

CITY OF CARMEL, INDIANA



CLARIAN NORTH MEDICAL CENTER, CARMEL, INDIANA

Comprehensive Annual Financial Report

Year Ended December 31, 2005

Diana L. Cordray
Clerk-Treasurer

Comprehensive Annual Financial Report

for

The City of Carmel, Indiana

for the year ended

December 31, 2005

Diana L. Cordray, IAMC

Clerk-Treasurer

INTRODUCTORY SECTION

INTRODUCTORY SECTION

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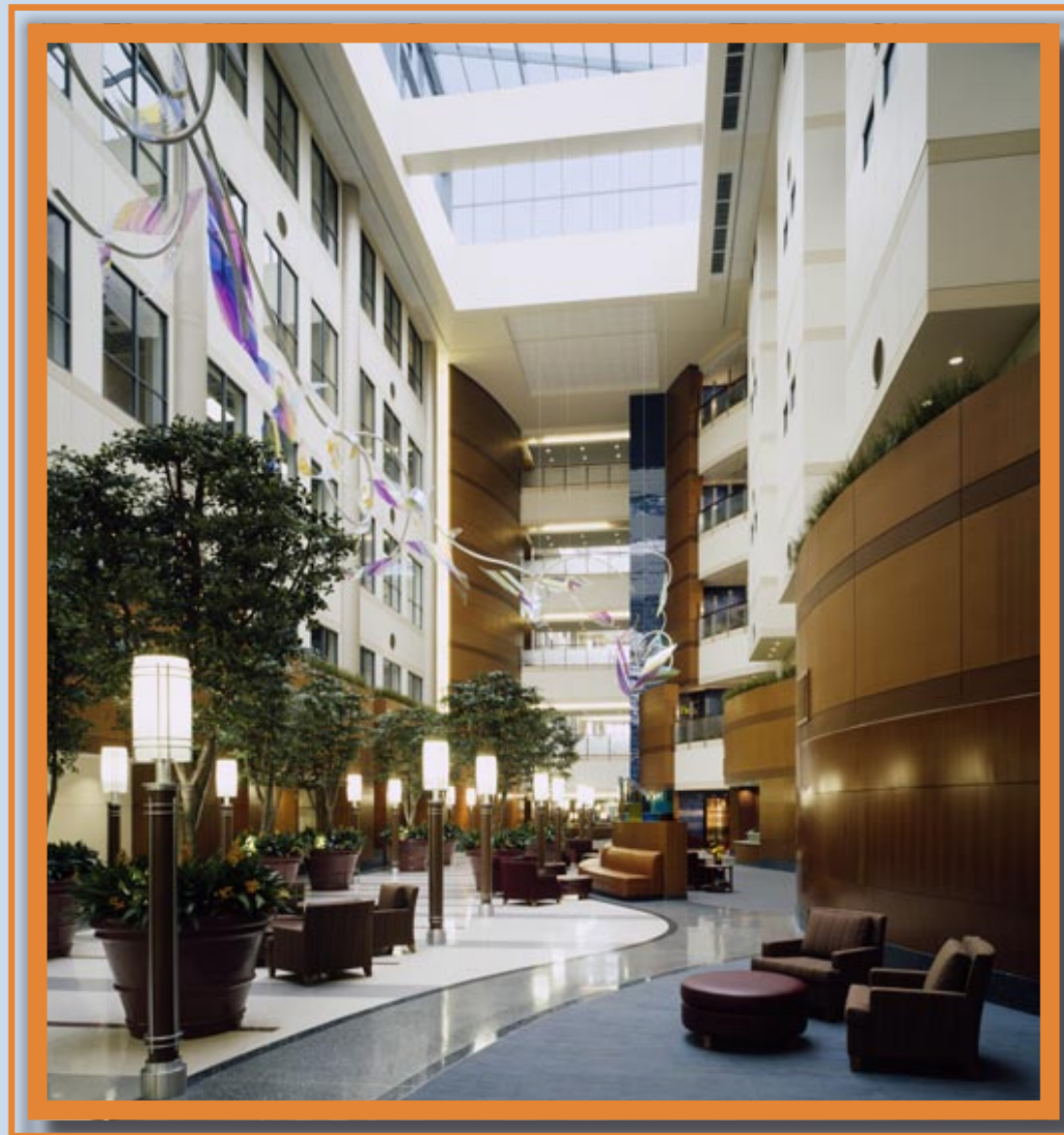
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CLARIAN NORTH MEDICAL CENTER



The 5-story glass atrium features brick, glass, and Indiana limestone. It is the focal point for this 700,000-square foot facility located in the business corridor of Carmel. Clarian North opened in December of 2005.



Office of the
Clerk-Treasurer

May 15, 2006

City of Carmel

Members of the City of Carmel Common Council:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Carmel, Indiana, for the fiscal year ended December 31, 2005. This is the eighth CAFR prepared by the City for submission for the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada. The CAFR is presented as part of a continuing effort to provide the citizens of Carmel with the highest standards of financial accountability and disclosure.

We believe the information as presented is accurate in all material aspects. Responsibility for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the City.

REPORT FORMAT

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this transmittal letter, a list of elected and appointed officials and the organizational chart. The financial section includes the State Board of Accounts opinion, management's discussion and analysis, the basic financial statements, notes to the financial statements, required supplementary information and

combining and individual fund statements and schedules. The statistical section contains a number of financial, statistical, and demographic exhibits.

Generally Accepted Accounting Principals require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Carmel's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Carmel is located in Hamilton County directly north of Indianapolis. Carmel has a current estimated population of 50,948 and has experienced tremendous growth within the past two decades. Carmel covers an area of approximately 39 square miles with over 371 miles of public roadways. The City serves as a residential and commercial area for both Carmel and Indianapolis professionals. The City is recognized for its sound corporate environment, high quality residential neighborhoods, outstanding public schools, well-developed infrastructure and its strong economy. The proximity of Carmel to Indianapolis provides increased

employment, recreation, cultural events and higher education opportunities for local residents.

The City operates under a Mayor, Clerk-Treasurer, Judge of the City Court, and a seven member Common Council pursuant to Indiana statute. The legislative body for the City is the Common Council. The seven member Council is composed of two at-large and five district representatives who are elected to serve four-year terms. The Council meets formally twice a month to conduct City business. Their duties include the enactment of all ordinances and resolutions and approval of the annual budget.

The administrative body for the City is the Board of Public Works and Safety. This three member board is composed of two members appointed by the Mayor who also serves as the presiding officer of the Board.

The City provides services in the following areas: public safety (police, fire, and communications), community services (planning, code enforcement and economic development), parks and recreation, transportation (streets and sidewalks), engineering, city court, and general administrative services. In addition, the City provides wastewater utility services and drinking water.

The City of Carmel includes several departments and services, including the Department of Community Services, Engineering, Human Resources, Carmel Street Department, Law Department, Department of Administration, Information Systems, Carmel Police Department, Carmel Fire Department, Carmel Clay Communications Center and the Carmel Water-Wastewater Utilities.

Certain financing and economic development functions are provided by the Carmel Civic Square Building Corporation and the Carmel Redevelopment Authority. Although both are legally separate entities, they provide service almost exclusively to the City and, therefore, are included as an integral part of the City's financial statements. Additional information on these entities is in Note I.A. in the notes to the financial statements.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements may be better understood when economic and related environmental factors specifically impacting the City of Carmel are considered. The following sections provide brief summaries of certain key factors related to the local economy, long term financial planning, cash management, risk management and other matters intended to assist readers of this report in assessing the City's financial condition.

Economic Outlook and Condition

Growth in and around the City of Carmel continues to be a significant factor affecting the state of the local economy. Population increases in the last three U. S. census surveys were as follows: 1980 increased 173.1%; 1990 increased 38.9% and 2000 increased 48.7%. Population estimates for 2003 of 50,948, which are based upon the U.S. Census Bureau's geographical update to include recently annexed areas, represent an increase of 35% in the City in just the last three years. Recently released data from the U.S. Census Bureau also shows that the number of housing units in Hamilton

County increased from 69,478 in 2000 to 83,003 in 2003. This represents a 19% increase which ranks Hamilton County as the 20th fastest growing county in the country with a population in 2005 of 240,685. The unemployment rate in Hamilton County has been substantially lower than State and National levels, and currently is the lowest in Indiana at 3.7%.

Population growth and a strong local economy stimulated activity in both the residential and commercial building sectors. The City issued 741 new single family residential building permits in 2005. In addition, permits were issued for 13 new multifamily units in 2005. Non-residential building permits issued in 2005 totaled \$141 million in construction value. Overall, building permits issued in 2005 had an estimated construction value of \$350.4 million.

Clay Terrace continued to expand with the addition of a bank, an upscale restaurant and several retail shops in 2005. Additional retail additions will continue into 2006. The use of the Village Green area has contributed to the look and feel of an urban main street.

Clarian North Medical Center opened in December 2005. This 700,000 square foot facility includes dedicated pavilions for women, children and specialty surgery, as well as an attached medical office building. This state of the art facility is located at 116th and North Meridian Street which is a primary business corridor of Carmel.

Enrollment for 2006-2007 for the Carmel Clay Schools was 14,517. The School Corporation began improvements on two junior high schools and one elementary school in addition to the construction of a new middle school and a Freshman

Center. The Freshman Center opened in 2005 with an enrollment of 992 students. The projected enrollment for 2006-2007 is 1,113 students. Construction costs for the Freshman Center totaled \$22,700,000. Bonds were also issued in 2005 for the construction of a new elementary school.

The Carmel Clay Public Library serves the resident of Clay Township and the City of Carmel. In 2005 Hennen's American Public Library Ratings ranked the Carmel Clay Library in the top ten nationwide in service population category. Nearly 2,000 people per day visited the library where they checked out almost 4,800 items daily. Circulation increased .7% over 2004 and an additional 1,300 accessed the library via the internet. The present building opened in the spring of 1999 at a cost of \$23 million.

The Carmel Redevelopment Commission issued \$2.995 million in tax increment revenue bond anticipation notes in September 2005 for property acquisition, redevelopment and economic development projects in the City Center.

In 2005, the Carmel Water Utility finished construction on the 2,000,000 gallon elevated water tower located at 131st Street and Shelborne Road. The purpose of this tower was to provide sustainable water pressure to the western boundary of Carmel's service territory, as well as for the storage of water for fire protection in an area undergoing rapid growth.

Carmel's Wastewater Treatment Plant completed construction on a new process that has resulted in the ability to produce a "Class A" bio-solid that can safely be reused as a fertilizer for local farms and as a blending material for top soil products.

This environmentally friendly project has resulted in an operational annual savings in excess of one million dollars.

The Meridian Corporate Corridor is essential to the City of Carmel, the Indianapolis region, and the State of Indiana. A major initiative has been undertaken by the Indiana Department of Transportation to upgrade this corridor to a limited access highway. The offices of major corporations, such as Thompson Consumer Electronics, Conseco Inc., Anacomp and Delta Faucet are among the many office complexes which form the Meridian Corridor. Several new office complexes have been recently completed or are currently under construction. Current construction includes professional buildings and retail businesses.

The City of Carmel hosts 36 financial branch offices in a community where the average home in 2005 sold for \$323,500. Hamilton County has 88 financial branches located in its boundaries which far exceed any other county in the State of Indiana.

Long-Term Financial Planning

In 1998, the City and its Redevelopment Commission began an aggressive effort to redevelop and revitalize the center of the City, including the historic downtown, into a cultural and civic center. The central City is undergoing a tremendous amount of new construction, including offices, restaurants, retail, up-scale apartments, town homes and public spaces designed to create a vibrant urban atmosphere. This mixed-use development is called "City Center".

Another major amenity planned for the City Center is a world class performing arts center. Financing for the Performing Arts Center Complex was completed in December 2005. Ground breaking is expected in the spring of 2006 with construction anticipated to begin in the first quarter of 2007.

Located at 126th Street and Range Line Road, this project will include 230,000 square feet of retail space, 130,000 square feet of office space, 250 upscale condominiums and apartments, a luxury hotel, a 1,600-seat concert hall, a performing arts theater and an outdoor amphitheater. The complex is designed to accommodate a variety of music and theatrical performances.

Most of this ambitious project will be completed in late 2008 with the hotel expected in 2009 and the concert hall and theater in 2010. Approximately \$11 million of bond proceeds will be expended in 2006 and 2007 related to the design of the project and the preparation of construction bid specifications. Formal bidding is expected to commence in the fourth quarter of 2006.

In 1999, 134 acres of property was purchased by the Park Board and 27.7 acres was added in 2002. The development of the 161 acre Central Park, located in the center of the City, was funded in 2004 by a \$55 million Lease Rental Bond. The Monon Center in Central Park will offer a fitness center, an indoor aquatic center, 1/8 mile running/walking track and three regulation basketball courts. Opening of the Monon Center is scheduled in spring 2007.

The 2004 Road Construction Bond will continue through 2006-2007 with approximately 60% of the projects currently completed. The areas of construction are concentrated in the

recently annexed areas in the western section of Clay Township.

Bonds are anticipated to be issued in 2006 for the Parkwood West offices which will fund public road and utility improvements, including right-of-way acquisition, engineering and design costs, as well as bond issuance costs.

Internal Controls

The management of the City of Carmel is responsible for establishing and maintaining a system of internal financial controls. The purpose of the internal financial controls is to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data is compiled to allow for the efficient preparation of financial statements in conformance with generally accepted accounting principles. The internal control structure must provide reasonable assurance that these objectives are met within appropriate cost benefit performance. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be received, although the evaluation of these costs and benefits require some estimation by the City. It is the assessment of City management that the internal control structure does meet these criteria. The City consults with the Indiana State Board of Accounts, not only during the audit, but also regularly throughout the year as needed.

Budgetary Controls

In accordance with Indiana statute, the City maintains budgetary controls integrated within the accounting system. The objective of these budgetary controls is to ensure compliance

with the annual appropriated budget adopted by the Common Council and approved by the Department of Local Government Finance. The annual budget includes the General Fund, Motor Vehicle Highway Fund, Local Roads and Streets Fund, Cumulative Capital Development Fund, Cumulative Capital Improvement Fund, Cumulative Capital Storm Sewer Fund, 2004 Bond and Interest and the Lease Rental Fund.

In 2000, the Office of the Clerk Treasurer enacted a Purchase Order system for the City. Invoices for goods and services which have not been fulfilled in the current fiscal year may be carried over to the subsequent year as part of its net appropriation.

The level of budgetary control is established by major budget classification within a fund, and in the General Fund within a department. The Common Council maintains budgetary control on all funds approved in the annual budget. The Common Council may transfer appropriations from one major budget classification to another within a department or fund by ordinance or resolution, as long as the annual budget for that department or fund is not exceeded. Additional appropriations in excess of the original budget must be approved by the Common Council and subsequently submitted for approval to the Department of Local Government Finance.

The annual budget is prepared between June and September taking into consideration Council priorities and the City's strategic plan objectives. Department directors prepare draft budgets in June for presentation to the Mayor and Council in a series of public workshops. A budget ordinance is prepared for introduction to the Common Council by the first meeting in September. The budget is advertised per Indiana statute and a

public hearing is held prior to the final adoption in September. The Common Council has the power to decrease any major category proposed by the Mayor, but may not increase any category in the budget. Subsequent to Common Council adoption of the budget, the Department of Local Government Finance holds a budget hearing review and revision in the fall of each year prior to issuing the final budget order in January.

The budgetary process for the Carmel Water-Wastewater Utilities is different from that of the Civil City. The Board of Public Works is the oversight body for utility operations. However, the City Council reviews and approves the annual water and wastewater budgets.

Rates and charges for the Water Utility are subject to approval by the City legislative body and the Indiana Utility Regulation Commission (IC 8-1.5-3-8). With the possible exception of public safety, Indiana municipally owned utilities are the most regulated municipal function.

Risk Management

The City carries traditional insurance for workers' compensation, automobile liability and physical damage, general liability, public official's liability, property and casualty, inland marine/boiler coverage and crime insurance coverage. The City also carries builders risk and flood insurance for the Wastewater Treatment Utility.

Pension Plans

The City of Carmel has five pension plans for its public safety employees. All full time employees, with the exception of

public safety officers, are members of the Public Employee Retirement Fund of Indiana (PERF). PERF is classified as an agent, multiple-employer public employee retirement system acting as a common investment and administrative agent for governmental units in Indiana.

Police and fire department officers hired subsequent to April 30, 1977, are members of the 1977 Police Officers and Firefighters' Pension Fund administered by PERF. Both plans are fully funded on an accrual basis. Police officers hired prior to May 1, 1977, are members of the Police Pension Fund established in 1925 by the State of Indiana. Firefighters hired prior to May 1, 1977, are members of the Fire Pension Fund established in 1937 by the State of Indiana.

Additional information on funding policies and pension costs is in Note V. in the notes to the financial statements.

Cash Management

Cash is invested by the City in short-term investments with maturities of two years or less in conformance with Indiana statute IC 5-13-4 et seq. governing investment of public funds. Investments authorized by statute are certificates of deposit at local financial institutions that are qualified as depositories for public funds, U.S. Treasury Securities and U.S. Agency Securities backed by the full faith and credit of the U.S. Government.

The City's investment portfolio in 2005 included AAA Money Market Funds and deposit accounts tied to federal fund rates.

INDEPENDENT AUDIT

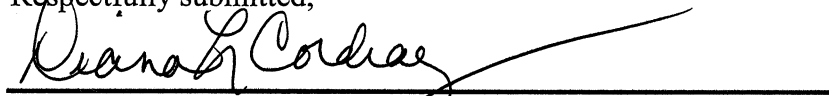
Indiana State Law requires an annual audit of the financial records and transactions of all City functions. The Indiana State Board of Accounts performed our audit for 2005. Their audit met the requirements of the state statutes and was conducted in accordance with generally accepted auditing standards and Government Auditing Standards. The State Board of Accounts concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Carmel's financial statements for the year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

ACKNOWLEDGEMENTS

I would like to extend my appreciation to Cindy Sheeks, Deputy Clerk Treasurer and my entire staff. This report would not be possible without their support throughout the year. Melissa Hanchar, CPA, of the State Board of Accounts was equally cooperative and dedicated to the merits of sound financial reporting. My appreciation also extends to all department directors for their cooperation in this endeavor.

My special thanks goes to James W. Treat, CPA, partner with O.W. Krohn & Associates, LLP, for his expertise and professionalism.

Respectfully submitted,



Diana L. Cordray, Clerk-Treasurer, IAMC

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carmel,
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

CITY OF CARMEL ELECTED AND APPOINTED OFFICIALS

Elected Officials

(All Terms Expire 12/31/07)

Mayor James Brainard
Clerk-Treasurer Diana L. Cordray
Judge Gail Bardach

Common Council

(All Terms Expire 12/31/07)

Ronald E. Carter
Fred Glaser
Joseph C. Griffiths
Kevin Kirby
Brian D. Mayo
Mark Rattermann
Rick Sharp

Board of Public Works

(Appointed by the Mayor)

Mayor James Brainard
Mary Anne Burke
Lori Watson

Carmel Redevelopment Authority

(Appointed Officials)

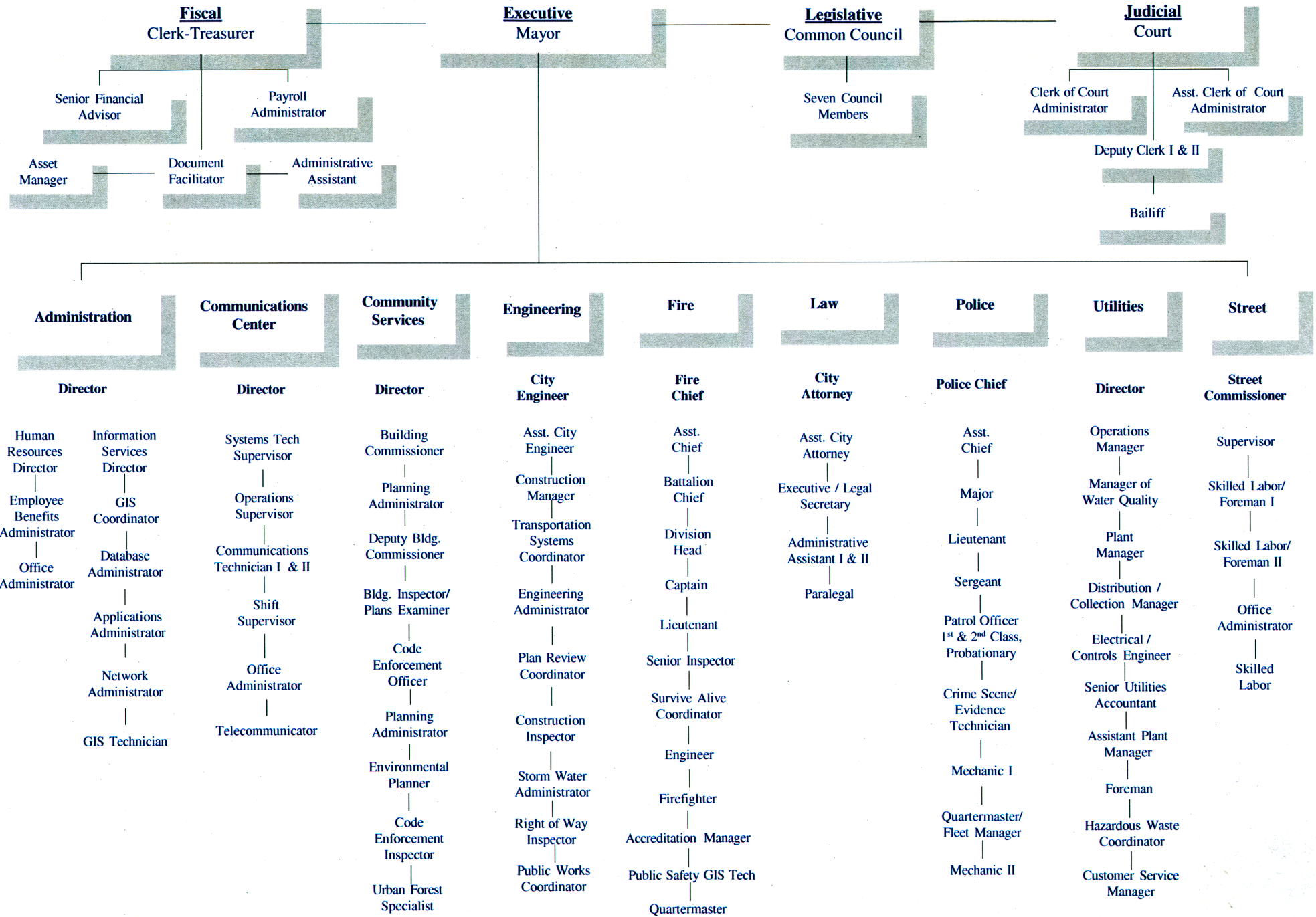
Rob Bush
Brandt Burdick
Susan Smith

Carmel Redevelopment Commission

(Appointed Officials)

Bob Battreall
Ronald E. Carter
William Hammer
Rick Sharp
Jerry Heniser

City of Carmel



FINANCIAL SECTION

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FINANCIAL SECTION



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF CARMEL, HAMILTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carmel (City), as of and for the year ended December 31, 2005, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Carmel Redevelopment Authority, which represents twenty-six percent of assets and three percent of revenues of the governmental activities. Those statements were audited by other auditors whose reports thereon have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Carmel Redevelopment Authority, are based solely upon the reports 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City. The introductory section, the combining fund financial statements, other budgetary comparison schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and other budgetary comparison schedules, in our opinion, are fairly stated in all material respects in relation to the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Carmel, Indiana, we offer readers of the City of Carmel's financial statements this narrative overview and analysis of the financial activities of the City of Carmel for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages IV-X of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Carmel exceeded its liabilities at the close of the most recent fiscal year by \$330,361,499 (*net assets*). Of this amount, \$59,548,719 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$44,318,732 as compared to the restated 2004 total net assets. Contributed capital assets in 2005 include \$12 million of roadway and utility infrastructure from developers and another \$5 million in roadway infrastructure acquired through annexations. The 2005 beginning net assets were restated due to \$6,337,085 in prior period adjustments. These adjustments included the recognition of \$2,680,881 in additional COIT tax revenue based upon revised data from the State which was not available when the 2004 financial statements were issued and the deletion of \$4,710,000 in TIF bonds and related restricted assets. The bonds were determined to be conduit debt which are obligations of the developer and not liabilities of the primary government.
- As of the close of the current fiscal year, the City of Carmel's governmental funds reported combined ending fund balances of \$34,580,489. Approximately 74 percent of this total amount or \$25,570,713 is available for use at the City's discretion (*unreserved fund balance*).
- The City of Carmel increased total outstanding debt obligations by \$105,631,875 during the current fiscal year. This change was due to the issuance of \$79,998,227 in bonds to finance the design and construction of a new performing arts center complex, \$2,995,000 in notes for redevelopment projects and Water and Wastewater Utility bonds for \$15,000,000 and \$11,000,000 respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Additional explanation of these sections of the financial statements follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

The government-wide financial statements can be found on pages 18-21 of this report.

