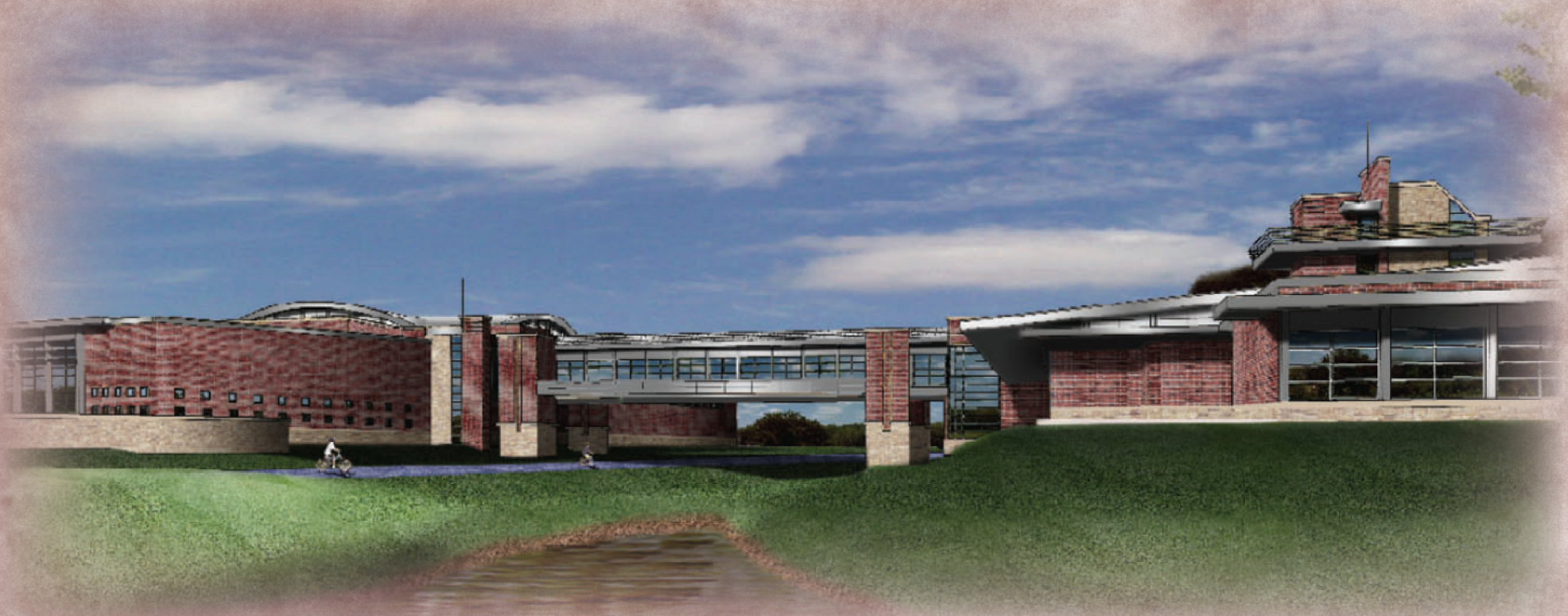


CITY OF CARMEL, INDIANA



———— THE MONON CENTER AT CENTRAL PARK, CARMEL, INDIANA ————

Comprehensive Annual Financial Report

Year Ended December 31, 2006

Diana L. Cordray
Clerk-Treasurer

Comprehensive Annual Financial Report

for

The City of Carmel, Indiana

for the year ended

December 31, 2006

Diana L. Cordray, IAMC
Clerk-Treasurer

INTRODUCTORY SECTION

INTRODUCTORY SECTION

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AERIAL VIEW OF THE MONON CENTER AT CENTRAL PARK, CARMEL, INDIANA



Office of the
Clerk-Treasurer

City of Carmel

April 30, 2006

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, 2006. This is the ninth 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,

combining and individual fund statements, and schedules. The statistical section contains a number of financial, statistical, and demographic exhibits. This section has been revised in 2006 to meet the requirements of GASB No. 44.

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 60,000 and has experienced tremendous growth within the past two decades. Carmel covers an area of approximately 39 square miles with over 388 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 2005 of 59,243 which are based upon the U.S. Census Bureau's geographical update to include recently annexed areas.

Recently released data from the U.S. Census Bureau also shows that the Hamilton County population has increased from 182,740 in 2000 to 250,979 in 2006. This represents a 37.3% increase which ranks Hamilton County as the 26th fastest growing county in the country. The unemployment rate in Hamilton County has been substantially lower than State and National levels, and currently is the lowest in Indiana at 3.2%.

Population growth and a strong local economy stimulated activity in both the residential and commercial building sectors. The City issued 547 new single family residential building permits in 2006. In addition, permits were issued for 23 new multifamily units in 2006. Non-residential building permits issued in 2006 totaled \$114 million in construction value. Overall, building permits issued in 2006 had an estimated construction value of \$311 million.

Major Initiatives and Projects

The Monon Center

The Monon Center in Central Park will offer a multitude of state-of-the-art facilities and services when it opens in the spring of 2007. The 161-acre Central Park will be the largest recreational green space in Clay Township. The Center contains 146,000 square feet of recreational space including a fitness center, dance studio, a 1/8 mile elevated track, indoor aquatics center, gymnasium and locker rooms. The creation of new job opportunities includes 13 full-time and over 200 part time/seasonal positions. A \$55 million lease rental bond was issued in 2004 to fund the Center. The debt service will be paid by property taxes levied on all property in Carmel and Clay Township.

Carmel Art and Design District

The Carmel Arts and Design Center District has attracted dozens of new businesses including art galleries, antique dealers, furniture and interior design showrooms, restaurants, and a variety of specialty stores. Townhouses and condominiums share the artistic atmosphere with retail storefronts and office suites, all within immediate access to the Monon Trail.

In December 2006 the fifth J. Seward Johnson sculpture was added to the south side of Main Street in the Arts District. The City plans to acquire a dozen statutes and place them all within walking distance of each other to create an outdoor museum of public art.

The Carmel Arts and Design District web site was also created in 2006. The Web site was designed as a tool to reach out to shoppers and new businesses interested in the area. It includes a schedule of events, directory of businesses and retail stores, maps, proposed new developments and a visitor's resource guide listing nearby hotels and attractions.

Performing Arts Center

Initial plans for the Carmel Performing Arts Center were unveiled in early winter of 2006. The design of the building will be Neo-classical to compliment the surrounding City Center development. The Center will include two performance spaces, a 1,600-seat concert hall and a 500-seat theatre. It is anticipated it will be the home of a number of Indianapolis-area groups that currently perform other venues. Development of this site also includes 230,000 square feet of retail space,

130,000 square feet of office space, 250 upscale condominiums and apartment and a luxury hotel. Groundbreaking is expected in the spring of 2007 with opening scheduled for 2010. The City of Carmel Redevelopment Commission issued \$80 million in bonds to build the Performing Arts Center which will be paid from tax increment financing.

Roadway Infrastructure Projects

The Carmel Redevelopment Authority issued \$72,000,000 of its County Option Income Tax Lease Rental Revenue Bonds in the summer of 2006. It is expected that the City will also provide an additional \$7,243,541 in funding. Proceeds from the sale of the Bonds will be used to finance the acquisition and construction of certain road and infrastructure projects. Additionally, the Cool Creek North Trail, the Monon Bridge over Carmel Drive, a Police Maintenance Building and a Survive Alive House are included in this funding. The Projects are expected to be complete and ready for use by December 31, 2008 with the first rental payments to be due on June 15, 2009.

Utility Projects

Bond Anticipation Notes-Series 2006 A totaling \$35 million were sold in September of 2006. Fifteen million dollars of the proceeds were used to pay off the existing Bond Anticipation Note of 2005. These funds will be used to add Production Well #20 which will add 4,000,000 gallons per day of raw ground water for treatment. The Water Utility has also installed over five miles of new water main to existing sub-divisions.

The Waste Water Utility completed three very important wastewater treatment projects: Class A bio-solids, replacement of the existing gravity belt thickener, and a new state of the art UV disinfection facility. Additionally, over three miles of new sewer main was added to existing sub-divisions that previously did not have sanitary sewers.

Brookshire Golf Course Acquisition

The Carmel Redevelopment Commission closed in late December on the \$2.6 million purchase of the Brookshire Golf Club. This will be the first municipal golf course in Carmel. The Redevelopment Commission financed this purchase with a \$2,995,000 bond anticipation note. It is expected that the costs of purchasing and managing the golf course will come from golf fees. A local financial analyst indicated that the course should generate sufficient revenue to pay for the operation.

Purchase of Indianapolis Water Lines

This agreement enabled the Carmel Water Utility to acquire customers of Indianapolis Water (approximately 8,100) within Carmel and Clay Township. The Carmel Water Utility will pay Indianapolis \$1,800,000 per year for twenty years from utility revenues. No additional financing will be needed for this purchase.

Carmel will convert all of the acquired customers to Carmel water within five years after the closing date. During the five year transition period, Carmel Utilities will buy water from Indianapolis at the current Indianapolis wholesale rate and receive a dollar for dollar credit against the purchase price.

Carmel Utilities will be responsible for all customer service and maintenance functions beginning as of the closing date.

The Indianapolis Water purchase will not cause a rate increase for current Carmel Utility Water customers. Carmel water has not had a rate increase for over 13 years.

The City of Carmel provides financial assistance to private-sector entities for acquisition and construction of industrial and commercial facilities. The following three projects have been funded by bonds that 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 is transferred to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any matter for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Indiana Design Center

Groundbreaking for the \$4 million Indiana Design Center is expected in the spring of 2007 with the grand opening in late 2008. This 85,000 square foot development will be located in the Carmel Arts and Design District. It represents a \$300 million public/private partnership. The Center will focus on home design, décor and renovation. It will also include a wide variety of products for interior design such as hardware, flooring and fabrics. It is anticipated that the Center will create approximately 50 jobs with annual payroll of \$2,000,000.

Parkwood West Project

Funds for this project, estimated at \$4.8 million, will be used for the acquisition, construction and installation of road and utility infrastructure improvements in the vicinity of the proposed complex located along West 96th St. in Carmel, Indiana. This project is part of a larger development owned by Duke Realty Corporation (an Indiana Limited Partnership) and located within the area known as Parkwood Crossing, Parkwood East and Parkwood West office developments.

Gramercy Project

The Gramercy project proposes to redevelop the Mohawk Hills apartment complex located at Keystone Avenue and 126th St., Carmel, Indiana. The existing complex includes multi-family housing and a nine hole golf course. Buckingham Properties, Inc. (the Developer) proposes an area to include a mixture of commercial and high-density residential development including town homes, apartments, condominiums, parking, public parks and a central plaza. Although the existing development will be demolished and the site redeveloped, the Carmel Redevelopment Commission determined that the most suitable designation is that of an Economic Development Area rather than a Redevelopment Area.

The City has authorized up to \$20 million in Tax Increment Finance bonds to pay for infrastructure improvements. The developer estimates that the proposed development will have a build-out value of \$300 to \$500 million, and it is expected to take eight to twelve years to complete. The Developer anticipates constructing the first phase in 2007.

