	—	—	3,375	2,534
Other operating revenues	2,336	4,181	—	2	—	(9)	—	1,435	2,336	8,628
Total revenues	<u>55,189</u>	<u>66,646</u>	<u>3,179</u>	<u>2,829</u>	<u>3,225</u>	<u>2,609</u>	<u>—</u>	<u>1,435</u>	<u>98,487</u>	<u>105,673</u>
Expenditures:										
Economic development and assistance	8,000	8,000	—	—	—	—	—	—	8,000	8,000
Debt service	125,456	107,389	3,408	3,408	7,585	7,510	8,070	8,070	202,636	183,535
Total expenditures	<u>133,456</u>	<u>115,389</u>	<u>3,408</u>	<u>3,408</u>	<u>7,585</u>	<u>7,510</u>	<u>8,070</u>	<u>8,070</u>	<u>210,636</u>	<u>191,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,267)</u>	<u>(48,743)</u>	<u>(229)</u>	<u>(579)</u>	<u>(4,360)</u>	<u>(4,901)</u>	<u>(8,070)</u>	<u>(6,635)</u>	<u>(112,149)</u>	<u>(85,862)</u>
Other financing sources, net:										
Bond proceeds	—	41,606	—	—	—	—	4,032	—	4,032	41,606
Transfers in	35,540	(15,133)	175	574	—	14,434	4,038	12,798	61,005	35,404
Total other financing sources	<u>35,540</u>	<u>26,473</u>	<u>175</u>	<u>574</u>	<u>—</u>	<u>14,434</u>	<u>8,070</u>	<u>12,798</u>	<u>65,037</u>	<u>77,010</u>
Revenues over (under) expenditures and other financing sources	<u>(42,727)</u>	<u>(22,270)</u>	<u>(54)</u>	<u>(5)</u>	<u>(4,360)</u>	<u>9,533</u>	<u>—</u>	<u>6,163</u>	<u>(47,112)</u>	<u>(8,852)</u>
Fund balances (deficits) at beginning of year	43	11	18	—	4,306	2,615	—	2,521	4,237	5,465
Cancellation of purchase orders and other	43,444	22,828	42	13	5,316	(1,787)	2,456	(2,274)	49,308	20,684
Fund balances (deficits) at beginning of year	<u>\$ 760</u>	<u>\$ 569</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 5,262</u>	<u>\$ 10,361</u>	<u>\$ 2,456</u>	<u>\$ 6,410</u>	<u>\$ 6,433</u>	<u>\$ 17,297</u>

CITY OF INDIANAPOLIS
Debt Service Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Metropolitan Development	Revenue			
Other services and charges		\$ 488	\$ 488	\$ —
Total		<u>488</u>	<u>488</u>	<u>—</u>
Executive and Legislative	Revenue			
Other services and charges		8,000	8,000	—
Total		<u>8,000</u>	<u>8,000</u>	<u>—</u>
Non Departmental	Flood Control District			
Other services and charges		5,236	5,235	1
Total		<u>5,236</u>	<u>5,235</u>	<u>1</u>
Non Departmental	Metropolitan Thoroughfare District			
Other services and charges		6,398	6,398	—
Total		<u>6,398</u>	<u>6,398</u>	<u>—</u>
Non Departmental	Park District			
Other services and charges		3,408	3,408	—
Total		<u>3,408</u>	<u>3,408</u>	<u>—</u>
Non Departmental	MECA			
Other services and charges		4,718	4,718	—
Total		<u>4,718</u>	<u>4,718</u>	<u>—</u>
Non Departmental	Civil City			
Other services and charges		9,592	9,592	—
Total		<u>9,592</u>	<u>9,592</u>	<u>—</u>
Non Departmental	Redevelopment District			
Other services and charges		20,910	20,882	28
Total		<u>20,910</u>	<u>20,882</u>	<u>28</u>
Non Departmental	Revenue			
Other services and charges		124,968	106,901	18,067
Total		<u>124,968</u>	<u>106,901</u>	<u>18,067</u>
Non Departmental	Sanitary District			
Other services and charges		11,263	10,333	930
Total		<u>11,263</u>	<u>10,333</u>	<u>930</u>
Non Departmental	Economic Development			
Other services and charges		7,585	7,510	75
Total		<u>7,585</u>	<u>7,510</u>	<u>75</u>
Non Departmental	PILOT			
Other services and charges		8,070	8,070	—
Total		<u>8,070</u>	<u>8,070</u>	<u>—</u>
Total – Debt Service Funds – by Department		\$ 210,636	\$ 191,535	\$ 19,101

See accompanying independent auditors' report.

Nonmajor Capital Project Funds

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

Redevelopment District:

General -

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

Tax Increment -

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

Economic Development -

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

Metropolitan Thoroughfare District -

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

Park District -

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

City Cumulative Capital Development -

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

County Cumulative Capital Development -

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

Facilities Revenue Bonds -

to account for all financial resources related to certain maintenance and repair of City and County facilities

Tax Revenue Note -

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

MECA -

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

(Continued)

- Landmark Building Preservation -** to account for all financial resources related to costs of major repairs to certain City properties
- Fire Cumulative -** to account for all resources for the fire department accumulating from an ad valorem property tax levy to provide for the cost of construction, maintenance, acquisition, and repair of certain facilities and other items of a capital nature
- Storm Water -** to account for all financial resources related to expenditures for construction of storm water removal infrastructure
- Energy Savings -** to account for all financial resources related to expenditures for “energy upgrades” of City and County facilities
- Capital Asset Development -** to account for revenues from operating agreements with outside contractors which are to be used to purchase capital assets for the benefit of the City
- Sanitary District -** to account for all the financial resources accumulated and payments made for construction of sanitary sewers and the advanced wastewater treatment plant.

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Capital Projects Funds
December 31, 2011
(In thousands)

	<u>Redevelopment District</u>		<u>Economic Development</u>	<u>Metropolitan Thoroughfare District</u>	<u>Park District</u>	<u>City Cumulative Capital Development</u>	<u>County Cumulative Capital Development</u>	<u>Facilities Revenue Bonds</u>
	<u>General</u>	<u>Tax Increment</u>						
ASSETS								
Equity in pooled cash	\$ 597	\$ 7,393	\$ —	\$ 1,467	\$ 18	\$ 4,890	\$ 784	\$ —
Cash and investments with fiscal agents	—	6,392	78,547	—	—	—	—	99
Investments	444	5,682	—	1,146	—	3,765	585	—
Accrued interest receivable	—	1	—	1	—	3	1	—
Property taxes receivable	—	—	—	—	—	427	—	—
Accounts receivable	—	—	—	—	—	106	—	—
Due from federal and state governments	—	—	—	—	—	—	—	—
Long-term receivables, less allowance of \$500	—	6,000	—	—	—	—	—	—
Total assets	<u>\$ 1,041</u>	<u>\$ 25,468</u>	<u>\$ 78,547</u>	<u>\$ 2,614</u>	<u>\$ 18</u>	<u>\$ 9,191</u>	<u>\$ 1,370</u>	<u>\$ 99</u>
LIABILITIES AND FUND BALANCES								
Accounts payable and other accrued liabilities	\$ —	\$ 1,360	\$ —	\$ —	\$ —	\$ 708	\$ 199	\$ —
Deferred revenue	—	—	—	—	—	533	—	—
Total liabilities	—	1,360	—	—	—	1,241	199	—
Fund balances:								
Nonspendable	—	6,000	—	—	—	—	—	—
Restricted	1,041	18,108	78,547	2,614	18	7,950	1,171	99
Total fund balances	<u>1,041</u>	<u>24,108</u>	<u>78,547</u>	<u>2,614</u>	<u>18</u>	<u>7,950</u>	<u>1,171</u>	<u>99</u>
Total liabilities and fund balances	<u>\$ 1,041</u>	<u>\$ 25,468</u>	<u>\$ 78,547</u>	<u>\$ 2,614</u>	<u>\$ 18</u>	<u>\$ 9,191</u>	<u>\$ 1,370</u>	<u>\$ 99</u>

(Continued)

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Capital Projects Funds
December 31, 2011
(In thousands)

	<u>Tax Revenue Note</u>	<u>MECA</u>	<u>Landmark Building Preservation</u>	<u>Fire Cumulative</u>	<u>Storm Water</u>	<u>Energy Savings</u>	<u>Capital Asset Development</u>	<u>Sanitary District</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS									
Equity in pooled cash	\$ 44	\$ 4,555	\$ 23	\$ 846	\$ 1,473	\$ —	\$ 4,847	\$ —	\$ 26,937
Cash and investments with fiscal agents	71	12	—	—	16,388	2,965	—	—	104,474
Investments	23	3,484	—	655	1,146	—	3,718	—	20,648
Accrued interest receivable	—	4	—	—	—	—	4	—	14
Property taxes receivable	—	—	—	114	—	—	—	—	541
Accounts receivable	—	—	—	27	—	—	—	—	133
Due from federal and state governments	—	459	—	—	—	—	—	—	459
Long-term receivables, less allowance of \$500	—	—	—	—	—	—	—	—	6,000
Total assets	<u>\$ 138</u>	<u>\$ 8,514</u>	<u>\$ 23</u>	<u>\$ 1,642</u>	<u>\$ 19,007</u>	<u>\$ 2,965</u>	<u>\$ 8,569</u>	<u>\$ —</u>	<u>\$ 159,206</u>
LIABILITIES AND FUND BALANCES									
Accounts payable and other accrued liabilities	\$ —	\$ 258	\$ —	\$ 211	\$ 1,683	\$ 485	\$ 159	\$ —	\$ 5,063
Deferred revenue	—	422	—	141	—	—	—	—	1,096
Total liabilities	<u>—</u>	<u>680</u>	<u>—</u>	<u>352</u>	<u>1,683</u>	<u>485</u>	<u>159</u>	<u>—</u>	<u>6,159</u>
Fund balances:									
Nonspendable	—	—	—	—	—	—	—	—	6,000
Restricted	138	7,834	23	1,290	17,324	2,480	8,410	—	147,047
Total fund balances	<u>138</u>	<u>7,834</u>	<u>23</u>	<u>1,290</u>	<u>17,324</u>	<u>2,480</u>	<u>8,410</u>	<u>—</u>	<u>153,047</u>
Total liabilities and fund balances	<u>\$ 138</u>	<u>\$ 8,514</u>	<u>\$ 23</u>	<u>\$ 1,642</u>	<u>\$ 19,007</u>	<u>\$ 2,965</u>	<u>\$ 8,569</u>	<u>\$ —</u>	<u>\$ 159,206</u>

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds
Year ended December 31, 2011
(In thousands)

	Redevelopment District		Economic Development	Metropolitan Thoroughfare District	Park District	City Cumulative Capital Development	County Cumulative Capital Development	Facilities Revenue
	General	Tax Increment						
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	10,807	\$ —	\$ —
Other intergovernmental revenues:								
Federal revenues	—	—	—	—	—	868	669	—
Other revenues	—	—	—	—	—	—	4,000	—
Interest and other operating revenues	5	14	218	10	—	23	5	—
Total revenues	5	14	218	10	—	11,698	4,674	—
Expenditures:								
Current:								
Economic development and assistance	17	35,633	18,703	—	—	—	—	566
Redemption of bonds and notes	—	—	—	—	—	2,853	—	—
Interest on bonds and notes	—	—	—	—	—	55	—	—
Bond and note issuance costs	—	693	2,221	—	—	—	—	—
Capital outlays	42	5,635	—	8	—	6,385	2,602	—
Total expenditures	59	41,961	20,924	8	—	9,293	2,602	566
Excess (deficiency) of revenues over (under) expenditures	(54)	(41,947)	(20,706)	2	—	2,405	2,072	(566)
Other financing sources (uses):								
Sale of capital assets	—	—	—	—	—	—	—	—
Bonds, notes, and certificates of participation issued	—	25,425	96,950	—	—	—	—	—
Premium on bonds issued	—	657	3,547	—	—	—	—	—
Transfers in	—	36,700	—	—	—	3,000	—	—
Transfers out	6	(5,334)	(13,126)	—	—	(2,216)	(1,060)	—
Total other financing sources (uses)	6	57,448	87,371	—	—	784	(1,060)	—
Special item-sale of wastewater collection and treatment facilities (note 2):								
Assumption of bond anticipation note by CEG	—	—	—	—	—	—	—	—
Transfer of debt service reserve and unspent bond proceeds to CEG	—	—	—	—	—	—	—	—
Total special items	—	—	—	—	—	—	—	—
Net change in fund balances	(48)	15,501	66,665	2	—	3,189	1,012	(566)
Fund balances at beginning of year	1,089	8,607	11,882	2,612	18	4,761	159	665
Fund balances at end of year	\$ 1,041	\$ 24,108	\$ 78,547	\$ 2,614	\$ 18	\$ 7,950	\$ 1,171	\$ 99

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds
Year ended December 31, 2011
(In thousands)

	Tax Revenue Note	MECA	Landmark Building Preservation	Fire Cumulative	Storm Water	Energy Savings	Capital Asset Development	Sanitary District	Total Nonmajor Capital Projects Funds
Revenues:									
Taxes	\$ —	\$ —	\$ —	\$ 2,381	\$ —	\$ —	\$ —	\$ —	\$ 13,188
Other intergovernmental revenues:									
Federal revenues	—	38	—	—	—	—	—	—	1,575
Other revenues	—	—	—	—	—	—	—	—	4,000
Interest and other operating revenues	—	36	—	38	15	21	57	56	498
Total revenues	<u>—</u>	<u>74</u>	<u>—</u>	<u>2,419</u>	<u>15</u>	<u>21</u>	<u>57</u>	<u>56</u>	<u>19,261</u>
Expenditures:									
Current:									
Economic development and assistance	—	—	—	—	—	—	—	—	54,919
Redemption of bonds and notes	—	—	—	295	—	—	—	—	3,148
Interest on bonds and notes	—	—	—	17	—	—	—	3	75
Bonds and notes issuance costs	—	—	—	—	196	—	—	207	3,317
Capital outlays	<u>1,467</u>	<u>564</u>	<u>—</u>	<u>1,994</u>	<u>3,585</u>	<u>14,566</u>	<u>6,919</u>	<u>51,445</u>	<u>95,212</u>
Total expenditures	<u>1,467</u>	<u>564</u>	<u>—</u>	<u>2,306</u>	<u>3,781</u>	<u>14,566</u>	<u>6,919</u>	<u>51,655</u>	<u>156,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,467)</u>	<u>(490)</u>	<u>—</u>	<u>113</u>	<u>(3,766)</u>	<u>(14,545)</u>	<u>(6,862)</u>	<u>(51,599)</u>	<u>(137,410)</u>
Other financing sources (uses):									
Sale of capital assets	—	—	—	—	—	—	—	—	—
Bonds and notes issued	—	—	—	—	16,570	—	—	7,550	146,495
Premium on bonds issued	—	—	—	—	—	—	—	—	4,204
Transfers in	—	—	—	—	—	—	—	—	39,700
Transfers out	—	—	—	—	—	—	—	(13,912)	(35,642)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,570</u>	<u>—</u>	<u>—</u>	<u>(6,362)</u>	<u>154,757</u>
Special item-sale of wastewater collection and treatment facilities (note 2):									
Assumption of bond anticipation note by CEG	—	—	—	—	—	—	—	51,137	51,137
Transfer of debt service reserve and unspent bond proceeds to CEG	—	—	—	—	—	—	—	(315)	(315)
Total special items	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50,822</u>	<u>50,822</u>
Net change in fund balances	<u>(1,467)</u>	<u>(490)</u>	<u>—</u>	<u>113</u>	<u>12,804</u>	<u>(14,545)</u>	<u>(6,862)</u>	<u>(7,139)</u>	<u>68,169</u>
Fund balances at beginning of year	<u>1,605</u>	<u>8,324</u>	<u>23</u>	<u>1,177</u>	<u>4,520</u>	<u>17,025</u>	<u>15,272</u>	<u>7,139</u>	<u>84,878</u>
Fund balances at end of year	<u>\$ 138</u>	<u>\$ 7,834</u>	<u>\$ 23</u>	<u>\$ 1,290</u>	<u>\$ 17,324</u>	<u>\$ 2,480</u>	<u>\$ 8,410</u>	<u>\$ —</u>	<u>\$ 153,047</u>