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

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

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

The City of Carmel maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, redevelopment operating fund, and the 2004 roadway construction fund, all of which are considered to be major funds. Data from the other 37 governmental funds are combined

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 22-25 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 26-31 of this report.

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

The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-64 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds can be found on pages 80-102 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Carmel, assets exceeded liabilities by \$330,361,499 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far the largest portion of the City of Carmel's net assets (77 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Carmel uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Carmel's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2004 Restated	2005	2004	2005	2004 Restated	2005
Current and other assets	\$ 66,230,620	\$ 149,227,816	\$ 4,594,608	\$ 19,657,276	\$ 70,825,228	\$ 168,885,092
Capital assets	<u>234,711,645</u>	<u>269,975,364</u>	<u>115,126,862</u>	<u>130,978,214</u>	<u>349,838,507</u>	<u>400,953,578</u>
Total assets	<u>\$ 300,942,265</u>	<u>\$ 419,203,180</u>	<u>\$ 119,721,470</u>	<u>\$ 150,635,490</u>	<u>\$ 420,663,735</u>	<u>\$ 569,838,670</u>
Long-term liabilities outstanding	104,607,989	186,690,395	12,509,728	38,027,914	117,117,717	224,718,309
Other liabilities	<u>15,669,273</u>	<u>12,749,816</u>	<u>1,833,978</u>	<u>2,009,046</u>	<u>17,503,251</u>	<u>14,758,862</u>
Total liabilities	<u>\$ 120,277,262</u>	<u>\$ 199,440,211</u>	<u>\$ 14,343,706</u>	<u>\$ 40,036,960</u>	<u>\$ 134,620,968</u>	<u>\$ 239,477,171</u>
Net assets:						
Invested in capital assets, net of related debt	166,265,901	161,059,312	102,152,134	92,478,300	268,418,035	253,537,612
Restricted	9,285,083	15,829,610	1,099,320	1,445,558	10,384,403	17,275,168
Unrestricted	<u>5,114,019</u>	<u>42,874,047</u>	<u>2,126,310</u>	<u>16,674,672</u>	<u>7,240,329</u>	<u>59,548,719</u>
Total net assets	<u>\$ 180,665,003</u>	<u>\$ 219,762,969</u>	<u>\$ 105,377,764</u>	<u>\$ 110,598,530</u>	<u>\$ 286,042,767</u>	<u>\$ 330,361,499</u>

A portion of the City of Carmel's net assets (5.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$59,548,719) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Carmel is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following is a summary of the information presented in the Statement of Activities for 2005 found on page 21 of this report:

City of Carmel Change in Net Assets As of December 31,							
	Governmental Activities		Business-Type Activities		Total		
	2004 Restated	2005	2004	2005	2004 Restated	2005	
Revenue:							
Program revenues:							
Charges for services	\$ 5,793,933	\$ 12,783,802	\$ 9,633,315	\$ 10,112,698	\$ 15,427,248	\$ 22,896,500	
Operating grants and contributions	14,812,818	4,188,983	-	-	14,812,818	4,188,983	
Capital grants and contributions	1,381,096	28,242,849	4,935,742	6,623,903	6,316,838	34,866,752	
General revenues:							
Property taxes	22,419,363	32,271,048	-	-	22,419,363	32,271,048	
Intergovernmental	12,429,656	17,748,025	-	-	12,429,656	17,748,025	
Other	2,366,832	5,039,105	105,915	393,648	2,472,747	5,432,753	
Total revenues	\$ 59,203,698	\$ 100,273,812	\$ 14,674,972	\$ 17,130,249	\$ 73,878,670	\$ 117,404,061	
Expenses:							
General government	13,636,853	12,165,495			13,636,853	12,165,495	
Public safety	27,547,163	28,861,813			27,547,163	28,861,813	
Highways and streets	10,812,132	9,166,819			10,812,132	9,166,819	
Economic Development	1,123,120	5,861,430			1,123,120	5,861,430	
Culture and recreation	2,265,630	2,666,812			2,265,630	2,666,812	
Interest on long-term debt	2,822,987	2,453,477			2,822,987	2,453,477	
Water			5,483,254	5,885,842	5,483,254	5,885,842	
Wastewater			5,574,330	6,023,641	5,574,330	6,023,641	
Total expenses	\$ 58,207,885	\$ 61,175,846	\$ 11,057,584	\$ 11,909,483	\$ 69,265,469	\$ 73,085,329	
Increase in net assets	995,813	39,097,966	3,617,388	5,220,766	4,613,201	44,318,732	
Net assets, beginning of year	173,332,105	180,665,003	101,760,376	105,377,764	275,092,481	286,042,767	
Restatement	6,337,085				6,337,085		
Net assets, beginning of year restated	179,669,190	180,665,003	101,760,376	105,377,764	281,429,566	286,042,767	
Net assets, end of year	\$ 180,665,003	\$ 219,762,969	\$ 105,377,764	\$ 110,598,530	\$ 286,042,767	\$ 330,361,499	

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

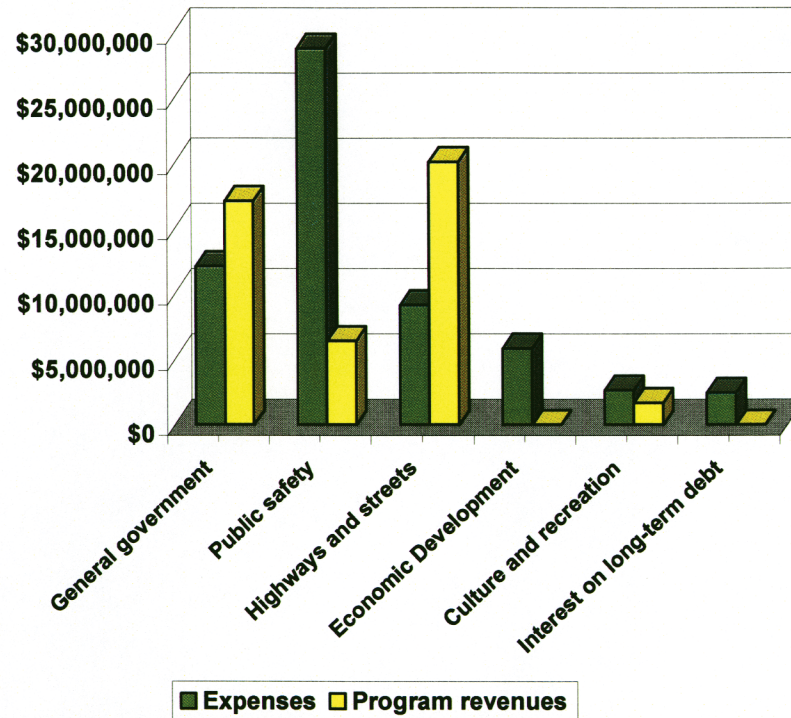
Governmental Activities

Governmental activities increased the City's net assets by \$39,097,966 accounting for 88 percent of the total growth in the net assets of the City. Notable changes in governmental activities revenues and expenditures in 2005 compared to 2004 included the following:

- Capital grants and contributions increased \$26,861,753 mainly due to the recording of roadway and related infrastructure acquired through annexation or contributed by developers.
- Property tax revenues increased \$9,851,685 primarily due to increases provided to fund services to annexed areas and growth throughout the City along with additional tax increment revenue. The City's operating fund property tax levies increased approximately \$5.3 million in 2005. Although the corporate tax rate was level from 2004 to 2005, the City's tax base increased by almost \$1 billion or 21% from 2004 to 2005. The remaining increase was attributable to tax increment from the City's redevelopment areas, which in 2004 was reported as economic development operating grants and contributions on the government wide statements. In 2005 this amount was included with property tax revenues.
- Intergovernmental revenues increased \$5,318,369 due to higher county option income tax (COIT) distributions. The City's share of Hamilton County collections increased in 2005 due to prior annexations.
- Charges for services increased \$6,989,869 due to changes in reporting of contract revenues from the fire services and park joinder agreements with Clay Township. In 2004 these revenues were reported as operating grants and contributions and in 2005 they were reclassified to charges for services.
- Operating grants and contributions decreased by \$10,623,835 due to the reclassification of \$5 million in tax increment revenue to property taxes and approximately \$6 million in contract payments from Clay Township to charges for services.
- Overall, expenses from governmental activities increased approximately 5% in 2005 compared to 2004 which reflects normal anticipated annual increases.

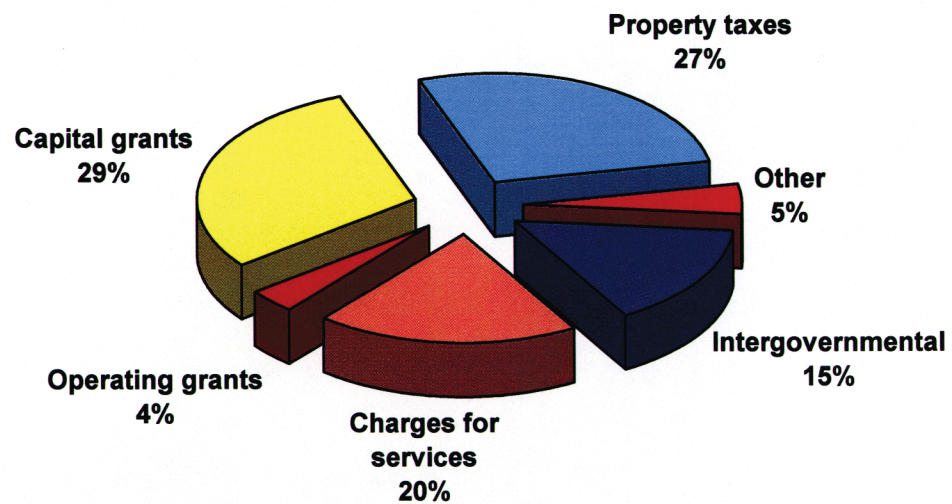
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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



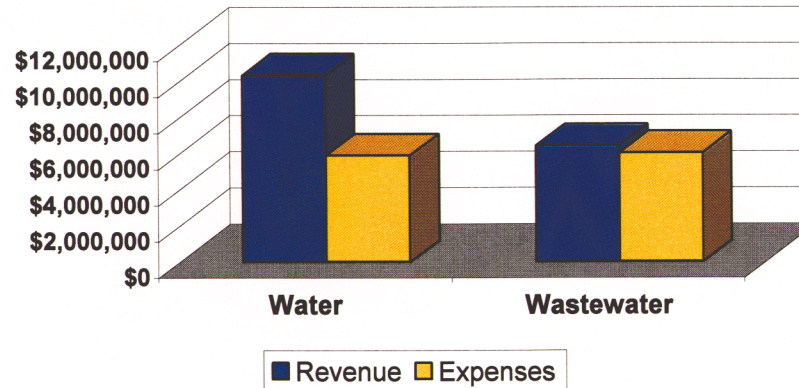
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Business-type Activities

Business-type activities increased the City's net assets by \$5,220,766, accounting for 12 percent of the total growth in the City's net assets. The increase in net assets is primarily attributable to developer contributed assets which totaled \$6,623,903 in 2005.

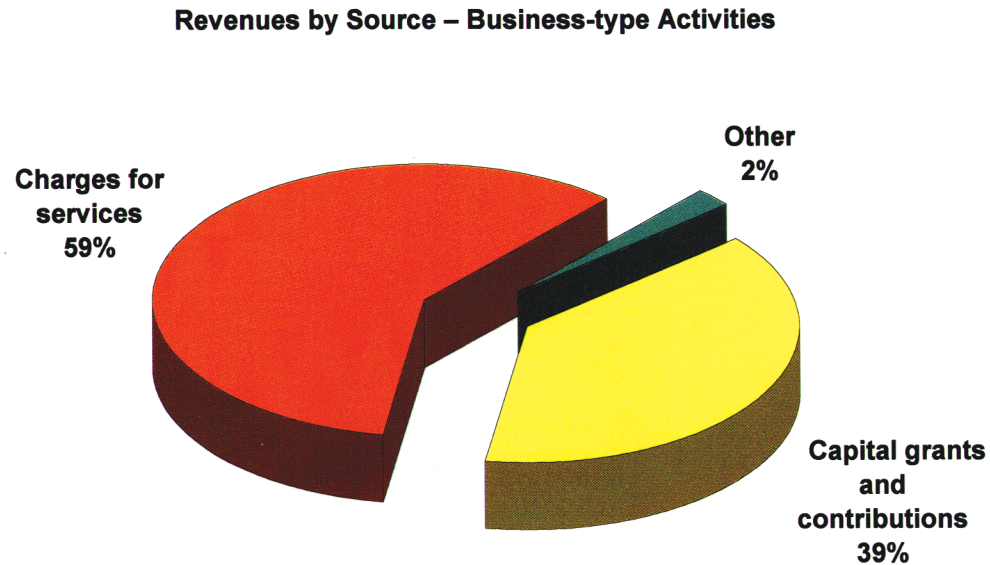
The following chart compares expenses with program revenues for the City's business-type activities:

Expenses and Program Revenues – Business-type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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



Financial analysis of the Government's Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the City of Carmel's governmental funds reported combined ending fund balances of \$34,580,489, a decrease of \$7,186,566 compared to the restated 2004 total fund balance. Beginning fund balances for 2005 were restated to eliminate \$1,233,796 in restricted assets related to conduit debt and report \$2,860,881 in additional COIT due to an adjustment to the previously reported unearned revenue related to this tax distribution. Approximately 74 percent of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance, \$9,009,776, is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the City of Carmel. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,972,271 while the total fund balance reached \$4,708,926. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7% of total general fund expenditures, while total fund balance represents 14% of that same amount. The general fund's total fund balance increased by \$4,466,924 during the current fiscal year. This increase was primarily due to increases in revenues from property tax and COIT distributions. In addition, the beginning general fund balance was increased by \$2,860,811 due to the prior period adjustment for COIT described above.

Budget basis revenues for the general fund exceeded the final budgeted amounts by approximately 6.3% (\$2,695,707) related to licenses and permits, intergovernmental and other revenue. Total expenditures on a budgetary basis were 12.6% (\$5,703,358) under the final budget. All departments were under budget and approximately 82% of the overall favorable variance related to general government.

The Carmel Redevelopment Operating fund decreased \$3,697,501 during the current fiscal year. This decrease was primarily due to capital expenditures on property acquisition, redevelopment and economic development projects for the City Center Redevelopment Area, the Old Towne Economic Development Area and the Integrated 136th Street Corridor Economic Development Area.

The 2004 Road Construction fund decreased \$3,703,151 during the current fiscal year due to planned expenditures on road and intersection improvements located in or serving areas recently annexed into the City.

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

Unrestricted net assets of the Water and Wastewater Utility at the end of the year amounted to \$4,739,023 and \$11,935,649, respectively. Net assets for the Water Utility increased \$4,351,190 during 2005. Net assets for the Wastewater Utility increased \$869,575 during 2005. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Carmel's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

Differences between the original budget and final amended budget appropriations can be briefly summarized as follows:

- Increase in general government expenditures of \$2,116,039 allocated to Clerk Treasurer, Mayor, City Council, Board of Public Works, Plan Commission, Administration, City Court, Law Department and Community Service budgets. The most significant changes included an increase of \$1,172,963 and \$382,321 in Administration's capital outlays and Other Services and Charges respectively.
- Public Safety decreased \$679,786. The most significant items were a decrease in the Fire Department and Police Department personal service of \$459,073 and \$394,963 respectively, which was partially offset by an increase in Fire Department, Police Department and Public Safety supplies, other services and charges, and capital outlay totaling \$195,187.
- Culture and recreation increased \$112,884 due to increases in the Parks Department for supplies, other services and charges and capital outlay.

The final 2005 budget projected a \$4,529,361 decrease in the general fund balance. However, because total expenditures were \$5,703,358 below the final budget and actual revenue exceeded the final budget by \$2,695,707, an increase of \$3,869,704 in the fund balance was realized.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Management.

Capital assets. The City of Carmel's investment in capital assets for its governmental and business-type activities as of December 31, 2005, totaled \$400,953,578 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and storm sewers. The total increase in the City of Carmel's reported investment in capital assets for the current fiscal year was \$51,115,071, or 14.6 percent. Approximately \$35.3 million or 68% of this increase was in governmental activities related to the following additions: \$5 million in streets and related infrastructure in areas acquired through annexation; \$5.2 million in streets, curbs, sidewalks and storm sewers constructed by developers in new subdivisions; and the remainder primarily related to roadway projects serving areas annexed from northwest Clay Township. Approximately \$15.8 million of the net increase in capital assets in 2005 was related to business type activities primarily due to water and wastewater system improvements and extensions constructed to serve annexed areas. This increase in business type capital assets also includes \$6.6 million in utility infrastructure contributed by developers.

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$115,824,105	\$130,494,634	\$1,798,755	\$2,104,878	\$117,622,860	\$132,599,512
Buildings	13,176,606	12,828,126	27,521,825	29,629,461	40,698,431	42,457,587
Improvements other than buildings	2,184,442	1,997,896	65,773,233	69,140,871	67,957,675	71,138,767
Machinery and equipment	11,584,710	8,021,541	4,902,234	4,915,062	16,486,944	12,936,603
Infrastructure	91,350,473	107,148,981	-	-	91,350,473	107,148,981
Construction in progress	591,309	9,484,186	15,130,815	25,187,942	15,722,124	34,672,128
Total	<u>\$234,711,645</u>	<u>\$269,975,364</u>	<u>\$115,126,862</u>	<u>\$130,978,214</u>	<u>\$349,838,507</u>	<u>\$400,953,578</u>

Additional information on the City of Carmel's capital assets can be found in Note II B, on pages 42-44 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Long-term debt. At the end of the current fiscal year, the City of Carmel had \$223,458,227 in long-term bonds outstanding. Of this amount, \$5,080,000 is comprised of general obligation bonds backed by the full faith and credit of the government, \$159,068,227 of redevelopment bonds to be paid with county option income and special benefits taxes, \$20,840,000 of Tax Increment Financing (TIF) bonds and \$38,470,000 of revenue bonds issued by the Water and Wastewater Utilities secured solely by the net revenues of the utilities.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
General Obligations bonds:						
Primary Security: Property Tax	\$ 6,015,000	\$ 5,080,000	\$ -	\$ -	\$ 6,015,000	\$ 5,080,000
Redevelopment agency	81,585,000	159,068,227	-	-	81,585,000	159,068,227
Tax Increment	17,291,352	20,840,000	-	-	17,291,352	20,840,000
Total	<u>\$ 104,891,352</u>	<u>\$ 184,988,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,891,352</u>	<u>\$ 184,988,227</u>
Revenue Bonds	-	-	12,935,000	38,470,000	12,935,000	38,470,000
Total Outstanding Debt	<u>\$ 104,891,352</u>	<u>\$ 184,988,227</u>	<u>\$ 12,935,000</u>	<u>\$ 38,470,000</u>	<u>\$ 117,826,352</u>	<u>\$ 223,458,227</u>

The City's total bonds payable increased by \$105,631,875 during the current fiscal year. This change represents the net increase due to the sale of four bond issues and reductions from scheduled debt service payments. Significant bond transactions of 2005 are summarized below:

- \$79,998,227 Lease Rental Revenue Bonds, Series 2005 were issued to finance the design and construction of a new performing arts center complex located in the City Center Redevelopment Area. The bond will be repaid from a special benefits tax levied on property in the Redevelopment District of the City and other Redevelopment Commission revenues including tax increment.
- \$2,995,000 Bond Anticipation Note of 2005 issued to fund property acquisition, redevelopment and economic development projects in the City Center Redevelopment area, Old Towne Economic Development area and the integrated 126th Street Corridor Economic Development area.
- \$15,000,000 Waterworks Bonds Anticipation Notes, Series 2005B were issued to undertake improvements to the City's municipal water utility's production and distribution facilities in order to provide additional capacity needed due to growth and annexations.
- \$11,000,000 Sewage Works Projects, Series 2005C were issued to fund improvements to the wastewater treatment plant and extend service to certain annexed areas.