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 2006 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

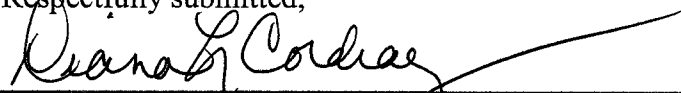
was a reasonable basis for rendering an unqualified opinion that City of Carmel's financial statements for the year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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, 2005

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.



A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

A handwritten signature in black ink, appearing to read "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 Paul Felix

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)

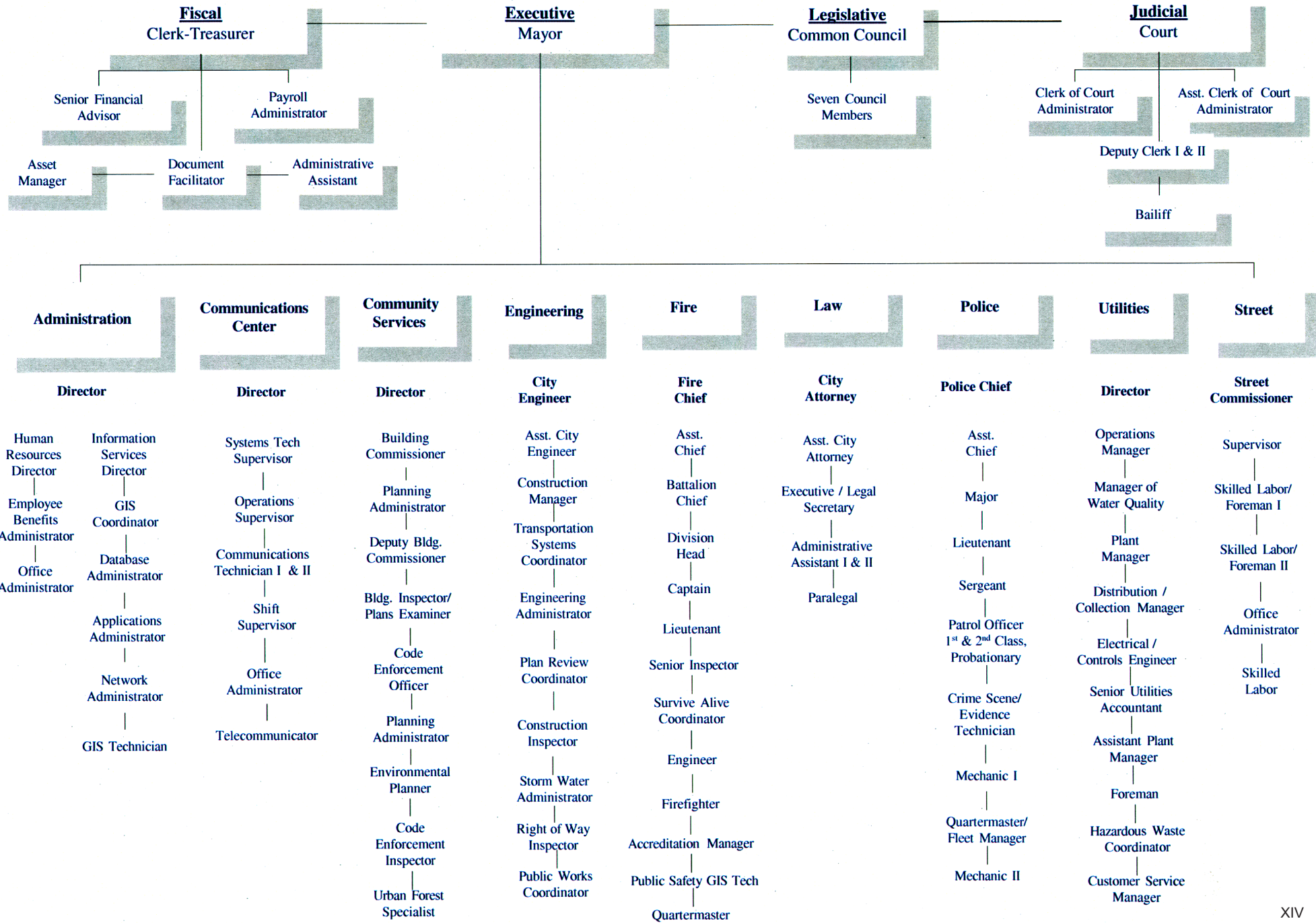
Rob Bush
Brandt Burdick
Susan Smith

Carmel Redevelopment Commission

(Appointed Officials)

Carolyn Anker
Ronald E. Carter
William Hammer
Rick Sharp
Jeff Worrell

City of Carmel



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

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, 2006, 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 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, 2006, 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 required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements. 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.

April 30, 2007

STATE BOARD OF ACCOUNTS

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, 2006. 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-XI 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 \$334,819,743 (*net assets*). Of this amount, \$22,744,554 (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 \$20,924,412 as compared to the restated 2005 total net assets. The 2006 beginning net assets were restated due to (\$16,466,168) in prior period adjustments. To better reflect the function of the Redevelopment Authority, it was necessary to reclassify the funds from an internal service fund to a debt service fund and capital projects fund with these prior period adjustments.
- As of the close of the current fiscal year, the City of Carmel's governmental funds reported combined ending fund balances of \$195,028,213. Approximately 97 percent of this total amount or \$188,914,289 is available for use at the City's discretion (*unreserved fund balance*).
- The City of Carmel increased total outstanding debt obligations by \$90,685,000 during the current fiscal year. This change was due to the issuance of \$72,000,000 in bonds finance the construction of road improvements, \$2,995,000 in Bond Anticipation Notes to finance the cost of acquiring the Brookshire Golf Club and \$35,000,000 in bond anticipation notes to fund improvements to the water utility distribution system.

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 41 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, redevelopment commission operating fund, redevelopment authority debt service fund and redevelopment authority construction fund, all of which are considered to be major

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

funds. Data from the other 37 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 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. 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 34-66 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 82-102 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 \$334,819,743 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 (81 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Carmel uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Carmel’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
	Restated				Restated	
Current and other assets	\$ 140,248,311	\$ 206,839,229	\$ 19,657,276	\$ 31,210,491	\$ 159,905,587	\$ 238,049,720
Capital assets	275,020,015	302,914,845	130,978,214	168,182,826	405,998,229	471,097,671
Total assets	<u>\$ 415,268,326</u>	<u>\$ 509,754,074</u>	<u>\$ 150,635,490</u>	<u>\$ 199,393,317</u>	<u>\$ 565,903,816</u>	<u>\$ 709,147,391</u>
Long-term liabilities outstanding	199,221,709	269,557,644	38,027,914	77,622,713	237,249,623	347,180,357
Other liabilities	12,749,816	21,736,257	2,009,046	5,411,034	14,758,862	27,147,291
Total liabilities	<u>\$ 211,971,525</u>	<u>\$ 291,293,901</u>	<u>\$ 40,036,960</u>	<u>\$ 83,033,747</u>	<u>\$ 252,008,485</u>	<u>\$ 374,327,648</u>
Net assets:						
Invested in capital assets, net of related debt	153,572,649	165,215,713	92,478,300	107,993,515	246,050,949	273,209,228
Restricted	5,347,623	36,514,923	1,445,558	2,351,038	6,793,181	38,865,961
Unrestricted	44,376,529	16,729,537	16,674,672	6,015,017	61,051,201	22,744,554
Total net assets	<u><u>\$ 203,296,801</u></u>	<u><u>\$ 218,460,173</u></u>	<u><u>\$ 110,598,530</u></u>	<u><u>\$ 116,359,570</u></u>	<u><u>\$ 313,895,331</u></u>	<u><u>\$ 334,819,743</u></u>

A portion of the City of Carmel’s net assets (11.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$22,744,554) may be used to meet the government’s ongoing obligations to citizens and creditors.

Current and other assets increased 33% due to cash and investments increasing approximately \$55 million from new bonds being issued in 2006, refer to Long Term debt section, page 13-14, deferred debits increasing \$6 million, intergovernmental receivables increased \$2 million and utilities other receivables increasing \$2.6 million

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 2006 found on page 21 of this report:

City of Carmel Change in Net Assets As of December 31,						
	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u> Restated	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u> Restated	<u>2006</u>
Revenue:						
Program revenues:						
Charges for services	\$ 12,783,802	\$ 13,502,724	\$ 10,112,698	\$ 11,812,079	\$ 22,896,500	\$ 25,314,803
Operating grants and contributions	4,188,983	3,608,666	-	150,833	4,188,983	3,759,499
Capital grants and contributions	28,242,849	5,360,062	6,623,903	8,008,425	34,866,752	13,368,487
General revenues:						
Taxes:						
Property	32,271,048	35,001,997	-	-	32,271,048	35,001,997
Income	15,251,357	22,008,393			15,251,357	22,008,393
Intergovernmental	2,496,668	4,191,519	-	-	2,496,668	4,191,519
Other	5,039,105	7,601,822	393,648	783,478	5,432,753	8,385,300
Total revenues	<u>\$ 100,273,812</u>	<u>\$ 91,275,183</u>	<u>\$ 17,130,249</u>	<u>\$ 20,754,815</u>	<u>\$ 117,404,061</u>	<u>\$ 112,029,998</u>
Expenses:						
General government	12,165,495	10,352,967			12,165,495	10,352,967
Public safety	28,861,813	33,557,162			28,861,813	33,557,162
Highways and streets	9,166,819	16,024,468			9,166,819	16,024,468
Economic Development	5,861,430	3,422,848			5,861,430	3,422,848
Culture and recreation	2,666,812	3,502,261			2,666,812	3,502,261
Interest on long-term debt	2,453,477	9,252,105			2,453,477	9,252,105
Water			5,885,842	8,457,722	5,885,842	8,457,722
Wastewater			6,023,641	6,536,053	6,023,641	6,536,053
Total expenses	<u>\$ 61,175,846</u>	<u>\$ 76,111,811</u>	<u>\$ 11,909,483</u>	<u>\$ 14,993,775</u>	<u>\$ 73,085,329</u>	<u>\$ 91,105,586</u>
Increase in net assets	39,097,966	15,163,372	5,220,766	5,761,040	44,318,732	20,924,412
Net assets, beginning of year	180,665,003	203,296,801	105,377,764	110,598,530	286,042,767	313,895,331
Restatement	(16,466,168)				(16,466,168)	
Net assets, beginning of year restated	<u>164,198,835</u>	<u>203,296,801</u>	<u>105,377,764</u>	<u>110,598,530</u>	<u>269,576,599</u>	<u>313,895,331</u>
Net assets, end of year	<u>\$ 203,296,801</u>	<u>\$ 218,460,173</u>	<u>\$ 110,598,530</u>	<u>\$ 116,359,570</u>	<u>\$ 313,895,331</u>	<u>\$ 334,819,743</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