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	City Cumulative Capital Development		County Cumulative Capital Development		Fire Cumulative		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	\$ 9,468	\$ 10,807	\$ —	\$ —	\$ 2,243	\$ 2,380	\$ 11,711	\$ 13,187
Interest and other operating revenues	—	334	—	116	—	38	—	488
Total revenues	<u>9,468</u>	<u>11,141</u>	<u>—</u>	<u>116</u>	<u>2,243</u>	<u>2,418</u>	<u>11,711</u>	<u>13,675</u>
Expenditures:								
Current:								
Public safety	20	17	—	—	400	399	420	416
Public works	113	113	—	—	—	—	113	113
Cultural and recreation	595	594	—	—	—	—	595	594
Capital outlays	<u>10,085</u>	<u>8,292</u>	<u>1,500</u>	<u>1,498</u>	<u>1,616</u>	<u>1,458</u>	<u>13,201</u>	<u>11,248</u>
Total expenditures	<u>10,813</u>	<u>9,016</u>	<u>1,500</u>	<u>1,498</u>	<u>2,016</u>	<u>1,857</u>	<u>14,329</u>	<u>12,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,345)</u>	<u>2,125</u>	<u>(1,500)</u>	<u>(1,382)</u>	<u>227</u>	<u>561</u>	<u>(2,618)</u>	<u>1,304</u>
Other financing sources (uses), net:								
Transfers in(out)	<u>1,775</u>	<u>784</u>	<u>1,500</u>	<u>440</u>	<u>—</u>	<u>—</u>	<u>3,275</u>	<u>1,224</u>
Total other financing uses	<u>1,775</u>	<u>784</u>	<u>1,500</u>	<u>440</u>	<u>—</u>	<u>—</u>	<u>3,275</u>	<u>1,224</u>
Revenues over (under) expenditures and other financing sources (uses)	430	2,909	—	(942)	227	561	657	2,528
Fund balances at beginning of year	252	1,126	46	405	439	673	737	2,204
Cancellation of purchase orders and other	<u>4,134</u>	<u>(1,891)</u>	<u>36</u>	<u>1,089</u>	<u>594</u>	<u>(192)</u>	<u>4,764</u>	<u>(994)</u>
Fund balances at end of year	<u>\$ 4,816</u>	<u>\$ 2,144</u>	<u>\$ 82</u>	<u>\$ 552</u>	<u>\$ 1,260</u>	<u>\$ 1,042</u>	<u>\$ 6,158</u>	<u>\$ 3,738</u>

See accompanying independent auditors' report.

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Public Works	City Cumulative Capital Improvement			
Other services and charges		\$ 113	\$ 113	\$ —
Capital outlay		<u>2,187</u>	<u>2,162</u>	<u>25</u>
Total		<u>2,300</u>	<u>2,275</u>	<u>25</u>
Department of Public Works	County Cumulative Capital Improvement			
Capital outlay		<u>1,500</u>	<u>1,498</u>	<u>2</u>
Total		<u>1,500</u>	<u>1,498</u>	<u>2</u>
Total – Department of Public Works		\$ <u>3,800</u>	\$ <u>3,773</u>	\$ <u>27</u>
Indianapolis Fire Department	Fire Cumulative			
Other services and charges		\$ 400	\$ 399	\$ 1
Capital Outlay		<u>1,616</u>	<u>1,458</u>	<u>158</u>
Total – Department of Public Safety		\$ <u>2,016</u>	\$ <u>1,857</u>	\$ <u>159</u>
Indianapolis Metropolitan Police Department	City Cumulative Capital Improvement			
Other services and charges		\$ 20	\$ 17	\$ 3
Capital outlay		<u>5,116</u>	<u>3,348</u>	<u>1,768</u>
Total – Indianapolis Metropolitan Police Department		\$ <u>5,136</u>	\$ <u>3,365</u>	\$ <u>1,771</u>
Department of Parks and Recreation	City Cumulative Capital Improvement			
Other services and charges		\$ 595	\$ 594	\$ 1
Capital outlay		<u>2,782</u>	<u>2,782</u>	<u>—</u>
Total – Department of Parks and Recreation		\$ <u>3,377</u>	\$ <u>3,376</u>	\$ <u>1</u>
Total – Capital Projects Funds – by Department and Division		\$ <u>14,329</u>	\$ <u>12,371</u>	\$ <u>1,958</u>

Internal Service Funds

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

The City maintains Risk Management, Public Liability Self-Insurance, and Employee Health Insurance Internal Service Funds.

(This page intentionally left blank)

CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Net Assets
December 31, 2011
(In thousands)

	<u>Risk Management</u>	<u>Public Liability Self Insurance</u>	<u>Employee Health Insurance</u>	<u>Total</u>
ASSETS				
Equity in pooled cash	\$ —	\$ 5,164	\$ 1,588	\$ 6,752
Cash and investments with fiscal agents	17	—	—	17
Investments	—	3,975	1,216	5,191
Accrued interest receivable	—	5	1	6
Accounts receivable	16	—	—	16
Total assets	<u>33</u>	<u>9,144</u>	<u>2,805</u>	<u>11,982</u>
LIABILITIES				
Accounts payable and other accrued liabilities	2,786	4,571	1,202	8,559
Due to other funds	3,102	—	—	3,102
Total liabilities	<u>5,888</u>	<u>4,571</u>	<u>1,202</u>	<u>11,661</u>
NET ASSETS				
Unrestricted (deficit)	<u>\$ (5,855)</u>	<u>\$ 4,573</u>	<u>\$ 1,603</u>	<u>\$ 321</u>

CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended December 31, 2011
(In thousands)

	<u>Risk Management</u>	<u>Public Liability Self Insurance</u>	<u>Employee Health Insurance</u>	<u>Total</u>
Operating revenues:				
Charges to other funds	\$ 2,423	\$ 2,685	\$ 12,590	\$ 17,698
Operating expenses:				
Administration	176	—	1,826	2,002
Claims	6,409	2,566	9,177	18,152
Total operating expenses	6,585	2,566	11,003	20,154
Operating income (loss)	(4,162)	119	1,587	(2,456)
Nonoperating revenue:				
Interest on investments	(4)	35	6	37
Income (loss)	(4,166)	154	1,593	(2,419)
Change in net assets	(4,166)	154	1,593	(2,419)
Total net assets – beginning	(1,689)	4,419	10	2,740
Total net assets – ending	\$ (5,855)	\$ 4,573	\$ 1,603	\$ 321

CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Cash Flows
Year ended December 31, 2011
(In thousands)

	<u>Risk Management</u>	<u>Public Liability Self Insurance</u>	<u>Employee Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from users	\$ 5,982	\$ 2,682	\$ 12,608	\$ 21,272
Payments for administration	(176)	—	(1,826)	(2,002)
Payments for claims	(6,468)	(2,975)	(9,027)	(18,470)
Net cash provided by (used in) operating activities	<u>(662)</u>	<u>(293)</u>	<u>1,755</u>	<u>800</u>
Cash flows from investing activities:				
Sales and maturities of investments	207	2,991	150	3,348
Investment purchases	—	(3,975)	(1,216)	(5,191)
Interest on investments	(4)	35	7	38
Net cash provided by (used in) investing activities	<u>203</u>	<u>(949)</u>	<u>(1,059)</u>	<u>(1,805)</u>
Net increase (decrease) in cash and cash equivalents	(459)	(1,242)	696	(1,005)
Cash and cash equivalents, beginning of year	<u>476</u>	<u>6,406</u>	<u>892</u>	<u>7,774</u>
Cash and cash equivalents, end of year	<u>\$ 17</u>	<u>\$ 5,164</u>	<u>\$ 1,588</u>	<u>\$ 6,769</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating income (loss)	\$ (4,162)	\$ 119	\$ 1,587	\$ (2,456)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	3,559	(3)	18	3,574
Increase (decrease) in accounts payable	(59)	(409)	150	(318)
Net cash provided by (used in) operating activities	<u>\$ (662)</u>	<u>\$ (293)</u>	<u>\$ 1,755</u>	<u>\$ 800</u>

(This page intentionally left blank)

Fiduciary Funds

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

The City maintains the following Fiduciary Funds:

PENSION TRUST FUNDS

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

AGENCY FUNDS

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

(This page intentionally left blank)

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Pension Trust Funds Net Assets
December 31, 2011
(In thousands)

	Police Pension	Firefighters Pension	Total
ASSETS			
Equity in pooled cash	\$ 1,391	\$ 543	\$ 1,934
Investments (U.S. government agencies)	1,052	398	1,450
Accrued interest receivable	3	2	5
Total assets	2,446	943	3,389
LIABILITIES			
Accounts payable and other accrued liabilities	—	12	12
Total liabilities	—	12	12
NET ASSETS			
Held in trust for pension benefits	\$ 2,446	\$ 931	\$ 3,377

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
Police and Firefighters Pension Trust Funds
Year ended December 31, 2011
(In thousands)

	Pension Trust Funds		
	Police Pension	Firefighters Pension	Total
ADDITIONS			
State of Indiana pension subsidy received from the General Fund	\$ 31,154	\$ 29,964	\$ 61,118
Total additions	<u>31,154</u>	<u>29,964</u>	<u>61,118</u>
DEDUCTIONS			
Benefits	29,484	29,643	59,127
Total deductions	<u>29,484</u>	<u>29,643</u>	<u>59,127</u>
Change in plan net assets	1,670	321	1,991
Net assets – beginning	<u>776</u>	<u>610</u>	<u>1,386</u>
Net assets – ending	<u>\$ 2,446</u>	<u>\$ 931</u>	<u>\$ 3,377</u>

CITY OF INDIANAPOLIS
Fiduciary Funds
Police and Firefighters Pension Trust Funds
Schedule of Revenues and Expenditures
Budget and Actual – Budgetary Basis
Year ended December 31, 2011
(In thousands)

	<u>Police Pension</u>			<u>Firefighters Pension</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:						
Intergovernmental	\$ 30,924	\$ 31,154	\$ 230	\$ 29,787	\$ 29,964	\$ 177
Total revenues	<u>30,924</u>	<u>31,154</u>	<u>230</u>	<u>29,787</u>	<u>29,964</u>	<u>177</u>
Expenditures:						
Personal services	30,640	29,484	1,156	29,748	29,659	89
Total expenditures	<u>30,640</u>	<u>29,484</u>	<u>1,156</u>	<u>29,748</u>	<u>29,659</u>	<u>89</u>
Excess of revenues over expenditures	\$ <u>284</u>	\$ <u>1,670</u>	\$ <u>1,386</u>	\$ <u>39</u>	\$ <u>305</u>	\$ <u>266</u>

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Agency Funds Net Assets
December 31, 2011
(In thousands)

	<u>Sanitation 15 Year Law</u>	<u>UAL Personal Property</u>	<u>E-911 Allocation</u>	<u>DPS Retiree Health Insurance</u>	<u>IPD Confiscated Cash</u>	<u>Other</u>	<u>Total</u>
ASSETS							
Equity in pooled cash	\$ 155	\$ 4,596	\$ 3,171	\$ 891	\$ 2,343	\$ 434	\$ 11,590
Investments	119	3,534	2,438	687	—	334	7,112
Accrued interest receivable	—	—	3	1	—	—	4
Accounts receivable	—	—	178	—	—	—	178
Total assets	<u>\$ 274</u>	<u>\$ 8,130</u>	<u>\$ 5,790</u>	<u>\$ 1,579</u>	<u>\$ 2,343</u>	<u>\$ 768</u>	<u>\$ 18,884</u>
LIABILITIES							
Accounts payable and other accrued liabilities	<u>\$ 274</u>	<u>\$ 8,130</u>	<u>\$ 5,790</u>	<u>\$ 1,579</u>	<u>\$ 2,343</u>	<u>\$ 768</u>	<u>\$ 18,884</u>
Total liabilities	<u>\$ 274</u>	<u>\$ 8,130</u>	<u>\$ 5,790</u>	<u>\$ 1,579</u>	<u>\$ 2,343</u>	<u>\$ 768</u>	<u>\$ 18,884</u>

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended December 31, 2011
(In thousands)

	<u>Balance, January 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, December 31, 2011</u>
SANITATION 15 YEAR LAW FUND				
Assets:				
Cash and investments	\$ 272	\$ 2	\$ —	\$ 274
Total assets	<u>\$ 272</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 274</u>
Liabilities:				
Accounts payable and other accrued liabilities	\$ 272	\$ 2	\$ —	\$ 274
Total liabilities	<u>\$ 272</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 274</u>
UAL PERSONAL PROPERTY				
Assets:				
Cash and investments	\$ 8,126	\$ 4	\$ —	\$ 8,130
Total assets	<u>\$ 8,126</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 8,130</u>
Liabilities:				
Accounts payable and other accrued liabilities	\$ 8,126	\$ 4	\$ —	\$ 8,130
Total liabilities	<u>\$ 8,126</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 8,130</u>
E – 911 ALLOCATION				
Assets:				
Cash and investments	\$ 5,273	\$ 1,263	\$ 927	\$ 5,609
Accrued interest receivable	4	—	1	3
Accounts receivable	201	—	23	178
Total assets	<u>\$ 5,478</u>	<u>\$ 1,263</u>	<u>\$ 951</u>	<u>\$ 5,790</u>
Liabilities:				
Accounts payable and other accrued liabilities	\$ 5,478	\$ 1,263	\$ 951	\$ 5,790
Total liabilities	<u>\$ 5,478</u>	<u>\$ 1,263</u>	<u>\$ 951</u>	<u>\$ 5,790</u>

(Continued)

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended December 31, 2011
(In thousands)

	Balance, January 1, 2011	Additions	Deductions	Balance, December 31, 2011
DPS RETIREE HEALTH INSURANCE				
Assets:				
Cash and investments	\$ 1,557	\$ 2,629	\$ 2,608	\$ 1,578
Accrued interest receivable	1	—	—	1
Total assets	\$ 1,558	\$ 2,629	\$ 2,608	\$ 1,579
Liabilities:				
Accounts payable and other accrued liabilities	\$ 1,558	\$ 2,629	\$ 2,608	\$ 1,579
Total liabilities	\$ 1,558	\$ 2,629	\$ 2,608	\$ 1,579
IPD CONFISCATED CASH				
Assets:				
Cash and investments	\$ 2,734	\$ 3,817	\$ 4,208	\$ 2,343
Total assets	\$ 2,734	\$ 3,817	\$ 4,208	\$ 2,343
Liabilities:				
Accounts payable and other accrued liabilities	\$ 2,734	\$ 3,817	\$ 4,208	\$ 2,343
Total liabilities	\$ 2,734	\$ 3,817	\$ 4,208	\$ 2,343
OTHER				
Assets:				
Cash and investments	\$ 765	\$ 3	\$ —	\$ 768
Total assets	\$ 765	\$ 3	\$ —	\$ 768
Liabilities:				
Accounts payable and other accrued liabilities	\$ 765	\$ 3	\$ —	\$ 768
Total liabilities	\$ 765	\$ 3	\$ —	\$ 768
TOTAL – ALL AGENCY FUNDS				
Assets:				
Cash and investments	\$ 18,727	\$ 7,718	\$ 7,743	\$ 18,702
Accrued interest receivable	5	—	1	4
Accounts receivable	201	—	23	178
Total assets	\$ 18,933	\$ 7,718	\$ 7,767	\$ 18,884
Liabilities:				
Accounts payable and other accrued liabilities	\$ 18,933	\$ 7,718	\$ 7,767	\$ 18,884
Total liabilities	\$ 18,933	\$ 7,718	\$ 7,767	\$ 18,884

See accompanying independent auditors' report.