The City of Carmel's most recent underlying debt rating was "Aa2" from Moody's Investors Service and "AA" from Standard and Poor's. The State of Indiana limits the amount of general obligation debt a City may issue to 2% of its current assessed value. For the City of Carmel, this amount is

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

\$35,402,685. The City of Carmel Redevelopment Commission also may issue general obligation debt subject to the same limit. As of December 31, 2005, the City has \$9,650,000 of outstanding debt subject to this limit. The remaining outstanding City and Redevelopment Commission debt was issued as lease rental obligations or are payable with tax increment which are not subject to the 2% limit.

Additional information on the City's long-term liabilities can be found in Note II G, on pages 49-55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Carmel ended the first quarter of 2006 at 2.3 percent. This compares favorably to the State's average unemployment rate of 5.4 percent and the National average rate of 4.7 percent.
- The City of Carmel continues to see new construction growth, not only in residential, but also in commercial construction with record or near record levels. Providing City services to annexed areas also must be factored into future budgets. The City's total market valuation for taxes payable in 2006 increased by 5.99 percent due to annexations and new construction.

All of these factors were considered in preparing the City of Carmel's budget for the 2006 fiscal year.

Requests for Information

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

CITY OF CARMEL
STATEMENT OF NET ASSETS
December 31, 2005

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 136,491,468	\$ 411,825	\$ 136,903,293
Investments	10,481,987	-	10,481,987
Receivables (net of allowances for uncollectibles):			
Taxes	727,461	-	727,461
Accounts	720,886	233,270	954,156
Special assessments	10,540	-	10,540
Intergovernmental	696,198	-	696,198
Other	-	776,516	776,516
Internal balances	(953,319)	953,319	-
Inventories	-	312,378	312,378
Prepays	-	41,372	41,372
Restricted assets:			
Cash and cash equivalents	-	16,201,020	16,201,020
Deferred debits	769,149	727,576	1,496,725
Capital assets:			
Land, improvements and construction in progress	139,978,820	27,292,820	167,271,640
Other capital assets, net of depreciation	129,996,544	103,685,394	233,681,938
Net pension asset	283,446	-	283,446
Total assets	419,203,180	150,635,490	569,838,670

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

Continued on next page

CITY OF CARMEL
STATEMENT OF NET ASSETS
December 31, 2005
(Continued)

<u>Liabilities</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	534,090	1,021,377	1,555,467
Accrued payroll and withholdings payable	973,268	139,760	1,113,028
Compensated absences	371,402	112,353	483,755
Accrued interest payable	547,712	-	547,712
Other current payables	-	24,608	24,608
Unpaid claims payable	253,650	-	253,650
Unearned revenue	1,285,486	-	1,285,486
Payable from restricted assets:			
Customer deposits	-	8,820	8,820
Accrued bond interest	-	230,128	230,128
Revenue bonds - due within one year	-	15,475,000	15,475,000
Noncurrent liabilities:			
Due within one year:			
Capital lease obligations	1,229,208	-	1,229,208
General obligation bonds payable	980,000	-	980,000
TIF bonds payable	3,235,000	-	3,235,000
Redevelopment bonds	3,340,000	-	3,340,000
Due in more than one year:			
General obligation bonds payable	4,152,437	-	4,152,437
Revenue bonds	-	23,024,914	23,024,914
TIF bonds payable	17,605,000	-	17,605,000
Redevelopment bonds payable	155,728,227	-	155,728,227
Capital lease obligations	2,644,407	-	2,644,407
Net pension obligation	6,560,324	-	6,560,324
Total liabilities	199,440,211	40,036,960	239,477,171
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	161,059,312	92,478,300	253,537,612
Restricted for:			
Public safety	1,270,286	-	1,270,286
Highways and roads	3,571,207	-	3,571,207
Culture and recreation	1,991,564	-	1,991,564
Capital projects	7,141,984	-	7,141,984
Debt service	1,854,569	1,445,558	3,300,127
Unrestricted	42,874,047	16,674,672	59,548,719
 Net assets	\$ 219,762,969	\$ 110,598,530	\$ 330,361,499

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

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CITY OF CARMEL
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 12,165,495	\$ 4,367,658	\$ 1,167,542	\$ 11,392,163	\$ 4,761,868	\$ -	\$ 4,761,868
Public safety	28,861,813	6,272,320	167,510	-	(22,421,983)	-	(22,421,983)
Highways and streets	9,166,819	455,078	2,853,931	16,850,686	10,992,876	-	10,992,876
Economic development	5,861,430	-	-	-	(5,861,430)	-	(5,861,430)
Culture and recreation	2,666,812	1,688,746	-	-	(978,066)	-	(978,066)
Interest on long-term debt	2,453,477	-	-	-	(2,453,477)	-	(2,453,477)
Total governmental activities	61,175,846	12,783,802	4,188,983	28,242,849	(15,960,212)	-	(15,960,212)
Business-type activities:							
Water	5,885,842	5,627,465	-	4,693,232	-	4,434,855	4,434,855
Wastewater	6,023,641	4,485,233	-	1,930,671	-	392,263	392,263
Total business-type activities	11,909,483	10,112,698	-	6,623,903	-	4,827,118	4,827,118
Total primary government	\$ 73,085,329	\$ 22,896,500	\$ 4,188,983	\$ 34,866,752	(15,960,212)	4,827,118	(11,133,094)
General revenues:							
Property taxes					32,271,048	-	32,271,048
County option income tax					15,251,357	-	15,251,357
Auto and aircraft excise tax					2,432,705	-	2,432,705
Other taxes					63,963	-	63,963
Unrestricted investment earnings					4,023,102	256,762	4,279,864
Other					1,016,003	136,886	1,152,889
Total general revenues					55,058,178	393,648	55,451,826
Change in net assets					39,097,966	5,220,766	44,318,732
Net assets - beginning - as previously stated					174,327,918	105,377,764	279,705,682
Prior period adjustment, see note II.C.							
County option income tax					2,860,881	-	2,860,881
Conduit debt and related assets					3,476,204	-	3,476,204
Net assets - beginning - as restated					180,665,003	105,377,764	286,042,767
Net assets - ending					\$ 219,762,969	\$ 110,598,530	\$ 330,361,499

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

CITY OF CARMEL
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

<u>Assets</u>	General	Redevelopment Operating	2004 Roadway Construction	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 7,774,412	\$ 1,803,691	\$ 10,739,872	\$ 16,534,056	\$ 36,852,031
Receivables:					
Taxes	541,853	22,379	-	163,229	727,461
Accounts	-	-	-	720,886	720,886
Special assessments	-	-	-	10,540	10,540
Intergovernmental	352,747	2,925	-	340,526	696,198
Interfund loans	394,172	-	-	-	394,172
Total assets	\$ 9,063,184	\$ 1,828,995	\$ 10,739,872	\$ 17,769,237	\$ 39,401,288
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 321,398	\$ 62,996	\$ -	\$ 149,696	\$ 534,090
Accrued payroll and withholdings payable	903,050	-	-	70,218	973,268
Interfund loans	1,347,491	-	-	-	1,347,491
Unearned revenue	1,285,486	-	-	-	1,285,486
Unavailable revenue	496,833	20,266	-	163,365	680,464
Total liabilities	4,354,258	83,262	-	383,279	4,820,799
Fund balances:					
Reserved for:					
Encumbrances	1,736,655	-	-	7,273,121	9,009,776
Unreserved, reported in:					
General fund	2,972,271	-	-	-	2,972,271
Special revenue funds	-	1,745,733	-	5,839,914	7,585,647
Debt services	-	-	-	2,418,354	2,418,354
Capital projects funds	-	-	10,739,872	1,854,569	12,594,441
Total fund balances	4,708,926	1,745,733	10,739,872	17,385,958	34,580,489
Total liabilities and fund balances	\$ 9,063,184	\$ 1,828,995	\$ 10,739,872	\$ 17,769,237	\$ 39,401,288

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

CITY OF CARMEL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2005

Fund Balance - governmental funds		\$ 34,580,489
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land and construction in progress	139,978,820	
Other capital assets, net of depreciation	<u>129,996,544</u>	269,975,364
Amount held for governmental use in internal service fund is eliminated and, therefore, not reported in statement of net assets.		
		107,522,788
Net pension asset is prepaid amounts and is not a current financial resource; therefore, this is not reported in the funds.		
		283,446
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		2,344,986
Net pension obligation, including the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan, is not due and payable in the current period and, therefore, is not reported in the funds, but is included in the government-wide statements.		
		(6,560,324)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		
		(371,402)
Unavailable revenues are not available to pay current expenses and, therefore, are not reported in the funds.		
		680,464
Accrued interest on bonds payable is not due and payable in the current period and, therefore is not reported in the funds.		
		(547,712)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds	(5,132,437)	
Redevelopment bonds	(159,068,227)	
Tax increment financing bonds	(20,840,000)	
Capital leases	(3,873,615)	
Deferred debits	<u>769,149</u>	<u>(188,145,130)</u>
Net assets of governmental activities		<u>\$ 219,762,969</u>

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

CITY OF CARMEL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Redevelopment Operating	2004 Road Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 20,862,047	\$ 4,710,342	\$ -	\$ 6,698,659	\$ 32,271,048
Income	15,251,357	-	-	-	15,251,357
Special assessments	-	-	-	1,604	1,604
Licenses and permits	2,415,351	-	-	1,116,273	3,531,624
Intergovernmental	2,778,932	75,546	-	3,714,318	6,568,796
Charges for services	5,443,929	312,267	-	1,765,673	7,521,869
Fines and forfeits	351,706	-	-	1,376,999	1,728,705
Other:					
Interest on investments	75,200	101,286	339,260	427,801	943,547
Sale of property	281,765	-	-	-	281,765
Donations	5,051	-	-	382,919	387,970
Reimbursements	169,750	-	-	176,518	346,268
Total revenues	47,635,088	5,199,441	339,260	15,660,764	68,834,553
Expenditures:					
Current:					
General government	11,218,614	-	500	1,223,516	12,442,630
Public safety	28,373,898	-	-	516,822	28,890,720
Highways and streets	-	-	-	5,944,393	5,944,393
Economic development	-	247,552	-	-	247,552
Culture and recreation	1,652,703	-	-	986,073	2,638,776
Debt service:					
Principal	1,393,031	795,000	-	1,035,000	3,223,031
Interest	155,208	972,719	-	1,325,550	2,453,477
Capital outlay:					
General government	231,261	-	-	2,207,374	2,438,635
Public safety	78,931	-	4,041,911	627,083	4,747,925
Highways and streets	-	-	-	1,379,096	1,379,096
Economic development	-	10,474,527	-	6,652,456	17,126,983
Culture and recreation	64,518	-	-	95,075	159,593
Total expenditures	43,168,164	12,489,798	4,042,411	21,992,438	81,692,811
Excess (deficiency) of revenues over (under) expenditures	4,466,924	(7,290,357)	(3,703,151)	(6,331,674)	(12,858,258)
Other financing sources (uses):					
Transfers in	-	-	-	2,995,148	2,995,148
Transfers out	(1,822,648)	(55,792)	-	(1,116,708)	(2,995,148)
TIF bonds issued	-	3,648,648	-	-	3,648,648
Capital lease proceeds	2,023,044	-	-	-	2,023,044
Total other financing sources and uses	200,396	3,592,856	-	1,878,440	5,671,692
Net change in fund balances	4,667,320	(3,697,501)	(3,703,151)	(4,453,234)	(7,186,566)
Fund balance - beginning, as previously reported	(2,819,275)	5,443,234	14,443,023	23,072,988	40,139,970
Prior period adjustment, see note II.C.					
Conduit debt and related assets	-	-	-	(1,233,796)	(1,233,796)
County option income tax	2,860,881	-	-	-	2,860,881
Fund balances - beginning, as restated	41,606	5,443,234	14,443,023	21,839,192	41,767,055
Fund balances - ending	\$ 4,708,926	\$ 1,745,733	\$ 10,739,872	\$ 17,385,958	\$ 34,580,489

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

CITY OF CARMEL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

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

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$	(7,186,566)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays	43,684,952	
Capital outlay provided by Carmel Redevelopment Authority - not shown in governmental funds	13,112,163	
Depreciation expense	<u>(4,605,705)</u>	52,191,410
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(3,815,528)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		116,855
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Bond issuance		
TIF bonds	(3,648,648)	
Capital leases	(2,023,044)	
Principal payments		
General obligation bonds	935,000	
TIF bonds	100,000	
Redevelopment bonds	795,000	
Capital leases	1,393,031	
Bond issue costs	829,506	
Amortization of bond discount	8,740	
Amortization of bond issue costs	<u>(60,357)</u>	(1,670,772)
Accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		(483,291)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		299,171
Net pension asset is prepaid amounts and is not a current financial resource; therefore, this is not reported in the funds.		66,998
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(71,291)
Net pension obligation, including the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan is not due and payable in the current period and therefore, is not reported in the funds, but is included in the government-wide statements.		<u>(349,020)</u>
Change in net assets of governmental activities (statement of activities)	\$	<u>39,097,966</u>

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

CITY OF CARMEL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

Assets	Business-Type Activities - Enterprise Funds			Internal Service Fund
	Water Utility	Wastewater Utility	Total	
Current assets:				
Cash and cash equivalents	\$ 6,018	\$ 405,807	\$ 411,825	\$ 99,639,437
Investments	-	-	-	10,481,987
Accounts receivable (net of allowance)	96,490	136,780	233,270	-
Current portion of capital lease receivable	-	-	-	2,505,000
Interest receivable	-	-	-	697,478
Other receivables	122,786	653,730	776,516	-
Interfund receivable:				
Due from associated City	925,135	422,356	1,347,491	-
Due from associated Utility	197	313,559	313,756	-
Inventories	113,709	198,669	312,378	-
Prepaid items	18,401	22,971	41,372	-
Total current assets	1,282,736	2,153,872	3,436,608	113,323,902
Noncurrent assets:				
Long-term portion of capital lease receivable	-	-	-	136,746,744
Cost of issuance	-	-	-	1,931,483
Restricted cash and cash equivalents:				
Customer deposits	8,820	-	8,820	-
Revenue bond covenant accounts	5,961,757	10,230,443	16,192,200	-
Total restricted assets	5,970,577	10,230,443	16,201,020	138,678,227
Deferred debits	377,284	350,292	727,576	-
Capital assets:				
Land, improvements to land and construction in progress	18,181,812	9,111,008	27,292,820	-
Other capital assets (net of accumulated depreciation)	52,047,073	51,638,321	103,685,394	-
Total capital assets	70,228,885	60,749,329	130,978,214	-
Total noncurrent assets	76,576,746	71,330,064	147,906,810	138,678,227
Total assets	77,859,482	73,483,936	151,343,418	252,002,129

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

Continued on next page

CITY OF CARMEL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005
(Continued)

<u>Liabilities</u>	Business-Type Activities - Enterprise Funds			<u>Internal Service Fund</u>
	Water Utility	Wastewater Utility	Total	
Current liabilities:				
Accounts payable	582,109	439,268	1,021,377	-
Interfund payables:				
Due to associated City	394,172	-	394,172	-
Due to associated Utility	313,559	197	313,756	-
Accrued wages payable	59,805	79,955	139,760	-
Compensated absences	55,165	57,188	112,353	-
Other current payables	12,296	12,312	24,608	-
Interest payable	-	-	-	697,478
Funds held for City	-	-	-	107,522,788
Unpaid claims payable	-	-	-	253,650
Current maturities of long-term debt	-	-	-	2,505,000
Current liabilities payable from restricted assets:				
Customer deposits	8,820	-	8,820	-
Revenue bonds payable	15,475,000	-	15,475,000	-
Accrued interest payable	153,471	76,657	230,128	-
Total current liabilities	17,054,397	665,577	17,719,974	110,978,916
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	12,024,914	11,000,000	23,024,914	-
Redevelopment bonds payable (net of unamortized discounts and deferred amount on refunding)	-	-	-	138,678,227
Total noncurrent liabilities	12,024,914	11,000,000	23,024,914	138,678,227
Total liabilities	29,079,311	11,665,577	40,744,888	249,657,143
<u>Net Assets</u>				
Invested in capital assets, net of related debt	42,728,971	49,749,329	92,478,300	-
Restricted for debt service	1,312,177	133,381	1,445,558	-
Unrestricted	4,739,023	11,935,649	16,674,672	2,344,986
Total net assets	\$ 48,780,171	\$ 61,818,359	\$ 110,598,530	\$ 2,344,986

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

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CITY OF CARMEL
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Enterprise Funds			Internal Service Fund
	Water Utility	Wastewater Utility	Total	
Operating revenues:				
Metered water revenue:				
Residential	\$ 3,428,987	\$ -	\$ 3,428,987	\$ -
Commercial	778,924	-	778,924	-
Residential sales	-	2,523,923	2,523,923	-
Commercial and industrial sales	-	2,259,374	2,259,374	-
Fire protection revenue	970,668	-	970,668	-
Other water revenue	15,120	-	15,120	-
Other	128,418	7,481	135,899	7,867,225
Total operating revenues	<u>5,322,117</u>	<u>4,790,778</u>	<u>10,112,895</u>	<u>7,867,225</u>
Operating expenses:				
Source of supply and expense - operations and maintenance	77,489	-	77,489	-
Water treatment expense - operations and maintenance	1,626,164	-	1,626,164	-
Transmission and distribution	1,004,382	-	1,004,382	-
Collection system - operations and maintenance	-	855,781	855,781	-
Pumping - operations and maintenance	-	256,880	256,880	-
Treatment and disposal expense - operations and maintenance	-	2,111,814	2,111,814	-
Customer accounts	304,596	291,535	596,131	-
Administration and general	663,570	773,825	1,437,395	-
Payroll tax expense	-	-	-	-
Insurance claims and premiums	-	-	-	4,890,484
Other	154,310	172,700	327,010	2,618,878
Utility receipts tax expense	62,779	-	62,779	-
Depreciation and amortization	1,255,903	1,371,903	2,627,806	161,506
Total operating expenses	<u>5,149,193</u>	<u>5,834,438</u>	<u>10,983,631</u>	<u>7,670,868</u>
Operating income (loss)	<u>172,924</u>	<u>(1,043,660)</u>	<u>(870,736)</u>	<u>196,357</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	117,840	138,922	256,762	102,814
Miscellaneous revenue	111,858	25,028	136,886	-
Interest expense	(696,441)	(122,116)	(818,557)	-
Amortization of bond issue costs	(29,254)	(8,690)	(37,944)	-
Loss from disposition of property	(18,968)	(50,580)	(69,548)	-
Total nonoperating revenue (expenses)	<u>(514,965)</u>	<u>(17,436)</u>	<u>(532,401)</u>	<u>102,814</u>
Income (loss) before contributions	(342,041)	(1,061,096)	(1,403,137)	299,171
Capital contributions	<u>4,693,232</u>	<u>1,930,671</u>	<u>6,623,903</u>	<u>-</u>
Change in net assets	4,351,191	869,575	5,220,766	299,171
Total net assets - beginning	<u>44,428,980</u>	<u>60,948,784</u>	<u>105,377,764</u>	<u>2,045,815</u>
Total net assets - ending	<u>\$ 48,780,171</u>	<u>\$ 61,818,359</u>	<u>110,598,530</u>	<u>\$ 2,344,986</u>

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

CITY OF CARMEL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Enterprise Funds			Internal Service Funds
	Water Utility	Wastewater Utility	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,394,554	\$ 4,288,102	\$ 8,682,656	\$ 5,086,841
Other receipts and expenditures	-	-	-	2,980,077
Payments to suppliers	(2,074,060)	(2,426,148)	(4,500,208)	-
Payments to employees	(1,430,971)	(2,443,180)	(3,874,151)	-
Payments for interfund services used	-	-	-	(7,616,911)
Other receipts (payments)	111,858	24,155	136,013	-
Net cash provided (used) by operating activities	1,001,381	(557,071)	444,310	450,007
Cash flows from capital and related financing activities:				
Proceeds from capital debt	15,000,000	11,000,000	26,000,000	-
Bond issue proceeds	-	-	-	100,038,643
Capital contributions	1,898,300	1,173,284	3,071,584	-
Acquisition and construction of capital assets	(12,623,168)	(2,372,347)	(14,995,515)	(7,575,312)
Principal paid on capital debt - current bonds	(465,000)	-	(465,000)	(1,720,000)
Interest paid on capital debt - current bonds	(647,199)	(45,459)	(692,658)	-
Bond issue costs paid	(19,545)	(350,985)	(370,530)	(1,072,941)
Net cash provided by capital and related financing activities	3,143,388	9,404,493	12,547,881	89,670,390
Cash flows from investing activities:				
Principal portion of capital lease payments received	-	-	-	1,720,000
Investments purchased	-	-	-	(10,481,987)
Interest received	117,840	138,922	256,762	102,814
Net cash provided (used) by investing activities	117,840	138,922	256,762	(8,659,173)
Net increase in cash and cash equivalents	4,262,609	8,986,344	13,248,953	81,461,224
Cash and cash equivalents, January 1 (Including \$1,329,768 and \$107,918 for the Water and Wastewater Utilities, respectively, reported in restricted accounts)	1,713,986	1,649,906	3,363,892	18,178,213
Cash and cash equivalents, December 31 (Including \$5,970,577 and \$10,230,443 for the Water and Wastewater Utilities, respectively, reported in restricted accounts)	\$ 5,976,595	\$ 10,636,250	\$ 16,612,845	\$ 99,639,437

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

Continued on next page

CITY OF CARMEL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005
(Continued)

	Enterprise Funds			Internal Service Funds
	Water Utility	Wastewater Utility	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 172,924	\$ (1,043,660)	\$ (870,736)	\$ 196,357
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,255,903	1,371,903	2,627,806	-
Amortization of discount on capital lease receivable	-	-	-	(161,506)
Amortization of cost of issuance	-	-	-	161,506
Nonoperating income (expense)	111,858	24,155	136,013	-
(Increase) decrease in assets:				
Accounts receivable	(35,589)	(24,506)	(60,095)	-
Interest receivable	-	-	-	381,199
Interfund receivables	(891,974)	(478,170)	(1,370,144)	-
Inventories	(16,382)	(7,787)	(24,169)	-
Prepaid items	5,646	8,051	13,697	-
Increase (decrease) in liabilities:				
Customer deposits	3,120	-	3,120	-
Accounts payable	(319,890)	(428,967)	(748,857)	-
Wages payable	505	6,412	6,917	-
Compensated absence payable	13,925	2,989	16,914	-
Interest payable	-	-	-	(361,199)
Interfund payables	701,182	12,509	713,691	-
Other current liabilities	153	-	153	-
Unpaid claims payable	-	-	-	253,650
Total adjustments	828,457	486,589	1,315,046	253,650
Net cash provided (used) by operating activities	\$ 1,001,381	\$ (557,071)	\$ 444,310	\$ 450,007

Noncash transactions:

Capital assets were contributed by private developers in the amounts of \$2,794,932 and \$757,387 for the Water and Wastewater Utilities, respectively.