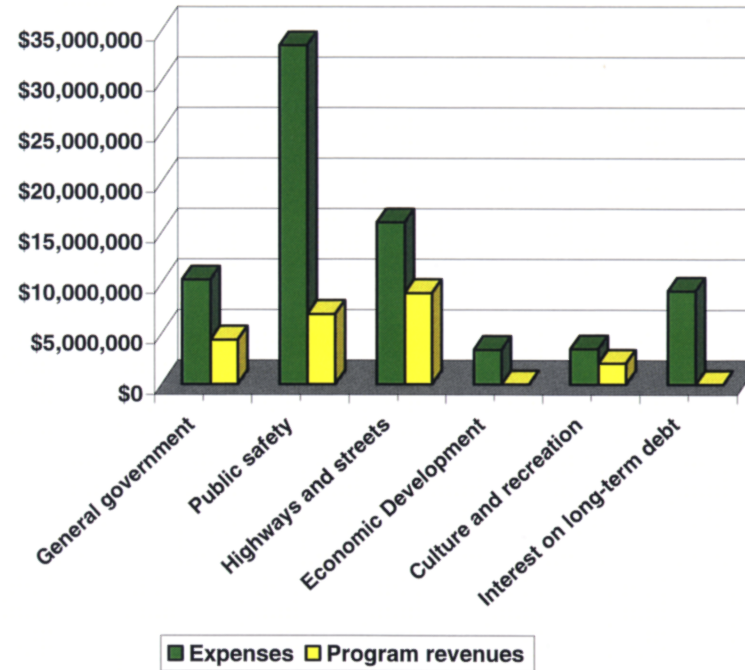
Governmental Activities

Governmental activities increased the City's net assets by \$15,163,372 accounting for 72 percent of the total growth in the net assets of the City. Notable changes in governmental activities revenues and expenditures in 2006 compared to 2005 included the following:

- Capital grants and contributions decreased \$22,882,787 mainly due to two factors. First, the value of road infrastructure contributed by developers decreased approximately \$8 million from the 2005 levels. Second, the change in accounting for the Redevelopment Authority (RDA) affected the way in which capital assets added by the RDA were reported. In 2005, RDA capital asset additions totaling approximately \$11.4 million were recorded as capital grants and contributions to the City. The RDA is reported as a blended component unit in 2006, so capital additions are not reflected as contributions.
- Property tax revenues increased \$2,730,949 primarily due to existing debt service levies and additional tax increment revenue captured by the City.
- County Option Income Tax increased \$6,757,036 primarily due to growth in the City and throughout the County. The State also updated information on tax collections that supported the reversal of \$1.3 million in unearned revenue from COIT reported as a liability in 2005.
- Intergovernmental revenues increased \$2,562,717 due to part due to the new food and beverage tax established late in 2005, which generated \$1,375,589 in new revenues.
- Public safety increased \$4,695,349 due to normal increases in wage and benefit costs as well as the continuing expansion of the police force to patrol growing recently annexed areas.
- Highways and streets increased \$6,857,649 mainly due to reclassification of redevelopment commission expenditures to highways and street from economic development in 2005.
- Interest expense increased \$6,798,628 due to long term debt increasing 59% over the past two years and the interest for these bonds beginning.

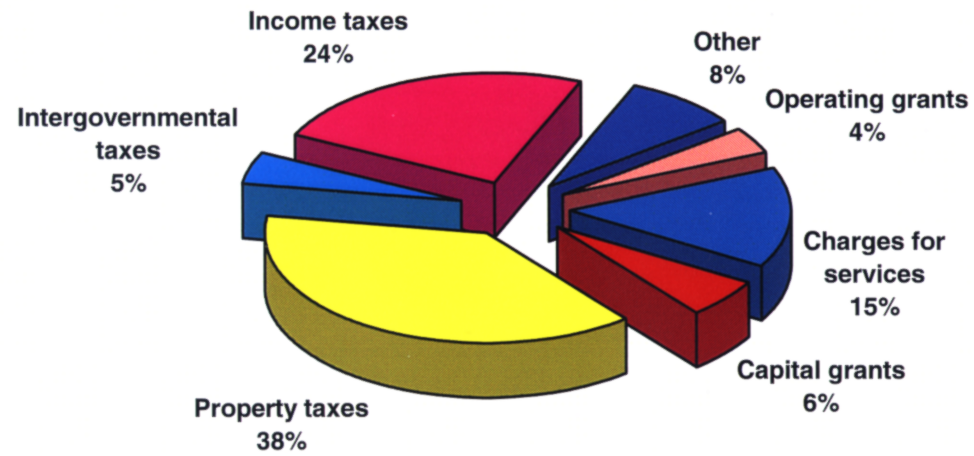
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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:



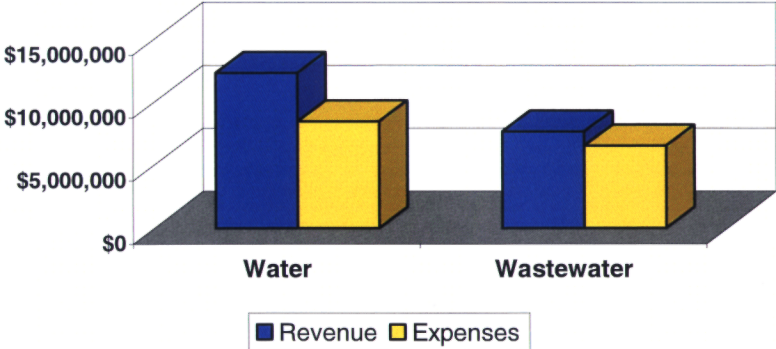
**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Business-type Activities

Business-type activities increased the City's net assets by \$5,761,040, accounting for 28 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 \$8,008,425 in 2006.

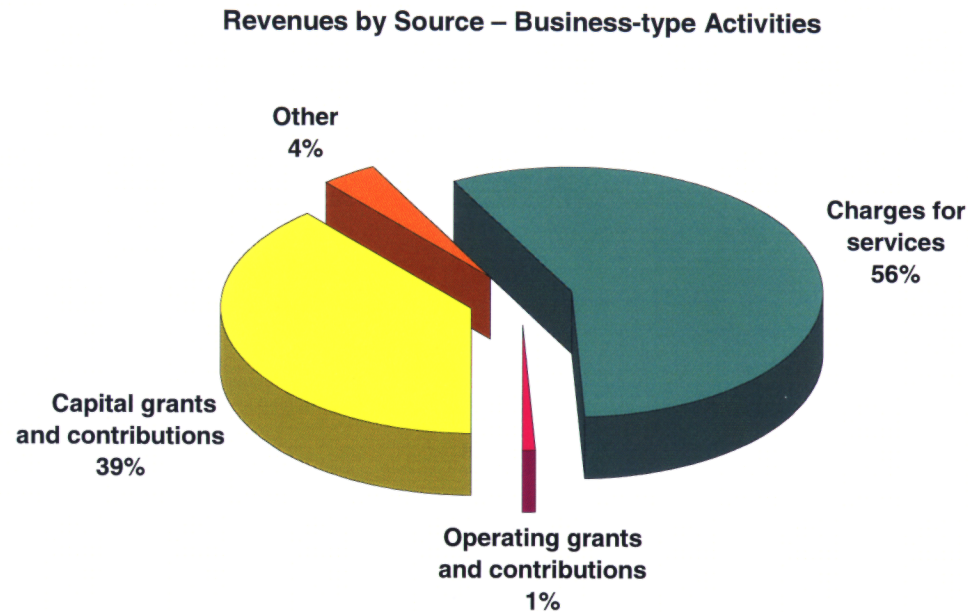
The following chart compares expenses with program revenues for the City's business-type activities:

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 \$195,028,213, an increase of \$63,704,197 compared to the restated 2005 total fund balance. This increase was mainly due to the issuance of \$72 million in bonds issued for road improvement projects. Beginning fund balances for 2006 were restated to reclassify the funds of the Redevelopment Authority from an internal service fund to a debt service fund and capital projects fund to better reflect the function of the unit. This restatement added \$96.7 million to the beginning fund balances. Approximately 97 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, \$6,113,924, 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 \$8,638,400 while the total fund balance reached \$10,885,172. 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 20% of total general fund expenditures, while total fund balance represents 25% of that same amount. The general fund's total fund balance increased by \$6,176,246 during the current fiscal year. This was primarily due to the increases of \$6.8 million in county option income tax and while total expenditures remained fairly flat from 2005 to 2006.

Budget basis revenues for the general fund exceeded the final budgeted amounts by approximately 8.9% (\$3,998,941) related to income taxes, licenses and permits, intergovernmental, charges for services and other revenue. Total expenditures on a budgetary basis were 2.6% (\$1,102,095) under the final budget. All departments were under budget and approximately 59% of the overall favorable variance related to general government.

The Redevelopment Commission Operating fund increased \$665,840 during the current fiscal year. This increase was primarily due to the issuance of \$8,875,000 COIT Refunding Bonds to refund the 1998 COIT bonds, the issuance of \$2,995,000 of bond anticipation notes to finance the acquisition of Brookshire Golf Course. This was offset by \$9.5 million in 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 Redevelopment Authority Debt Service fund increased \$7,448,669 during the current fiscal year due to the issuance of \$72 million COIT Lease Rental bonds to fund the capitalized interest payments.

The Redevelopment Authority Construction fund increased \$56,814,634 during the current fiscal year due to the issuance of \$72 million COIT Lease Rental bonds finance the design and engineering, right of way acquisition and construction and reconstruction of the existing roadways throughout 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 \$2,842,660 and \$3,172,357, respectively. Net assets for the Water Utility increased \$4,247,557 during 2006. Net assets for the Wastewater Utility increased \$1,513,483 during 2006. 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:

- Decrease in general government expenditures of \$180,810 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 \$287,442 and \$248,876 in other services and charges for the Board of Public of Works and the Law Department, respectively and a decrease of \$265,118 and \$535,693 in Administration's other services and charges and capital outlay, respectively.
- Public Safety decreased \$37,520. The most significant item was a decrease in the Police Department personal service of \$236,968. This was partially offset by an increase in Fire Department, Police Department and Public Safety personal service, supplies, other services and charges, and capital outlay totaling \$212,341.
- Culture and recreation increased \$63,448 due to increases in the capital outlay.

The final 2006 budget projected a \$1,788,124 decrease in the general fund balance. However, because total expenditures were \$1,102,095 below the final budget and actual revenue exceeded the final budget by \$3,998,941, an increase of \$3,510,332 in the fund balance was realized.

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, 2006, totaled \$471,097,671 (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 \$65,099,442, or 17.5 percent. Approximately \$27.9 million or 43% of this increase was in governmental activities related to the following additions: \$6.7 million in land acquisition by the Redevelopment Commission majority of this expense was for the Brookshire Golf Course and the City Center redevelopment projects; right of ways for the City Center and expansion of Illinois Street accounted for \$8.9 million; \$1.5 million in public safety vehicles and equipment including a mobile emergency operations center; \$6 million in streets, curbs, sidewalks, and storm sewers constructed by developers in new subdivisions. Construction in progress for the performing arts center, and various roads projects throughout the City account for \$11.2 million. Approximately \$37.2 million of the net increase in capital assets in 2006 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 \$8 million in utility infrastructure contributed by developers.