Statistical Section

CITY OF INDIANAPOLIS
Statistical Section
Table of Contents

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Governmental activities:							
Invested in capital assets, net of related debt	\$ 964,135	\$ 968,197	\$ 1,009,258	\$ 963,536	\$ 920,186	\$ 961,358	605,824
Restricted	122,202	193,243	175,864	195,743	214,479	209,948	188,976
Unrestricted (deficit)	<u>(273,286)</u>	<u>(366,071)</u>	<u>(402,821)</u>	<u>(354,287)</u>	<u>(416,849)</u>	<u>(534,850)</u>	<u>(274,303)</u>
Total governmental activities net assets	<u>\$ 813,051</u>	<u>\$ 795,369</u>	<u>\$ 782,301</u>	<u>\$ 804,992</u>	<u>\$ 717,816</u>	<u>\$ 636,456</u>	<u>\$ 520,497</u>
Business-type activities:							
Invested in capital assets, net of related debt	\$ 86,066	\$ 76,926	\$ 96,070	\$ 91,984	\$ 92,683	\$ 99,657	88,686
Restricted	2,807	443	11,800	12,812	1,956	3,338	10,008
Unrestricted (deficit)	<u>(20,333)</u>	<u>11,585</u>	<u>(9,352)</u>	<u>(27,348)</u>	<u>(89,498)</u>	<u>(87,832)</u>	<u>4,977</u>
Total business-type activities net assets	<u>\$ 68,540</u>	<u>\$ 88,954</u>	<u>\$ 98,518</u>	<u>\$ 77,448</u>	<u>\$ 5,141</u>	<u>\$ 15,163</u>	<u>\$ 103,671</u>
Primary government:							
Invested in capital assets, net of related debt	\$ 1,050,201	\$ 1,045,123	\$ 1,105,328	\$ 1,055,520	\$ 1,012,869	\$ 1,061,015	694,510
Restricted	125,009	193,686	187,664	208,555	216,435	213,286	198,984
Unrestricted (deficit)	<u>(293,619)</u>	<u>(354,486)</u>	<u>(412,173)</u>	<u>(381,635)</u>	<u>(506,347)</u>	<u>(622,682)</u>	<u>(269,326)</u>
Total primary government net assets	<u>\$ 881,591</u>	<u>\$ 884,323</u>	<u>\$ 880,819</u>	<u>\$ 882,440</u>	<u>\$ 722,957</u>	<u>\$ 651,619</u>	<u>\$ 624,168</u>

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

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Expenses							
Governmental activities:							
General government	\$ 43,646	\$ 45,133	\$ 46,890	\$ 34,652	\$ 88,824	\$ 65,883	\$ 60,880
Public safety	280,370	281,214	401,015	382,716	395,465	428,230	442,327
Public works	228,881	229,993	234,673	227,589	267,286	276,331	252,332
Health and welfare	4,598	4,962	5,621	5,354	5,112	4,079	4,496
Cultural and recreation	32,892	31,739	38,250	34,296	33,506	30,275	30,705
Urban redevelopment and housing	38,482	40,837	33,207	30,594	34,813	48,407	47,262
Economic development and assistance	11,804	14,126	22,315	26,247	28,491	45,441	79,164
Interest	56,192	63,262	62,178	73,774	74,039	63,280	69,382
Total governmental activities expenses	<u>696,865</u>	<u>711,266</u>	<u>844,149</u>	<u>815,222</u>	<u>927,536</u>	<u>961,926</u>	<u>986,548</u>
Business-type activities:							
Waterworks	120,856	119,289	141,257	146,488	195,340	145,074	98,952
Housing Agency	55,494	51,087	51,686	58,928	63,230	69,362	65,053
Total business-type activities expenses	<u>176,350</u>	<u>170,376</u>	<u>192,943</u>	<u>205,416</u>	<u>258,570</u>	<u>214,436</u>	<u>164,005</u>
Total primary government expenses	<u>\$ 873,215</u>	<u>\$ 881,642</u>	<u>\$ 1,037,092</u>	<u>\$ 1,020,638</u>	<u>\$ 1,186,106</u>	<u>\$ 1,176,362</u>	<u>\$ 1,150,553</u>

(Continued)

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 12,471	\$ 13,672	\$ 14,025	\$ 13,980	\$ 14,816	\$ 17,712	\$ 18,551
Public safety	13,388	16,394	18,486	17,773	20,135	16,911	22,818
Public works	95,148	117,667	144,653	162,167	176,591	181,742	135,233
Health and welfare	952	864	864	901	375	289	31
Cultural and recreation	5,003	5,230	4,968	4,845	4,645	4,179	4,374
Urban redevelopment and housing	1,378	1,667	1,943	2,251	7,187	3,259	3,565
Economic development and assistance	1,450	1,033	966	675	298	477	692
Operating grants and contributions	113,844	123,417	142,344	107,546	137,557	157,126	161,033
Capital grants and contributions	93,315	63,466	69,657	31,167	32,637	25,652	51,681
Total governmental activities program revenues	<u>336,949</u>	<u>343,410</u>	<u>397,906</u>	<u>341,305</u>	<u>394,241</u>	<u>407,347</u>	<u>397,978</u>
Business-type activities:							
Charges for services:							
Waterworks	101,466	97,637	128,107	122,658	125,501	144,378	108,281
Housing Agency	3,808	4,646	3,691	3,885	4,101	3,535	4,789
Operating grants and contributions	51,127	51,139	47,733	51,415	46,252	61,364	63,015
Capital grants and contributions	35,848	24,925	16,039	12,601	6,023	14,124	17,359
Total business-type activities program revenues	<u>192,249</u>	<u>178,347</u>	<u>195,570</u>	<u>190,559</u>	<u>181,877</u>	<u>223,401</u>	<u>193,444</u>
Total primary government program revenues	<u>\$ 529,198</u>	<u>\$ 521,757</u>	<u>\$ 593,476</u>	<u>\$ 531,864</u>	<u>\$ 576,118</u>	<u>\$ 630,748</u>	<u>\$ 591,422</u>
Net (Expense) Revenue							
Governmental activities	\$ (359,916)	\$ (367,856)	\$ (446,243)	\$ (473,917)	\$ (533,295)	\$ (554,579)	\$ (588,570)
Business-type activities	15,899	7,971	2,627	(14,857)	(76,693)	8,965	29,439
Total primary government net expenses	<u>\$ (344,017)</u>	<u>\$ (359,885)</u>	<u>\$ (443,616)</u>	<u>\$ (488,774)</u>	<u>\$ (609,988)</u>	<u>\$ (545,614)</u>	<u>\$ (559,131)</u>

(Continued)

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Property tax	\$ 229,238	\$ 221,904	\$ 256,969	\$ 247,908	\$ 274,655	\$ 265,801	\$ 256,517
Wheel tax	13,396	12,921	12,756	13,432	13,549	11,890	12,193
County option income tax	45,489	57,452	110,426	188,486	117,764	187,880	170,092
Other taxes	18,469	17,769	16,947	19,040	19,841	19,544	20,753
Grants and contributions not restricted by function	6,708	16,945	13,503	4,872	11,916	9,411	8,483
Investment earnings not restricted by function	8,535	18,099	17,967	11,000	3,625	3,743	4,054
Miscellaneous	1,214	5,084	4,607	11,870	4,769	3,950	15,110
Transfers	—	—	—	—	—	—	(18,777)
Special item - termination payment	—	—	—	—	—	(29,000)	—
Special item - gain on sale of water and wastewater utilities	—	—	—	—	—	—	4,186
Total governmental activities	323,049	350,174	433,175	496,608	446,119	473,219	472,611
Business-type activities:							
Investment earnings not restricted by function	2,125	5,489	4,724	4,168	5,559	2,898	1,353
Miscellaneous	151	6,954	2,213	655	31	(1,841)	312
Transfers	—	—	—	—	—	—	18,777
Prior period adjustment (note 1.W)	—	—	—	(3,840)	(1,204)	—	3,626
Special item - gain on sale of water and wastewater utilities	—	—	—	—	—	—	35,001
Total business-type activities	2,276	12,443	6,937	983	4,386	1,057	59,069
Total primary government	\$ 325,325	\$ 362,617	\$ 440,112	\$ 497,591	\$ 450,505	\$ 474,276	\$ 531,680
Change in Net Assets							
Governmental activities	\$ (36,867)	\$ (17,682)	\$ (13,068)	\$ 22,691	\$ (87,176)	\$ (81,360)	\$ (115,959)
Business-type activities	18,175	20,414	9,564	(10,034)	(71,103)	10,022	84,882
Total primary government	\$ (18,692)	\$ 2,732	\$ (3,504)	\$ 12,657	\$ (158,279)	\$ (71,338)	\$ (31,077)

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

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Function/Program							
Governmental activities:							
General government	\$ 12,535	\$ 14,154	\$ 14,459	\$ 14,595	\$ 16,372	\$ 23,693	\$ 31,250
Public safety	64,480	71,887	98,792	70,569	103,991	104,023	104,691
Public works	212,890	216,308	242,473	222,155	233,101	227,920	211,232
Health and welfare	3,106	2,939	3,503	3,755	2,000	2,485	3,678
Cultural and recreation	7,694	8,775	9,333	7,127	7,073	6,663	4,380
Urban redevelopment and housing	26,563	26,986	26,836	19,749	29,841	40,528	38,588
Economic development and assistance	9,681	2,361	2,510	3,355	1,863	2,035	4,159
Total governmental activities	336,949	343,410	397,906	341,305	394,241	407,347	397,978
Business-type activities:							
Waterworks	134,389	116,908	133,751	124,354	127,546	146,534	108,919
Housing Agency	57,860	61,439	61,819	66,205	54,331	76,867	84,525
Total business-type activities	192,249	178,347	195,570	190,559	181,877	223,401	193,444
Total primary government program revenues	\$ 529,198	\$ 521,757	\$ 593,476	\$ 531,864	\$ 576,118	\$ 630,748	\$ 591,422

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

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

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 92,086	\$ 73,618	\$ 37,412	\$ 33,865	\$ 48,759	\$ 32,866
Unreserved	125,526	136,643	79,182	83,292	162,602	133,765
Total general fund	<u>\$ 217,612</u>	<u>\$ 210,261</u>	<u>\$ 116,594</u>	<u>\$ 117,157</u>	<u>\$ 211,361</u>	<u>\$ 166,631</u>
All other governmental funds:						
Reserved	\$ 152,398	\$ 179,519	\$ 198,655	\$ 230,856	\$ 307,052	\$ 362,565
Unreserved, reported in:						
Special revenue funds	1,558	511	148	(503)	184	14,442
Capital projects funds	19,132	75,784	100,381	103,328	64,895	87,575
Debt service funds	—	—	—	—	(1,930)	178
Permanent fund	336	345	361	377	376	376
Total all other governmental funds	<u>\$ 173,424</u>	<u>\$ 256,159</u>	<u>\$ 299,545</u>	<u>\$ 334,058</u>	<u>\$ 370,577</u>	<u>\$ 465,136</u>
	<u>2011 (a)</u>					
General Fund:						
Nonspendable	\$ —					
Restricted	20,930					
Committed	215,273					
Assigned	51,434					
Unassigned	84,750					
Total General Fund	<u>\$ 372,387</u>					
All other governmental funds:						
Nonspendable	\$ 6,631					
Restricted	403,782					
Committed	1,000					
Assigned	—					
Unassigned	(10,020)					
Total all other governmental funds	<u>\$ 401,393</u>					

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

(a) Effective in 2011, the City implemented GASB Statement No. 54; the new fund balance classifications are disclosed above.