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

CITY OF CARMEL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 194,940	\$ 479,930
Investments at fair value:		
U.S. Government securities	<u>7,752,774</u>	<u>-</u>
Total assets	<u>7,947,714</u>	<u>\$ 479,930</u>
 <u>Liabilities</u>		
Withholdings payable	<u>-</u>	<u>\$ 479,930</u>
Total liabilities	<u>-</u>	<u>\$ 479,930</u>
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits	<u>7,947,714</u>	
Total net assets	<u>\$ 7,947,714</u>	

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

CITY OF CARMEL
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2005

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
Employer	\$ 537,519
Plan members	<u>11,271</u>
Total contributions	<u>548,790</u>
Investment income:	
Interest	<u>88,575</u>
Total additions	<u>637,365</u>
<u>Deductions</u>	
Benefits	711,392
Administrative expense	<u>3,598</u>
Total deductions	<u>714,990</u>
Changes in net assets	(77,625)
Net assets - beginning	<u>8,025,339</u>
Net assets - ending	<u>\$ 7,947,714</u>

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Blended Component Units

The Civic Square Building Corporation is a significant blended component unit of the primary government. It was created in 1985 by the City for the purpose of constructing and financing a master fire station, parking area, and the development of a civic square. These projects, known as Civic Square Phase I, were originally completed and leased by the City in 1987. The bonds originally issued in 1986 for this project were refinanced in 1993. In 1989, the Civic Square Building Corporation completed financing and constructing a police station and municipal city building, known as Phase II. The bonds originally issued in 1989 for this project were refinanced in 1994. In 2004, the 1993 bonds and 1994 bonds were refinanced. The Civic Square Building Corporation is reported as if it were part of the primary government because of the nature and significance of the relationship and because the Building Corporation provides services entirely to the City. To exclude the financial activities of this component unit would render the City's financial statements incomplete or misleading.

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government reports the following major governmental funds:

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

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

The 2004 roadway construction fund accounts for the expenses related to the road projects as outlined in the bond documents.

The primary government reports the following major proprietary funds:

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

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

Additionally, the primary government reports the following fund types:

The internal service funds account for the collection and payment to an insurance third party administrator for the City Employee's Health Insurance and Life Insurance Programs and for the activity of the Carmel Redevelopment Authority. Funding is provided by employee and City contributions.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, wastewater and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

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

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

2. Interfund Transactions and Balances

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statute (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31 of the year collected. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -	N/A	N/A
Buildings and improvements	5,000	Straight-line	50 years
Equipment	5,000	Straight-line	3 to 20 years
Roads – collectors and residential	-	Straight-line	25 to 50 years
Water collection systems	750	Straight-line	3 to 100 years
Wastewater distribution and collection systems	750	Straight-line	3 to 100 years

N/A = Not applicable

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government in its business-type activities during the current year was \$818,557. Of the amount, \$32,636 was included as part of the cost of capital assets under construction in connection with the Water Utility.

7. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of 5 hours per month. Unused sick leave may be accumulated to a maximum of 300 hours. Accumulated sick leave exceeding the 40 days (and any portion of the 300 hours which had been elected by the employee in January) is paid to employees as of the year end, at the rate of 1 hour pay for each 3 hours leave being cashed in, through cash payments made in January of the following year.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 90 hours to 157 and ½ hours per year, based upon the number of years of service. At year-end, a maximum of 75 hours may be carried forward to next year. Accumulated vacation leave is paid to employees through cash payments upon termination or retirement.

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Unavailable Revenue

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

9. Long-Term Obligations

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

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

10. Fund Equity

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

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the City had the following investments:

Investment Type	Market Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Primary Government U.S. Agencies	\$ 18,234,761	\$ 4,700,281	\$ 13,534,480	\$ -

Investment Policies

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

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

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the City held investments in U.S. Agencies in the amount of \$ 18,234,761. All of these investments were held by the counterparty's trust department.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2005, the City's investments in U.S. Agencies was rated AAA by Standard & Poor's.

Concentration of Credit Risk

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,863,167	\$ 10,373,678	\$ -	\$ 35,236,845
Right of ways	90,960,938	4,296,851	-	95,257,789
Construction in progress	<u>591,309</u>	<u>8,892,877</u>	-	<u>9,484,186</u>
Total capital assets, not being depreciated	<u>116,415,414</u>	<u>23,563,406</u>	-	<u>139,978,820</u>
Capital assets, being depreciated:				
Buildings	17,423,998	-	-	17,423,998
Improvements other than buildings	3,730,913	-	-	3,730,913
Machinery and equipment	18,054,275	1,438,534	7,631,056	11,861,753
Infrastructure being depreciated	<u>111,119,661</u>	<u>18,683,012</u>	-	<u>129,802,673</u>
Totals	<u>150,328,847</u>	<u>20,121,546</u>	<u>7,631,056</u>	<u>162,819,337</u>
Less accumulated depreciation for:				
Buildings	4,247,392	348,480	-	4,595,872
Improvements other than buildings	1,546,471	186,546	-	1,733,017
Machinery and equipment	6,469,565	1,186,175	3,815,528	3,840,212
Infrastructure	<u>19,769,188</u>	<u>2,884,504</u>	-	<u>22,653,692</u>
Totals	<u>32,032,616</u>	<u>4,605,705</u>	<u>3,815,528</u>	<u>32,822,793</u>
Total capital assets, being depreciated, net	<u>118,296,231</u>	<u>15,515,841</u>	<u>3,815,528</u>	<u>129,996,544</u>
Total governmental activities capital assets, net	<u>\$ 234,711,645</u>	<u>\$ 39,079,247</u>	<u>\$ 3,815,528</u>	<u>\$ 269,975,364</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,798,755	\$ 312,462	\$ 6,339	\$ 2,104,878
Construction in progress	<u>15,130,815</u>	<u>14,643,997</u>	<u>4,586,870</u>	<u>25,187,942</u>
Total capital assets, not being depreciated	<u>16,929,570</u>	<u>14,956,459</u>	<u>4,593,209</u>	<u>27,292,820</u>
Capital assets, being depreciated:				
Buildings	38,078,496	3,007,556	26,293	41,059,759
Improvements other than buildings	76,695,087	4,553,879	31,817	81,217,149
Machinery and equipment	<u>9,394,831</u>	<u>626,749</u>	<u>829,977</u>	<u>9,191,603</u>
Totals	<u>124,168,414</u>	<u>8,188,184</u>	<u>888,087</u>	<u>131,468,511</u>
Less accumulated depreciation for:				
Buildings	10,556,671	883,154	9,527	11,430,298
Improvements other than buildings	10,921,854	1,171,524	17,100	12,076,278
Machinery and equipment	<u>4,492,597</u>	<u>573,128</u>	<u>789,184</u>	<u>4,276,541</u>
Totals	<u>25,971,122</u>	<u>2,627,806</u>	<u>815,811</u>	<u>27,783,117</u>
Total capital assets, being depreciated, net	<u>98,197,292</u>	<u>5,560,378</u>	<u>72,276</u>	<u>103,685,394</u>
Total business-type activities capital assets, net	<u>\$ 115,126,862</u>	<u>\$ 20,516,837</u>	<u>\$ 4,665,485</u>	<u>\$ 130,978,214</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Governmental activities:	
General government	\$ 442,028
Public safety	888,634
Public works, including depreciation of general infrastructure assets	3,250,274
Culture and recreation	<u>24,769</u>
Total depreciation expense - governmental activities	<u>\$ 4,605,705</u>
Business-type activities:	
Water	\$ 1,255,903
Wastewater	<u>1,371,903</u>
Total depreciation expense - business-type activities	<u>\$ 2,627,806</u>

C. Prior Period Adjustments

County Option Income Tax

County Option Income Tax (COIT) is a derived tax revenue imposed on personal income. The tax is collected by the Indiana Department of Revenue (State). The State estimates current year revenue and distributes one twelfth (1/12) each month to the local county, who in turn distributes it to each local unit. The City of Carmel receives distributions from Hamilton County. Actual tax collections for a year cannot be determined until all personal tax returns have been processed by the State in the subsequent year. The balance of tax collections not yet distributed by the State at year-end must be computed using estimated tax collections. The balance at December 31, 2004, reported in the financial statements, was negative, due to excess distributions by the State to the City, via the county, resulting in a liability being reported for unearned revenue. Subsequent to the issuance of the 2004 financial statements, actual tax collections processed were verified and an adjusted December 31, 2004, balance was computed.

Conduit Debt

The Carmel Redevelopment Commission (CRC) reviewed each of the Tax Increment Financing (TIF) districts to verify proper reporting. They found that for two of the districts, the developers signed loan agreements for the repayment of the TIF bonds. These bonds should have been reported as conduit debt in the Notes to the Financial Statements. Instead, these bonds have been included as liabilities in the Government-Wide Financial Statements. Each of the TIF districts has cash set aside for the payment of the bonds. This cash has previously been included as an asset on the financial statements.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The January 1, 2005, Net Assets of the governmental activities and fund balance of the General Fund and Redevelopment Commission Bond and Interest (a debt service fund) funds have been restated for these prior period adjustment as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Redevelopment Commission Bond and Interest</u>
Beginning balance, as previously reported	\$ 174,327,918	\$ (2,819,275)	\$ 2,643,301
Prior period adjustment:			
County option income tax	<u>2,860,881</u>	<u>2,860,881</u>	<u>-</u>
Conduit debt			
Cash	(1,009,002)	-	(1,009,002)
Taxes receivable	(224,794)	-	(224,794)
Bonds payable	<u>4,710,000</u>	<u>-</u>	<u>-</u>
Total conduit debt	<u>3,476,204</u>	<u>-</u>	<u>(1,233,796)</u>
Total net adjustment	<u>6,337,085</u>	<u>2,860,881</u>	<u>(1,233,796)</u>
Beginning balance, as restated	<u>\$ 180,665,003</u>	<u>\$ 41,606</u>	<u>\$ 1,409,505</u>

D. Construction Commitments

Construction work in progress is composed of the following:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Governmental activities:				
Redevelopment of blighted areas	\$ 20,200,000	\$ 3,045,941	\$ 17,154,059	\$ -
Road reconstruction	<u>16,699,024</u>	<u>6,438,245</u>	<u>10,260,779</u>	<u>-</u>
Total governmental activities	<u>36,899,024</u>	<u>9,484,186</u>	<u>27,414,838</u>	<u>-</u>
Business-type activities:				
Water treatment facilities	57,344,851	16,469,242	40,875,609	-
Wastewater treatment facilities	<u>16,732,024</u>	<u>8,718,700</u>	<u>8,013,324</u>	<u>-</u>
Total business-type activities	<u>74,076,875</u>	<u>25,187,942</u>	<u>48,888,933</u>	<u>-</u>
Totals	<u>\$ 110,975,899</u>	<u>\$ 34,672,128</u>	<u>\$ 76,303,771</u>	<u>\$ -</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2005, is as follows:

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Due To	Due From			Total
	General Fund	Water Utility	Wastewater Utility	
General Fund	\$ -	\$ 394,172	\$ -	\$ 394,172
Water Utility	925,135	-	197	925,332
Wastewater Utility	422,356	313,559	-	735,915
Totals	\$ 1,347,491	\$ 707,731	\$ 197	\$ 2,055,419

2. Interfund Transfers

Interfund transfers at December 31, 2005, were as follows:

Transfer From	Transfer to Nonmajor Governmental
Major governmental:	
General Fund	\$ 1,822,648
Redevelopment Operating	55,792
Nonmajor governmental	<u>1,116,708</u>
Total	\$ <u>2,995,148</u>

The primary government typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the general fund to the debt service fund for current-year debt service requirements.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Leases

Capital Leases

The primary government has entered into various capital leases for a emergency vehicles and software updates. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2005, are as follows:

2006	\$ 1,397,757
2007	1,002,577
2008	672,479
2009	406,693
2010	316,483
2011-2015	<u>588,190</u>
Total minimum lease payments	4,384,179
Less amount representing interest	<u>510,564</u>
Present value of net minimum lease payments	<u><u>\$ 3,873,615</u></u>

The cost of assets acquired through capital leases still in effect are \$ 5,037,990, of machinery and equipment.

G. Long-Term Liabilities

1. General Obligation Bonds

The primary government 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 primary government. General obligation bonds currently outstanding at year end are as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
2004 First Mortgage Refunding Bonds, fire and police station	2.0% to 4.0%	\$ 5,080,000
Current portion of debt		(980,000)
Unamortized premium		<u>52,437</u>
Total long-term portion		<u>\$ 4,152,437</u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 980,000	\$ 146,588
2007	700,000	124,837
2008	715,000	106,831
2009	735,000	84,750
2010	760,000	60,175
2011-2015	<u>1,190,000</u>	<u>41,913</u>
Totals	<u>\$ 5,080,000</u>	<u>\$ 565,094</u>

2. Tax Incremental Financing (TIF) Bonds

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
1998 Merchants Square	6.5% to 7.0%	\$ 2,355,000
2003A Merchants Square	3%	2,995,000
2004 Illinois Street	6.65%	9,500,000
2004A City Center redevelopment	3.75%	2,995,000
2005 City Center BAN	3.75%	<u>2,995,000</u>
 Total		 <u>\$ 20,840,000</u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 3,235,000	\$ 1,117,255
2007	6,385,000	1,052,724
2008	420,000	744,582
2009	435,000	716,389
2010	510,000	685,028
2011-2015	3,110,000	2,848,020
2016-2020	3,935,000	1,626,100
2021-2025	<u>2,810,000</u>	<u>385,368</u>
 Totals	 <u>\$ 20,840,000</u>	 <u>\$ 9,175,466</u>

3. Redevelopment Bonds

The primary government issues redevelopment bonds to provide for the construction of major capital facilities within its boundaries. The bonds are to be repaid from the County Option Income Tax revenues.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
Redevelopment bonds - governmental funds:		
1998 Infrastructure projects - City Center redevelopment area	6.50% to 7.00%	\$ 8,235,000
2002 Street facility and road improvements	3.125% to 4.60%	9,650,000
Redevelopment bonds - Redevelopment Authority:		
2004 Refunding redevelopment bonds	5.00% to 5.25%	26,185,000
2004 Street and roadway improvement bonds	3.00% to 5.00%	35,000,000
2005 Performance Arts Center	4.625% to 10.2%	<u>79,998,227</u>
Total		<u><u>\$ 159,068,227</u></u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 3,340,000	\$ 5,065,233
2007	3,790,000	5,969,606
2008	4,280,000	5,844,480
2009	4,430,000	5,691,974
2010	4,565,000	5,529,641
2011-2015	35,272,685	31,418,278
2016-2020	31,210,717	30,546,205
2021-2025	19,361,165	39,499,418
2026-2030	40,018,660	10,041,878
2031-2035	<u>12,800,000</u>	<u>958,862</u>
Totals	<u><u>\$ 159,068,227</u></u>	<u><u>\$ 140,565,575</u></u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Revenue Bonds

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

Purpose	Interest Rates	Amount
2002A Water Plant Extensions and Improvements	4.20% to 5.15%	\$ 3,940,000
2002B Water Plant Extensions and Improvements	3.50% to 5.10%	5,215,000
2003A Waterworks Refunding Revenue Bonds	2.00% to 3.85%	3,315,000
2005 BAN's	3.40%	15,000,000
2005 Wastewater Revenue Bonds	3.15% to 4.61%	<u>11,000,000</u>
Subtotal revenue bonds		38,470,000
Net unamortized premium/discount		<u>29,914</u>
Total long-term debt		<u>\$ 38,499,914</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended	Business-Type Activities			
	Water		Wastewater	
	Principal	Interest	Principal	Interest
December 31				
2006	\$ 15,475,000	\$ 1,058,745	\$ -	\$ 459,944
2007	490,000	535,861	365,000	454,195
2008	500,000	521,690	380,000	442,271
2009	515,000	505,755	395,000	429,382
2010	530,000	485,662	415,000	415,300
2011-2015	3,080,000	2,083,798	2,265,000	1,832,404
2016-2020	3,980,000	1,258,368	2,850,000	1,310,553
2021-2025	2,900,000	226,314	3,525,000	602,626
2026-2030	-	-	805,000	18,555
Totals	<u>\$ 27,470,000</u>	<u>\$ 6,676,193</u>	<u>\$ 11,000,000</u>	<u>\$ 5,965,230</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Advance Refunding – Carmel Civic Square Building Corporation

In prior years, the primary government defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. Outstanding bonds, at December 31, 2005, considered defeased were \$4,865,000.

6. Advance Refunding – Carmel Redevelopment Authority

In 2002, the Authority defeased certain redevelopment bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. Outstanding bonds, at December 31, 2005, considered defeased were \$24,260,000.

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 6,015,000	\$ -	\$ 935,000	\$ 5,080,000	\$ 980,000
Redevelopment bonds	81,585,000	79,998,227	2,515,000	159,068,227	3,340,000
TIF bonds	<u>17,291,352</u>	<u>3,648,648</u>	<u>100,000</u>	<u>20,840,000</u>	<u>3,235,000</u>
Total bonds payable	104,891,352	83,646,875	3,550,000	184,988,227	7,555,000
Capital leases	3,243,602	2,023,044	1,393,031	3,873,615	1,229,208
Compensated absences	384,832	1,478,393	1,491,823	371,402	371,402
Net pension obligation	<u>6,211,304</u>	<u>349,020</u>	<u>-</u>	<u>6,560,324</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 114,731,090</u>	<u>\$ 87,497,332</u>	<u>\$ 6,434,854</u>	<u>\$ 195,793,568</u>	<u>\$ 9,155,610</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 12,935,000	\$ 15,000,000	\$ 465,000	\$ 27,470,000	\$ 15,475,000
Wastewater Utility	<u>-</u>	<u>11,000,000</u>	<u>-</u>	<u>11,000,000</u>	<u>-</u>
Total revenue bonds payable	12,935,000	26,000,000	465,000	38,470,000	15,475,000
Compensated absences	<u>95,439</u>	<u>206,635</u>	<u>189,721</u>	<u>112,353</u>	<u>112,353</u>
Total business-type activities long-term liabilities	<u>\$ 13,030,439</u>	<u>\$ 26,206,635</u>	<u>\$ 654,721</u>	<u>\$ 38,582,353</u>	<u>\$ 15,587,353</u>

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

H. Restricted Assets

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

Customer deposits	\$ 8,820
Revenue bond operations and maintenance account	<u>16,192,200</u>
Total restricted assets	<u>\$ 16,201,020</u>

IV. Other Information

A. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Medical Benefits to Employees, Retirees and Dependents

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

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

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

	<u>2004</u>	<u>2005</u>
Unpaid claims, beginning of fiscal year	\$ 486,441	\$ (2,333)
Incurred claims and changes in estimates	3,138,925	4,892,817
Claim payments	<u>3,627,699</u>	<u>4,636,834</u>
Unpaid claims, end of fiscal year	<u>\$ (2,333)</u>	<u>\$ 253,650</u>

Claims and judgments typically have been liquidated from the general fund.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government with at least 20 years of services or who retire under disability. Currently, 16 retirees meet these eligibility requirements. The primary government's share of these postemployment benefits is as follows: 50% for 20 years of service plus 2% for each additional year over 20, up to a maximum of \$600 per month. If an employee retires as disabled, the City pays 100% of this benefit, not subject to the \$600 limit. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, expenditures of \$89,367, were recognized for postemployment benefits.

C. Conduit Debt Obligation

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

At December 31, 2005, there were two series of Economic Development Bonds outstanding with an aggregate principal amount payable of \$4,665,000.

D. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

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

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government's annual pension cost and related information as provided by the actuary is presented in this note.

The Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from employer contributions to the fund.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

The Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from employer contributions to the fund.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 501,606	\$ 978,000	\$ 896,100
Interest on net pension obligation	(15,692)	166,900	207,900
Adjustment to annual required contribution	<u>17,883</u>	<u>(291,500)</u>	<u>(363,200)</u>
Annual pension cost	503,797	853,400	740,800
Contributions made	<u>570,795</u>	<u>289,609</u>	<u>296,233</u>
Increase (decrease) in net pension obligation	(66,998)	563,791	444,567
Net pension obligation, beginning of year	<u>(216,448)</u>	<u>2,472,033</u>	<u>3,079,933</u>
Net pension obligation, end of year	<u>\$ (283,446)</u>	<u>\$ 3,035,824</u>	<u>\$ 3,524,500</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.25%	21%	21%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	4%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75%/4%*	2.75%/4%*

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 401,850	82%	\$ (197,067)
	06-30-04	403,720	105%	(216,448)
	06-30-05	403,720	105%	(216,448)
1925 Police Officers' Pension Plan	12-31-02	893,900	56%	2,102,216
	12-31-03	903,400	49%	2,472,033
	12-31-04	978,000	30%	3,035,824
1937 Firefighters' Pension Plan	12-31-02	839,900	77%	2,820,416
	12-31-03	825,500	68%	3,079,933
	12-31-04	896,100	65%	3,524,500

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Retires and beneficiaries currently receiving benefits	13	12
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	1	5

CITY OF CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Statements of Fiduciary Net Assets:

<u>Assets</u>	1925 Police Officers' Pension	1937 Firefighters' Pension
Cash and cash equivalents	\$ 10,279	\$ 184,661
Investments at fair value:		
U.S. Government securities	<u>3,461,950</u>	<u>4,290,824</u>
Total assets	<u>\$ 3,472,229</u>	<u>\$ 4,475,485</u>
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits	<u>\$ 3,472,229</u>	<u>\$ 4,475,485</u>

Statements of Changes in Fiduciary Net Assets:

CITY OF CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

<u>Additions</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Contributions:		
Employer	\$ 247,510	\$ 290,009
Plan members	<u>2,003</u>	<u>9,268</u>
 Total contributions	 <u>249,513</u>	 <u>299,277</u>
Investment income:		
Interest	<u>35,707</u>	<u>52,868</u>
 Total additions	 <u>285,220</u>	 <u>352,145</u>
 <u>Deductions</u>		
Benefits	383,133	328,259
Administrative expenses	<u>1,700</u>	<u>1,898</u>
 Total deductions	 <u>384,833</u>	 <u>330,157</u>
 Changes in net assets	 (99,613)	 21,988
Net assets - beginning	<u>3,571,842</u>	<u>4,453,497</u>
Net assets - ending	<u>\$ 3,472,229</u>	<u>\$ 4,475,485</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

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

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$3,174,482, \$2,043,631, and \$1,029,350, respectively, equal to the required contributions for each year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARMEL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 5,181,790	\$ 5,827,860	\$ (646,070)	89%	\$ 7,658,574	(8%)
07-01-04	5,834,986	6,444,467	(609,481)	91%	8,842,272	(7%)
07-01-05	5,838,590	8,218,134	(2,379,544)	71%	11,010,431	(22%)

1925 Police Officers' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 2,759,846	\$ 6,881,200	\$ (4,121,354)	40%	\$ 211,300	(1,950%)
01-01-01	2,966,563	7,353,600	(4,387,037)	40%	175,300	(2,503%)
01-01-02	3,286,055	8,149,700	(4,863,645)	40%	183,400	(2,652%)
01-01-03	3,472,830	7,568,300	(4,095,470)	46%	235,700	(1,738%)
01-01-04	3,580,789	8,161,200	(4,580,411)	44%	197,900	(2,315%)
01-01-05	3,571,842	6,253,000	(2,681,158)	57%	50,800	(5,278%)

1937 Firefighters' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 3,265,056	\$ 6,815,400	\$ (3,550,344)	48%	\$ 211,300	(1,680%)
01-01-01	3,506,147	8,027,500	(4,521,353)	44%	175,300	(2,579%)
01-01-02	3,984,324	7,691,400	(3,707,076)	52%	183,500	(2,020%)
01-01-03	4,260,736	6,972,000	(2,711,264)	61%	235,700	(1,150%)
01-01-04	4,437,783	7,473,700	(3,035,917)	59%	197,900	(1,534%)
01-01-05	4,453,497	6,832,800	(2,379,303)	65%	152,500	(1,560%)

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

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

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-99	\$ 630,400	26%
12-31-00	721,800	22%
12-31-01	781,000	53%
12-31-02	893,900	41%
12-31-03	903,400	36%
12-31-04	978,000	36%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-99	\$ 732,800	34%
12-31-00	708,900	35%
12-31-01	844,800	69%
12-31-02	839,900	60%
12-31-03	825,500	54%
12-31-04	896,100	54%

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

CITY OF CARMEL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts	
	Original	Final		
Revenues:				
Property taxes	\$ 20,960,951	\$ 20,960,951	\$ 20,860,015	\$ (100,936)
Income taxes	13,719,390	13,719,390	13,719,390	-
Licenses and permits	1,503,500	1,503,500	2,415,351	911,851
Intergovernmental	1,673,276	1,673,276	2,503,125	829,849
Charges for services	4,307,654	4,307,654	4,226,049	(81,605)
Fines and forfeits	300,000	300,000	351,706	51,706
Other	242,916	242,916	1,327,758	1,084,842
Total revenues	42,707,687	42,707,687	45,403,394	2,695,707
Expenditures:				
Current:				
General government:				
Clerk-Treasurer				
Personal services	451,375	458,575	384,413	74,162
Supplies	13,700	15,650	14,655	995
Other services and charges	198,750	290,570	135,053	155,517
Capital outlay	18,000	32,447	17,531	14,916
Mayor's Office				
Personal services	485,635	460,696	398,358	62,338
Supplies	7,700	8,492	5,327	3,165
Other services and charges	745,935	898,657	796,868	101,789
Capital outlay	30,000	38,708	13,037	25,671
City Council				
Personal services	121,550	122,000	121,857	143
Supplies	1,650	1,650	239	1,411
Other services and charges	620,600	631,379	554,945	76,434
Capital outlay	6,500	11,500	10,710	790
Board of Public Works				
Personal services	71,540	66,755	59,008	7,747
Other services and charges	4,631,117	4,682,169	3,307,138	1,375,031
Plan Commission				
Supplies	-	515	515	-
Other services and charges	-	174,737	72,805	101,932
Capital outlay	-	846	846	-

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

Continued on next page

CITY OF CARMEL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
General government (continued):				
Administration				
Personal services	1,138,080	1,081,394	1,020,044	61,350
Supplies	75,300	92,309	61,038	31,271
Other services and charges	1,464,401	1,792,722	1,012,291	780,431
Capital outlay	285,790	1,458,753	123,415	1,335,338
City Court				
Personal services	579,867	579,867	427,382	152,485
Supplies	7,325	7,530	7,355	175
Other services and charges	48,495	52,130	38,849	13,281
Capital outlay	11,300	13,655	12,677	978
Law Department				
Personal services	300,184	293,385	276,682	16,703
Supplies	1,350	1,912	1,757	155
Other services and charges	129,895	235,351	183,953	51,398
Capital outlay	8,200	9,677	8,332	1,345
Community Services				
Personal services	1,482,702	1,436,554	1,312,766	123,788
Supplies	31,250	37,064	31,630	5,434
Other services and charges	600,310	675,532	570,082	105,450
Capital outlay	38,250	59,609	44,713	14,896
Total general government	<u>13,806,751</u>	<u>15,722,790</u>	<u>11,026,271</u>	<u>4,696,519</u>
Public safety:				
Fire Department				
Personal services	14,167,516	13,711,443	13,619,585	91,858
Supplies	172,086	197,086	195,591	1,495
Other services and charges	1,420,772	1,395,772	1,272,803	122,969
Police Department				
Personal services	9,137,160	8,742,197	8,535,414	206,783
Supplies	320,550	401,153	345,336	55,817
Other services and charges	1,321,843	1,367,579	1,283,882	83,697
Capital outlay	28,500	34,803	22,533	12,270

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

Continued on next page

CITY OF CARMEL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts	
	Original	Final		
Expenditures (continued):				
Current (continued):				
Public safety (continued):				
Communication Center				
Personal services	1,427,524	1,373,894	1,354,690	19,204
Supplies	35,200	37,854	28,377	9,477
Other services and charges	393,900	452,591	262,192	190,399
Capital outlay	61,750	92,643	56,398	36,245
Total public safety	<u>28,486,801</u>	<u>27,807,015</u>	<u>26,976,801</u>	<u>830,214</u>
Culture and recreation:				
Parks Department				
Personal services	957,011	957,011	885,582	71,429
Supplies	94,050	103,678	100,146	3,532
Other services and charges	642,650	723,400	657,724	65,676
Capital outlay	78,000	100,506	64,518	35,988
Total culture and recreation	<u>1,771,711</u>	<u>1,884,595</u>	<u>1,707,970</u>	<u>176,625</u>
Total expenditures	43,865,263	45,414,400	39,711,042	5,703,358
Other financing sources (uses):				
Transfers out	<u>(1,822,648)</u>	<u>(1,822,648)</u>	<u>(1,822,648)</u>	<u>-</u>
Net change in fund balances	(2,980,224)	(4,529,361)	3,869,704	8,399,065
Fund balances - beginning	<u>3,904,708</u>	<u>3,904,708</u>	<u>3,904,708</u>	<u>-</u>
Fund balances - ending	<u>\$ 924,484</u>	<u>\$ (624,653)</u>	<u>\$ 7,774,412</u>	<u>\$ 8,399,065</u>

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

CITY OF CARMEL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET/GAAP RECONCILIATION
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

	<u>General</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses (budgetary basis)	\$ 3,869,704
Adjustments:	
To adjust revenues for accruals	2,231,694
To adjust expenditures for accruals	(1,434,078)
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP basis)	\$ 4,667,320

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

CITY OF CARMEL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2005

Note 1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The Clerk-Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City advertises the budget prior to adoption and the City Council holds public hearings to obtain taxpayer comments.
3. The budget is approved in September of each year by the City Council through passage of an ordinance.
4. Copies of the budget ordinance and advertisements are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the Clerk-Treasurer receives approval from the Indiana Department of Local Government Finance. The budget ordinance as approved by the Indiana Department of Local Government Finance becomes the City's expenditures budget. The City's maximum tax levy is restricted by Indiana Law, with certain adjustments and exceptions. If the advertised budget exceeds the spending and tax limits of the state control laws, an excess levy can be granted by the Indiana Department of Local Government Finance, upon appeal by the City.
5. The legal level of budgetary control (the level at which expenditures may not exceed appropriations without the governing body's approval) is by object classification for all funds except for the General Fund, which is by object classification within each department. The City's management cannot transfer budgeted appropriations between object classifications of a budget, without approval of the City Council. Any revisions that alter the total appropriations for any fund or any department of the General fund must be approved by the City Council and in some instances, by the Indiana Department of Local Government Finance.
6. Formal budgetary integration is required by the State Statute and is employed as a management control device. An annual budget was legally adopted for the following funds:

Major funds:

General Fund

Nonmajor funds:

Special revenue funds:

Motor Vehicle Highway, Local Road and Street

Debt service funds:

Lease Rental, 2004 Bond and Interest

CITY OF CARMEL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2005
(Continued)

Capital projects funds:

Cumulative Capital Improvement, Cumulative Capital Development, Cumulative Capital Storm Sewer

7. The City's budgetary process is based upon GAAP. Appropriations lapse with the expiration of the budgetary period unless encumbered by a purchase order or contract. Encumbered appropriations are carried over and added to the subsequent year's budget.
8. Budgeted amounts are as originally adopted or as amended by the City Council and approved by the Indiana Department of Local Government Finance in the regular legal manner. Net increase to the original appropriations totaled \$128,313 in 2005.

Note 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end.

On or before August 31, the City Clerk-Treasurer submits to the Common Council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Common Council to obtain taxpayer comments. In September of each year, the Common Council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the City Clerk-Treasurer receives approval of the Indiana Department of Local Government Finance.

The primary government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

Expenditures did not exceed appropriations for any funds or any departments within the General Fund, which required legally, approved budgets.

NONMAJOR GOVERNMENTAL FUNDS

Special revenue fund—used to account for revenues derived for a specific purpose. The title of the funds is descriptive of the activities involved. The city maintains the following nonmajor special revenue funds:

Motor Vehicle Highway—To account for street construction and the operations of the street and maintenance department. Financing is provided by a specific annual property tax levy and by state motor vehicle highway distributions.

Local Road and Street—To account for operation and maintenance of local and arterial road and street systems. Financing is provided by state gasoline tax distributions.

Park impact—To account for expenditures relating to the maintenance, landscapes and residential and commercial construction.

Park and Recreational Nonreverting Operating—To account for parks recreation program and facilities including general maintenance, acquisition, repairs and/or replacement of capital improvements, for equipment, for other property, goods and services. Financing is provided by fees collected from program participants.

Tree City Grant Project—To account for federal grant monies used for planting trees in urban areas.

Park Gift—To account for donations received for park expenditures.

Local Law Enforcement Continuing Education—To account for expenditures related to continuing education of law enforcement officers employed by the City. Financing is provided by fees collected for the violation of City ordinances and distributed by the Hamilton County Clerk of the Circuit Court.

Law Enforcement Aid VII—To account for police department expenditures related to the Hamilton County Drug Task Force Program. Financing is provided by federal grant monies and reimbursement from other local governmental entities.

Emergency Ambulance and Fire—To account for expenditures related to capital improvements financed by property tax levies and charges for services of emergency ambulance services.

Fire Gift—To account for donations received for fire department expenditures.

Police Gift—To account for donations received for police department expenditures.

Court Records Perpetuation—To account for document storage fees and facsimile transmission fees collected by the Carmel City Court. Disbursements are for the purpose of developing a record retention program.

Grant Fund—To account for state and federal grants received and expended during the year.

Rainy Day—To account for monies transferred from other funds for use on future unexpected expenditures.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Economic Development—To account for preliminary expenses in connection with negotiations concerning the terms and conditions for the financing of economic development. Financing is provided by miscellaneous revenues.

Housing Authority—To account for the clearance, replanning and reconstruction of areas within the City where unsanitary or unsafe conditions exist. Initial funding provided by the City General Fund.

Barrett Law—To account for the costs of certain Barrett Law projects approved by the Common Council.

Deferral Fund—To account for fees collected from City ordinance violations via participation in the City's deferral program and collected by the City Court. These funds are remitted monthly to the Clerk-Treasurer from the Court Clerk.

Public Safety Training Facility—To account for the receipt and disbursement of monies received pursuant to the Interlocal Agreement and for the purpose of obtaining a study regarding the feasibility of financing, constructing, maintaining, marketing and managing a Public Safety Training Facility in Hamilton County.

Thoroughfare—To be used for exclusively for the purpose of accepting and disbursing monies received for City thoroughfare development projects. Deposits in such fund shall reflect obligations voluntarily undertaken by developers to contribute the resources necessary at the time their real estate is being developed, to bring thoroughfares adjacent to the same into conformance with the City's Thoroughfare Development Plan, without regard to the size or number of lots or units to be located within the development.

Levy Excess—To account for property tax collections in excess of the maximum levy set by statute, as directed by the Indiana Department of Local Government Finance

City Court—To account for fines and fees collected by the City Court.

Debt service funds—used to account for the accumulation of resources for and retirement of, general long-term debt principal and interest. The City maintains the following nonmajor debt service fund:

Lease Rental—To account for expenditures to the Civic Square Public Building Corporation for the retirement of debt relating to the Municipal Office Building, Fire Station and Police Station. Financing is provided by a specific annual property tax levy.

2002 Bond and Interest—To account for bonds payable related to the construction of the Street Department facility and road and infrastructure projects. Financing is provided by County Option Income Taxes (COIT).

2004 Bond and Interest—To account for the expenditures to the City of Carmel Redevelopment Authority for the retirement of the debt relating to the 2004 Road Projects bond issue. Financing is provided by a specific annual property tax levy and payment from the City's General Fund.

**NONMAJOR GOVERNMENTAL FUNDS
(Continued)**

Redevelopment Commission Bond and Interest—To account for the repayment of Tax Increment Financing bonds related to economic development and infrastructure projects within the TIF district. Financing is provided from the proceeds of the TIF bonds.

Civic Square Building Corporation—To account for expenditures related to the costs of land acquisition, demolition, utility relocation, parking facilities and other infrastructure improvements in or serving the City Center Redevelopment Area. Financing is provided by bond issues.

Capital Project Funds—used to account for acquisition and construction of major capital facilities other than those financed by proprietary funds.

Cumulative Capital Improvement—To account for financial resources related to improvement projects financed by state cigarette tax distributions or the payment of debt incurred for the improvements to City property.

Cumulative Capital Development—To account for expenditures related to capital improvements for the City. Financing is provided by a specific property tax levy.

Cumulative Capital Storm Sewer—To account for expenditures related to sanitary sewer improvement projects. Financing is provided by property tax levy.

2002 Bond Construction—To account for expenditures related to the Street Department facility and road and infrastructure projects. Financing was provided from the sale of bonds.

Civic Square Construction—To account for expenditures related to Carmel Civic Square capital improvements. Financing was originally provided from the sale of bonds.

Land Acquisition—To account for expenditures related to land acquisition. Financing is provided by property tax levies.

1997 Road Construction—To account for expenditures related to capital improvements for roads and infrastructure projects. Financing was provided by the sale of bonds.

Carmel City Center—To account for expenditures related to the costs of land acquisition, demolition, utility relocation, parking facilities and other infrastructure improvements in or serving the City Center Redevelopment Area. Financing is provided by bond issues.

Park Capital—To account for monies used to acquire specific real property, making capital improvements, or as otherwise permitted by law for parks. Financing is provided by the City and Clay Township.

Redevelopment Commission Construction—To account for receipts, disbursements, and retirement of debt related to the construction of road and infrastructure projects.

NONMAJOR PROPRIETARY FUNDS

Internal Service Fund—used to account for goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Self-Funded Insurance—To account for the collection and payment to an insurance third party administrator for the City Employee's Health Insurance and Life Insurance programs. Funding is provided by employee and City contributions.

Carmel Redevelopment Authority—To account for repayment of bonds payable related to the construction of roads and infrastructure projects. Financing is provided by County Option Income Taxes (COIT)

NONMAJOR FIDUCIARY FUNDS

Pension Trust Funds—used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. The City maintains the following nonmajor pension trust funds.

Police Pension—To account for resources related to police pension benefit payments to qualified police officers.

Fire Pension—To account for resources related to fire pension benefit payments to qualified firefighters.

Agency Funds—used to account for resources that are custodial in nature. They generally are amounts held by the City on behalf of third parties. The City maintains the following nonmajor agency funds.

Payroll—To account for the payroll of City employees. Gross payroll is treated as expenditures in other City funds and transferred into this fund, which serves as a clearing account.

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CITY OF CARMEL
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

<u>Assets</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 7,470,659	\$ 1,846,103	\$ 7,217,294	\$ 16,534,056
Receivables:				
Taxes	102,825	37,615	22,789	163,229
Accounts	720,886	-	-	720,886
Special assessments	10,540	-	-	10,540
Intergovernmental	317,093	4,917	18,516	340,526
Total assets	<u>\$ 8,622,003</u>	<u>\$ 1,888,635</u>	<u>\$ 7,258,599</u>	<u>\$ 17,769,237</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 69,257	\$ -	\$ 80,439	\$ 149,696
Accrued payroll and withholdings payable	70,218	-	-	70,218
Unavailable revenue	93,123	34,066	36,176	163,365
Total liabilities	<u>232,598</u>	<u>34,066</u>	<u>116,615</u>	<u>383,279</u>
Fund balances:				
Reserved for:				
Encumbrances	2,549,491	-	4,723,630	7,273,121
Unreserved, reported in:				
Special revenue funds	5,839,914	-	-	5,839,914
Capital projects funds	-	-	2,418,354	2,418,354
Debt service funds	-	1,854,569	-	1,854,569
Total fund balances	<u>8,389,405</u>	<u>1,854,569</u>	<u>7,141,984</u>	<u>17,385,958</u>
Total liabilities and fund balances	<u>\$ 8,622,003</u>	<u>\$ 1,888,635</u>	<u>\$ 7,258,599</u>	<u>\$ 17,769,237</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Special Revenue	Debt Service	Capital Projects	Totals
Revenues:				
Property taxes	\$ 3,969,727	\$ 1,849,126	\$ 879,806	\$ 6,698,659
Special assessments	1,604	-	-	1,604
Licenses and permits	1,116,273	-	-	1,116,273
Intergovernmental	3,248,722	128,446	337,150	3,714,318
Charges for services	1,632,081	-	133,592	1,765,673
Fines and forfeits	1,376,999	-	-	1,376,999
Other:				
Interest on investments	173,182	32,116	222,503	427,801
Donations	382,919	-	-	382,919
Reimbursements	40,288	135,794	436	176,518
Total revenues	11,941,795	2,145,482	1,573,487	15,660,764
Expenditures:				
Current:				
General government	1,013,135	12,992	197,389	1,223,516
Public safety	516,822	-	-	516,822
Highways and streets	5,944,393	-	-	5,944,393
Culture and recreation	969,506	-	16,567	986,073
Debt service:				
Principal	-	1,035,000	-	1,035,000
Interest	-	1,325,550	-	1,325,550
Capital outlay:				
General government	-	-	2,207,374	2,207,374
Public safety	627,083	-	-	627,083
Highways and streets	1,379,096	-	-	1,379,096
Economic development	-	-	6,652,456	6,652,456
Culture and recreation	6,759	-	88,316	95,075
Total expenditures	10,456,794	2,373,542	9,162,102	21,992,438
Excess (deficiency) of revenues over (under) expenditures	1,485,001	(228,060)	(7,588,615)	(6,331,674)
Other financing sources (uses):				
Transfers in	197,420	1,097,792	1,699,936	2,995,148
Transfers out	(49,231)	(1,051,645)	(15,832)	(1,116,708)
Total other financing sources and uses	148,189	46,147	1,684,104	1,878,440
Net change in fund balances	1,633,190	(181,913)	(5,904,511)	(4,453,234)
Fund balance - beginning, as previously reported	6,756,215	3,270,278	13,046,495	23,072,988
Prior period adjustment	-	(1,233,796)	-	(1,233,796)
Fund balances - beginning, as restated	6,756,215	2,036,482	13,046,495	21,839,192
Fund balances - ending	\$ 8,389,405	\$ 1,854,569	\$ 7,141,984	\$ 17,385,958

CITY OF CARMEL
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2005

<u>Assets</u>	Motor Vehicle Highway	Local Road and Street	Park Impact	Park and Recreation Nonreverting Operating	Tree City Grant Project	Park Gift	Local Law Enforcement Continuing Education	Law Enforcement Aid VII
Cash and cash equivalents	\$ 1,757,787	\$ 1,621,472	\$ 1,268,967	\$ 222,429	\$ 53,474	\$ 451,302	\$ 49,214	\$ 301,541
Receivables:								
Taxes	102,825	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Intergovernmental	194,218	122,875	-	-	-	-	-	-
Total assets	\$ 2,054,830	\$ 1,744,347	\$ 1,268,967	\$ 222,429	\$ 53,474	\$ 451,302	\$ 49,214	\$ 301,541
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 51,466	\$ 13,163	\$ 2,130	\$ 2,478	\$ -	\$ -	\$ 20	\$ -
Accrued payroll and withholdings payable	70,218	-	-	-	-	-	-	-
Unavailable revenue	93,123	-	-	-	-	-	-	-
Total liabilities	214,807	13,163	2,130	2,478	-	-	20	-
Fund balances:								
Reserved for:								
Encumbrances	1,134,052	1,415,439	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	705,971	315,745	1,266,837	219,951	53,474	451,302	49,194	301,541
Total fund balances	1,840,023	1,731,184	1,266,837	219,951	53,474	451,302	49,194	301,541
Total liabilities and fund balances	\$ 2,054,830	\$ 1,744,347	\$ 1,268,967	\$ 222,429	\$ 53,474	\$ 451,302	\$ 49,214	\$ 301,541