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

	Governmental Activities		Business-Type Activities		Total	
	2005 Restated	2006	2005	2006	2005 Restated	2006
Land	\$113,215,919	\$126,269,886	\$2,104,878	\$2,105,228	\$115,320,797	\$128,375,114
Buildings	12,828,126	12,479,646	29,629,461	28,638,095	42,457,587	41,117,741
Improvements other than buildings	1,997,896	1,841,684	69,140,871	96,082,042	71,138,767	97,923,726
Machinery and equipment	8,021,541	8,914,284	4,915,062	5,034,605	12,936,603	13,948,889
Infrastructure	107,148,981	110,371,690	-	-	107,148,981	110,371,690
Construction in progress	31,807,552	43,037,655	25,187,942	36,322,856	56,995,494	79,360,511
Total	\$275,020,015	\$302,914,845	\$130,978,214	\$168,182,826	\$405,998,229	\$471,097,671

Additional information on the City of Carmel's capital assets can be found in Note II B, on pages 42-45 of this report.

Long-term debt. At the end of the current fiscal year, the City of Carmel had \$314,143,227 in long-term bonds outstanding. Of this amount, \$4,100,000 is comprised of general obligation bonds backed by the full faith and credit of the government, \$148,455,000 of redevelopment bonds to be paid with county option income and special benefits taxes, \$91,613,227 of Tax Increment Financing (TIF) bonds, \$11,980,000 of bond anticipation notes, \$22,995,000 of revenue bonds issued by the Water and Wastewater Utilities secured solely by the net revenues of the utilities and \$35,000,000 of bond anticipation notes to be repaid by water revenue bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Governmental Activities:						
Building Corp (Property Tax)	\$ 5,080,000	\$ 4,100,000	\$ -	\$ -	\$ 5,080,000	\$ 4,100,000
Redevelopment (Property Tax)	35,000,000	34,270,000	-	-	35,000,000	34,270,000
Redevelopment (COIT)	44,070,000	114,185,000	-	-	44,070,000	114,185,000
Tax Increment Finance	91,853,227	91,613,227	-	-	91,853,227	91,613,227
Bond Anticipation Notes	8,985,000	11,980,000	-	-	8,985,000	11,980,000
Total	\$ 184,988,227	\$ 256,148,227	\$ -	\$ -	\$ 184,988,227	\$ 256,148,227
Business-Type Activities:						
Revenue Bonds	\$ -	\$ -	\$ 23,470,000	\$ 22,995,000	\$ 23,470,000	\$ 22,995,000
Revenue Bond Anticipation Notes	-	-	15,000,000	35,000,000	15,000,000	35,000,000
Total	-	-	38,470,000	57,995,000	38,470,000	57,995,000
Total Outstanding Debt	\$ 184,988,227	\$ 256,148,227	\$ 38,470,000	\$ 57,995,000	\$ 223,458,227	\$ 314,143,227

The City's total bonds payable increased by \$90,685,000 during the current fiscal year. This change represents the net increase due to the sale of three bond issues and reductions from scheduled debt service payments and refunding. Significant bond transactions of 2006 are summarized below:

- \$72,000,000 Lease Rental Revenue Bonds, Series 2006 were issued to finance the design and engineering, right of way acquisition and construction and reconstruction of the existing roadways throughout the City. The bond will be repaid from lease rental payments under a Lease Agreement by the Redevelopment Commission. The lease payments are payable solely from the distributive share of county option income tax revenues received by the City.
- \$2,995,000 Bond Anticipation Note of 2006 issued to finance the property acquisition of and make certain improvements to Brookshire Golf Club.
- \$8,785,000 County Option Income Tax Revenue Refunding Bonds, Series 2006 were issued advance refund the outstanding taxable county option income tax revenue bonds of 1998.
- \$35,000,000 Waterwork Bond Anticipation Notes of 2006 improvements to existing water tower and lines to serve the growth and newly annexed areas.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In addition to the bond issues described above, the City's business activities acquired approximately 8,100 water customers from the City of Indianapolis by issuing a note payable. This installment purchase requires \$1.8 million in annual payments to Indianapolis over the next 20 years. The present value of this obligation at the end of 2006 is \$21,509,434.

The City of Carmel's most recent underlying debt rating was "Aa3" 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 \$67,547,402. As of December 31, 2006, the City has \$17,775,000 of outstanding debt subject to this limit. The remaining outstanding City debt was issued as lease rental obligations or are payable with tax increment which are not subject to the 2% limit.

Additional information on the City's long-term liabilities can be found in Note II G, on pages 49-57 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 2007 at 2.5 percent. This compares favorably to the State's average unemployment rate of 5.0 percent and the National average rate of 4.5 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 2007 increased by 13.07 percent.

All of these factors were considered in preparing the City of Carmel's budget for the 2007 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, 2006

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 59,333,060	\$ 520,087	\$ 59,853,147
Investments	138,786,744	-	138,786,744
Receivables (net of allowances for uncollectibles):			
Interest	866,385	-	866,385
Taxes	788,813	-	788,813
Accounts	861,419	282,165	1,143,584
Special assessments	6,207	-	6,207
Intergovernmental	2,978,482	-	2,978,482
Other	-	2,964,038	2,964,038
Internal balances	(676,642)	676,642	-
Inventories	-	293,039	293,039
Prepays	-	62,371	62,371
Restricted assets:			
Cash and cash equivalents	-	21,290,051	21,290,051
Deferred debits	3,688,552	5,122,098	8,810,650
Capital assets:			
Land, improvements and construction in progress	169,307,541	38,428,083	207,735,624
Other capital assets, net of depreciation	133,607,304	129,754,743	263,362,047
Net pension asset	206,209	-	206,209
Total assets	509,754,074	199,393,317	709,147,391

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, 2006
(Continued)

<u>Liabilities</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Accounts payable	806,593	1,961,026	2,767,619
Accrued payroll and withholdings payable	1,227,854	165,758	1,393,612
Compensated absences	627,133	116,462	743,595
Contracts payable	1,557,189	-	1,557,189
Accrued interest payable	4,001,488	600,142	4,601,630
Customer deposits	-	11,120	11,120
Other current payables	-	425,821	425,821
Unpaid claims payable	440,683	-	440,683
Noncurrent liabilities:			
Due within one year:			
General obligation bonds	700,000	-	700,000
Revenue bonds	-	855,000	855,000
TIF bonds	395,000	-	395,000
Redevelopment bonds	3,880,000	-	3,880,000
Notes and loans	148,667	1,275,705	1,424,372
Capital lease obligations	1,058,216	-	1,058,216
Due in more than one year:			
General obligation bonds	3,443,698	-	3,443,698
Revenue bonds	-	22,162,614	22,162,614
TIF bonds	11,220,000	-	11,220,000
Redevelopment bonds	239,797,495	-	239,797,495
Notes and loans	962,315	20,233,729	21,196,044
Bond anticipation notes	11,980,000	35,226,370	47,206,370
Capital lease obligations	2,154,136	-	2,154,136
Net pension obligation	6,893,434	-	6,893,434
Total liabilities	291,293,901	83,033,747	374,327,648
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	165,215,713	107,993,515	273,209,228
Restricted for:			
Public safety	371,800	-	371,800
Highways and roads	3,595,539	-	3,595,539
Culture and recreation	2,178,895	-	2,178,895
Debt service	30,368,689	2,351,038	32,719,727
Unrestricted	16,729,537	6,015,017	22,744,554
 Net assets	 <u>\$ 218,460,173</u>	 <u>\$ 116,359,570</u>	 <u>\$ 334,819,743</u>

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, 2006

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		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 10,352,967	\$ 3,945,270	\$ 454,867	\$ -	\$ (5,952,830)	\$ -	\$ (5,952,830)
Public safety	33,557,162	6,807,746	145,953	-	(26,603,463)	-	(26,603,463)
Highways and streets	16,024,468	673,701	3,007,846	5,360,062	(6,982,859)	-	(6,982,859)
Economic development	3,422,848	-	-	-	(3,422,848)	-	(3,422,848)
Culture and recreation	3,502,261	2,076,007	-	-	(1,426,254)	-	(1,426,254)
Interest on long-term debt	9,252,105	-	-	-	(9,252,105)	-	(9,252,105)
Total governmental activities	76,111,811	13,502,724	3,608,666	5,360,062	(53,640,359)	-	(53,640,359)
Business-type activities:							
Water	8,457,722	6,646,286	126,804	5,551,191	-	3,866,559	3,866,559
Wastewater	6,536,053	5,165,793	24,029	2,457,234	-	1,111,003	1,111,003
Total business-type activities	14,993,775	11,812,079	150,833	8,008,425	-	4,977,562	4,977,562
Total primary government	\$ 91,105,586	\$ 25,314,803	\$ 3,759,499	\$ 13,368,487	(53,640,359)	4,977,562	(48,662,797)
General revenues:							
Property tax					35,001,997	-	35,001,997
County option income tax					22,008,393	-	22,008,393
Auto and aircraft excise tax					2,366,358	-	2,366,358
Food and beverage tax					1,140,652	-	1,140,652
Other taxes					684,509	-	684,509
Unrestricted investment earnings					7,269,322	783,478	8,052,800
Gain on disposal of assets					248,277	-	248,277
Other					84,223	-	84,223
Total general revenues					68,803,731	783,478	69,587,209
Change in net assets					15,163,372	5,761,040	20,924,412
Net assets - beginning - as previously stated					219,762,969	110,598,530	330,361,499
Prior period adjustment, see note II.C.					(16,466,168)	-	(16,466,168)
Net assets - beginning - as restated					203,296,801	110,598,530	313,895,331
Net assets - ending					\$ 218,460,173	\$ 116,359,570	\$ 334,819,743

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

CITY OF CARMEL
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

<u>Assets</u>	<u>General</u>	<u>Redevelopment Commission Operating</u>	<u>Redevelopment Authority Debt Service</u>	<u>Redevelopment Authority Construction</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 11,284,744	\$ 2,432,766	\$ 3,398,681	\$ 19,542,584	\$ 19,708,151	\$ 56,366,926
Investments	-	-	24,432,631	114,354,113	-	138,786,744
Receivables:						
Interest	-	-	245,367	621,018	-	866,385
Taxes	587,553	24,264	-	-	176,996	788,813
Accounts	-	-	-	-	861,419	861,419
Special assessments	-	-	-	-	6,207	6,207
Intergovernmental	2,557,049	9,964	-	-	411,469	2,978,482
Due from related utility	418,122	-	-	-	-	418,122
Total assets	\$ 14,847,468	\$ 2,466,994	\$ 28,076,679	\$ 134,517,715	\$ 21,164,242	\$ 201,073,098
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 736,526	\$ 21,187	\$ -	\$ 30,375	\$ 18,505	\$ 806,593
Accrued payroll and withholdings payable	1,082,534	-	-	-	145,320	1,227,854
Contracts payable	-	-	-	1,557,189	-	1,557,189
Compensated absences payable	212,757	-	-	-	10,146	222,903
Due to related utility	1,094,764	-	-	-	-	1,094,764
Unavailable revenue	835,715	34,228	-	-	265,639	1,135,582
Total liabilities	3,962,296	55,415	-	1,587,564	439,610	6,044,885
Fund balances:						
Reserved for:						
Encumbrances	2,246,772	-	-	-	3,867,152	6,113,924
Unreserved, reported in:						
General fund	8,638,400	-	-	-	-	8,638,400
Special revenue funds	-	2,411,579	-	-	7,596,616	10,008,195
Debt service funds	-	-	28,076,679	-	2,292,010	30,368,689
Capital projects funds	-	-	-	132,930,151	6,968,854	139,899,005
Total fund balances	10,885,172	2,411,579	28,076,679	132,930,151	20,724,632	195,028,213
Total liabilities and fund balances	\$ 14,847,468	\$ 2,466,994	\$ 28,076,679	\$ 134,517,715	\$ 21,164,242	\$ 201,073,098