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Revenues:							
Taxes	\$ 308,197	\$ 310,178	\$ 295,784	\$ 445,216	\$ 556,816	\$ 474,935	\$ 458,035
Licenses and permits	8,319	13,097	14,441	15,898	11,887	12,488	14,573
Charges for services	109,272	130,946	158,671	159,169	200,817	198,623	155,277
Intergovernmental revenues	122,092	131,323	158,782	112,674	152,128	168,344	172,171
Intragovernmental revenues	2,962	3,804	3,401	2,497	3,338	2,674	2,929
Traffic violations and court fees	4,320	4,441	4,185	11,309	13,602	6,291	9,514
Interest and other operating revenues	17,465	30,737	44,429	25,631	14,378	15,144	27,394
Total revenues	<u>572,627</u>	<u>624,526</u>	<u>679,693</u>	<u>772,394</u>	<u>952,966</u>	<u>878,499</u>	<u>839,893</u>
Expenditures:							
Current:							
General government	25,694	24,193	25,024	18,190	21,842	42,446	35,980
Public safety	251,297	261,140	343,222	345,965	352,790	388,364	407,409
Public works	116,336	117,032	129,584	131,156	133,258	150,988	174,235
Health and welfare	4,453	4,778	5,430	5,221	4,928	4,053	4,471
Cultural and recreation	26,017	25,501	28,883	28,085	25,431	22,581	23,933
Urban redevelopment and housing	29,827	27,946	28,355	23,962	30,093	44,037	40,733
Economic development and assistance	7,359	1,773	12,614	20,289	24,308	42,111	73,758
Capital outlays	82,928	117,918	194,529	138,879	138,754	226,218	246,409
Debt service:							
Redemption of bonds and notes	64,270	96,412	92,076	78,811	78,607	93,793	80,162
Interest on bonds and notes	48,032	54,514	54,809	63,886	68,255	55,388	57,971
Swap termination payment	—	—	—	—	28,780	—	—
Bond and note issuance costs	1,616	2,026	3,760	1,160	2,758	4,987	4,130
Advance funding escrow	—	—	—	—	649	—	3,318
Operating lease payments and administration	19,213	19,054	19,636	15,399	15,167	15,439	15,781
Total expenditures	<u>677,042</u>	<u>752,287</u>	<u>937,922</u>	<u>871,003</u>	<u>925,620</u>	<u>1,090,405</u>	<u>1,168,290</u>
Excess (deficiency) of revenues under expenditures	<u>\$ (104,415)</u>	<u>\$ (127,761)</u>	<u>\$ (258,229)</u>	<u>\$ (98,609)</u>	<u>\$ 27,346</u>	<u>\$ (211,906)</u>	<u>\$ (328,397)</u>

(Continued)

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

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Other financing sources (uses):							
Proceeds of financing from capital lease	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	8,175
Proceeds from execution of parking meter contract	—	—	—	—	—	20,000	—
Sales of capital assets	393	455	939	363	645	910	1,574
Bond and notes issued	158,971	199,999	198,915	129,675	87,281	229,732	146,495
Premium on bonds and notes issued	—	2,691	5,381	1,647	15,451	11,093	6,810
Refunding bonds issued	—	—	89,410	—	133,775	—	39,000
Payment to refunded bond escrow agent	—	—	(86,697)	—	(133,775)	—	(25,979)
Transfers in	44,935	45,313	60,253	82,245	59,105	108,357	141,489
Transfers out	(44,935)	(45,313)	(60,253)	(82,245)	(59,105)	(108,357)	(160,266)
Total other financing sources (uses)	<u>159,364</u>	<u>203,145</u>	<u>207,948</u>	<u>131,685</u>	<u>103,377</u>	<u>261,735</u>	<u>157,298</u>
Special item—sale of wastewater collection and treatment facilities (note 2):							
Assumption of bond anticipation note by CEG	—	—	—	—	—	—	51,137
Proceeds from sale of wastewater collection and treatment facilities	—	—	—	—	—	—	262,600
Assumption of additional liabilities by CEG	—	—	—	—	—	—	1,134
Transfer of debt service reserve and unspent bond proceeds to CEG	—	—	—	—	—	—	(1,759)
Total special item	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>313,112</u>
 Net change in fund balances (deficits)	 <u>\$ 54,949</u>	 <u>\$ 75,384</u>	 <u>\$ (50,281)</u>	 <u>\$ 33,076</u>	 <u>\$ 130,723</u>	 <u>\$ 49,829</u>	 <u>\$ 142,013</u>
 Debt service as a percentage of noncapital expenditures	 183%	 182%	 109%	 128%	 168%	 86%	 68%

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

CITY OF INDIANAPOLIS
Tax Revenues by Source, Governmental Funds
Schedule 6
December 31, 2011
(Modified accrual basis)
(In thousands)

Fiscal year	Property	Local income tax	Wheel tax	Other (a)	Total taxes
2005	\$ 230,073	\$ 46,236	\$ 13,396	\$ 18,492	\$ 308,197
2006	222,202	57,345	12,921	17,710	310,178
2007	194,501	71,571	12,756	16,956	295,784
2008	243,042	170,651	13,432	18,091	445,216
2009	345,163 (b)	174,560	13,550	23,543	556,816
2010	255,772	187,880	11,890	19,393	474,935
2011	255,230	170,092	12,193	20,520	458,035

(a) Includes financial institution and other local taxes.

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

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

CITY OF INDIANAPOLIS
Assessed Value and Estimated Actual Value of Taxable Property
Schedule 7
December 31, 2011
(In thousands)

<u>Fiscal year</u>	<u>Residential property</u>	<u>Commercial property</u>	<u>Industrial property</u>	<u>Personal property</u>	<u>Other</u>	<u>Total taxable assessed value (a) (b)</u>	<u>Total direct tax rate</u>	<u>Estimated actual taxable value</u>	<u>Taxable assessed value as a percentage of actual taxable value (a)</u>
2005	\$ 20,253,137	\$ 12,183,743	\$ 1,614,660	\$ 7,229,661	\$ 508,322	\$ 41,789,523	3.4750 %	\$ 41,789,523	100%
2006	20,737,062	11,877,672	1,604,481	7,770,818	482,842	42,472,875	3.5964	42,472,875	100
2007	24,627,515	15,930,401	2,733,130	5,935,716	597,690	49,824,452	3.7166	49,824,452	100
2008	24,790,420	14,694,619	2,598,170	5,454,450	332,284	47,869,943	3.5490	47,869,943	100
2009	18,016,590	14,553,256	2,813,644	5,657,964	324,992	41,366,446	2.7548	41,366,446	100
2010	16,775,664	14,576,670	3,044,559	5,745,524	324,320	40,466,737	2.9796	40,466,737	100
2011	16,287,697	13,923,228	3,221,540	5,449,472	895,749	39,777,686	3.1555	39,777,686	100

Note: Tax-exempt property for 2011 of \$3,276,498 represents charitable organizations and other deductions. Government property is generally not assessed.

- (a) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.
- (b) In 2011, total taxable assessed value includes \$3,505,834 of assessed valuation for Marion County Tax Increment Financing Districts.

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

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

Fiscal Year	City of Indianapolis			Overlapping rates						Total direct and overlapping rates
	Operating millage	Debt service millage	Total city millage	County direct rates		Total City-County Council approved	Other direct rates			
				County	Municipal corporations		School	State	Other	
2005	0.9184	0.0369	0.9553	0.4163	0.3750	1.7466	1.6744	0.0024	0.0516	3.4750
2006	0.9056	0.0369	0.9425	0.3555	0.3751	1.6731	1.7172	0.1538	0.0523	3.5964
2007	0.8372	0.0374	0.8746	0.5741	0.3420	1.7907	1.8713	0.0024	0.0522	3.7166
2008	0.8683	0.0237	0.8920	0.4847	0.3521	1.7288	1.7668	0.0024	0.0510	3.5490
2009	0.8073	0.0561	0.8634	0.3513	0.3254	1.5401	1.1569	0.0000	0.0578	2.7548
2010	0.8041	0.0632	0.8673	0.3534	0.3282	1.5489	1.3692	0.0000	0.0615	2.9796
2011	0.8807	0.0718	0.9525	0.3665	0.3685	1.6875	1.4065	0.0000	0.0615	3.1555

- (a) Rate of District 101 (Indianapolis-Center Township), which is the only rate that includes all major services.
(b) Data presented is per the tax rate schedule certified by the Department of Local Government Finance (DLGF).

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

CITY OF INDIANAPOLIS
Principal Property Tax Payers
Schedule 9
Current Fiscal Year and Nine Years Ago
(In thousands)

2011				2002			
Principal taxpayers	Taxable assessed value (a)	Rank	Percentage of total city taxable assessed value	Principal taxpayers	Taxable assessed value (b) (c)	Rank	Percentage of total city taxable assessed value
Eli Lilly and Company	\$ 1,347,543	1	3.388 %	Eli Lilly and Company	\$ 508,054	1	1.7530 %
Indianapolis Power and Light Company	392,297	2	0.986	Allison Transmission, Inc.	386,846	2	1.3348
Allison Transmission, Inc.	180,737	3	0.454	Indianapolis Power and Light Company	372,395	3	1.2849
Federal Express Corporation	161,539	4	0.406	Simon Property Group, Inc.	229,385	4	0.7915
Macquarie Office Monument Center I, LLC	138,940	5	0.349	Visteon Corporation (formerly Ford Motor Co.)	204,732	5	0.7064
Convention Hotels Headquarters, LLC	105,185	6	0.264	Rolls Royce	177,775	6	0.6134
Indiana Bell Telephone Company, Inc.	92,458	7	0.232	International Truck and Engine (formerly, Navistar International)	160,340	7	0.5532
Circle Centre Development Company	84,936	8	0.214	Federal Loan Bank	149,981	8	0.5175
Rolls Royce	78,551	9	0.197	Clarian Health Partners, Inc.	120,333	9	0.4152
American United Life	72,512	10	0.182	Roche Diagnostics Corporation	108,512	10	0.3744
Hub Properties GA, LLC	71,190	11	0.179	National Starch and Chemical Company	93,244	11	0.3217
National Starch, LLC	70,685	12	0.178	American United Life Insurance Company	90,649	12	0.3128
BNP Paribas Leasing Corporation	68,270	13	0.172	Bank One Corporation	62,359	13	0.2152
MT Acquisitions, LLC	64,404	14	0.162	Daimler – Chrysler Corporation	50,081	14	0.1728
CrossRoads Indiana, LLC	60,589	15	0.152	Marsh	47,605	15	0.1643
SVC Manufacturing Inc.	52,878	16	0.133	General Motors Corporation	39,810	16	0.1374
Castleton Square Mall, LLC	51,622	17	0.130	Reilly Industries, Inc.	37,325	17	0.1288
LHO Indianapolis Hotel One, LLC	50,685	18	0.127	Anthem, Inc.	37,081	18	0.1279
Automotive Components Holdings, LLC	50,453	19	0.127	H.H. Gregg	31,552	19	0.1089
Keystone Investors, LLC	50,111	20	0.126	Citizens Gas & Coke Utility	30,430	20	0.1050
	<u>\$ 3,245,585</u>		<u>8.158 %</u>		<u>\$ 2,938,489</u>		<u>10.139 %</u>

- (a) Represents the March 1, 2010 valuations for taxes due and payable in 2011 as represented by the taxpayer. Amounts in thousands. Net assessed valuation was determined using public records from the Marion County Treasurer's Office.
- (b) Represents the March 1, 2001 valuations for taxes due and payable in 2002 as represented by the taxpayer. Amounts in thousands. Net assessed valuation was determined using public records from the Marion County Treasurer's Office.
- (c) Data presented as originally published in the 2002 Comprehensive Annual Financial Report.

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

Fiscal year ended December 31	Taxes levied for the fiscal year (a)	Collected within the fiscal year of the levy		Collections in subsequent years (d)	Total collections to date	
		Amount	Percentage of levy		Amount (b) (e)	Percentage of levy
2002	\$ 166,351	\$ 161,582	97.1%	\$ 8,049	\$ 169,631	101.97%
2003	173,506	172,068	99.2	6,476	178,544	102.90
2004	163,091	159,523	97.8	7,502	167,025	102.41
2005	173,583	165,443	95.3	5,995	171,438 (c)	98.76
2006	175,485	168,359	95.9	4,501	172,860 (c)	98.50
2007	192,223	192,946	100.4	3,587	196,533 (c)	102.24
2008	196,824	189,069	96.1	5,584	194,653 (c)	98.90
2009	181,262	155,963	86.0	8,153	164,116 (c)	90.54
2010	192,072	169,653	88.3	17,891	187,544 (c)	97.64
2011	210,534	175,069	83.2	—	175,069 (c)	83.15

(a) Taxes levied represent the total City less the tax increment replacement levy.

(b) Data presented on the cash basis in years prior to 2007.

(c) Total collections include refunds for prior years that were withheld from the City's final tax distribution.

(d) For the years 2002-2009, the County Treasurer did not provide actual breakdowns of current and prior year delinquent collections by taxing unit; therefore, delinquent collections was estimated based on the delinquent collections from all the taxing units in Marion County. The amounts presented represent total delinquent collections for all years.

Beginning in 2010, delinquent collections were broken down by original levy year. Therefore the total amount collected for 2010 in 2011 is disclosed.

(e) Tax increment revenues are not included in the collected amounts because there is no separate tax levy for them.

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

Fiscal year	Governmental activities					Business-type activities					Total primary government	Percentage of personal income (a)	Per capita (a)
	Serial bonds (b)	Tax increment bonds	Net revenue bonds (b)	Notes payable and certificates of participation	Capital leases	Waterworks revenue bonds (b)	Waterworks notes payable (b)	Housing Agency notes payable	Housing Agency capital leases				
2005	\$ 338,642	\$ 468,392	\$ 249,193	\$ 42,648	\$ 2,020	\$ 701,381	\$ 869	—	\$ 2,506	\$ 1,805,651	3.03%	\$ 110	
2006	320,385	438,863	406,626	47,628	1,112	707,586	651	—	1,888	1,924,739	3.05	116	
2007	305,051	442,678	567,104	29,239	151	814,893	3,768	—	1,248	2,164,132	3.28	128	
2008	319,441	490,169	572,965	27,384	—	809,934	1,884	—	1,030	2,222,807	3.30	130	
2009	293,756	517,964	590,715	25,816	—	915,655	1,667	—	852	2,346,425	3.49	135	
2010	265,900	536,092	728,684	41,335	—	903,965	1,667	10,149	698	2,488,490	3.70	135	
2011	218,188	650,409	271,313	37,300	8,175	—	—	24,207	867	1,210,459	1.77	66	

- (a) See schedule 16 for personal income and population data. These ratios are calculated using personal income and population
- (b) Effective August 26, 2011, the City's water and wastewater utilities were sold to Citizens Energy Group. As part of the sale, CEG assumed \$1,408,369 of revenue bonds and agreed to fund the remaining sanitary district general obligation debt in the amount of \$41,803 as it comes to maturity through 2018.

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

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

Fiscal year	General bonded debt outstanding		Percentage of actual taxable value of property (b)	Per capita (a)
	Serial bonds payable	Total		
2005	\$ 338,642	\$ 338,642	0.854%	\$ 0.44
2006	320,385	320,385	0.754	0.40
2007	305,051	305,051	0.612	0.38
2008	319,441	319,441	0.667	0.40
2009	293,756	293,756	0.710	0.36
2010	265,900	265,900	0.657	0.33
2011	218,188 (c)	218,188	0.549	0.27

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

- (a) Population data can be found in schedule 16.
- (b) Property value data can be found in schedule 7.
- (c) As part of the purchase agreement of the the wastewater facilities, CEG agreed to fund the remaining sanitary district general obligation debt in the amount of \$41,803 as it comes to maturity through 2018.