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CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2005
 (Continued)

<u>Assets</u>	Emergency Ambulance and Fire	Fire Gift	Police Gift	Court Records Perpetuation	Grant Fund	Rainy Day	Economic Development	Housing Authority
Cash and cash equivalents	\$ 171,624	\$ 4,136	\$ 22,905	\$ 13,915	\$ 388,923	\$ 5,809	\$ 40,580	\$ 51,612
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Accounts	720,886	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Total assets	<u>\$ 892,510</u>	<u>\$ 4,136</u>	<u>\$ 22,905</u>	<u>\$ 13,915</u>	<u>\$ 388,923</u>	<u>\$ 5,809</u>	<u>\$ 40,580</u>	<u>\$ 51,612</u>
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	892,510	4,136	22,905	13,915	388,923	5,809	40,580	51,612
Total fund balances	<u>892,510</u>	<u>4,136</u>	<u>22,905</u>	<u>13,915</u>	<u>388,923</u>	<u>5,809</u>	<u>40,580</u>	<u>51,612</u>
Total liabilities and fund balances	<u>\$ 892,510</u>	<u>\$ 4,136</u>	<u>\$ 22,905</u>	<u>\$ 13,915</u>	<u>\$ 388,923</u>	<u>\$ 5,809</u>	<u>\$ 40,580</u>	<u>\$ 51,612</u>

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2005
 (Continued)

<u>Assets</u>	<u>Barrett Law</u>	<u>Deferral Fund</u>	<u>Public Safety Training Facility</u>	<u>Thoroughfare</u>	<u>Levy Excess</u>	<u>City Court</u>	<u>Totals</u>
Cash and cash equivalents	\$ 139,727	\$ 212,034	\$ 6,057	\$ 457,172	\$ 197,420	\$ 32,559	\$ 7,470,659
Receivables:							
Taxes	-	-	-	-	-	-	102,825
Accounts	-	-	-	-	-	-	720,886
Special assessments	10,540	-	-	-	-	-	10,540
Intergovernmental	-	-	-	-	-	-	317,093
Total assets	<u>\$ 150,267</u>	<u>\$ 212,034</u>	<u>\$ 6,057</u>	<u>\$ 457,172</u>	<u>\$ 197,420</u>	<u>\$ 32,559</u>	<u>\$ 8,622,003</u>
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,257
Accrued payroll and withholdings payable	-	-	-	-	-	-	70,218
Unavailable revenue	-	-	-	-	-	-	93,123
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,598</u>
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	-	-	-	2,549,491
Unreserved, reported in:							
Special revenue funds	150,267	212,034	6,057	457,172	197,420	32,559	5,839,914
Total fund balances	<u>150,267</u>	<u>212,034</u>	<u>6,057</u>	<u>457,172</u>	<u>197,420</u>	<u>32,559</u>	<u>8,389,405</u>
Total liabilities and fund balances	<u>\$ 150,267</u>	<u>\$ 212,034</u>	<u>\$ 6,057</u>	<u>\$ 457,172</u>	<u>\$ 197,420</u>	<u>\$ 32,559</u>	<u>\$ 8,622,003</u>

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 December 31, 2005

<u>Assets</u>	<u>Lease Rental</u>	<u>2002 Bond and Interest</u>	<u>2004 Bond and Interest</u>	<u>Redevelopment Commission Bond and Interest</u>	<u>Civic Square Building Corporation</u>	<u>Totals</u>
Cash and cash equivalents	\$ 39,596	\$ 1,918	\$ 5,982	\$ 1,204,300	\$ 594,307	\$ 1,846,103
Receivables:						
Taxes	25,809	-	11,806	-	-	37,615
Intergovernmental	3,374	-	1,543	-	-	4,917
Total assets	\$ 68,779	\$ 1,918	\$ 19,331	\$ 1,204,300	\$ 594,307	\$ 1,888,635
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Unavailable revenue	\$ 23,374	\$ -	\$ 10,692	\$ -	\$ -	\$ 34,066
Total liabilities	23,374	-	10,692	-	-	34,066
Fund balances:						
Unreserved, reported in:						
Debt service funds	45,405	1,918	8,639	1,204,300	594,307	1,854,569
Total fund balances	45,405	1,918	8,639	1,204,300	594,307	1,854,569
Total liabilities and fund balances	\$ 68,779	\$ 1,918	\$ 19,331	\$ 1,204,300	\$ 594,307	\$ 1,888,635

CITY OF CARMEL
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2005

<u>Assets</u>	<u>Cumulative Capital Improvement</u>	<u>Cumulative Capital Development</u>	<u>Cumulative Capital Storm Sewer</u>	<u>2002 Bond Construction</u>	<u>Civic Square Construction</u>	<u>Land Acquisition</u>
Cash and cash equivalents	\$ 401,841	\$ 1,607,441	\$ 2,425,897	\$ 331,461	\$ 533	\$ 317,772
Receivables:						
Taxes	-	-	22,789	-	-	-
Intergovernmental	15,537	-	2,979	-	-	-
Total assets	<u>\$ 417,378</u>	<u>\$ 1,607,441</u>	<u>\$ 2,451,665</u>	<u>\$ 331,461</u>	<u>\$ 533</u>	<u>\$ 317,772</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 495	\$ 76,431	\$ 188	\$ -	\$ -	\$ -
Unavailable revenue	15,537	-	20,639	-	-	-
Total liabilities	<u>16,032</u>	<u>76,431</u>	<u>20,827</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Reserved for:						
Encumbrances	374,478	1,594,775	1,988,184	-	-	-
Unreserved, reported in:						
Capital projects funds	26,868	(63,765)	442,654	331,461	533	317,772
Total fund balances	<u>401,346</u>	<u>1,531,010</u>	<u>2,430,838</u>	<u>331,461</u>	<u>533</u>	<u>317,772</u>
Total liabilities and fund balances	<u>\$ 417,378</u>	<u>\$ 1,607,441</u>	<u>\$ 2,451,665</u>	<u>\$ 331,461</u>	<u>\$ 533</u>	<u>\$ 317,772</u>

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2005
 (Continued)

<u>Assets</u>	1997 Road Construction	Carmel City Center	Park Capital	Redevelopment Commission Construction	Totals
Cash and cash equivalents	\$ 383	\$ -	\$ 831,204	\$ 1,300,762	\$ 7,217,294
Receivables:					
Taxes	-	-	-	-	22,789
Intergovernmental	-	-	-	-	18,516
Total assets	\$ 383	\$ -	\$ 831,204	\$ 1,300,762	\$ 7,258,599
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 3,325	\$ -	\$ 80,439
Unavailable revenue	-	-	-	-	36,176
Total liabilities	-	-	3,325	-	116,615
Fund balances:					
Reserved for:					
Encumbrances	-	-	766,193	-	4,723,630
Unreserved, reported in:					
Capital projects funds	383	-	61,686	1,300,762	2,418,354
Total fund balances	383	-	827,879	1,300,762	7,141,984
Total liabilities and fund balances	\$ 383	\$ -	\$ 831,204	\$ 1,300,762	\$ 7,258,599

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

	Motor Vehicle Highway	Local Road and Street	Park Impact	Park and Recreation Nonreverting Operating	Tree City Grant Project	Park Gift	Local Law Enforcement Continuing Education	Law Enforcement Aid VII
Revenues:								
Property taxes	\$ 3,969,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-	-
Licenses and permits	-	-	1,112,923	-	-	-	3,350	-
Intergovernmental	1,978,914	1,010,559	-	-	-	-	-	109,864
Charges for services	-	-	-	442,231	-	-	16,939	-
Fines and forfeits	-	-	-	-	-	-	15,851	254,530
Other:								
Interest on investments	29,842	50,519	28,121	8,204	1,612	12,982	1,445	9,994
Donations	-	-	-	23,026	1,100	329,202	-	-
Reimbursements	34,857	-	151	-	-	-	1,342	1,900
Total revenues	6,013,340	1,061,078	1,141,195	473,461	2,712	342,184	38,927	376,288
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	48,502	355,927
Highways and streets	5,887,038	57,355	-	-	-	-	-	-
Culture and recreation	-	-	502,044	451,531	-	15,931	-	-
Capital outlay								
Public safety	-	-	-	-	-	-	-	5,464
Highways and streets	910,388	468,708	-	-	-	-	-	-
Culture and recreation	-	-	-	6,759	-	-	-	-
Total expenditures	6,797,426	526,063	502,044	458,290	-	15,931	48,502	361,391
Excess (deficiency) of revenues over (under) expenditures	(784,086)	535,015	639,151	15,171	2,712	326,253	(9,575)	14,897
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(49,231)	-	-	-	-	-	-	-
Total other financing sources and uses	(49,231)	-	-	-	-	-	-	-
Net change in fund balances	(833,317)	535,015	639,151	15,171	2,712	326,253	(9,575)	14,897
Fund balances - beginning	2,673,340	1,196,169	627,686	204,780	50,762	125,049	58,769	286,644
Fund balances - ending	\$ 1,840,023	\$ 1,731,184	\$ 1,266,837	\$ 219,951	\$ 53,474	\$ 451,302	\$ 49,194	\$ 301,541

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CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Emergency Ambulance and Fire	Fire Gift	Police Gift	Court Records Perpetuation	Grant Fund	Rainy Day	Economic Development	Housing Authority
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	57,646	-	-	-	91,739	-	-	-
Charges for services	709,587	-	-	8,246	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other:								
Interest on investments	4,062	61	707	272	10,303	176	1,231	1,566
Donations	-	9,391	20,200	-	-	-	-	-
Reimbursements	409	-	-	-	-	-	-	-
Total revenues	771,704	9,452	20,907	8,518	102,042	176	1,231	1,566
Expenditures:								
Current:								
General government	-	-	-	-	28,251	-	-	-
Public safety	49,584	6,261	22,437	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Capital outlay								
Public safety	621,047	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	670,631	6,261	22,437	-	28,251	-	-	-
Excess (deficiency) of revenues over (under) expenditures	101,073	3,191	(1,530)	8,518	73,791	176	1,231	1,566
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	101,073	3,191	(1,530)	8,518	73,791	176	1,231	1,566
Fund balances - beginning	791,437	945	24,435	5,397	315,132	5,633	39,349	50,046
Fund balances - ending	\$ 892,510	\$ 4,136	\$ 22,905	\$ 13,915	\$ 388,923	\$ 5,809	\$ 40,580	\$ 51,612

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CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Barrett Law	Deferral Fund	Public Safety Training Facility	Thoroughfare	Levy Excess	City Court	Totals
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,969,727
Special assessments	1,604	-	-	-	-	-	1,604
Licenses and permits	-	-	-	-	-	-	1,116,273
Intergovernmental	-	-	-	-	-	-	3,248,722
Charges for services	-	-	-	455,078	-	-	1,632,081
Fines and forfeits	-	90,270	-	-	-	1,016,348	1,376,999
Other:							
Interest on investments	4,135	5,620	236	2,094	-	-	173,182
Donations	-	-	-	-	-	-	382,919
Reimbursements	-	-	1,629	-	-	-	40,288
Total revenues	5,739	95,890	1,865	457,172	-	1,016,348	11,941,795
Expenditures:							
Current:							
General government	1,095	-	-	-	-	983,789	1,013,135
Public safety	-	26,280	7,831	-	-	-	516,822
Highways and streets	-	-	-	-	-	-	5,944,393
Culture and recreation	-	-	-	-	-	-	969,506
Capital outlay							
Public safety	-	572	-	-	-	-	627,083
Highways and streets	-	-	-	-	-	-	1,379,096
Culture and recreation	-	-	-	-	-	-	6,759
Total expenditures	1,095	26,852	7,831	-	-	983,789	10,456,794
Excess (deficiency) of revenues over (under) expenditures	4,644	69,038	(5,966)	457,172	-	32,559	1,485,001
Other financing sources (uses):							
Transfers in	-	-	-	-	197,420	-	197,420
Transfers out	-	-	-	-	-	-	(49,231)
Total other financing sources and uses	-	-	-	-	197,420	-	148,189
Net change in fund balances	4,644	69,038	(5,966)	457,172	197,420	32,559	1,633,190
Fund balances - beginning	145,623	142,996	12,023	-	-	-	6,756,215
Fund balances - ending	\$ 150,267	\$ 212,034	\$ 6,057	\$ 457,172	\$ 197,420	\$ 32,559	\$ 8,389,405

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 For The Year Ended December 31, 2005

	Lease Rental	2002 Bond and Interest	2004 Bond and Interest	Redevelopment Commission Bond and Interest	Civic Square Building Corporation	Totals
Revenues:						
Property taxes	\$ 996,407	\$ -	\$ 455,803	\$ 396,916	\$ -	\$ 1,849,126
Intergovernmental	88,625	-	39,821	-	-	128,446
Other:						
Interest on investments	1,298	59	1,365	27,049	2,345	32,116
Reimbursements	-	-	-	135,794	-	135,794
Total revenues	1,086,330	59	496,989	559,759	2,345	2,145,482
Expenditures:						
Current:						
General government	-	-	-	1,400	11,592	12,992
Debt service:						
Principal	-	-	-	100,000	935,000	1,035,000
Interest	-	-	488,350	719,356	117,844	1,325,550
Total expenditures	-	-	488,350	820,756	1,064,436	2,373,542
Excess of revenues over expenditures	1,086,330	59	8,639	(260,997)	(1,062,091)	(228,060)
Other financing sources (uses):						
Transfers in	-	-	-	55,792	1,042,000	1,097,792
Transfers out	(1,051,645)	-	-	-	-	(1,051,645)
Total other financing sources and uses	(1,051,645)	-	-	55,792	1,042,000	46,147
Net change in fund balances	34,685	59	8,639	(205,205)	(20,091)	(181,913)
Fund balance - beginning, as previously reported	10,720	1,859	-	2,643,301	614,398	3,270,278
Prior period adjustment	-	-	-	(1,233,796)	-	(1,233,796)
Fund balances - beginning, as restated	10,720	1,859	-	1,409,505	614,398	2,036,482
Fund balances - ending	\$ 45,405	\$ 1,918	\$ 8,639	\$ 1,204,300	\$ 594,307	\$ 1,854,569

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2005

	Cumulative Capital Improvement	Cumulative Capital Development	Cumulative Capital Storm Sewer	2002 Bond Construction	Civic Square Construction	Land Acquisition
Revenues:						
Property taxes	\$ -	\$ -	\$ 879,806	\$ -	\$ -	\$ -
Intergovernmental	157,495	101,402	78,253	-	-	-
Charges for services	-	-	-	-	-	-
Other:						
Interest on investments	9,806	24,261	62,836	12,417	56	9,639
Reimbursements	436	-	-	-	-	-
Total revenues	167,737	125,663	1,020,895	12,417	56	9,639
Expenditures:						
Current:						
General government	1,013	123,176	72,601	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
General government	54,464	1,418,034	475,412	259,464	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	55,477	1,541,210	548,013	259,464	-	-
Excess (deficiency) of revenues over (under) expenditures	112,260	(1,415,547)	472,882	(247,047)	56	9,639
Other financing sources:						
Transfers in	-	1,250,000	-	-	-	-
Transfers out	-	(9,453)	(6,379)	-	-	-
Total other financing sources and uses	-	1,240,547	(6,379)	-	-	-
Net change in fund balances	112,260	(175,000)	466,503	(247,047)	56	9,639
Fund balances - beginning	289,086	1,706,010	1,964,335	578,508	477	308,133
Fund balances - ending	\$ 401,346	\$ 1,531,010	\$ 2,430,838	\$ 331,461	\$ 533	\$ 317,772

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CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	1997 Road Construction	Carmel City Center	Park Capital	Redevelopment Commission Construction	Totals
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 879,806
Intergovernmental	-	-	-	-	337,150
Charges for services	-	-	133,592	-	133,592
Other:					
Interest on investments	12	-	13,257	90,219	222,503
Reimbursements	-	-	-	-	436
Total revenues	<u>12</u>	<u>-</u>	<u>146,849</u>	<u>90,219</u>	<u>1,573,487</u>
Expenditures:					
Current:					
General government	-	599	-	-	197,389
Culture and recreation	-	-	16,567	-	16,567
Capital outlay:					
General government	-	-	-	-	2,207,374
Economic development	-	-	-	6,652,456	6,652,456
Culture and recreation	-	-	88,316	-	88,316
Total expenditures	<u>-</u>	<u>599</u>	<u>104,883</u>	<u>6,652,456</u>	<u>9,162,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12</u>	<u>(599)</u>	<u>41,966</u>	<u>(6,562,237)</u>	<u>(7,588,615)</u>
Other financing sources:					
Transfers in	-	-	449,936	-	1,699,936
Transfers out	-	-	-	-	(15,832)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>449,936</u>	<u>-</u>	<u>1,684,104</u>
Net change in fund balances	12	(599)	491,902	(6,562,237)	(5,904,511)
Fund balances - beginning	<u>371</u>	<u>599</u>	<u>335,977</u>	<u>7,862,999</u>	<u>13,046,495</u>
Fund balances - ending	<u>\$ 383</u>	<u>\$ -</u>	<u>\$ 827,879</u>	<u>\$ 1,300,762</u>	<u>\$ 7,141,984</u>

CITY OF CARMEL
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

	Motor Vehicle Highway			Local Road and Street		
	Amended Budget	Actual Budgetary Basis Amounts	Variance Positive (Negative)	Amended Budget	Actual Budgetary Basis Amounts	Variance Positive (Negative)
Revenues:						
Property taxes	\$ 3,977,642	\$ 3,960,025	\$ (17,617)	\$ -	\$ -	\$ -
Intergovernmental	1,566,124	1,939,606	373,482	251,076	980,921	729,845
Charges for services	-	-	-	-	-	-
Other	39,912	64,699	24,787	2,460	50,519	48,059
Total revenues	5,583,678	5,964,330	380,652	253,536	1,031,440	777,904
Expenditures:						
Current:						
Highways and roads						
Personal services	3,422,406	2,990,401	432,005	-	-	-
Supplies	648,922	618,494	30,428	200,682	54,642	146,040
Other services and charges	2,600,969	2,207,335	393,634	1,740,645	468,708	1,271,937
Capital outlay	1,531,838	910,388	621,450	-	-	-
Total expenditures	8,204,135	6,726,618	1,477,517	1,941,327	523,350	1,417,977
Net change in fund balances	(2,620,457)	(762,288)	1,858,169	(1,687,791)	508,090	2,195,881
Fund balances - beginning	2,520,075	2,520,075	-	1,113,382	1,113,382	-
Fund balances - ending	\$ (100,382)	\$ 1,757,787	\$ 1,858,169	\$ (574,409)	\$ 1,621,472	\$ 2,195,881

CITY OF CARMEL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
DEBT SERVICE FUNDS
For The Year Ended December 31, 2005

	Lease Rental			2004 Bond and Interest		
	Amended Budget	Actual Budgetary Basis Amounts	Variance Positive (Negative)	Amended Budget	Actual Budgetary Basis Amounts	Variance Positive (Negative)
Revenues:						
Property taxes	\$ 998,393	\$ 993,972	\$ (4,421)	\$ -	\$ 454,689	\$ 454,689
Intergovernmental	141,876	85,251	(56,625)	40,000	38,278	(1,722)
Charges for services	-	-	-	-	-	-
Other	1,200	1,298	98	7,000	1,365	(5,635)
Total revenues	1,141,469	1,080,521	(60,948)	47,000	494,332	447,332
Expenditures:						
Debt service:						
Interest	-	-	-	488,350	488,350	-
Total expenditures	-	-	-	488,350	488,350	-
Excess of revenues over expenditures	1,141,469	1,080,521	(60,948)	(441,350)	5,982	(435,368)
Other financing uses:						
Transfers out	(1,051,645)	(1,051,645)	-	-	-	-
Net change in fund balances	89,824	28,876	(60,948)	(441,350)	5,982	(435,368)
Fund balances - beginning	10,720	10,720	-	-	-	-
Fund balances - ending	\$ 100,544	\$ 39,596	\$ (60,948)	\$ (441,350)	\$ 5,982	\$ (435,368)

CITY OF CARMEL
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
 CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2005

	Cumulative Capital Improvement			Cumulative Capital Development			Cumulative Capital Storm Sewer		
	Amended Budget	Actual Budgetary Basis Amounts	Variance Positive (Negative)	Amended Budget	Actual Budgetary Basis Amounts	Variance Positive (Negative)	Amended Budget	Actual Budgetary Basis Amounts	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,560	\$ 877,656	\$ (3,904)
Intergovernmental	141,876	157,931	16,055	40,000	101,403	61,403	61,060	75,274	14,214
Other	1,200	9,806	8,606	7,000	24,260	17,260	11,000	62,836	51,836
Total revenues	143,076	167,737	24,661	47,000	125,663	78,663	953,620	1,015,766	62,146
Expenditures:									
Current:									
Highways and roads									
Supplies	-	-	-	-	-	-	28,756	17,988	10,768
Other services and charges	50,518	518	50,000	289,296	56,198	233,098	277,809	64,004	213,805
Capital outlay	378,943	54,464	324,479	2,770,258	1,418,034	1,352,224	2,237,644	475,412	1,762,232
Total expenditures	429,461	54,982	374,479	3,059,554	1,474,232	1,585,322	2,544,209	557,404	1,986,805
Excess of revenues over expenditures	(286,385)	112,755	399,140	(3,012,554)	(1,348,569)	1,663,985	(2,544,209)	(557,404)	(3,101,613)
Other financing sources									
Transfers in	-	-	-	1,250,000	1,250,000	-	-	-	-
Net change in fund balances	(286,385)	112,755	399,140	(1,762,554)	(98,569)	1,663,985	(1,590,589)	458,362	2,048,951
Fund balances - beginning	289,086	289,086	-	1,706,010	1,706,010	-	1,967,535	1,967,535	-
Fund balances - ending	\$ 2,701	\$ 401,841	\$ 399,140	\$ (56,544)	\$ 1,607,441	\$ 1,663,985	\$ 376,946	\$ 2,425,897	\$ 2,048,951