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, 2006

Fund Balance - governmental funds		\$ 195,028,213
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	169,307,541	
Other capital assets, net of depreciation	<u>133,607,304</u>	302,914,845
Net pension asset is prepaid amount and is not a current financial resource; therefore, this is not reported in the funds.		206,209
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.		2,525,451
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.		(6,893,434)
Compensated absences which are not due and payable in the current period are, therefore, not reported in the funds.		(404,230)
Unavailable revenues are not available to pay current expenses and, therefore, are not reported as revenue in the funds.		1,135,582
Accrued interest on bonds payable is not due and payable in the current period and, therefore, is not reported in the funds.		(4,001,488)
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	(4,143,698)	
Tax increment financing bonds	(11,615,000)	
Redevelopment bonds	(243,677,495)	
Notes and loans	(1,110,982)	
Bond anticipation notes	(11,980,000)	
Capital leases	(3,212,352)	
Deferred debits (asset)	<u>3,688,552</u>	<u>(272,050,975)</u>
Net assets of governmental activities		<u>\$ 218,460,173</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, 2006

	General	Redevelopment Commission Operating	Redevelopment Authority Debt Service	Redevelopment Authority Construction	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	\$ 19,429,102	\$ 5,361,137	\$ -	\$ -	\$ 10,081,766	\$ 34,872,005
Income	22,008,393	-	-	-	-	22,008,393
Special assessments	-	-	-	-	105	105
Licenses and permits	2,239,761	-	-	-	810,226	3,049,987
Intergovernmental	3,492,803	-	-	-	3,982,256	7,475,059
Charges for services	4,508,098	-	-	-	2,127,954	6,636,052
Fines and forfeits	398,715	-	-	-	1,518,809	1,917,524
Other:						
Interest on investments	164,270	145,700	1,160,686	4,625,209	1,003,373	7,099,238
Sale of property	-	2,458,926	-	-	-	2,458,926
Donations	-	-	-	-	84,223	84,223
Reimbursements	155,019	879,916	100	1,400	852,240	1,888,675
Total revenues	52,396,161	8,845,679	1,160,786	4,626,609	20,460,952	87,490,187
Expenditures:						
Current:						
General government	8,947,570	-	-	-	1,872,828	10,820,398
Public safety	31,258,288	-	-	-	956,957	32,215,245
Highways and streets	-	-	-	-	12,224,531	12,224,531
Economic development	-	1,409,992	-	2,236,606	-	3,646,598
Culture and recreation	1,907,268	-	-	-	1,570,224	3,477,492
Debt service:						
Principal	-	8,514,018	2,505,000	-	1,880,000	12,899,018
Interest	-	-	4,131,636	137,288	1,802,697	6,071,621
Bond issue costs	-	250,990	1,110,205	-	-	1,361,195
Capital outlay:						
General government	1,011,477	-	-	-	3,499,032	4,510,509
Public safety	142,093	-	-	-	300,207	442,300
Highways and streets	-	-	-	-	4,137,000	4,137,000
Economic development	-	9,542,947	-	11,230,103	-	20,773,050
Culture and recreation	76,161	-	-	-	-	76,161
Total expenditures	43,342,857	19,717,947	7,746,841	13,603,997	28,243,476	112,655,118
Excess (deficiency) of revenues over (under) expenditures	9,053,304	(10,872,268)	(6,586,055)	(8,977,388)	(7,782,524)	(25,164,931)
Other financing sources (uses):						
Transfers in	197,420	-	5,071,937	-	1,604,746	6,874,103
Transfers out	(3,807,360)	(1,631,886)	-	(211,437)	(1,223,420)	(6,874,103)
Redevelopment bonds issuance	-	8,785,000	8,962,787	63,037,213	-	80,785,000
Bond anticipation notes issuance	-	2,995,000	-	-	-	2,995,000
Premium on redevelopment bonds	-	-	-	2,966,246	-	2,966,246
Capital lease proceeds	732,882	-	-	-	-	732,882
Notes and loans proceeds	-	1,390,000	-	-	-	1,390,000
Total other financing sources and uses	(2,877,058)	11,538,114	14,034,724	65,792,022	381,326	88,869,128
Net change in fund balances	6,176,246	665,846	7,448,669	56,814,634	(7,401,198)	63,704,197
Fund balance - beginning, as previously reported	4,708,926	1,745,733	-	-	28,125,830	34,580,489
Prior period adjustment (see note II.C.)	-	-	20,628,010	76,115,517	-	96,743,527
Fund balances - beginning, as restated	4,708,926	1,745,733	20,628,010	76,115,517	28,125,830	131,324,016
Fund balances - ending	\$ 10,885,172	\$ 2,411,579	\$ 28,076,679	\$ 132,930,151	\$ 20,724,632	\$ 195,028,213

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, 2006

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)		\$ 63,704,197
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	29,939,020	
Depreciation expense	<u>(4,910,877)</u>	25,028,143
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Asset disposals	(2,493,375)	
Donated assets	<u>5,360,062</u>	2,866,687
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		455,118
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:		
Redevelopment bonds	(80,785,000)	
Bond anticipation notes	(2,995,000)	
Notes and loans	(1,390,000)	
Capital leases	(732,882)	
Bond premium	(2,966,246)	
Principal payments:		
General obligation bonds	980,000	
TIF bonds	240,000	
Redevelopment bonds	11,400,000	
Notes and loans	279,018	
Capital leases	1,394,145	
Bond issuance costs	1,361,195	
Amortization of bond discount	282,031	
Amortization of bond issuance costs	<u>(241,548)</u>	(73,174,287)
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.		(3,453,776)
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.		180,465
Net pension asset is prepaid amount and is not a current financial resource; therefore, this is not reported in the funds.		(77,237)
Compensated absences which are not due and payable in the current period are, therefore, not reported in the funds.		(32,828)
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>(333,110)</u>
Change in net assets of governmental activities (Statement of Activities)		<u>\$ 15,163,372</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, 2006

Assets	Business-Type Activities - Enterprise Funds			Internal Service
	Water Utility	Wastewater Utility	Total	Health Self-Insurance
Current assets:				
Cash and cash equivalents	\$ 9,193	\$ 510,894	\$ 520,087	\$ 2,966,134
Restricted cash and cash equivalents:				
Customer deposits	11,120	-	11,120	-
Revenue bond covenant accounts	1,013,485	441,657	1,455,142	-
Accounts receivable (net of allowance)	135,489	146,676	282,165	-
Other receivables	980,061	1,983,977	2,964,038	-
Interfund receivable:				
Due from associated City	1,094,764	-	1,094,764	-
Due from associated Utility	-	605,651	605,651	-
Inventories	102,096	190,943	293,039	-
Prepaid items	30,948	31,423	62,371	-
Total current assets	3,377,156	3,911,221	7,288,377	2,966,134
Noncurrent assets:				
Restricted cash and cash equivalents:				
Revenue bond covenant accounts	15,141,918	4,681,871	19,823,789	-
Total restricted assets	15,141,918	4,681,871	19,823,789	-
Deferred charges				
Bond issuance costs	373,262	326,062	699,324	-
Investment in Indianapolis use of water	4,422,774	-	4,422,774	-
Total deferred charges	4,796,036	326,062	5,122,098	-
Capital assets:				
Land, improvements to land and construction in progress	24,151,386	14,276,697	38,428,083	-
Other capital assets (net of accumulated depreciation)	77,805,051	51,949,692	129,754,743	-
Total capital assets	101,956,437	66,226,389	168,182,826	-
Total noncurrent assets	121,894,391	71,234,322	193,128,713	-
Total assets	125,271,547	75,145,543	200,417,090	2,966,134

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, 2006
(Continued)

<u>Liabilities</u>	Business-Type Activities - Enterprise Funds			Internal Service
	Water Utility	Wastewater Utility	Total	Health Self-Insurance
Current liabilities:				
Accounts payable	1,784,957	176,069	1,961,026	-
Interfund payables:				
Due to associated City	-	418,122	418,122	-
Due to associated Utility	605,651	-	605,651	-
Accrued wages payable	80,046	85,712	165,758	-
Compensated absences	59,321	57,141	116,462	-
Other current payables	425,821	-	425,821	-
Notes payable	1,275,705	-	1,275,705	-
Bond anticipation notes payable	35,226,370	-	35,226,370	-
Unpaid claims payable	-	-	-	440,683
Current liabilities payable from restricted assets:				
Customer deposits	11,120	-	11,120	-
Revenue bonds payable	490,000	365,000	855,000	-
Accrued interest payable	523,485	76,657	600,142	-
Total current liabilities	40,482,476	1,178,701	41,661,177	440,683
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	11,527,614	10,635,000	22,162,614	-
Notes payable	20,233,729	-	20,233,729	-
Total noncurrent liabilities	31,761,343	10,635,000	42,396,343	-
Total liabilities	72,243,819	11,813,701	84,057,520	440,683
 <u>Net Assets</u>				
Invested in capital assets, net of related debt	48,268,431	59,725,084	107,993,515	-
Restricted for debt service	1,916,637	434,401	2,351,038	-
Unrestricted	2,842,660	3,172,357	6,015,017	2,525,451
Total net assets	\$ 53,027,728	\$ 63,331,842	\$ 116,359,570	\$ 2,525,451