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

CITY OF INDIANAPOLIS
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)
Schedule 13
December 31, 2011
(In thousands)

	Map reference (see introduction (g))	Assessed value (f)	Bonding limit		Bonds outstanding
			%	Dollar amount	
Direct Debt:					
City of Indianapolis:					
Civil City	2	\$ 33,913,488	0.67%	\$ 227,220	\$ 76,715
Consolidated County	1	36,271,852	(c)	—	—
Park District	1	36,271,852	0.67%	243,021	17,157
Redevelopment District	2	33,913,488	(h)	—	6,777
Flood Control District	1	36,271,852	0.67%	243,021	8,511
Metropolitan Thoroughfare District	1	36,271,852	1.33%	482,416	32,195
Sanitary District	8	33,959,774	4.00%	1,358,391	41,803
Police Special Service District	5	10,360,126	(b)	—	—
Fire Special Service District	6	25,564,445	(b)	—	—
Solid Waste Collect Special Service District	7	33,400,090	(b)	—	—
Solid Waste Disposal District	7	33,400,090	2.00%	668,002	—
Public Safety Communications and Computer Facilities District	1	36,271,852	0.67%	243,021	35,030
Total City Debt				<u>\$ 3,465,092</u>	<u>\$ 218,188</u>
Overlapping:					
Marion County	1	\$ 36,271,852	0.67%	\$ 243,021	\$ —
Municipal Corporations:					
Airport Authority	1	\$ 36,271,852	0.67%	\$ 243,021	\$ —
Health & Hospital Corporation	1	36,271,852	0.67%	243,021	231,385
Capital Improvement Board	1	36,271,852	0.67%	243,021	—
Indianapolis-Marion County Building Authority	1	36,271,852	(d)	—	14,820
Indianapolis-Marion County Library	4	35,285,012	0.67%	236,410	94,925
Indianapolis Public Transportation Corporation	2	32,268,101	0.67%	216,196	7,835
Total Municipal Corporations				<u>\$ 1,181,669</u>	<u>\$ 348,965</u>
School Districts:					
Beech Grove	9	\$ 399,801	(i)	\$ 65,488	5,000
Decatur	9	1,071,405	(i)	169,850	6,430
Franklin	9	1,755,155	(i)	272,284	3,885
Indianapolis Public Schools	9	9,225,666	(i)	594,648	23,760
Lawrence	9	4,606,490	(i)	251,442	21,085
Perry	9	3,243,437	(i)	182,072	18,575
Pike	9	4,774,364	(i)	115,172	25,415
Speedway	9	587,039	(i)	11,741	—

(Continued)

CITY OF INDIANAPOLIS

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

Schedule 13
December 31, 2011
(In thousands)

	Map reference (see introduction (g))	Assessed value (f)	Bonding limit		Bonds outstanding
			%	Dollar amount	
School Districts (continued):					
Warren	9	\$ 2,489,920	(i)	\$ 49,798	\$ —
Washington	9	5,505,300	(i)	151,726	11,490
Wayne	9	2,613,275	(i)	305,146	21,291
Total School Districts		<u>\$ 36,271,852</u>		<u>\$ 2,169,367</u>	<u>\$ 136,931</u>
Other Cities and Towns:					
Beech Grove	2	\$ 426,644	0.67%	\$ 2,859	\$ 150
Lawrence	2	1,298,395	0.67%	8,699	5,335
Southport	2	46,287	0.67%	310	230
Speedway	2	587,039	0.67%	3,933	3,535
Total Other Cities and Towns		<u>\$ 2,358,365</u>		<u>\$ 15,801</u>	<u>\$ 9,250</u>
Townships:					
Center	3	\$ 4,921,847	0.67%	\$ 32,976	\$ —
Decatur	3	1,076,042	0.67%	7,209	—
Franklin	3	1,902,520	0.67%	12,747	—
Lawrence	3	4,976,521	0.67%	33,343	1,805
Perry	3	3,539,182	0.67%	23,713	—
Pike	3	4,884,524	0.67%	32,726	—
Warren	3	3,345,058	0.67%	22,412	—
Washington	3	7,609,894	0.67%	50,986	—
Wayne	3	4,016,265	0.67%	26,909	—
Total Townships		<u>\$ 36,271,853</u>		<u>\$ 243,021</u>	<u>\$ 1,805</u>
Excluded Library Districts:					
Beech Grove	4	\$ 399,801	0.67%	\$ 2,679	\$ —
Speedway	4	587,039	0.67%	3,933	185
Total Excluded Library Districts		<u>\$ 986,840</u>		<u>\$ 6,612</u>	<u>185</u>
Ben Davis Conservancy District		\$ 898	(e)	\$ —	\$ —
Total overlapping debt					<u>\$ 497,136</u>
Total direct and overlapping debt					<u>\$ 715,324</u>

(Continued)

CITY OF INDIANAPOLIS
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)
Schedule 13
December 31, 2011
(In thousands)

- (a) Excludes revenue bonds not payable from ad valorem taxes.
- (b) No bonding authority.
- (c) No bonding authority from ad valorem taxes.
- (d) There is no debt limit for the Indianapolis-Marion County Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Authority's enabling legislation.
- (e) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
- (f) Represents the March 1, 2010 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2011.
- (g) See pages XVII and XVIII
- (h) There is no statutory constitutional debt limitation to the Redevelopment Districts.
- (i) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to the school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.

CITY OF INDIANAPOLIS
Computation of Legal Debt Margin (a)(d)
Schedule 14
December 31, 2011
(In thousands)

	<u>Assessed value (b)</u>	<u>Debt limit percentage</u>	<u>Debt limit</u>	<u>Bonds outstanding</u>	<u>Legal debt margin</u>	<u>Total net debt applicable to the limit as a percentage of debt limit</u>
Civil City	\$ 33,913,488	0.67%	\$ 227,220	\$ 76,715	\$ 150,505	33.76%
Consolidated County	36,271,852	(a)	—	—	—	—
Park District	36,271,852	0.67%	243,021	17,157	225,864	—
Redevelopment District	33,913,488	(b)	—	6,777	—	—
Flood Control District	36,271,852	0.67%	243,021	8,511	234,510	3.50%
Metropolitan Thoroughfare District	36,271,852	1.33%	482,416	32,195	450,221	6.67%
Sanitary District	33,959,774	4.00%	1,358,391	41,803	1,316,588	3.08%
Police Special Service District	10,360,126	(c)	—	—	—	—
Fire Special Service District	25,564,445	(c)	—	—	—	—
Solid Waste Collection Special Service District	33,400,090	(c)	—	—	—	—
Solid Waste Disposal District	33,400,090	2.00%	668,002	—	668,002	—
Public Safety Communications and Computer Facilities District	36,271,852	0.67%	243,021	35,030	207,991	14.41%

- (a) No bonding authority payable from ad valorem taxes.
- (b) There is no statutory constitutional debt limitation applicable to the Redevelopment District.
- (c) No bonding authority.
- (d) Due to the extreme complexity of the taxing district structure, the City has not presented the required ten years of data as showing more than one year of data is extremely cumbersome. Previous years data can be found in the Comprehensive Annual Financial Reports from prior years.

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

Sanitary bonds							Water revenue bonds						
Fiscal year	Gross revenue (a)	Direct operating expense	Net revenue available for debt service	Debt service		Coverage	Fiscal year	Gross revenue (b)	Direct operating expense	Net revenue available for debt service	Debt service		Coverage
				Principal	Interest						Principal	Interest	
2005	\$ 67,462	\$ 47,112	\$ 20,350	\$ 6,754	\$ 5,757	1.63	2005	\$ 103,480	\$ 65,016	\$ 38,464	\$ 1,240	\$ 33,464	1.11
2006	81,693	47,797	33,896	9,444	7,112	2.05	2006	103,821	70,489	33,332	1,680	28,698	1.10
2007	104,932	50,214	54,718	19,899	10,330	1.81	2007	131,953	86,649	45,304	975	31,148	1.41
2008	117,516	53,259	64,257	19,278	14,799	1.89	2008	122,658	73,938	48,720	6,240	49,218	0.88
2009	120,452	56,047	64,405	19,978	16,667	1.76	2009	126,428	76,883	49,545	8,525	48,434	0.87
2010	143,539	62,458	81,081	23,285	16,721	2.03	2010	144,378	74,353	70,025	11,690	46,282	1.21
2011	103,542	39,404	64,138	14,865	11,042	2.48 (n)	2011	107,008	50,992	56,016	10,829	32,187	1.30 (n)

Wheel tax bonds					Redevelopment revenue bonds				Property tax increment bonds			
Fiscal year	Wheel tax revenue (c)	Debt service		Coverage	City cumulative funds (d)	Debt service		Coverage	Tax increment revenues (e)	Debt service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2005	\$ 14,406	\$ 4,775	\$ 1,913	2.15	\$ 520	\$ 390	\$ 107	1.05	\$ 56,932	\$ 18,697	\$ 21,278	1.42
2006	15,866	5,005	1,701	2.37	556	400	101	1.11	47,348	36,139	22,923	0.80
2007	15,712	3,180	1,144	3.63	522	410	83	1.06	32,325	24,208	21,253	0.71
2008	13,432	5,480	1,238	2.00	510	400	70	1.09	57,717	24,935	16,757	1.38
2009	12,367	5,740	983	1.84	375	440	57	0.75	112,951	16,275	25,772	2.69 (k)
2010	11,890	3,570	762	2.74	475	425	42	1.02	66,615	21,054	15,700	1.81
2011	12,194	1,355	592	6.26	471	440	26	1.01	60,980	54,036	10,997	0.94

MECA bonds					Economic development bonds				Golf bonds			
Fiscal year	E-911 fees (f)	Debt service		Coverage	Parking fees (g)	Debt service		Coverage	Golf course revenue (h)	Debt service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2005	\$ 1,673	\$ 1,280	\$ 413	0.99	\$ 1,699	\$ —	\$ 1,309	1.30	\$ 320	\$ 160	\$ 104	1.21
2006	1,368	1,330	367	0.81	1,940	100	1,487	1.22	405	175	100	1.47
2007	1,812	1,380	317	1.07	1,659	—	1,647	1.01	337	185	89	1.23
2008	1,643	1,445	251	0.97	2,060	60	1,898	1.05	353	1,698	153	0.19 (j)
2009	1,440	1,520	178	0.85	2,250	135	1,994	1.06	—	—	—	—
2010	1,371	1,590	102	0.81	1,654	98	1,384	1.12	—	—	—	—
2011	1,336	825	21	1.58	1,365	104	1,096	1.14	—	—	—	—

Facilities revenue bonds					PILOT revenue bonds				Stormwater revenue bonds			
Fiscal year	Charge back (i)	Debt service		Coverage	Payments in lieu of taxes (l)	Debt service		Coverage	Net revenues of the stormwater system (m)	Debt service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2005	\$ NA	\$ NA	\$ NA	NA	\$ NA	\$ NA	\$ NA	NA	\$ NA	\$ NA	\$ NA	NA
2006	NA	NA	NA	NA	NA	NA	NA	NA	1,650	—	1,650	1.00
2007	1,256	610	712	0.95	NA	NA	NA	NA	2,121	—	2,121	1.00
2008	1,593	885	834	0.93	NA	NA	NA	NA	3,051	930	2,121	1.00
2009	1,793	1,105	784	0.95	NA	NA	NA	NA	3,054	970	2,084	1.00
2010	2,210	1,190	739	1.15	5,574	—	3,054	1.83	3,060	1,015	2,045	1.00
2011	1,947	1,010	591	1.22	14,214	—	7,910	1.80	3,220	1,190	2,030	1.00

Note: NA stands for not available.

- (a) Sewer user fees
- (b) Water sales
- (c) Wheel taxes on vehicles
- (d) City cumulative capital development fund revenue transfers
- (e) Property tax increment revenues collected in TIF districts
- (f) E-911 fees collected from telephone companies
- (g) Fees from parking garage
- (h) Golf fees from specific golf courses
- (i) Charge back to City-County agencies
- (j) Debt coverage ratio is low because in 2008 the golf bonds were paid in full before their maturity date
- (k) Does not include \$128,210 of refunding bonds.
- (l) Payments in lieu of taxes wastewater system
- (m) Improvements of stormwater handling capabilities
- (n) Effective August 26, 2011, the City's water and wastewater utilities were sold to Citizens Energy Group (CEG) and the outstanding debt was assumed by CEG.

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

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

<u>Calendar year</u>	<u>Population (a)</u>	<u>Personal income (thousands of dollars) (b)</u>	<u>Per capita personal income (b)</u>	<u>Median age (c)</u>	<u>Education level in years of schooling (a)</u>	<u>School enrollment (d)</u>	<u>Unemployment rate (e)</u>
2005	765,310	\$ 59,683,000	\$ 36,391	34.80	12	135,705	4.80%
2006	795,484	63,058,000	37,849	35.90	12	137,757	4.40
2007	805,489	66,073,000	38,980	35.50	12	140,546	4.50
2008	795,458	67,449,000	39,318	35.50	12	145,569	5.60
2009	808,466	67,186,598	38,532	35.80	12	159,089	8.50
2010	807,584	68,313,593	38,796	33.60	12	159,865	8.40
2011	820,445	68,313,593 (f)	37,232	33.00	12	143,053	8.90

(a) U.S. Census Bureau

(b) Bureau of Economic Analysis

(c) Stats Indiana

(d) Indiana Department of Education

(e) Bureau of Labor Statistics

(f) This information will be released by the Bureau of Economic Analysis in August 2012; therefore, prior year numbers were utilized.

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

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

Employer	2011 (b)			Employer	2002		
	Employees	Rank	Percentage of total city employment (a)		Employees (c)	Rank	Percentage of total city employment (a)
Clarian Health Partners, Inc.	12,763	1	3.04%	Eli Lilly and Company	15,051	1	3.44%
Eli Lilly and Company	11,550	2	2.75	Indiana University-Purdue University Indianapolis	6,763	2	1.55
St Vincent Hospitals & Health Services	10,640	3	2.53	Community Hospitals of Indianapolis, Inc.	5,293	3	1.21
Indiana University-Purdue University Indianapolis	7,066	4	1.68	Rolls Royce	4,335	4	0.99
Federal Express Corporation	6,311	5	1.50	Allison Transmission, Inc.	4,119	5	0.94
Community Health Network	5,341	6	1.27	Marsh	3,680	6	0.84
Rolls Royce	4,300	7	1.02	Anthem, Inc.	3,509	7	0.80
St. Francis Hospital & Health Centers	4,152	8	0.99	Kroger Company	3,224	8	0.74
WellPoint, Inc.	3,950	9	0.94	Visteon Corporation (formerly Ford Motor Co.)	2,616	9	0.60
Allison Transmission, Inc.	3,800	10	0.90	Roche Diagnostics Corporation	2,300	10	0.53

(a) Percentage of total City employment is calculated by using total 2011 and 2002 Employed Labor Force, which can be found at www.stats.indiana.edu.