CITY OF CARMEL
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 December 31, 2005

	Internal Service Funds		
	Self-Funded Insurance	Carmel Redevelopment Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,598,636	\$ 97,040,801	\$ 99,639,437
Investments	-	10,481,987	10,481,987
Current portion of capital lease receivable	-	2,505,000	2,505,000
Interest receivable	-	697,478	697,478
Total current assets	2,598,636	110,725,266	113,323,902
Other assets:			
Long-term portion of capital lease receivable	-	136,746,744	136,746,744
Deferred debits	-	1,931,483	1,931,483
Total other assets	-	138,678,227	138,678,227
Total assets	2,598,636	249,403,493	252,002,129
Liabilities			
Current liabilities:			
Interest payable	-	697,478	697,478
Funds held for City	-	107,522,788	107,522,788
Unpaid claims payable	253,650	-	253,650
Current maturities of long-term debt	-	2,505,000	2,505,000
Total current liabilities	253,650	110,725,266	110,978,916
Noncurrent liabilities:			
Redevelopment bonds payable	-	138,678,227	138,678,227
Total noncurrent liabilities	-	138,678,227	138,678,227
Total liabilities	253,650	249,403,493	249,657,143
Net Assets			
Unrestricted	2,344,986	-	2,344,986
Total net assets	\$ 2,344,986	\$ -	\$ 2,344,986

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2005

	Internal Service Fund		
	Self-Funded Insurance	Carmel Redevelopment Authority	Total
Operating revenues:			
Charges for services	\$ 5,086,841	\$ 2,780,384	\$ 7,867,225
Operating expenses:			
Insurance claims and premiums	4,890,484	-	4,890,484
Other	-	2,618,878	2,618,878
Depreciation and amortization	-	161,506	161,506
Total operating expenses	<u>4,890,484</u>	<u>2,780,384</u>	<u>7,670,868</u>
Operating income	196,357	-	196,357
Nonoperating revenues:			
Interest and investment revenue	<u>102,814</u>	-	<u>102,814</u>
Change in net assets	<u>299,171</u>	-	<u>299,171</u>
Total net assets - beginning	<u>2,045,815</u>	-	<u>2,045,815</u>
Total net assets - ending	<u>\$ 2,344,986</u>	<u>\$ -</u>	<u>\$ 2,344,986</u>

CITY OF CARMEL
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2005

	Internal Service Funds		
	Carmel		
	Self-Funded Insurance	Redevelopment Authority	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,086,841	\$ -	\$ 5,086,841
Other receipts and expenditures	-	2,980,077	2,980,077
Payments for interfund services used	(4,636,834)	(2,980,077)	(7,616,911)
Net cash provided by operating activities	<u>450,007</u>	<u>-</u>	<u>450,007</u>
Cash flows from noncapital financing activities:			
Interfund transfers	-	(7,575,312)	(7,575,312)
Cash flows from capital and related financing activities:			
Bond issue costs paid	-	(1,072,941)	(1,072,941)
Bond issue proceeds	-	100,038,643	100,038,643
Principal paid on capital debt - current bonds	-	(1,720,000)	(1,720,000)
Net cash provided by capital and related financing activities	<u>-</u>	<u>97,245,702</u>	<u>97,245,702</u>
Cash flows from investing activities:			
Principal portion of capital lease payments received	-	1,720,000	1,720,000
Investments purchased	-	(10,481,987)	(10,481,987)
Interest received	102,814	-	102,814
Net cash provided by investing activities	<u>102,814</u>	<u>(8,761,987)</u>	<u>(8,659,173)</u>
Net increase in cash and cash equivalents	552,821	80,908,403	81,461,224
Cash and cash equivalents, January 1	<u>2,045,815</u>	<u>16,132,398</u>	<u>18,178,213</u>
Cash and cash equivalents, December 31	<u>\$ 2,598,636</u>	<u>\$ 97,040,801</u>	<u>\$ 99,639,437</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 196,357	\$ -	\$ 196,357
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization of discount on capital lease receivable	-	(161,506)	(161,506)
Amortization of cost of issuance	-	161,506	161,506
Interest receivable	-	361,199	361,199
Interest payable	-	(361,199)	(361,199)
Funds held for City, net of funds remitted to City	-	-	-
Unpaid claims payable	253,650	-	253,650
Total adjustments	<u>253,650</u>	<u>-</u>	<u>253,650</u>
Net cash provided by operating activities	<u>\$ 450,007</u>	<u>\$ -</u>	<u>\$ 450,007</u>

CITY OF CARMEL
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 December 31, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total</u>
Cash and cash equivalents	\$ 10,279	\$ 184,661	\$ 194,940
Investments at fair value:			
U.S. Government securities	<u>3,461,950</u>	<u>4,290,824</u>	<u>7,752,774</u>
Total investments	<u>3,461,950</u>	<u>4,290,824</u>	<u>7,752,774</u>
Total assets	<u>\$ 3,472,229</u>	<u>\$ 4,475,485</u>	<u>\$ 7,947,714</u>
 <u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	<u>\$ 3,472,229</u>	<u>\$ 4,475,485</u>	<u>\$ 7,947,714</u>
Total net assets	<u>\$ 3,472,229</u>	<u>\$ 4,475,485</u>	<u>\$ 7,947,714</u>

CITY OF CARMEL
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2005

<u>Additions</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Contributions:			
Employer	\$ 247,510	\$ 290,009	\$ 537,519
Plan members	<u>2,003</u>	<u>9,268</u>	<u>11,271</u>
Total contributions	<u>249,513</u>	<u>299,277</u>	<u>548,790</u>
Investment income:			
Interest	<u>35,707</u>	<u>52,868</u>	<u>88,575</u>
Net investment income	<u>35,707</u>	<u>52,868</u>	<u>88,575</u>
Total additions	<u>285,220</u>	<u>352,145</u>	<u>637,365</u>
<u>Deductions</u>			
Benefits	383,133	328,259	711,392
Administrative expense	<u>1,700</u>	<u>1,898</u>	<u>3,598</u>
Total deductions	<u>384,833</u>	<u>330,157</u>	<u>714,990</u>
Changes in net assets	(99,613)	21,988	(77,625)
Net assets - beginning	<u>3,571,842</u>	<u>4,453,497</u>	<u>8,025,339</u>
Net assets - ending	<u>\$ 3,472,229</u>	<u>\$ 4,475,485</u>	<u>\$ 7,947,714</u>

CITY OF CARMEL
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 NONMAJOR AGENCY FUND
 For The Year Ended December 31, 2004

	Payroll
Assets:	
Cash and cash equivalents, January 1, 2003	\$ 422,064
Additions	31,486,265
Deductions	(31,428,399)
Cash and cash equivalents, December 31, 2003	\$ 479,930
 Liabilities:	
Withholdings payable, January 1, 2003	\$ 422,064
Additions	31,486,265
Deductions	(31,428,399)
Withholdings payable, December 31, 2003	\$ 479,930

STATISTICAL SECTION

STATISTICAL SECTION

STATISTICAL SECTION

CITY OF CARMEL
Government-Wide Expenses by Function
Last Ten Years (A)

<u>Function:</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government	\$ 12,165,495	\$ 13,636,853	\$ 17,009,153
Public Safety	28,861,813	27,547,163	24,568,150
Highways and Streets	9,166,819	10,812,132	244,180
Economic Development	5,861,430	1,123,120	509,948
Culture and Recreation	2,666,812	2,265,630	2,075,718
Interest on Long-Term Debt	2,453,477	2,822,987	1,267,275
Water	5,885,842	5,483,254	5,218,024
Wastewater	6,023,641	5,574,330	5,238,286
Total	<u>\$ 73,085,329</u>	<u>\$ 69,265,469</u>	<u>\$ 56,130,734</u>

(A) No information is available for prior years, since the accounting standard implementing Government-Wide Financial Statements was first implemented during the year 2003.

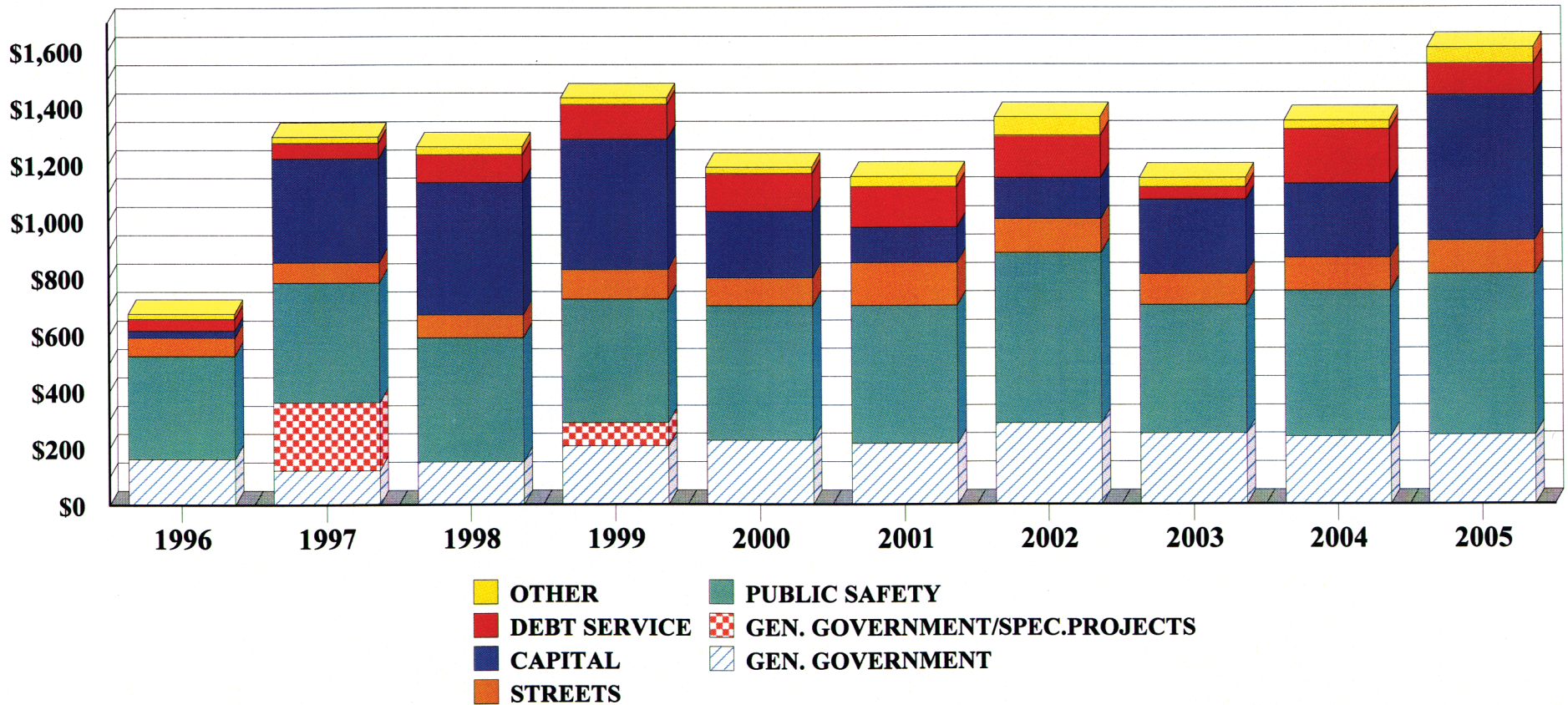
CITY OF CARMEL
Government-Wide Revenues
Last Ten Years (A)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Program Revenues:</u>			
Charges for Services	\$ 22,896,500	\$ 15,427,248	\$ 12,628,815
Operating Grants and Contributions	4,188,983	14,812,818	14,665,624
Capital Grants and Contributions	34,866,752	6,316,838	18,539,075
<u>General Revenues:</u>			
Property Taxes	32,271,048	22,419,363	17,343,516
Intergovernmental	17,748,025	12,429,656	12,798,557
Unrestricted Investment Earnings	4,279,864	2,037,309	302,128
Other	1,152,889	435,438	1,773,272
Total	<u>\$ 117,404,061</u>	<u>\$ 73,878,670</u>	<u>\$ 78,050,987</u>

(A) No information is available for prior years, since the accounting standard implementing Government-Wide Financial Statements was first implemented during the year 2003.

City of Carmel Per Capita General Governmental Expenditures

PER CAPITA AMOUNT



NOTE: Special projects in 1997 and 1999 include non-recurring economic development and infrastructure expenditures from the General Fund.

CITY OF CARMEL
General Governmental Expenditures by Function (A)
Last Ten Years

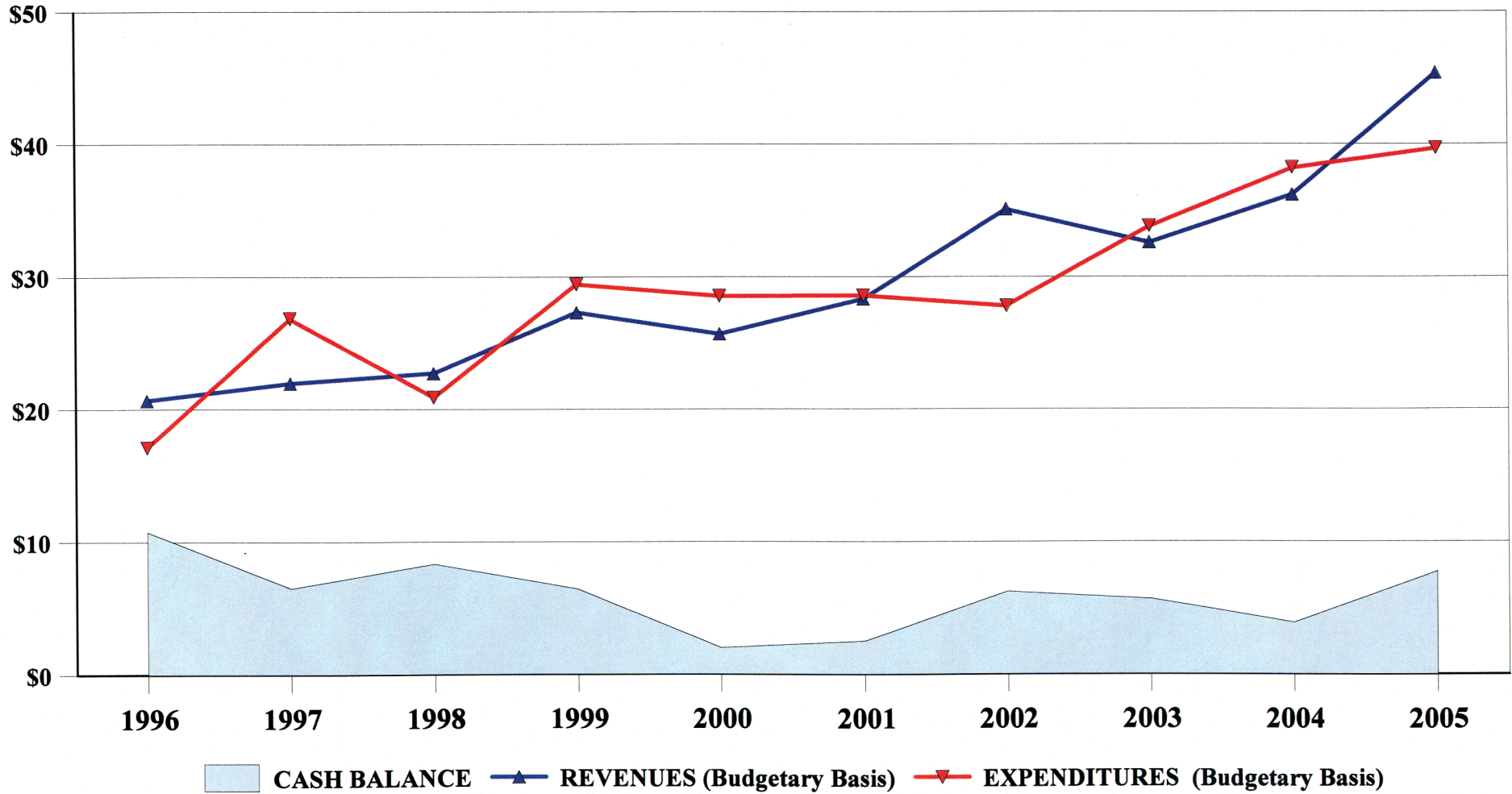
Function:	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
General Government	\$ 12,442,630	\$ 13,154,121	\$ 12,726,665	\$ 10,799,977	\$ 8,131,141	\$ 8,581,912	\$ 10,495,370	\$ 5,332,626	\$ 12,085,417	\$ 5,199,680
Public Safety	28,890,720	26,188,240	23,139,182	22,693,528	18,373,489	17,915,925	15,837,473	15,186,817	13,975,643	11,547,010
Highways and Streets	5,944,393	5,907,867	5,483,935	4,436,531	5,702,049	3,698,213	3,750,009	2,813,657	2,385,413	2,054,573
Culture and Recreation	2,638,776	1,535,479	1,706,982	773,358	112,143	-	44,630	34,782	84	-
Economic Development	247,552	-	-	-	-	-	-	-	-	-
Urban Redevelopment and Housing	-	-	-	1,681,924	1,243,094	817,354	741,498	908,742	706,765	562,279
Capital Outlay	25,852,232	13,266,860	13,303,596	5,499,460	4,680,663	8,797,370	16,549,997	16,163,825	12,175,571	786,975
Debt Service	5,676,508	9,789,731	2,220,723	5,604,520	5,395,439	5,061,505	4,521,065	3,449,889	1,845,687	1,298,573
Total	\$ 81,692,811	\$ 69,842,298	\$ 58,581,083	\$ 51,489,298	\$ 43,638,018	\$ 44,872,279	\$ 51,940,042	\$ 43,890,338	\$ 43,174,580	\$ 21,449,090
Year - to - year percentage change	<u>16.97%</u>	<u>19.22%</u>	<u>13.77%</u>	<u>17.99%</u>	<u>-2.75%</u>	<u>-13.61%</u>	<u>18.34%</u>	<u>1.66%</u>	<u>101.29%</u>	<u>0.35%</u>
Average annual rate of change	<u>16.02%</u>									

(A) Includes General, Special Revenue, Debt Service and Capital Project Funds. The expenditures in this table are reported on the modified accrual basis of accounting except for the year ended December 31, 1996. During 1996 only cash basis statements were prepared.

City of Carmel

General Fund Revenues, Expenditures and Cash Balances

(MILLIONS)



CITY OF CARMEL
General Revenues by Source (A)
Last Ten Years

Revenue Item:	2005	2004	2003 (B)	2002	2001	2000	1999	1998	1997	1996
Taxes	\$ 47,522,405	\$ 22,759,052	\$ 17,343,516	\$ 26,947,515	\$ 27,925,343	\$ 23,152,375	\$ 21,144,451	\$ 21,212,304	\$ 19,958,488	\$ 19,208,207
Special Assessments	1,604	-	-	-	-	-	-	-	-	-
Licenses and Permits	3,531,624	2,236,155	1,546,783	1,817,117	1,637,443	1,100,291	988,053	906,627	880,126	710,640
Intergovernmental	6,568,796	27,216,483	23,397,298	2,795,104	2,495,380	2,777,699	2,256,162	2,287,882	1,964,668	2,003,215
Charges for Services	7,521,869	3,968,659	2,754,871	5,549,749	5,460,893	5,068,333	5,003,709	3,981,318	4,259,945	3,424,854
Fines and Forfeits	1,728,705	419,648	462,817	292,008	289,987	308,966	259,852	236,176	269,548	202,800
Miscellaneous	1,959,550	18,069,955	1,910,101	4,179,984	2,111,730	6,036,310	3,137,831	2,994,946	9,908,693	1,012,357
Total	\$ 68,834,553	\$ 74,669,952	\$ 47,415,386	\$ 41,581,477	\$ 39,920,776	\$ 38,443,974	\$ 32,790,058	\$ 31,619,253	\$ 37,241,468	\$ 26,562,073
Year - to - year percentage change	-7.81%	57.48%	14.03%	4.16%	3.84%	17.24%	3.70%	-15.10%	40.21%	24.40%
Average annual rate of change	15.75%									

(A) Includes General, Special Revenue, Debt Service and Capital Project Funds. The revenues in this table are reported on the modified accrual basis of accounting except for the year ended December 31, 1996. During 1996 only cash basis statements were prepared.

(B) In connection with the adoption of GASB No. 34, certain revenues were reclassified in the 2003 governmental fund statements. Prior to 2003, all tax revenues were included in Taxes. Beginning 2003, Taxes includes only property taxes. All other taxes, including county option income taxes and excise taxes are now included with intergovernmental revenues. In addition, certain contract payments from Clay Township previously reported as charges for services are also included in intergovernmental revenues beginning in 2003.