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, 2006

	Enterprise Funds			Internal Service
	Water Utility	Wastewater Utility	Total	Health Self-Insurance
Operating revenues:				
Residential sales	\$ 4,303,036	\$ 2,596,515	\$ 6,899,551	\$ -
Commercial and industrial sales	1,205,835	2,567,130	3,772,965	-
Fire protection revenue	1,012,093	-	1,012,093	-
Other	125,322	2,148	127,470	5,984,062
Total operating revenues	6,646,286	5,165,793	11,812,079	5,984,062
Operating expenses:				
Source of supply and expense - operations and maintenance	644,448	-	644,448	-
Water treatment expense - operations and maintenance	1,926,566	-	1,926,566	-
Transmission and distribution	1,278,539	-	1,278,539	-
Collection system - operations and maintenance	-	904,441	904,441	-
Pumping - operations and maintenance	-	138,010	138,010	-
Treatment and disposal expense - operations and maintenance	-	2,341,348	2,341,348	-
Customer accounts	473,022	312,946	785,968	-
Administration and general	666,402	718,363	1,384,765	-
Payroll tax expense	144,711	152,593	297,304	-
Insurance claims and premiums	-	-	-	5,973,681
Utility receipts tax expense	80,939	-	80,939	-
Payment in lieu of taxes	156,340	178,250	334,590	-
Depreciation and amortization	1,462,295	1,400,102	2,862,397	-
Total operating expenses	6,833,262	6,146,053	12,979,315	5,973,681
Operating income (loss)	(186,976)	(980,260)	(1,167,236)	10,381
Nonoperating revenues (expenses):				
Interest and investment revenue	380,998	402,480	783,478	170,084
Miscellaneous revenue	126,804	24,029	150,833	-
Interest expense	(1,449,247)	(315,411)	(1,764,658)	-
Amortization of bond issue costs	(44,815)	(33,222)	(78,037)	-
Loss from disposition of property	(130,398)	(41,367)	(171,765)	-
Total nonoperating revenue (expenses)	(1,116,658)	36,509	(1,080,149)	170,084
Income (loss) before contributions	(1,303,634)	(943,751)	(2,247,385)	180,465
Capital contributions	5,551,191	2,457,234	8,008,425	-
Change in net assets	4,247,557	1,513,483	5,761,040	180,465
Total net assets - beginning	48,780,171	61,818,359	110,598,530	2,344,986
Total net assets - ending	\$ 53,027,728	\$ 63,331,842	\$ 116,359,570	\$ 2,525,451

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, 2006

	Enterprise Funds			Internal Service Funds
	Water Utility	Wastewater Utility	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 5,457,558	\$ 3,953,766	\$ 9,411,324	\$ 5,984,062
Payments to suppliers	(1,380,083)	(1,807,136)	(3,187,219)	-
Payments to employees	(2,453,128)	(2,800,409)	(5,253,537)	-
Payments for interfund services used	-	-	-	(5,786,648)
Other receipts	252,126	26,177	278,303	-
Net cash provided (used) by operating activities	<u>1,876,473</u>	<u>(627,602)</u>	<u>1,248,871</u>	<u>197,414</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	57,422,827	-	57,422,827	-
Capital contributions	2,339,212	1,809,611	4,148,823	-
Acquisition and construction of capital assets	(30,043,449)	(6,316,188)	(36,359,637)	-
Principal paid on capital debt	(16,202,816)	-	(16,202,816)	-
Interest paid on capital debt	(1,086,533)	(315,411)	(1,401,944)	-
Investment in Indianapolis use of water	(4,422,774)	-	(4,422,774)	-
Proceeds from sale of equipment	(64,817)	45,282	(19,535)	-
Net cash provided by capital and related financing activities	<u>7,941,650</u>	<u>(4,776,706)</u>	<u>3,164,944</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	380,998	402,480	783,478	170,084
Net increase in cash and cash equivalents	10,199,121	(5,001,828)	5,197,293	367,498
Cash and cash equivalents, January 1 (Including \$5,970,577 and \$10,230,443 for the Water and Wastewater Utilities, respectively, reported in restricted accounts)	<u>5,976,595</u>	<u>10,636,250</u>	<u>16,612,845</u>	<u>2,598,636</u>
Cash and cash equivalents, December 31 (Including \$16,166,523 and \$5,123,528 for the Water and Wastewater Utilities, respectively, reported in restricted accounts)	<u>\$ 16,175,716</u>	<u>\$ 5,634,422</u>	<u>\$ 21,810,138</u>	<u>\$ 2,966,134</u>

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

Continued on next page

CITY OF CARMEL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2006
(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)	\$ (186,976)	\$ (980,260)	\$ (1,167,236)	\$ 10,381
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,462,295	1,400,102	2,862,397	-
Nonoperating income (expense)	126,804	24,029	150,833	-
(Increase) decrease in assets:				
Accounts receivable	(38,999)	(9,896)	(48,895)	-
Other	(857,275)	(1,330,247)	(2,187,522)	-
Interfund receivables	(169,432)	130,264	(39,168)	-
Inventories	11,613	7,726	19,339	-
Prepaid items	(12,547)	(8,452)	(20,999)	-
Deferred debits	-	(8,992)	(8,992)	-
Increase (decrease) in liabilities:				
Accounts payable	1,202,848	(263,199)	939,649	-
Wages payable	20,241	5,757	25,998	-
Compensated absence payable	4,156	(47)	4,109	-
Interfund payables	(102,080)	417,925	315,845	-
Other current liabilities	413,525	(12,312)	401,213	-
Customer deposits	2,300	-	2,300	-
Unpaid claims payable	-	-	-	187,033
Total adjustments	<u>2,063,449</u>	<u>352,658</u>	<u>2,416,107</u>	<u>187,033</u>
Net cash provided (used) by operating activities	<u>\$ 1,876,473</u>	<u>\$ (627,602)</u>	<u>\$ 1,248,871</u>	<u>\$ 197,414</u>

Noncash transactions:

Capital assets were contributed by private developers in the amounts of \$3,211,979 and \$647,623 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, 2006

<u>Assets</u>	Pension Trust Funds	Agency Funds
Cash and cash equivalents	\$ 130,918	\$ 559,428
Investments at fair value:		
U.S. Government securities	8,055,710	-
Interest Receivable	64,017	-
Total assets	8,250,645	\$ 559,428
 <u>Liabilities</u>		
Withholdings payable	-	\$ 559,428
Total liabilities	-	\$ 559,428
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits	8,250,645	
Total net assets	\$ 8,250,645	

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, 2006

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
Employer	\$ 624,928
Plan members	<u>4,149</u>
Total contributions	<u>629,077</u>
Investment income:	
Net increase in fair value of investments	27,458
Interest	<u>487,757</u>
Net investment income	<u>515,215</u>
Total additions	<u>1,144,292</u>
<u>Deductions</u>	
Benefits	838,288
Administrative expense	<u>3,073</u>
Total deductions	<u>841,361</u>
Changes in net assets	302,931
Net assets - beginning	<u>7,947,714</u>
Net assets - ending	<u><u>\$ 8,250,645</u></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. In 1989, the Civic Square Building Corporation completed financing and constructing a police station and municipal city building, known as Phase II. The Civic Square Building Corporation is reported as if it were part of the primary government because 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 Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government reports the following major governmental funds:

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

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

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

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

The primary government reports the following major proprietary funds:

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

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

Additionally, the primary government reports the following fund types:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the governmental-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.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

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

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

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) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. 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	\$ 1	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	1	Straight-line	25 to 50 years
Water collection systems	750	Straight-line	3 to 100 years
Wastewater distribution and collection systems	750	Straight-line	3 to 100 years

N/A = Not applicable

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government in its business-type activities during the current year was \$2,420,328. Of this amount, \$610,855 was included as part of the cost of capital assets under construction in connection with the Water Utility.

7. Compensated Absences

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

Vacation and sick leave is accrued when incurred and reported as a liability in the statement of net assets. 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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

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

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

CITY OF CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the City had the following investments:

Investment Type	Fair Value
U.S. Treasuries and Securities	\$ 1,119,785
U.S. Agencies	<u>110,779,852</u>
Total	<u>\$ 111,899,637</u>

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 that are uninsured and (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. At December 31, 2006, the City held investments in U.S. Agencies in the amount of \$111,899,637. 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.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Primary Government U.S. Agencies	\$ 111,899,637	\$ 91,428,308	\$ 15,640,913	\$ 4,830,416

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2006, the City's investments in U.S. Treasuries and Government Sponsored Agencies were all rated AAA by Standard and 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, 2006, was as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Previous Ending Balance</u>	<u>Adjustments*</u>	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 35,236,845	\$ (17,278,715)	\$ 17,958,130	\$ 6,667,958	\$ 2,272,774	\$ 22,353,314
Right of ways	95,257,789	-	95,257,789	8,879,384	220,601	103,916,572
Construction in progress	9,484,186	22,323,366	31,807,552	11,230,103	-	43,037,655
Total capital assets, not being depreciated	<u>139,978,820</u>	<u>5,044,651</u>	<u>145,023,471</u>	<u>26,777,445</u>	<u>2,493,375</u>	<u>169,307,541</u>
Capital assets, being depreciated:						
Buildings	17,423,998	-	17,423,998	-	-	17,423,998
Improvements other than buildings	3,730,913	-	3,730,913	35,614	-	3,766,527
Machinery and equipment	11,861,753	-	11,861,753	2,247,268	584,448	13,524,573
Infrastructure	129,802,673	-	129,802,673	6,238,755	319,379	135,722,049
Total capital assets, being depreciated	<u>162,819,337</u>	<u>-</u>	<u>162,819,337</u>	<u>8,521,637</u>	<u>903,827</u>	<u>170,437,147</u>
Less accumulated depreciation:						
Buildings	4,595,872	-	4,595,872	348,480	-	4,944,352
Improvements	1,733,017	-	1,733,017	191,826	-	1,924,843
Machinery and equipment	3,840,212	-	3,840,212	1,354,525	584,448	4,610,289
Infrastructure	22,653,692	-	22,653,692	3,016,046	319,379	25,350,359
Total accumulated depreciation	<u>32,822,793</u>	<u>-</u>	<u>32,822,793</u>	<u>4,910,877</u>	<u>903,827</u>	<u>36,829,843</u>
Total capital assets, being depreciated, net	<u>129,996,544</u>	<u>-</u>	<u>129,996,544</u>	<u>3,610,760</u>	<u>-</u>	<u>133,607,304</u>
Total governmental activities capital assets, net	<u>\$ 269,975,364</u>	<u>\$ 5,044,651</u>	<u>\$ 275,020,015</u>	<u>\$ 30,388,205</u>	<u>\$ 2,493,375</u>	<u>\$ 302,914,845</u>

* See note II.C.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,104,878	\$ 350	\$ -	\$ 2,105,228
Construction in progress	<u>25,187,942</u>	<u>17,401,397</u>	<u>6,266,483</u>	<u>36,322,856</u>
Total capital assets, not being depreciated	<u>27,292,820</u>	<u>17,401,747</u>	<u>6,266,483</u>	<u>38,428,084</u>
Capital assets, being depreciated:				
Buildings	41,059,759	28,159	51,621	41,036,297
Improvements other than buildings	81,217,149	28,278,980	71,563	109,424,566
Machinery and equipment	<u>9,191,603</u>	<u>776,835</u>	<u>180,080</u>	<u>9,788,358</u>
Totals	<u>131,468,511</u>	<u>29,083,974</u>	<u>303,264</u>	<u>160,249,221</u>
Less accumulated depreciation for:				
Buildings	11,430,298	989,905	22,001	12,398,202
Improvements other than buildings	12,076,278	1,314,306	48,060	13,342,524
Machinery and equipment	<u>4,276,541</u>	<u>558,186</u>	<u>80,974</u>	<u>4,753,753</u>
Totals	<u>27,783,117</u>	<u>2,862,397</u>	<u>151,035</u>	<u>30,494,479</u>
Total capital assets, being depreciated, net	<u>103,685,394</u>	<u>26,221,577</u>	<u>152,229</u>	<u>129,754,742</u>
Total business-type activities capital assets, net	<u>\$ 130,978,214</u>	<u>\$ 43,623,324</u>	<u>\$ 6,418,712</u>	<u>\$ 168,182,826</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	\$ 477,103
Public safety	1,008,807
Public works, including depreciation of general infrastructure assets	3,400,198
Culture and recreation	<u>24,769</u>
 Total depreciation expense - governmental activities	 <u>\$ 4,910,877</u>
 Business-type activities:	
Water	\$ 1,462,295
Wastewater	<u>1,400,102</u>
 Total depreciation expense - business-type activities	 <u>\$ 2,862,397</u>

C. Prior Period Adjustments

Restatements and Reclassifications

For the period ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Redevelopment Authority. Previously, the Redevelopment Authority was reported as an internal service fund. The prior period adjustments represent the restatements necessary due to the reclassification of the funds of the Redevelopment Authority from an internal service fund to a debt service fund and capital projects fund to better reflect the function of this unit.