(b) Largest employers can be found at www.indypartnership.com (Indy Partnership).

(c) Data presented as originally published in the 2002 CAFR.

CITY OF INDIANAPOLIS
Full-Time Equivalent City Government Employees by Function/Program
Schedule 18
December 31, 2011

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	250	264	268	266	236	206
Protection of People						
Police Department	1,465	1,666	1,871	1,915	1,923	1,888
Fire Department	792	978	1,092	1,116	1,300	1,268
Other (Civilian)	64	398	74	87	215	227
Public Works	647	648	637	618	670	661
Parks and Recreation	450	452	414	363	287	278
Redevelopment	<u>218</u>	<u>227</u>	<u>244</u>	<u>222</u>	<u>98</u>	<u>90</u>
Total full-time City employees	<u><u>3,886</u></u>	<u><u>4,633</u></u>	<u><u>4,600</u></u>	<u><u>4,587</u></u>	<u><u>4,729</u></u>	<u><u>4,618</u></u>

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

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

CITY OF INDIANAPOLIS
Operating Indicators by Function/Program
Schedule 19
December 31, 2011

Function/program	2006	2007	2008	2009	2010	2011
General government						
Building permits issued	48,858	41,470	34,517	33,619	33,915	34,966
Building inspections conducted	65,314	23,278	33,193	37,224	32,370	32,034
Households assisted with entitlement grants	3,767	4,131	5,168	6,872	3,430	3,090
Police						
Physical arrests	37,740	44,903	52,247	51,944	50,264	60,883
Parking violations	22,335	12,692	10,912	8,575	8,953	7,277
Traffic violations	42,278	43,780	68,937	36,850	20,600	34,434
Fire						
Emergency responses	68,240	65,966	136,198	122,620	154,755	137,476
Dispatched fire runs	52,948	15,783	16,331	18,457	17,236	17,714
Inspections	2,155	4,552	4,663	4,663	6,936	12,524
Refuse collection						
Refuse collected (tons per day)	816	890	1,075	1,048	1,038	997
Leaves collected (tons per year)	10,341	6,762	6,741	7,610	6,044	7,603
Other public works						
Street resurfacing (miles)	99	99	155	237	515	389
Pothole work orders completed (a)	13,246	9,009	12,094	18,590	16,645	23,821
Parks and recreation						
Number of facility and park inspections	758	476	1,200	9,518	8,621	7,824
Community park and facility attendance	5,238,625	7,636,927	6,636,487	6,820,927	6,804,867	6,954,806
Water (b)						
Service repairs	457	661	889	1,074	994	479
Water main repairs	407	783	593	559	704	322
Average daily consumption (millions of gallons)	139	152	138	146	137	164
Total system pumpage (millions of gallons)	50,633	55,369	50,347	53,143	50,121	33,920
Wastewater (b)						
Average daily sewage treatment (millions of gallons)	206	183	190	181	166	—

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

(b) Effective August 26, 2011, the City's water and wastewater utilities were sold to Citizens Energy Group.

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

CITY OF INDIANAPOLIS
Capital Asset Statistics by Function/Program
Schedule 20
December 31, 2011

Function/program	2006	2007	2008	2009	2010	2011
Public Safety						
Police stations	5	6	7	7	6	6
Police vehicles and other rolling stock	1,778	2,057	2,015	2,005	2,309	2,054
Fire stations	26	35	35	38	45	45
Fire vehicles and other rolling stock	178	259	258	277	302	297
Emergency management vehicles and other rolling stock	11	10	9	12	12	14
Animal control vehicles and other rolling stock	28	31	29	27	27	31
Other Public Works						
Streets (miles)	3,161	3,193	3,215	3,233	3,238	3,244
Sidewalks (miles)	2,702	2,705	2,707	2,706	2,707	2,706
Bridges	512	513	512	512	512	512
Traffic signal installations	1,124	1,125	1,125	1,127	1,128	1,128
Miles of sanitary sewers (a)	3,086	3,086	3,116	3,188	3,019	—
Miles of storm sewers and drainage	1,478	1,494	1,500	1,513	1,517	1,517
Public works vehicle and other rolling stock	538	551	537	582	546	673
Wastewater treatment capacity (million gallons per day) (a)	320	320	320	320	320	—
Cultural and Recreation						
Parks	192	192	192	206	207	207
Park properties – acreage	11,018	11,140	11,160	11,140	11,168	11,168
Playgrounds	131	131	127	128	127	127
Golf courses	13	13	13	13	13	13
Swimming pools – outdoors	16	16	16	16	16	16
Swimming pools – indoors	6	6	8	5	5	5
Recreational centers	25	25	25	25	25	25
Waterworks (a)						
Treatment plants	10	10	10	9	9	—
Pumping stations	18	24	18	20	20	—
Water mains (miles)	4,240	4,422	4,462	4,469	4,344	—
Fire hydrants	38,868	39,077	39,487	41,048	39,763	—
Water storage tanks	17	21	26	32	30	—
Storage capacity (millions of gallons)	78,960	78,960	78,960	77,850	77,850	—
Waterworks vehicles and other rolling stock	214	297	316	309	309	—

(a) Effective August 26, 2011, the City's water and wastewater utilities were sold to Citizens Energy Group.

Sources: Various City department reports.

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

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Corrective Action Plan

Year ended December 31, 2011

Reference	Finding and Corrective Action	Contact Person(s)
11-01	<p>Management Review and Supervision of Recording of Transactions and over Financial Reporting Process – Material Weakness</p> <p>The primary causes of material errors in the financial statement accounts is a lack of management review by an individual other than the individual calculating and recording the entries and a failure to comprehensively address unusual situations in normal year-end closing adjustments.</p> <p>Corrective Action: Many of the issues we have are caused by the antiquated financial system we use. The City is addressing these issues as part of the implementation of a new financial system. Effective January 1, 2012, the City implemented the financial module and we anticipate seeing improvements in the 2012 audit. In addition, the Office of Finance and Management is seeking to add additional personnel.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>
11-02	<p>Waterworks Financial Reporting – Material Weakness</p> <p>It was determined that the overall financial reporting and accounting internal control process for Waterworks was not sufficient. The City has sold the water utility thus the risk has been eliminated.</p> <p>Corrective Action: Effective August 26, 2011, the Department of Waterworks was acquired by Citizens Energy Group. Therefore, the 2011 financial statements will be the final year the Waterworks’ enterprise fund is included within the City’s Comprehensive Annual Financial Report.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>
11-03	<p>City Debt Transactions – Material Weakness</p> <p>Significant audit adjustments were required to accurately record and classify transactions in the City’s financial statements related to debt. Additionally, the notes to the financial statements contain significant disclosures related to outstanding debt. Review of such notes determined that some disclosures were either incorrect or did not appropriately include required disclosures.</p> <p>Corrective Action: The City implemented Phase one (1) of the enterprise resource planning system January 1, 2012 which included the financial module. We believe that this new system will assist us in recording debt-related transactions in a more timely and accurate manner. In addition, the Office of Finance and Management is seeking to add additional personnel.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>
11-04	<p>Recording of Accounts Payable – Material Weakness</p> <p>During test work on subsequent year cash disbursements to determine the accuracy of the recorded accounts payable amounts, several items were identified that were not properly accrued or some that had been accrued but should not have been. Audit adjustments were needed to ensure that accounts payable were appropriately stated. Some of these errors were due to vendors not submitting invoices timely or the payment being delayed in the City’s accounts payable department and thus since no payment had been made, the accrual was not subject to the City’s accrual process.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
**(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)**

Corrective Action Plan

Year ended December 31, 2011

	<p>Corrective Action: Because of the system the City currently uses, it is a very manual process to create the accounts payable balances at year-end. Effective January 1, 2012, we implemented the financial module of the enterprise resource planning system; we anticipate with time and the proper training that the process of indentifying payables will improve. In the interim we will continue to review our process to see if any additional improvements can be made.</p>	
<p>11-05</p>	<p>Grant Accounting – Material Weakness A significant number and amount of adjustments was required to accurately state the financial statement amounts related to grants.</p> <p>Corrective Action: Effective January 1, 2012, the City implemented the financial module of the enterprise resource planning system. This was a major change in our enterprise, and with the implementation of any new system there is a learning curve. There were major changes in how we identify accounts payable, and in the early months the departments did not have a clear understanding of these new procedures. This caused us to have issues in properly identifying accrued payables. As soon as we learned about the issues we provided additional training to the departments; we believe these issues have now significantly improved. In addition as part of the overall implementation of the enterprise resource planning system we will be implementing a grants module in 2013. This module will have additional capabilities that will give us the resources we need to improve the overall financial reporting for grants, including more accurate reporting of grant receivables; which in our old system was a very manual process.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>
<p>11-06</p>	<p>Monthly Reconciliations of Trust Accounts – Significant Deficiency The City maintains numerous trust accounts, which primarily are utilized to invest bond proceeds. The City receives monthly statements on these accounts; however, the City completes reconciliations on these accounts sporadically during the year and for some accounts only once or twice a year. This results in disbursements and interest income, which occur throughout the year, only being recorded when reconciliations are actually performed.</p> <p>Corrective Action: A cash management module within the new financial system will assist in the recording of transactions that are occurring in trust accounts and reconciling these accounts. The cash management module will not be implemented until late 2012; therefore improvements will not be seen until future years. We will continue to evaluate our processes and make any appropriate improvements before the cash management module is implemented.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>
<p>11-07</p>	<p>Capital Assets – Significant Deficiency The City has a significant amount of capital assets recorded on the financial statements. Several capital asset additions that met the capitalization dollar criteria of the City were not appropriately capitalized and transfers out of construction in progress were not correctly recorded.</p> <p>Corrective Action: As part of the overall implementation of the enterprise resource planning system we will be implementing an asset management module in 2013. This module will have additional reporting capabilities that will aid in the overall reporting of capital assets. Currently a daily review of transactions is being conducted to ensure that</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
**(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)**

Corrective Action Plan

Year ended December 31, 2011

	<p>those items meeting the threshold for capitalization are captured appropriately. In addition, all entries to transfer out completed construction in progress are posted in conjunction with an entry to record a capital addition to the correct category. The Office of Finance and Management’s Fixed Asset Financial Manager has been compiling a listing of Accountable Officer’s for all City agencies so that current policies as well as any policy changes can be properly disseminated. In addition, we will be reviewing the capitalization policy for appropriate capitalization amounts.</p>	
<p>11-08</p>	<p>IT System Program Change Management – Significant Deficiency Key components of the Production Implementation Plan are who requested, prepared, reviewed, approved, and implemented the requested program change. However, typically the components of who reviewed, approved, and implemented the plan are not completed. Additionally, developers have access to migrate changes to source code into production using batch processing by emailing a change request directly to Production Analysts. The Production Analysts place the code in a staging library and a job is run automatically to move to production. No formal authorization is obtained for this process and evidence of approvals is not obtained and reviewed by the Production Analysts prior to making the change.</p> <p>Corrective Action: Due to the enterprise resource planning system that is currently being implemented, controls are being established under the new systems’ technological requirements. The prior issues had under the Mainframe system will no longer be present or applicable under the new system.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p> <p>Janae Rhoton (317) 327-4215 Janae.Rhoton@indy.gov</p>
<p>11-09</p>	<p>Special Tests and Provisions – Housing Quality Standards – Home Investment Partnerships Program The City did not have internal controls in place and operating effectively to ensure that physical inspections were adequately and timely performed. In a sample of 15 properties tested (50% of total population of 60), there were exceptions for 6 of the properties for either (a) no documentation of a physical inspection in 2011; (b) no documentation provided of the inspection in the prior year and therefore we could not determine if it had been inspected within the guidelines; (c) no inspection performed in both the current and prior period; or (d) the City did not perform inspections on the minimum number of units within a property. The City did not have adequate documentation in its files evidencing communication and follow up on deficiencies noted in inspections. In a sample of 15 projects subject to inspections, 3 of the 15 projects had deficiencies but the City could not provide documentation of the deficiency being corrected.</p> <p>Corrective Action: The timeline we used was based on a three (3) year inspection cycle regardless of the number of units, instead of every one to two years as defined in criteria (b) and (c) above; therefore no inspections were completed in 2011 or 2010. This year we recognized that we were in error and should have been based on the number of total units in the project. In the future, HOME Housing Quality Standard inspections will be done annually on those properties going forward. This will be corrected by making certain that at least 15% of the total units in the project are inspected. As stated previously, we will now formulate our total Long Term Compliance process on the total number of units in the project rather than the number of HOME units. When this was implemented our portfolio increased dramatically and we were more focused on exact details; going forward these</p>	<p>Erica Aquila-HOME (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
**(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)**

Corrective Action Plan

Year ended December 31, 2011

	findings should not occur.	
11-10	<p>Reporting – Transparency Act – Community Development Block Grants and Home Investment Partnerships Program The City did not have adequate internal controls in place nor were in compliance with reporting in accordance with the Transparency Act. The City did not submit any such reporting for fiscal year 2011.</p> <p>Corrective Action: The City was told by HUD that we did not meet the requirements for submitting this report and therefore did not need to submit it. It was not until audit that we were informed that we received incorrect information regarding the submission requirement of this report. The City is currently working to submit this report for 2011 and 2012.</p>	<p>Erica Aquila-CDBG (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
11-11	<p>Matching – Home Investment Partnerships Program The City did not have adequate internal controls in place over the matching compliance requirement. While the City indicated that a management review occurs, no such evidence could be provided either in the form of a signature on the matching report or email correspondence of management involvement in the review process.</p> <p>Corrective Action: The system of internal controls that was to take place is as follows; when the Match report is completed by the Analyst it is electronically forwarded to the Manager for approval. Once the report is reviewed and approved, the Manager will send a confirmation email back to the Analyst stating that the report has been reviewed, requires no further edits, and will be submitted to the Assistant Administrator to publish in the Consolidated Action Plan Evaluation Report (CAPER). This year the grant manager had received the Match report electronically from the Analyst, reviewed and submitted the Report for publication in the CAPER but neglected to send a confirmation email to the Analyst confirming the receipt and accuracy of the report. The Grant Manager will make sure that such oversights do not occur again.</p>	<p>Erica Aquila-HOME (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
**(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)**