CITY OF CARMEL
Tax Revenues by Source and Tax Base (A)
Last Ten Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Taxes Based on Property:										
General Property Taxes (B) \$	31,903,679	\$ 26,920,207	\$ 16,782,375	\$ 14,517,876	\$ 13,074,950	\$ 11,636,092	\$ 12,871,667	\$ 8,126,869	\$ 9,999,260	\$ 9,612,840
License Excise Tax	2,360,863	2,264,619	1,639,209	1,280,626	1,248,689	1,077,395	1,078,494	1,256,304	1,018,794	1,141,568
Financial Institutions Tax	40,716	37,841	44,927	42,099	42,470	21,436	43,849	38,774	42,181	43,563
Other Taxes	-	-	-	-	-	-	-	-	-	0
Wheel Tax	-	-	-	-	-	-	-	-	8,545	409,478
Subtotal: Property Taxes	<u>34,305,258</u>	<u>29,222,667</u>	<u>18,466,511</u>	<u>15,840,601</u>	<u>14,366,109</u>	<u>12,734,923</u>	<u>13,994,010</u>	<u>9,421,947</u>	<u>11,060,235</u>	<u>11,207,449</u>
Taxes Based on Income:										
County Option Income Tax (C)	13,719,390	10,205,588	13,515,144	17,107,352	11,036,204	10,382,731	9,446,415	9,584,946	8,835,774	8,000,758
County Econ. Dev. Income Tax	-	-	-	-	-	-	-	-	-	-
Subtotal: Income Taxes	<u>13,719,390</u>	<u>10,205,588</u>	<u>13,515,144</u>	<u>17,107,352</u>	<u>11,036,204</u>	<u>10,382,731</u>	<u>9,446,415</u>	<u>9,584,946</u>	<u>8,835,774</u>	<u>8,000,758</u>
Grand Total	<u>\$ 48,024,648</u>	<u>\$ 39,428,255</u>	<u>\$ 31,981,655</u>	<u>\$ 32,947,953</u>	<u>\$ 25,402,313</u>	<u>\$ 23,117,654</u>	<u>\$ 23,440,425</u>	<u>\$ 19,006,893</u>	<u>\$ 19,896,009</u>	<u>\$ 19,208,207</u>
Percent of Total by Tax Base:										
Property	71.43%	74.12%	57.74%	48.08%	56.55%	55.09%	59.70%	49.57%	55.59%	58.35%
Income	28.57%	25.88%	42.26%	51.92%	43.45%	44.91%	40.30%	50.43%	44.41%	41.65%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Year - to - year percentage change	<u>21.80%</u>	<u>23.28%</u>	<u>-2.93%</u>	<u>29.70%</u>	<u>9.88%</u>	<u>-1.38%</u>	<u>23.33%</u>	<u>-4.47%</u>	<u>3.58%</u>	<u>33.91%</u>

(A) Includes General, Special Revenue, Debt Service and Capital Project Funds reported on a cash basis.

(B) Includes taxes on both real and personal property. In 1998, the final property tax distribution from the County Auditor of \$2,295,976 was delayed and not received until January 20, 1999.

(C) The first revenue from the County Option Income Tax was received in January of 1989. The tax was effective July 1, 1988.

CITY OF CARMEL
Property Tax Levies and Collections
Last Ten Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Property Taxes Levied (A)	<u>\$ 28,066,712</u>	<u>\$ 23,209,357</u>	<u>\$ 13,371,105</u>	<u>\$ 13,289,762</u>	<u>\$ 12,668,163</u>	<u>\$ 10,639,192</u>	<u>\$ 10,104,329</u>	<u>\$ 10,110,896</u>	<u>\$ 9,671,266</u>	<u>\$ 9,373,173</u>
Property Taxes Collected (B)	<u>\$ 28,084,717</u>	<u>\$ 23,370,030</u>	<u>\$ 13,071,295</u>	<u>\$ 13,179,751</u>	<u>\$ 12,662,295</u>	<u>\$ 10,824,016</u>	<u>\$ 10,156,535</u>	<u>\$ 10,326,367</u>	<u>\$ 9,901,555</u>	<u>\$ 9,541,425</u>
Percent Collection	<u>100.06%</u>	<u>100.69%</u>	<u>97.76%</u>	<u>99.17%</u>	<u>99.95%</u>	<u>101.74%</u>	<u>100.52%</u>	<u>102.13%</u>	<u>102.38%</u>	<u>101.80%</u>

(A) Source: Based on City's certified net assessed valuation and tax rate from Hamilton County Auditor.

(B) Source: Hamilton County Auditor.

CITY OF CARMEL
Assessed and True Tax Value of Taxable Property
Last Ten Fiscal Years

<u>Year Payable</u>	<u>Assessed Valuation (A)</u>	<u>True Tax Value (B)</u>	<u>Percent Increase (Decrease) (C)</u>
2005	\$ 1,770,134,242	\$ 5,310,402,725	21.12%
2004	1,461,463,020	4,384,389,060	18.53%
2003	1,233,007,925	3,699,023,775	59.00%
2002	775,492,689	2,326,478,066	7.47%
2001	721,605,695	2,164,817,085	4.27%
2000	692,070,011	2,076,210,033	5.30%
1999	657,234,936	1,971,704,808	8.63%
1998	605,044,354	1,815,133,062	7.78%
1997	561,369,028	1,684,107,084	6.37%
1996	527,739,060	1,583,217,180	41.90%

Average Annual Rate of Increase

16.89%

(A) Property reassessments were effective in 1996 and 2003.

(B) True tax value is 3 times assessed value.

(C) Change in assessed valuation.

(D) Assessed value shown above excludes property captured in tax increment financing districts (TIF) established by the City. The assessed value of those districts for the years in which they existed is as follows:
2005 - \$577,621,740 / 2004 - \$392,182,645 / 2003 - \$330,959,095 / 2002 - \$102,942,130
2001 - \$21,879,280 / 2000 - \$17,919,760 / 1999 - \$9,851,820 / 1998 - \$9,358,930
1997 - \$5,180,610 / 1996 - \$14,122,540.

CITY OF CARMEL
Property Tax Rates
All Overlapping Governments
Last Ten Fiscal Years

<u>City of Carmel</u>	<u>2005*</u>	<u>2004*</u>	<u>2003*</u>	<u>2002*</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Rates per \$100 of assessed valuation										
State of Indiana	\$ 0.0024	\$ 0.0024	\$ 0.0033	\$ 0.0033	\$ 0.0100	\$ 0.0100	\$ 0.0100	\$ 0.0100	\$ 0.0100	\$ 0.0100
Hamilton County	0.2317	0.2246	0.2138	0.3310	1.0055	1.0181	1.0330	1.0482	1.0224	1.0637
Solid Waste	0.0028	0.0029	-	-	-	-	-	-	-	-
Township Rate	0.0089	0.0092	0.0096	0.0135	0.0705	0.0296	0.0241	0.0279	0.0266	0.0125
Library Rate	0.0457	0.0453	0.0437	0.0786	0.2447	0.2233	0.2209	0.2315	0.1118	0.1114
School Rate	1.2103	1.1548	1.0363	1.5975	4.7806	5.0131	5.0721	5.1111	5.1429	4.7149
Corporate Rate	0.5299	0.5284	0.3747	0.5642	1.7103	1.5373	1.5374	1.6711	1.7228	1.7761
Totals	<u>\$2.0317</u>	<u>\$1.9676</u>	<u>\$1.6814</u>	<u>\$2.5881</u>	<u>\$7.8216</u>	<u>\$7.8314</u>	<u>\$7.8975</u>	<u>\$8.0998</u>	<u>\$8.0365</u>	<u>\$7.6886</u>

*Based upon True Tax Value for 2002, 2003, 2004 and 2005 which was three times Net Assessed Value. Rates prior to 2002 were based upon Net Assessed Value.

CITY OF CARMEL
Computation of Legal Debt Margin
December 31, 2005

	<u>Civil City</u>	<u>Redevelopment Commission</u>
Assessed Value at January 1, 2005	\$ 1,770,134,242	\$ 1,770,134,242
Statutory Debt Limit	<u>2.00%</u>	<u>2.00%</u>
Debt Limit	35,402,685	35,402,685
Outstanding Debt Applicable to Debt Limit (A)	<u>9,650,000</u>	<u>0</u>
Legal Debt Margin	<u>\$ 25,752,685</u>	<u>\$ 35,402,685</u>

(A) All other outstanding debt of the City and Redevelopment Commission is structured as lease transactions or tax increment district bonds. Neither of these are subject to the 2% limitation shown above.

CITY OF CARMEL
Ratio of Bonded Debt to Assessed Value
And Bonded Debt Per Capita (A)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Assessed Value	\$ 5,310,402,725	\$ 4,384,389,060	\$ 1,233,007,925	\$ 775,492,689	\$ 721,605,695	\$ 692,070,011	\$ 657,234,936	\$ 605,044,354	\$ 561,369,028	\$ 527,739,060
2% Debt Limit	35,402,685	29,229,260	24,660,159	15,509,854	14,432,114	13,841,400	13,144,699	12,100,887	11,227,381	10,554,781
Outstanding Debt (A)	9,650,000	10,055,000	10,450,000	10,450,000	-	-	-	-	80,000	155,000

Other Debt Measurements:

Percent of Debt to Assessed Value	0.182%	0.229%	0.848%	1.348%	0.000%	0.000%	0.000%	0.000%	0.014%	0.029%
Percent Applicable Debt to Limit	27.258%	34.400%	42.376%	67.377%	0.000%	0.000%	0.000%	0.000%	0.713%	1.469%
Population (B)	50,948	50,948	50,948	37,733	37,733	37,733	36,251	34,770	33,289	31,808
Debt Per Capita	\$189.41	\$197.36	\$205.11	\$276.95	\$0.00	\$0.00	\$0.00	\$0.00	\$2.40	\$4.87

(A) The ratios on this table relate only to general obligation bonds of the Civil City or other City bond issues which are subject to the 2% bonded debt limitation. The City retired all of its general obligation bonds in 1998. Currently, the only City debt that is applicable to the statutory debt limit are the County Option Income Tax Revenue Bonds, Series 2002. All other City debt is structured as leasing transactions which is not subject to the 2% limit. The Carmel Redevelopment Commission also has general bonding capacity. All redevelopment district bonds are tax increment revenue bonds or lease transactions, which are not subject to the 2% debt limit.

(B) Population in 2004 is based upon geographical update from U.S. Census Bureau. Population in 2000 is from the new census. Population for the years 1997-1999 is trended from special census taken in 1996.

CITY OF CARMEL
Computation of Direct and Overlapping Debt
At December 31, 2005

<u>Governmental Unit</u>	<u>Tax Supported Debt (1)</u>	<u>Percent Applicable to Carmel</u>	<u>Amount Applicable to Carmel</u>
Direct Debt:			
City of Carmel	<u>\$0</u>	100.00%	<u>\$0</u>
Overlapping Debt:			
Carmel Civic Square Building Corporation	\$ 5,080,000	100.00%	\$ 5,080,000
Carmel Redevelopment Authority	114,998,227	100.00%	114,998,227
Carmel Clay School Corporation	247,750,000	78.25%	193,864,375
Carmel Clay Public Library	18,370,000	78.25%	14,374,525
Clay Township	58,810,000	78.25%	46,018,825
Hamilton County	<u>70,472,202</u>	32.51%	<u>22,910,513</u>
Total Overlapping Debt	<u><u>\$ 515,480,429</u></u>		<u><u>\$ 397,246,465</u></u>

(1) Excludes all revenue bonds not payable from ad valorem property taxes. Also excludes tax increment financing bonds.

CITY OF CARMEL
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt to
Total General Governmental Expenditures
Last Ten Years (B)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (A)</u>	<u>Ratio of Debt Service to General Expenditures</u>
2005	\$ 405,000	\$ 386,966	\$ 791,966	\$ 81,692,811	0.97%
2004	395,000	399,388	794,388	69,842,298	1.14%
2003	-	469,508	469,508	58,581,083	0.80%
2002	-	-	-	51,489,298	N/A
2001	-	-	-	43,638,018	N/A
2000	-	-	-	44,872,279	N/A
1999	-	-	-	51,940,042	N/A
1998	80,000	2,520	82,520	43,890,338	0.19%
1997	75,000	7,403	82,403	43,174,580	0.19%
1996	70,000	11,970	81,970	21,449,090	0.38%

(A) Includes General, Special Revenue, Debt Service and Capital Project Funds.

(B) The data on this table relates only to general obligation bonds of the Civil City or other City bond issues which are subject to the 2% bonded debt limitation. The City retired all of its general obligation bonds in 1998. Currently, the only City debt that is applicable to the statutory debt limit are the County Option Income Tax Revenue Bonds, Series 2002. All other City debt is structured as leasing transactions which are not subject to the 2% limit and not included above.

CITY OF CARMEL
Schedule of Revenue Bond Requirements
Last Ten Years

Year	Water Utility					Wastewater Utility				
	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
		Principal	Interest	Total			Principal	Interest	Total	
2005	\$ 1,428,827	\$ 465,000	\$ 647,199	\$ 1,112,199	1.28	\$ 328,243	\$ -	\$ 45,459	\$ 45,459	7.22
2004	1,623,684	450,000	571,888	1,021,888	1.59	618,545	-	-	-	N/A
2003	962,923	4,260,000 (A)	609,751	4,869,751	0.20	661,387	-	-	-	N/A
2002	1,171,599	270,000	348,765	618,765	1.89	946,863	-	-	-	N/A
2001	1,232,242	255,000	246,879	501,879	2.46	1,238,515	-	-	-	N/A
2000	1,301,670	240,000	259,857	499,857	2.60	1,385,368	-	-	-	N/A
1999	1,562,908	230,000	272,451	502,451	3.11	1,442,807	-	-	-	N/A
1998	1,294,096	220,000	284,376	504,376	2.57	1,365,979	-	-	-	N/A
1997	1,218,811	210,000	295,771	505,771	2.41	1,205,328	-	-	-	N/A
1996	1,039,942	205,000	306,768	511,768	2.03	1,262,366	800,000	77,933	877,933	1.44

Notes:

(A) The Water Utility refunded the outstanding balance of its 1993 Revenue Bonds during 2003. Debt service in 2003 on current bonds totaled \$516,846 which is a coverage ratio of 1.86.

CITY OF CARMEL AND HAMILTON COUNTY
Demographic Statistics

Hamilton County			City of Carmel		
Year	Population	% Change	Year	Population	% Change
2005 **	240,685	3.85%	2005 *	50,948	0.00%
2004 **	231,760	6.89%	2004 *	50,948	0.00%
2003 **	216,826	18.65%	2003 *	50,948	35.02%
2000	182,740	67.75%	2000	37,733	48.67%
1990	108,936	32.81%	1990	25,380	38.90%
1980	82,027	50.42%	1980	18,272	173.08%
1970	54,532	35.88%	1970	6,691	364.01%
1960	40,132	40.86%	1960	1,442	42.91%
1950	28,491	15.75%	1950	1,009	30.87%
1940	24,614	4.99%	1940	771	13.05%
1930	23,444	-3.21%	1930	682	14.05%
1920	24,222	-10.97%	1920	598	-4.47%
1910	27,206	-9.05%	1910	626	25.70%
1900	29,914	-	1900	498	-

* Per U.S. Census Bureau; represents geographic boundry updates for the City since 2000 census.

** U.S.Census Bureau estimates.

CITY OF CARMEL
Building Permits and Estimated Cost of Construction
Last Ten Years

Year	Residential - Single Family		Residential - Two Family		Residential Multi-Family	
	Number of Permits Issued	Estimated Cost of Construction	Number of Permits Issued	Estimated Cost of Construction	Number of Permits Issued	Cost of Construction
2005	741	\$ 197,870,459	7	\$ 2,172,348	13	\$ 9,223,000
2004	835	241,854,212	3	874,116	9	3,601,817
2003	895	224,065,348	-	-	6	7,184,834
2002	698	198,516,451	2	351,800	51	25,590,065
2001	808	276,000,169	-	-	18	14,733,560
2000	874	228,195,724	9	2,153,836	37	23,352,278
1999	944	240,582,785	5	537,000	24	10,270,000
1998	997	221,014,422	5	595,000	1	150,000
1997	1,049	203,253,143	10	1,330,000	7	1,820,000
1996	1,096	194,414,708	8	476,000	1	435,000

Total Residential Building Permits				
Year	Number of Permits Issued	Estimated Cost of Construction	Percent Change	Average Building Cost
2005	761	\$ 209,265,807	-15.05%	\$ 274,988
2004	847	246,330,145	6.52%	290,827
2003	901	231,250,182	3.03%	256,659
2002	751	224,458,316	-22.80%	298,879
2001	826	290,733,729	14.60%	351,978
2000	920	253,701,838	0.92%	275,763
1999	973	251,389,785	13.36%	258,366
1998	1,003	221,759,422	7.44%	221,096
1997	1,066	206,403,143	5.67%	193,624
1996	1,105	195,325,708	72.65%	176,765

Source: City Engineer.

CITY OF CARMEL
Building Permits, Estimated Cost of Construction and Bank Deposits
Last Ten Years
(continued)

Year	Business/Commercial		Church Building Permits		Public Institutions	
	Number of Permits Issued	Estimated Cost of Construction	Number of Permits Issued	Estimated Cost of Construction	Number of Permits Issued	Estimated Cost of Construction
2005	46	\$ 81,367,318	1	\$ 1,672,000	4	\$ 58,055,678
2004	38	52,122,074	2	4,880,000	2	3,542,000
2003	44	200,013,645	1	2,400,000	1	10,000,000
2002	25	36,789,709			1	29,000,000
2001	34	40,226,495			6	59,913,000
2000	21	26,825,160			3	16,336,000
1999	35	61,964,435	2	5,205,000	2	11,036,600
1998	11	52,582,635				
1997	15	104,275,108			2	25,679,000
1996	13	29,587,544	1	100,000	1	10,676,032

Year	Total City of Carmel Building Permits					Bank Deposits* (In Thousands)
	Number of Permits Issued	Estimated Cost of Construction	Percent Change	Average Building Cost		
2005	812	\$ 350,360,803	14.17%	\$ 431,479	\$ 1,188,117	
2004	889	306,874,219	-30.83%	345,190	1,055,264	
2003	947	443,663,827	52.86%	468,494	823,687	
2002	777	290,248,025	-25.74%	373,550	711,340	
2001	866	390,873,224	31.67%	379,612	1,016,531	
2000	944	296,862,998	-9.93%	275,895	731,325	
1999	1,012	329,595,820	20.14%	325,688	561,192	
1998	1,014	274,342,057	-18.44%	270,554	532,722	
1997	1,083	336,357,251	42.71%	310,579	497,426	
1996	1,120	235,689,284	652.79%	210,437	378,508	

* Bank deposit data for branches located in the City of Carmel was obtained from the FDIC.

CITY OF CARMEL
Principal Taxpayers and Employers
December 31, 2005

Principal Taxpayers (2)	Type of Business	2005 Net * True Tax Value	% of Total City True Tax Value (1)
1. Dukes Realty/Duke Weeks Realty/Duke Realty, Ltd.	Office Complex Management Co.	\$ 136,892,670	2.58%
2. Bankers National Life Insurance Company	Life Insurance holding company	87,830,150	1.65%
3. Thomson Consumer Electronics/10330 N. Meridian II LLC	National Hdqtrs., R & D Consumer Elect.	65,498,230	1.23%
4. Atapci Carmel, Inc	Office Buildings	52,070,180	0.98%
5. REI Investments: Hrb Associates, LP/Technology Center Assoc. Ltd./North Penn Avenue/Rei Investments/Fidelity Office Bldg/Meridian Mile Assoc.	Office Complex management companies	43,867,880	0.83%
6. Zeller-Meridian LLC	Office Complex	42,254,700	0.80%
7. Midwest Independent Trans System	Corporate Headquarters	33,463,780	0.63%
8. Mohawk Housing Partners LLC	Apartments, Real Estate	30,976,600	0.58%
9. Talcott II Meridian LLC/ Phoenix Home Life Insurance	Insurance company	28,773,560	0.54%
10. Providence Housing Partners LLC/Buckingham Arbors, LLC	Apartments	25,322,770	0.48%
Total of Top Ten Taxpayers		<u>\$ 546,950,520</u>	<u>10.30%</u>

* Only includes each taxpayer's parcels located in the City of Carmel real property.

Principal Employers (2)	Type of Business	Employees
1. Carmel Clay Schools	School	2307 *
2. Conseco, Inc.	HQ, Insurance Services	2300
3. RCI	Travel, Time Share Svcs	1100
4. St. Vincent Carmel Hospital	Acute Health Care Facility	750
5. Thomson Consumer Electronics	N. American HQ.	700
6. HFC	Financial Services	700
7. City of Carmel	Government Services	519 **
8. Midwest ISO	Electrical Grid Mgmt.	500
9. Meijer, Inc.	Retail Superstore	380
10. Liberty Ram Insurance	Insurance Services	375
Total of Top Ten Employers		<u>9,631</u>

* As of December 31, 2005. 1,771 full-time, 536 part-time.

** As of December 31, 2005. 501 full-time, 18 part-time.

- (1) The total true tax value of the City is \$5,310,402,725 for taxes payable in 2005, according to the Hamilton County Auditor's Office.
- (2) Principal taxpayer information obtained from the Hamilton County Auditor. Major employer information obtained from the Carmel Clay Chamber of Commerce.

CARMEL POLICE DEPARTMENT
Ten Year Statistics

Year	Sworn Police Officers	Civilian Employees	Budget	Calls for Service	Reported Crimes
2005	90	19	\$ 10,808,053	55,054	2,415
2004	90	18	\$ 9,647,900	43,382	2,097
2003	82	14	\$ 8,547,694	45,644	1,929
2002	77	14	\$ 7,766,679	44,126	1,805
2001	74	14	\$ 6,985,781	47,456	1,895
2000	75	14	\$ 6,678,391	45,257	1,702
1999	72	15	\$ 6,119,997	39,432	1,848
1998	70	15	\$ 5,660,360	40,340	1,987
1997	70	14	\$ 5,853,507	37,040	1,968
1996	66	13	\$ 4,932,044	38,906	1,892

**CARMEL FIRE DEPARTMENT
Ten Year Statistics**

Year	Sworn Firefighters	Civilian Employees	Budget	EMS Runs	Fire Runs	Value of Communication Equipment
2005	152	7 + (2 P.T.)	\$ 15,760,374	2,912	1,836	\$ 29,819
2004	149	7 + (2 P.T.)	\$ 15,067,279	2,682	1,768	\$ 15,158
2003	136	7 + (2 P.T.)	\$ 13,015,135	2,591	1,705	\$ 48,572
2002	129	7+ (1 P.T.)	\$ 12,088,363	2,529	1,769	\$ 48,583
2001	124	6 + (1 P.T.)	\$ 10,712,584	2,413	1,777	\$ 36,379
2000	124	6 + (2 P.T.)	\$ 10,268,881	2,352	1,795	\$ 8,414
1999	112	4 + (2 P.T.)	\$ 8,735,240	2,282	1,562	\$ 14,077
1998	106	4 + (1 P.T.)	\$ 7,797,781	2,076	1,629	\$ 9,344
1997	105	5	\$ 7,504,381	1,794	1,414	\$ 37,365
1996	87	4	\$ 5,716,949	1,709	1,217	\$ 11,613

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