Corrective Action Plan

Year ended December 31, 2011

<p>11-12</p>	<p>Eligibility – Home Investment Partnerships Program For a sample of 40 tenant files selected from 8 projects, 8 of the projects (or 40 of the tenants) were from projects with 5 or more units. For units of 5 or more, 20% of the units must be occupied by very low income families where the rent does not exceed 30% of the annual family income whose income equals 50% of the median income for the area or the rent does not exceed 30% of the family adjusted income. The City did not have documentation to support its compliance with this requirement. There are no questioned costs as the related eligibility requirements relate to the period of affordability rather than any current year funds that are being utilized for the projects. Also, transitional housing files were determined to be incomplete as to ascertain the compliance with the HOME program eligibility requirements.</p> <p>Corrective Action: Internal controls have been in place to ensure that in developments of five or more units, twenty percent of the HOME designated units have rents that do not exceed the HUD determined Low Home Rent Limit. However, through the audit it was discovered that these controls were not operating effectively. HOME Grant staff has already completed measures to ensure that all property managers that were obligated to complete and submit annual recertification documentation of tenant eligibility have done so. Property managers that were not aware of this requirement have also been informed of the requirement and a Long Term Compliance Manual has been created to help property managers stay aware of regulations and annual reporting requirements of the HOME program.</p>	<p>Erica Aquila-HOME (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-13</p>	<p>Subrecipient Monitoring – Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants and ARRA Recovery Act – Energy Efficiency and Conservation Block Program The City does not have adequate internal controls in place that were operating effectively for 2011 to ensure that subrecipient audits are received or that the results of any audits are appropriately reviewed and documented.</p> <p>Corrective Action: The City’s current tracking spreadsheet will be updated to include a column to be initialed by the grant manager indicating the date documents were received and the date reviewed by management. Not only will staff continue to track whether or not we have the A-133 documents, but staff will also keep an electronic file of all audits for more permanent and easier access for all. Moving forward, the City will adopt a new policy of collecting A-133 audit certification documents for every organization making a claim in that calendar year and adding the organization to the tracking spreadsheet. This will be the policy for all organizations going forward, even if the organization has already been certified as a for-profit entity the previous year and is not subject to an A-133 audit.</p> <p>Grantor Response: Energy Efficiency and Conservation Block Program Grantor has responded with their knowledge of this finding and has sent their approval of the program manager’s follow up in corrective action and processes in place. Energy Efficiency and Conservation Block Program portion of this finding will not be included in the 2012 Status of Prior Year Findings as no further action is necessary.</p>	<p>Erica Aquila-CDBG (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Mike Williams-EECBG (317) 327-4675 MichaelJ.Williams@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Corrective Action Plan

Year ended December 31, 2011

<p>11-14</p>	<p>Special Tests and Provisions – Environmental Reviews – Community Development Block Grant Program/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants For a sample of 71 projects out of a total of 71 projects in the population, 1 of the projects did not have documentation of an environmental review being performed or a determination as to why it should be excluded from those requirements. This item was for technical assistance per the Action Plan and thus it appears that no environmental review would be required.</p> <p>Corrective Action: This was an isolated incident that was an oversight. The program team has followed up and the required documentation will be placed into the file. We will continue to evaluate our processes and make any appropriate improvements as the new module is implemented.</p>	<p>Erica Aquila-CDBG (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-15</p>	<p>Special Tests and Provisions – Subrecipient Monitoring- Community Development Block Grant Program and Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii and ARRA – Recovery Act – Energy Efficiency and Conservation Block Grant Program The City is not 100% communicating required information to subrecipients regarding ARRA funding, CFDA numbers and CCR requirements.</p> <p>Corrective Action: These are new 2011 ARRA programs and not alerting subrecipients of the CFDA number was an error. The subrecipients have since been notified. CDBG staff will ensure that the subrecipient does register with the Central Contractor Registration (CCR) and the City will verify that registration. This occurred with one (1) of the City’s EECBG subrecipients on this program. The subrecipient was updating their information in the CCR system when the agreement was signed and the registration was delayed until after the award had been signed.</p> <p>Grantor Response: Energy Efficiency and Conservation Block Program Grantor has responded with their knowledge of this finding and has sent their approval of the program manager’s follow up in corrective action and processes in place. Energy Efficiency and Conservation Block Program portion of this finding will not be included in the 2012 Status of Prior Year Findings as no further action is necessary.</p>	<p>Erica Aquila-CDBG (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Mike Williams-EECBG (317) 327-4675 MichaelJ.Williams@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-16</p>	<p>Reporting – Form 272 – Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants The City did not have adequate internal controls in place and was not in compliance with the reporting compliance requirement related to the Form 272. the following errors were identified with the quarterly reports: (1) The quarter ended 6/30/11 did not properly foot as the ending cash on hand excluded the federal share of program income amount reported on line 11j for that quarter; (2) The amount reported on the quarterly Form 272 reports as "Cash on hand beginning of the reporting period" does not agree to the previous quarter's Form 272 amount for "Cash on hand end of period" for the quarters ended 6/30/11, 9/30/11, or 12/31/11; and (3), Each of the 4 quarterly Form 272 reports submitted for fiscal year 2011 report amounts in box 11i "Adjustment of prior periods for which we were not able to obtain adequate support. These amounts range from \$304,022 to \$3,656,085.</p>	<p>Erica Aquila-CDBG (317) 327-5444 Erica.Aquila@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
**(A COMPONENT UNIT OF THE CONSOLIDATED
 CITY OF INDIANAPOLIS—MARION COUNTY)**

Corrective Action Plan

Year ended December 31, 2011

	<p>Corrective Action: City staff will ensure program income is included in the amount for 11j which is a component of the Form 272 Report. Likewise City staff will make sure that the “Cash on hand beginning of reporting period” agrees with the “Cash on hand end of period” for the previous quarter’s Form 272 Report. City staff will seek guidance from HUD as to what is intended to be in 11i of Form 272.</p>	
<p>11-17</p>	<p>Subrecipient Monitoring – Homeland Security Grant Program Cluster The City did not have internal controls in place and operating effectively to ensure that adequate during-the-award monitoring was taking place. While the City indicates that a review of subrecipient claims is performed, there is no evidence of this review that is documented and thus it could not be tested.</p> <p>Also, the City did not have adequate internal controls to ensure that the review of subrecipient A-133 reports was performed accurately. The City passed through grant funds to Health and Hospital Corporation of Marion County who reported this funding on their SEFA under the wrong federal program. Additionally, other funds passed through by the City under this program were not appropriately clustered. The review at the City did not detect this discrepancy.</p> <p>Corrective Action: The UASI program will meet with its Sub-Recipient, Health and Hospital’s grants office monthly and keep notes of this meeting. The Department of Public Safety (DPS) finance unit will work with Office of Finance and Management (OFM) to ensure adequate records are maintained. We will continue to evaluate our processes and make any appropriate improvements as the new grant module is implemented.</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-18</p>	<p>Equipment and Real Property Management – Homeland Security Grant Program Cluster and Edward Byrne Memorial Justice Assistance Grant Program Cluster The City did not have adequate internal controls in place to ensure that a physical inventory over equipment was completed every two years as required by federal and state (pass through grantor) guidelines. The City last performed a physical inventory of grant purchased equipment in fiscal year 2009. No physical inventory was performed in 2011 or in 2012 to date for DPS. The City's Office of Finance and Management initiated the physical inventory in fiscal year 2011 by sending out the equipment items to be inventoried however DPS did not complete it.</p> <p>Corrective Action: The Grants staff within the finance division of the Department of Public Safety will work directly with the City’s asset coordinator to ensure all appropriate inventory requirements are maintained. In addition, during the past year, the UASI Program Manager was a member of the PeopleSoft Asset Management module team which is involved in implementing the asset management module within the enterprise resource planning system. In addition, the City is currently restructuring the City Grants Division which will be responsible for addressing compliance issues relating to federal awards. This division intends to develop new policies and procedures to prevent future audit findings.</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Corrective Action Plan

Year ended December 31, 2011

<p>11-19</p>	<p>Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Homeland Security Grant Program Cluster and Public Safety Partnership and Community Policing Grants Program Cluster</p> <p>It was determined that the City has no internal controls in place to ensure that time certifications are completed in a timely manner. For a sample of 3 of 3 Homeland Security payroll-related costs selected for testwork (from a total sample of 40 costs selected for testwork), 1 of the 3 time certifications were not completed in a timely manner and were only completed upon our request for them. Total payroll costs associated with this program in 2011 were \$428,337. The exceptions noted amounted to \$1,154 of the total \$4,377 of payroll costs tested.</p> <p>Out of a sample of 36 Community Policing payroll related items, 10 time certifications were not completed in a timely manner. There was no compliance finding associated with this as the City was able to ultimately provide time certifications for all payroll related sample items.</p> <p>Corrective Action: Due to staff turnover the time certifications were not completed in a timely manner in 2011. Management has created a new standard certification form that will encompass all employees who work on a particular program. This form will be distributed semi-annually and a copy will be filed with the Office of Finance and Management’s Financial Reporting Division.</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-20</p>	<p>Reporting – Section 1512 – Energy Efficiency and Conservation Block Grant Program and Edward Byrne Memorial Justice Assistance Grant Program Cluster</p> <p>The City does not have adequate internal controls that are designed and implemented to assure accurate reporting under Section 1512 of ARRA.</p> <p>Corrective Action: The 1512 reporting is a new process that is required under the ARRA program. While the City has developed internal controls surrounding 1512 reporting, we will assess these controls and add additional review process where we feel necessary.</p> <p>Grantor Response: Energy Efficiency and Conservation Block Program Grantor has responded with their knowledge of this finding and has sent their approval of the program manager’s follow up in corrective action and processes in place. Energy Efficiency and Conservation Block Program portion of this finding will not be included in the 2012 Status of Prior Year Findings as no further action is necessary.</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Mike Williams-EECBG (317) 327-4675 MichaelJ.Williams@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-21</p>	<p>Reporting – Financial Reporting – Edward Byrne Memorial Justice Assistance Grant Program Cluster</p> <p>The City did not have adequate internal controls in place to ensure that the amount reported on the SF-425 reports reconciled to FAMIS. Two of the 3 quarterly SF-425 reports that we tested (see also finding JAG #11) were for grant 2009-DJ-BX-0765 and neither of the 2 quarters reconciled to the accounting records (i.e., FAMIS). However, at the end of end of 2011, the cumulative amount of expenditures agreed to FAMIS. The Q4 2010 financial report was filed incorrectly and the City corrected these by adjusting all quarters of 2011.</p> <p>The City did not have adequate internal controls in place to ensure that the amount reported on the SF-425 reports reconciled to FAMIS. One of the 3 quarterly SF-425 reports that were tested was for grant 2009-SB-B9-1482 and the</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Corrective Action Plan

Year ended December 31, 2011

	<p>quarterly expenditures did not reconcile to the accounting records (i.e., FAMIS). However, the City subsequently self corrected and at the end of Q2 2012, the cumulative amount of expenditures agreed to FAMIS.</p> <p>Corrective Action: The City recognizes that subrecipient expenditures relating to the ARRA JAG should not have been reported on the SF-425 report until the City actually reimbursed the subrecipient for the expenditures. The City has corrected the subsequent SF-425 financial reports to reflect the correct expenditures.</p>	
<p>11-22</p>	<p>Subrecipient Monitoring and Special Tests and Provisions ARRA Subrecipient Monitoring – Edward Byrne Memorial Justice Assistance Grant Program Cluster</p> <p>The City did not have internal controls in place and operating effectively over subrecipient monitoring to ensure that A-133 reports from subrecipients were properly reviewed, communications were made with the subrecipient, and management decisions were issued for subrecipient findings. Eight of the 9 subrecipients under this program were to various agencies within Marion County. There were findings related to this program for which the City did not evaluate to determine the effect of Marion County's noncompliance on the City's records nor were any communications documented with Marion County including the issuance of any management decisions.</p> <p>Corrective Action: These were both new ARRA programs and alerting subrecipients of CFDA number was an oversight. The subrecipients have subsequently been notified.</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-23</p>	<p>Procurement and Suspension and Debarment – Homeland Security Grant Program Cluster</p> <p>The City did not have adequate documentation of open competition for procurements under federal awards as well as maintaining support all of the procurement actions that are occurring.</p> <p>Corrective Action: We are currently reviewing our procurement policies and procedures and plan to make changes that will improve our internal controls. This process shall also improve as there will be additional functionality within the projects module of the new financial system that will be implemented in 2013.</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
<p>11-24</p>	<p>Procurement and Suspension and Debarment – Homeland Security Grant Program Cluster</p> <p>The City had not determined if the vendor was suspended or debarred prior to entering into a contract with the vendor for three (3) of selections.</p> <p>Corrective Action: We are currently reviewing our procurement policies and procedures and plan to make changes that will improve our internal controls. This process shall also improve as there will be additional functionality within the projects module of the new financial system that will be implemented in 2013.</p>	<p>Valerie Washington-DHS (317) 327-4145 Valerie.Washington@indy.gov</p> <p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
10-01	<p>Management Review and Supervision Over Financial Reporting Process – Material Weakness</p> <p>The primary causes of material errors in the financial statement accounts is a lack of management review by an individual other than the individual calculating and recording the entries and a failure to comprehensively address unusual situations in normal year-end closing adjustments.</p>	<p>Correction in progress: Many of the issues we have are caused by the antiquated financial system we use. The City is addressing these issues as part of the implementation of a new financial system. Effective January 1, 2012, the City implemented the financial module and we anticipate seeing improvements in the 2012 audit. See current year finding 11-01.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>
10-02	<p>Financial Reporting for Waterworks – Material Weakness</p> <p>It was determined that the overall financial reporting and accounting internal control process for Waterworks was not sufficient during the entire fiscal year. The overall reasons for these deficiencies are due to limited formal review related to recording of routine transactions, manual journal entries, significant estimates or other accounting entries.</p>	<p>Effective August 26, 2011, the Indianapolis Water Company was acquired by Citizens Energy Group. Therefore, the 2011 financial statements will be the final year the Waterworks’ Enterprise Fund is disclosed within the City’s Comprehensive Annual Financial Report and will be the last year we have related findings for the Indianapolis Water Company. See current year finding 11-02.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>
10-03	<p>City Debt Transactions – Material Weakness</p> <p>Significant audit adjustments were required to accurately record and classify transactions in the City’s financial statements related to debt. Additionally, the notes to the financial statements contain significant disclosures related to outstanding debt. KPMG’s review of such notes determined that some disclosures were either incorrect or did not appropriately include required disclosures.</p>	<p>Correction in progress: The City implemented the financial module of the enterprise resource planning system January 1, 2012, we believe that this new system will assist us in recording debt-related transactions in a more timely and accurate manner. See current year finding 11-03.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>
10-04	<p>Waterworks Revenue Transactions – Material Weakness</p> <p>Waterworks utilizes a third-party contractor to perform the billing and collection function for water services. Each month, the contractor provides billing reports to Waterworks management to enable them to record the revenue transactions. For year-end financial statement reporting, Waterworks also receives information on customer account balances owed from the third-party contractor. This information is the primary source used to reconcile to the amount of accounts receivable recorded at year-end. Several errors and unreconciled items were found related to the recording of water receivables and related revenue.</p>	<p>Effective August 26, 2011, the Indianapolis Water Company was acquired by Citizens Energy Group. Therefore, the 2011 financial statements will be the final year the Waterworks’ Enterprise Fund is disclosed within the City’s Comprehensive Annual Financial Report and will be the last year we have related findings for the Indianapolis Water Company.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
10-05	<p>Recording of Accounts Payable – Material Weakness During test work on subsequent year cash disbursements to determine the accuracy of the recorded accounts payable amounts, several items were identified that were not properly accrued or some that had been accrued but should not have been. Audit adjustments were needed to ensure that accounts payable were appropriately stated. Some of these errors were due to vendors not submitting invoices timely or the payment being delayed in the City’s accounts payable department and thus since no payment had been made, the accrual was not subject to the City’s accrual process.</p>	<p>Correction in progress: Because of the system the City currently uses, it is a very manual process to create the accounts payable balances at year-end. Effective January 1, 2012, we implemented the financial module of the enterprise resource planning system; we anticipate with time and the proper training that the process of indentifying payables will improve. In the mean time we will continue to review our process to see if any additional improvements can be made. See current year finding 11-04.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>
10-06	<p>Self-Insurance Liabilities – Significant Deficiency The City records a liability for its estimate of the incurred but not paid and/or reported amount for certain risk management activities including legal, health, workers’ compensation and auto liabilities. KPMG discovered errors in some of the estimates for self-insurance liabilities.</p>	<p>Corrected: This issue has been reviewed for estimating the related liabilities and there are no findings noted for the current year.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>
10-07	<p>Timely Reconciliations of Trust Accounts – Significant Deficiency The City receives monthly statements on trust accounts; however, the City completes reconciliations on these accounts sporadically during the year and for most accounts only at year-end. This results in disbursements and interest income, which occur throughout the year, only being recorded during the year-end closing process. Additionally, the year-end financial reporting process takes more time due to the reconciliations being performed only once a year.</p>	<p>Correction in progress: A cash management module within the new financial system will assist in the recording of transactions that are occurring in trust accounts and reconciling these accounts. The cash management module will not be implemented until late 2012; therefore major improvements will not be seen until future years. We will continue to evaluate our processes and make any appropriate improvements before the cash management module is implemented. See current year finding 11-06.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
10-08	<p>IT System Change Management – Significant Deficiency Key components of the Production Implementation Plan are who requested, prepared, reviewed, approved, and implemented the requested program change. Typically the components of who reviewed, approved, and implemented the plan are not completed. Additionally, developers have access to migrate changes to source code into production using batch processing by emailing a change request directly to Production Analysts. The Production Analysts place the code in a staging library and a job is run automatically to move to production. No formal authorization is obtained for this process and evidence of approvals is not obtained and reviewed by the Production Analysts prior to making the change.</p>	<p>Correction in progress: Due to the enterprise resource planning system that is currently being implemented, controls are being established under the new systems’ technological requirements. The prior issues had under the Mainframe system will no longer be present or applicable under the new system. See current year finding 11-08.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>
10-09	<p>Completeness and Accuracy of the Schedule of Expenditures of Federal Awards – Significant Deficiency Effective internal controls should ensure that accurate and complete accrual-basis federal expenditures for the fiscal year are reported on the schedule of expenditures of federal awards (SEFA) to facilitate accurate identification and reporting of major programs in conjunction with the OMB Circular A-133 Single Audit, and effective regulatory compliance oversight.</p>	<p>Corrected: Internal controls have been enhanced to improve the review process eliminating this issue.</p>	<p>Chuck White (317) 327-4302 Chuck.White@indy.gov</p>
10-10	<p>Special Tests and Provisions – Housing Quality Standards – Home Investment Partnerships Program In a sample of 15 properties tested which were required to have on-site inspections performed, 4 properties were noted as not being inspected within the time guidelines, for 2 of the properties the City could not provide a current year inspection report. Additionally, there appeared to be a lack of documentation in its files evidencing communication and follow-up on deficiencies noted in inspections.</p>	<p>Correction in progress: The annual physical inspections will be assigned to personnel by the Long-Term Compliance Manager. Per the written guidelines, the completed inspection report will be the verification that an inspection has occurred and it will be provided to the Long-Term Compliance Manager. If a re-inspection is necessary, the deficiencies will be noted on the inspection report. The Compliance Manager will inform the property owner in writing and determine a timeline for them to make corrections. When the corrections are made we will notify the inspector, which they will</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
		then re-inspect, verify the corrections, and sign and date the original inspection report accordingly. The signed version will be resubmitted to the Long-Term Compliance Manager. See current year finding 11-09.	
10-11	<p>Subrecipient Monitoring – Community Development Block Grants/Entitlement Grants, Community Development Block Grant ARRA Entitlement Grants, Homeland Security Grant Program Cluster</p> <p>The City does not have adequate internal controls in place that were operating effectively for Community Development Block Grants/Entitlement Grants, and Community Development Block Grant ARRA Entitlement Grants only to ensure that subrecipient audits are received .</p>	<p>Correction in progress: Moving forward the City will adopt a new policy of collecting A-133 audit certification documents for every organization making a claim in that calendar year and adding the organization to the tracking spreadsheet. See current year finding 11-13.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-12	<p>Reporting – Section 3 – Community Development Block Grants/Entitlement Grants, Community Development Block Grant ARRA Entitlement Grants, and Home Investment Partnership Program</p> <p>The City did not have properly designed and implemented internal controls to ensure that the Form HUD 60002 was accurately and completely prepared.</p>	<p>Correction in progress: Reporting processes have been reviewed to improve internal control and overall management of all grant requirements. This process shall also improve as there will be additional functionality within the projects module that will be implemented in 2013. We will follow up with the grantor and anticipate a management decision to be issued so we may remove this finding from the report; no such subsequent findings have been issued.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
10-13	<p>Reporting and Program Income – Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants</p> <p>The City reported \$528,929 of program income both in IDIS and on the quarterly submitted Form 272 related to 2010. In 2010, the City recorded \$539,827 of program income in the general ledger accounting system. The amount reported in IDIS and on the Form 272 included \$447,872 that was reported in the general ledger in 2009. The City was unable to reconcile this difference of \$458,770.</p>	<p>Correction in progress: Reporting and Program Income processes will be reviewed to improve internal control and overall management of all grant requirements. Reconciling to the IDIS Report Number 26 has not been an internal control of the City. The City will begin reconciling to the PR26 program income line as staff completes monthly and quarterly reconciliations starting in the fourth quarter of 2010. We will follow up with the grantor and anticipate a management decision to be issued so we may remove this finding from the report; no such subsequent findings have been issued.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-14	<p>Allowable Cost/Costs Principals – Community Development Block Grants/Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants</p> <p>Four employees charged time to the program in 2010 for time periods for which they certified that 100% of their time was spent working on this program. It appears that they were not accurately completing their time certifications (prepared each time period). KPMG could not determine actual time spent in the program for specific payroll periods by other procedures. Management believes that these employees are performing allowable activities under the CDBG program but their time was not tracked accurately.</p>	<p>Correction in progress: City’s processes and internal controls have been strengthened by staff being trained on how to appropriately track their time based on activities completed during the pay period. All supervisors were trained on how to review timesheets to ensure that time is being charged appropriately. We will follow up with the grantor and anticipate a management decision to be issued so we may remove this finding from the report; no such subsequent findings have been issued.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-15 10-18	<p>Procurement and Suspension and Debarment – Homeland Security Grant Program Cluster</p> <p>Out of a sample of twenty-three (23) vendors, one (1) did not have adequate documentation supporting the procurement actions, including bid recipients or analysis of such bids or adequate documentation/justification supporting that competition was to be limited. The expenditures in 2010 related to this exception were \$46,500.</p> <p>The City did not have internal controls in place to assure that its contractors that met the requirements were not suspended and/or</p>	<p>Correction in progress: Procurement and suspension and debarment monitoring processes have been reviewed to improve internal control and overall management of all grant requirements. This process shall also improve as there will be additional functionality within the projects module that will be implemented in 2013. See current year finding 11-23 and 11-24.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
	debarred. In a sample of twenty-three (23) vendors, KPMG found that the City had not determined if the vendor was suspended or debarred prior to entering into a contract with the vendor for two (2) of the selections.		
10-16	<p>Cash Management – Highway Planning and Construction Cluster</p> <p>Expenditures under this program were incurred by two departments, the Department of Metropolitan Development (DMD) and the Department of Public Works (DPW). A sample of sixty-five (80) expenditures, were allocated as forty (40) for DMD and twenty-five (25) for DPW. Ten (10) expenditures had disbursement dates that were after the date of request for reimbursement. These exceptions were all in expenditures incurred by DPW. The total associated dollar amount of these expenditures was \$67,559 or 7.3% of the total sampled population for DPW.</p>	<p>Correction in progress: Cash management monitoring processes will be reviewed to improve internal control and overall management of all grant requirements. This process shall also improve as there will be additional functionality within the projects module that will be implemented in 2013.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-17	<p>Procurement and Suspension and Debarment – Highway Planning and Construction Cluster</p> <p>Out of a sample of thirty-three (33) procurements, twenty-one (21) initiated by Department of Metropolitan Development and twelve (12) initiated by the Department of Public Works. Ten (10) of the procurements from the Department of Metropolitan’s selection did not have adequate documentation supporting the procurement actions, including bid recipients or analysis of such bids or documentation/justification supporting that competition was to be limited.</p>	<p>Correction in progress: The Metropolitan Planning Organization (MPO) will convene a selection committee where each member will numerically score (on a scale from 1 to 5) each consultant proposal on each of the following criteria: 1) general company capability; 2) task-specific capability; 3) experience with the MPO; 4) qualifications of proposed project manager; 5) qualifications of proposed supporting staff; and 6) familiarity with Indianapolis. The three consultants with the top 3 average scores will be the subject of discussion among the selection committee. Formal minutes will be developed outlining the process and result of the committee’s selection. This process was implemented late October 2010 audit testwork shows full compliance for 2011 audit. We will follow up with the grantor and anticipate a management decision to be issued so we may remove this finding from the report; no such subsequent findings have been issued.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
10-19	<p>Equipment and Real Property Management – Homeland Security Grant Program Cluster</p> <p>It was determined that for one (1) of nine (9) sample items tested which represented 97% of total equipment expenditures under this program, the City did not record the equipment in its property records. Additionally, for the eight (8) equipment expenditures actually recorded in the City’s property records, the City had recorded approximately eighty (80) individually tagged items. A sample of nineteen (19) of these individually tagged items for physical inspection. Of these, six (6) of the items either did not have the property ID tag affixed or the property ID tag was different than the ID recorded in the property records.</p>	<p>Correction in Progress: This was an oversight, which has been corrected in 2012 by recording the equipment in the property records. Internal controls have been enhanced to improve the reviewing process and verifying that fixed asset tags are affixed properly.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-20	<p>Subrecipient Monitoring and Special Tests and Provisions – ARRA Subrecipient Monitoring – Community Development Block Grants/Entitlement Grants, Community Development Block Grant ARRA Entitlement Grants and ARRA – Recovery Act – Energy Efficiency and Conservation Block Grant Program</p> <p>For the Community Development Block Grants/Entitlement Grants program, the City did not convey the federal award number to the subrecipient in the agreement. The CFDA number on an amendment to the original subrecipient agreement was incorrect as it stated it was CFDA No. 14.218 rather than CFDA No. 14.253. The CFDA number on the original agreement was correctly communicated. The City also did not identify to the subrecipient the requirement to register in the Central Contractor Registration nor did the City perform any checks to determine if the subrecipient was registered.</p> <p>For the ARRA – Recovery Act – Energy Efficiency and Conservation Block Grant program, in the agreement for this subrecipient, while the City conveyed the name of the federal program, no communication was included as to the CFDA number of the program. Additionally, the City did not convey the federal award number to the subrecipient.</p>	<p>Corrected. These are both new 2010 ARRA programs and alerting Subrecipients of CFDA number was an oversight. The CDBG Subrecipient was notified in September 2012 and EECBG was corrected in 2012.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
10-21	<p>Reporting – Section 1512 – Community Development Block Grants/Entitlement Grants, Community Development Block Grant ARRA Entitlement Grants, and ARRA – Recovery Act – Energy Efficiency and Conservation Block Grant Program</p> <p>The City does not have adequate internal controls that are designed and implemented to assure accurate reporting under Section 1512 of ARRA.</p>	<p>Correction in progress: While the 1512 reporting is a process that is required under the ARRA program, the City has developed internal controls surrounding 1512 reporting we will assess these controls and add additional review processes where we feel necessary.</p> <p>We will follow up with the CDBG grantor and anticipate a decision to have this finding removed from the report as no such subsequent findings have been issued.</p> <p>In the future, over-seeing the Energy Efficiency and Conservation Block Grant, the Office of Sustainability staff will perform a quality control review of the 1512 report prior to uploading in the 1512 system. See current year findings 11-20.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-22	<p>Special Tests and Provisions – Presentation on the Schedule of Expenditures of Federal Awards – Community Development Block Grants/Entitlement Grants, Community Development Block Grant ARRA Entitlement Grants, Highway Planning and Construction Cluster, and ARRA-Recovery Act – Energy Efficiency and Conservation Block Grant Program</p> <p>The City does not have adequate internal controls that are designed and implemented to assure that ARRA awards are properly identified in their SEFA.</p>	<p>Corrected. A reconciliation process has been developed to ensure that we are properly indentifying ARRA funds within the SEFA. This process shall also improve as there will be additional functionality within the projects module that will be implemented in 2013.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-23	<p>Equipment and Real Property Management – Public Safety Partnership and Community Policing Grants</p> <p>During testing over equipment expenditures, KPMG tested one (1) equipment expenditure which represented 97% of total equipment expenditures under this program. For this item, the City did not record the equipment in its property records.</p>	<p>Corrected. This was an oversight, which has been corrected by recording the equipment in the property records.</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>
10-24	<p>Matching, Level of Effort, Earmarking – Scope Limitation - Public Safety Partnership and Community Policing Grants</p> <p>The City did not have adequate internal controls designed and implemented to ensure that they are in compliance with the</p>	<p>Corrected: Procedures have been developed to ensure that we have the necessary internal controls in place to ensure compliance with supplementing versus supplanting requirements. In addition, the</p>	<p>Jeanene Swiezy (317) 327-4143 Jeanene.Swiezy@indy.gov</p>

CITY OF INDIANAPOLIS, INDIANA
 (A COMPONENT UNIT OF THE CONSOLIDATED
 CITY OF INDIANAPOLIS—MARION COUNTY)

Status of Prior Year Findings

Year ended December 31, 2011

Reference	Finding	Status	Contact Person(s)
	supplementing not supplanting requirement for this program. The City was not able to provide us with documentation in order for us to assess compliance.	Department of Justice gave the City a wavier in 2011 for the supplementing versus supplanting compliance requirement indicating the City was in compliance.	

All prior year 2008 and 2009 findings do not warrant further action and have been removed from this schedule as two years have passed since the related audit report was submitted to the Federal Clearinghouse, the federal grantor/pass-through entity is not currently following up on the audit finding, and a management decision was not issued.