Previously, the Redevelopment Authority did not recognize construction in progress for assets that will eventually be leased to the City. The City had included a portion, but not all of the construction costs in the capital assets in the prior financial statements. In addition, the prior financial statements included cash of \$10,780,261 that was incorrectly included by the other auditors.

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The January 1, 2006, Net Assets of the governmental activities and the fund balance of the Redevelopment Authority Debt Service and Redevelopment Authority Construction funds have been restated for these prior period adjustments as follows:

	<u>Governmental Activities</u>	<u>Redevelopment Authority Debt Service</u>	<u>Redevelopment Authority Construction</u>
Beginning balance, as previously reported	\$ 219,762,969	\$ -	\$ -
Prior period adjustments:			
Cash	(297,274)	20,628,010	76,115,517
Investments	(10,481,987)	-	-
Deferred debits	1,799,756	-	-
Capital assets	5,044,651	-	-
Unamortized bond premium	<u>(12,531,314)</u>	<u>-</u>	<u>-</u>
Total prior period adjustment	<u>(16,466,168)</u>	<u>20,628,010</u>	<u>76,115,517</u>
Beginning balance, as restated	<u>\$ 203,296,801</u>	<u>\$ 20,628,010</u>	<u>\$ 76,115,517</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, 2006	Committed	Required Future Funding
Governmental activities:				
Redevelopment of blighted areas	\$ 34,123,496	\$ 33,750,335	\$ 373,161	\$ -
Road reconstruction	<u>149,820,329</u>	<u>9,287,320</u>	<u>140,533,009</u>	<u>-</u>
Total governmental activities	<u>183,943,825</u>	<u>43,037,655</u>	<u>140,906,170</u>	<u>-</u>
Business-type activities:				
Water treatment facilities	59,875,030	22,438,467	37,436,563	-
Wastewater treatment facilities	<u>19,925,154</u>	<u>13,884,389</u>	<u>6,040,765</u>	<u>-</u>
Total business-type activities	<u>79,800,184</u>	<u>36,322,856</u>	<u>43,477,328</u>	<u>-</u>
Totals	<u>\$ 263,744,009</u>	<u>\$ 79,360,511</u>	<u>\$ 184,383,498</u>	<u>\$ -</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

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

The composition of interfund balances as of December 31, 2006, is as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Due To	Due From			Total
	General Fund	Water Utility	Wastewater Utility	
General Fund	\$ -	\$ -	\$ 418,122	\$ 418,122
Water Utility	1,094,764	-	-	1,094,764
Wastewater Utility	-	605,651	-	605,651
Totals	<u>\$ 1,094,764</u>	<u>\$ 605,651</u>	<u>\$ 418,122</u>	<u>\$ 2,118,537</u>

2. Interfund Transfers

Interfund transfers at December 31, 2006, were as follows:

Transfer From	Transfer to			Total
	General	Redevelopment Authority Debt Service	Nonmajor Governmental	
Major governmental:				
General Fund	\$ -	\$ 3,670,000	\$ 137,360	\$ 3,807,360
Redevelopment Commission - Operating	-	1,190,500	441,386	1,631,886
Redevelopment Authority Construction	-	211,437	-	211,437
Nonmajor governmental	197,420	-	1,026,000	1,223,420
Totals	<u>\$ 197,420</u>	<u>\$ 5,071,937</u>	<u>\$ 1,604,746</u>	<u>\$ 6,874,103</u>

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Leases

Capital Leases

The primary government has entered into various capital leases for equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

Governmental activities:	
2007	\$ 1,202,617
2008	874,831
2009	609,097
2010	335,718
2011	278,707
2012-2016	<u>309,483</u>
Total minimum lease payments	3,610,453
Less amount representing interest	<u>398,101</u>
Present value of net minimum lease payments	3,212,352
Due within one year	<u>(1,058,216)</u>
Due in more than one year	<u><u>\$ 2,154,136</u></u>

The cost of assets acquired through capital leases still in effect is \$4,337,145 of machinery and equipment.

G. Long-Term Debt

1. General Obligation Bonds

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

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
Governmental activities:		
2004 First Mortgage Bonds, fire and police station	2.0% to 4.0%	\$ 4,100,000
Due within one year		(700,000)
Unamortized premium		<u>43,698</u>
Due in more than one year		<u>\$ 3,443,698</u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 700,000	\$ 124,837
2008	715,000	106,831
2009	735,000	84,750
2010	760,000	60,175
2011	785,000	34,825
2012-2016	<u>405,000</u>	<u>7,088</u>
Totals	<u>\$ 4,100,000</u>	<u>\$ 418,506</u>

2. Tax Incremental Financing (TIF) Bonds

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
Governmental activities:		
1998 Merchants Square	6.5% to 7.0%	\$ 2,255,000
2004 Illinois Street	6.65%	<u>9,360,000</u>
Total TIF bonds		11,615,000
Due within one year		<u>(395,000)</u>
Due in more than one year		<u><u>\$ 11,220,000</u></u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 395,000	\$ 785,325
2008	420,000	764,532
2009	435,000	737,669
2010	510,000	707,639
2011	545,000	674,178
2012-2016	3,320,000	2,781,695
2017-2021	3,920,000	1,572,025
2022-2026	<u>2,070,000</u>	<u>385,368</u>
Totals	<u><u>\$ 11,615,000</u></u>	<u><u>\$ 8,408,431</u></u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Redevelopment Bonds

The primary government issues redevelopment bonds to provide for the construction of major capital facilities within its boundaries. The County Option Income Tax revenues are pledged to pay these bonds. The Redevelopment Authority issues redevelopment bonds to provide for the construction/reconstruction of roads and other facilities to be leased to the City. The City's lease rental payments will be paid from tax increment financing, county option income tax and, if necessary, a special benefits tax.

Purpose	Interest Rates	Amount
Governmental activities:		
Primary government:		
2002 Street facility and road improvements	3.125% to 4.60%	9,230,000
2006 City Center bonds	6.5% to 7.5%	8,545,000
Blended component unit:		
2004 Refunding redevelopment bonds	5.00% to 5.25%	24,410,000
2004 Street and roadway improvement bonds	3.00% to 5.00%	34,270,000
2005 Performance Arts Center	4.625% to 10.2%	79,998,227
2006 Infrastructure bonds	4.625% to 10.2%	<u>72,000,000</u>
Total redevelopment bonds		228,453,227
Due within one year		(3,880,000)
Unamortized premium		<u>15,224,268</u>
Due in more than one year		<u>\$ 239,797,495</u>

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 3,880,000	\$ 8,804,576
2008	4,370,000	9,242,224
2009	5,770,000	9,094,218
2010	7,220,000	8,861,834
2011	10,860,216	10,801,896
2012-2016	50,259,984	44,154,202
2017-2021	48,077,641	42,199,911
2022-2026	46,125,386	42,074,073
2027-2031	43,140,000	6,165,050
2032-2036	<u>8,750,000</u>	<u>432,975</u>
Totals	<u>\$ 228,453,227</u>	<u>\$ 181,830,959</u>

4. Revenue Bonds

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

Purpose	Interest Rates	Amount
Business-type activities:		
2002A Water Plant extensions and improvements	4.20% to 5.15%	\$ 3,920,000
2002B Water Plant extensions and improvements	3.50% to 5.10%	5,120,000
2003A Waterworks refunding revenue bonds	2.00% to 3.85%	2,955,000
2005 Wastewater revenue bonds	3.15% to 4.61%	<u>11,000,000</u>
Total revenue bonds		22,995,000
Net unamortized premium/discount		22,614
Due within one year		<u>(855,000)</u>
Due in more than one year		<u>\$ 22,162,614</u>

Revenue bonds debt service requirements to maturity are as follows:

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Business-Type Activities			
	Water		Wastewater	
	Principal	Interest	Principal	Interest
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	555,000	463,733	425,000	400,178
2012-2016	3,250,000	1,949,413	2,350,000	1,742,252
2017-2021	4,175,000	1,053,175	2,985,000	1,183,740
2022-2026	<u>1,980,000</u>	<u>102,159</u>	<u>3,685,000</u>	<u>437,968</u>
Totals	<u>\$ 11,995,000</u>	<u>\$ 5,617,448</u>	<u>\$ 11,000,000</u>	<u>\$ 5,505,286</u>

5. Bond Anticipation Notes (BAN) Payable:

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

Governmental activities:	
2003A Merchants Square BAN	\$ 2,995,000
2004A City Center BAN	2,995,000
2005 City Center BAN	2,995,000
2006 Golf Course BAN	<u>2,995,000</u>
Total governmental funds	<u>11,980,000</u>
Business-type activities:	
2006 Water Utility BAN	35,000,000
Unamortized premium	<u>226,370</u>
Total business-type activities	<u>35,226,370</u>
Total	<u>\$ 47,206,370</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Notes/Loans Payable

The City (redevelopment commission) has entered into two notes payable for the purchase of land. The Water Utility has entered into a note payable with Indianapolis Water Company to purchase existing water lines to be serviced by the City of Carmel. Annual debt service requirements to maturity for the notes are as follows:

Year Ended December 31	Governmental Activities	Business-Type Activities
2007	\$ 213,000	\$ 2,460,000
2008	164,000	1,800,000
2009	214,696	1,800,000
2010	719,540	1,800,000
2011	-	1,800,000
2012-2016	-	9,000,000
2017-2021	-	9,000,000
2022-2026	-	7,200,000
Totals	1,311,236	34,860,000
Less amount representing interest	<u>(200,254)</u>	<u>(13,350,566)</u>
Present value of net payments	1,110,982	21,509,434
Due within one year	<u>(148,667)</u>	<u>(1,275,705)</u>
Due in more than one year	<u>\$ 962,315</u>	<u>\$ 20,233,729</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Advance Refunding – Carmel Civic Square Building Corporation

In prior years, the primary government defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. Outstanding bonds at December 31, 2006, considered defeased were \$4,865,000.

8. Advance Refunding – Carmel Redevelopment Authority

In 2002, the Authority defeased certain redevelopment bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. Outstanding bonds, at December 31, 2006, considered defeased were \$24,260,000.

9. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

<u>Primary Government</u>	Beginning Balance as Previously Stated	Adjustment	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
Bonds payable:							
General obligation	\$ 5,080,000	\$ -	\$ 5,080,000	\$ -	\$ 980,000	\$ 4,100,000	\$ 700,000
Redevelopment bonds	159,068,227	-	159,068,227	80,785,000	11,400,000	228,453,227	3,880,000
TIF bonds	<u>20,840,000</u>	<u>(8,985,000)</u>	<u>11,855,000</u>	-	<u>240,000</u>	<u>11,615,000</u>	<u>395,000</u>
Total bonds payable	184,988,227	(8,985,000)	176,003,227	80,785,000	12,620,000	244,168,227	4,975,000
Capital leases	3,873,615	-	3,873,615	732,882	1,394,145	3,212,352	1,058,216
Notes	-	-	-	1,390,000	279,018	1,110,982	148,667
Bond anticipation notes	-	8,985,000	8,985,000	2,995,000	-	11,980,000	-
Compensated absences	371,402	-	371,402	2,072,219	1,816,488	627,133	627,133
Net pension obligation	<u>6,560,324</u>	-	<u>6,560,324</u>	<u>333,110</u>	-	<u>6,893,434</u>	-
Total governmental activities long-term liabilities	<u>\$ 195,793,568</u>	<u>\$ -</u>	<u>\$ 195,793,568</u>	<u>\$ 88,308,211</u>	<u>\$ 16,109,651</u>	<u>\$ 267,992,128</u>	<u>\$ 6,809,016</u>

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance as Previously Stated</u>	<u>Adjustment</u>	<u>Beginning Balance Restated</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	\$ 27,470,000	\$ (15,000,000)	\$ 12,470,000	\$ -	\$ 475,000	\$ 11,995,000	\$ 490,000
Wastewater Utility	<u>11,000,000</u>	<u>-</u>	<u>11,000,000</u>	<u>-</u>	<u>-</u>	<u>11,000,000</u>	<u>365,000</u>
Total revenue bonds payable	38,470,000	(15,000,000)	23,470,000	-	475,000	22,995,000	855,000
Bond anticipation notes	-	15,000,000	15,000,000	35,000,000	15,000,000	35,000,000	35,000,000
Notes	-	-	-	22,237,250	727,816	21,509,434	1,275,705
Compensated absences	<u>112,353</u>	<u>-</u>	<u>112,353</u>	<u>198,799</u>	<u>194,690</u>	<u>116,462</u>	<u>116,462</u>
Total business-type activities long-term liabilities	<u>\$ 38,582,353</u>	<u>\$ -</u>	<u>\$ 38,582,353</u>	<u>\$ 57,436,049</u>	<u>\$ 16,397,506</u>	<u>\$ 79,620,896</u>	<u>\$ 37,247,167</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	\$ 11,120
Revenue bond operations and maintenance account	<u>21,278,931</u>
 Total restricted assets	 <u>\$ 21,290,051</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>2005</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$ (2,333)	\$ 253,650
Incurred claims and changes in estimates	4,892,817	6,160,714
Claim payments	<u>4,636,834</u>	<u>5,973,681</u>
Unpaid claims, end of fiscal year	<u>\$ 253,650</u>	<u>\$ 440,683</u>

Claims and judgments typically have been liquidated from the internal service 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, 2006, 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, 2006, there were three series of Economic Development Bonds outstanding with an aggregate principal amount payable of \$9,390,000.

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. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan.

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. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan.

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	\$ 737,267	\$ 452,800	\$ 512,200
Interest on net pension obligation	(20,550)	182,100	211,500
Adjustment to annual required contribution	<u>23,418</u>	<u>(220,600)</u>	<u>(256,100)</u>
Annual pension cost	740,135	414,300	467,600
Contributions made	<u>662,898</u>	<u>249,513</u>	<u>299,277</u>
Increase in net pension obligation	77,237	164,787	168,323
Net pension obligation, beginning of year	<u>(283,446)</u>	<u>3,035,824</u>	<u>3,524,500</u>
Net pension obligation, end of year	<u>\$ (206,209)</u>	<u>\$ 3,200,611</u>	<u>\$ 3,692,823</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	07-01-06	01-01-06	01-01-06
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
 <u>Actuarial Assumptions</u>			
Investment rate of return	7.25%	4%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75%/4%*	2.75%/4%*

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

CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 403,720	105%	\$ (216,448)
	06-30-05	503,797	141%	(283,446)
	06-30-06	740,135	132%	(206,209)
1925 Police Officers' Pension Plan	12-31-03	808,600	54%	2,472,033
	12-31-04	853,400	34%	3,035,824
	12-31-05	414,300	60%	3,200,611
1937 Firefighters' Pension Plan	12-31-03	698,300	63%	3,079,933
	12-31-04	740,800	40%	3,524,500
	12-31-05	467,600	64%	3,692,823

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, 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>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Cash and cash equivalents	\$ -	\$ 130,918
Investments at fair value:		
U.S. Government securities	3,567,852	4,487,858
Interest Receivable	<u>28,052</u>	<u>35,965</u>
Total assets	<u>3,595,904</u>	<u>4,654,741</u>
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits	<u>3,595,904</u>	<u>4,654,741</u>
Total net assets	<u>\$ 3,595,904</u>	<u>\$ 4,654,741</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	\$ 324,006	\$ 300,922
Plan members	<u>-</u>	<u>4,149</u>
 Total contributions	 <u>324,006</u>	 <u>305,071</u>
Investment income:		
Net increase in fair value of investments	11,687	15,771
Interest	<u>216,055</u>	<u>271,702</u>
 Net investment income	 227,742	 287,473
 Total additions	 <u>551,748</u>	 <u>592,544</u>
 <u>Deductions</u>		
Benefits	426,243	412,045
Administrative expenses	<u>1,830</u>	<u>1,243</u>
 Total deductions	 <u>428,073</u>	 <u>413,288</u>
 Changes in net assets	 123,675	 179,256
Net assets - beginning	<u>3,472,229</u>	<u>4,475,485</u>
 Net assets - ending	 <u>\$ 3,595,904</u>	 <u>\$ 4,654,741</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, 2006, 2005, and 2004, were \$2,717,526, \$2,445,125, and \$2,043,631, 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)
07-01-04	\$ 5,384,986	\$ 6,444,467	\$ (1,059,481)	84%	\$ 8,842,272	(12%)
07-01-05	5,838,590	8,218,134	(2,379,544)	71%	11,010,431	(22%)
07-01-06	7,112,631	8,960,229	(1,847,598)	79%	12,180,445	(15%)
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)
01-01-01	\$ 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%)
01-01-06	3,472,229	5,254,400	(1,782,171)	66%	-	0%
1937 Firefighters' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 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%)
01-01-06	4,475,485	8,449,700	(3,974,215)	53%	161,000	(2,468%)

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
12-31-00	\$ 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%
12-31-05	452,800	55%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
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%
12-31-05	452,800	55%

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, 2006

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 19,779,971	\$ 19,779,971	\$ 19,429,102	\$ (350,869)
Income taxes	16,000,000	16,000,000	18,706,287	2,706,287
Licenses and permits	2,000,000	2,000,000	2,239,761	239,761
Intergovernmental	2,666,847	2,666,847	3,598,303	931,456
Charges for services	4,373,846	4,373,846	4,508,098	134,252
Fines and forfeits	329,000	329,000	398,716	69,716
Other	27,000	27,000	295,338	268,338
Total revenues	45,176,664	45,176,664	49,175,605	3,998,941
Expenditures:				
Current:				
General government:				
Clerk-Treasurer				
Personal services	476,906	537,671	462,366	75,305
Supplies	14,111	14,196	14,196	-
Other services and charges	211,929	221,055	135,604	85,451
Capital outlay	18,540	27,037	18,694	8,343
Mayor's Office				
Personal services	500,580	500,580	491,778	8,802
Supplies	7,800	8,315	7,448	867
Other services and charges	1,011,953	1,081,959	1,044,121	37,838
Capital outlay	22,200	39,506	16,779	22,727
City Council				
Personal services	129,410	129,410	128,919	491
Supplies	1,650	1,650	952	698
Other services and charges	252,260	258,050	212,966	45,084
Capital outlay	3,500	3,500	1,805	1,695
Board of Public Works				
Personal services	72,520	72,520	44,243	28,277
Other services and charges	329,144	616,586	610,241	6,345
Plan Commission				
Other services and charges	-	47,918	46,996	922

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, 2006
(Continued)

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts	
	Original	Final		
Expenditures (continued):				
Current (continued):				
General government (continued):				
Administration				
Personal services	1,242,475	1,217,333	1,159,003	58,330
Supplies	78,800	67,373	62,159	5,214
Other services and charges	1,566,401	1,301,283	1,228,949	72,334
Capital outlay	1,460,500	924,807	919,363	5,444
City Court				
Personal services	592,584	592,584	483,109	109,475
Supplies	7,325	7,325	7,191	134
Other services and charges	50,020	48,214	39,395	8,819
Capital outlay	5,500	10,599	9,759	840
Law Department			-	
Personal services	313,607	315,074	308,592	6,482
Supplies	1,475	1,717	1,633	84
Other services and charges	155,789	404,665	399,686	4,979
Capital outlay	9,100	9,344	9,344	-
Community Services				
Personal services	1,662,032	1,551,504	1,505,192	46,312
Supplies	32,900	29,696	29,688	8
Other services and charges	581,644	595,391	590,037	5,354
Capital outlay	40,750	35,733	35,733	-
Total general government	<u>10,853,405</u>	<u>10,672,595</u>	<u>10,025,941</u>	<u>646,654</u>
Public safety:				
Fire Department				
Personal services	15,049,137	15,049,137	15,044,923	4,214
Supplies	171,105	171,105	170,559	546
Other services and charges	1,205,341	1,225,341	1,208,375	16,966
Police Department				
Personal services	10,155,897	9,918,929	9,748,799	170,130
Supplies	407,850	417,269	410,464	6,805
Other services and charges	1,425,570	1,470,276	1,441,260	29,016
Capital outlay	55,380	63,788	63,309	479

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, 2006
 (Continued)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
Public safety (continued):				
Communication Center				
Personal services	1,561,800	1,651,800	1,568,500	83,300
Supplies	35,200	31,726	28,993	2,733
Other services and charges	332,200	343,695	295,107	48,588
Capital outlay	61,700	80,594	78,784	1,810
Total public safety	<u>30,461,180</u>	<u>30,423,660</u>	<u>30,059,073</u>	<u>364,587</u>
Culture and recreation:				
Parks Department				
Personal services	1,210,225	1,210,225	1,124,501	85,724
Supplies	94,550	88,419	87,790	629
Other services and charges	686,650	686,091	681,867	4,224
Capital outlay	6,300	76,438	76,161	277
Total culture and recreation	<u>1,997,725</u>	<u>2,061,173</u>	<u>1,970,319</u>	<u>90,854</u>
Total expenditures	43,312,310	43,157,428	42,055,333	1,102,095
Other financing sources (uses):				
Transfers in	-	197,420	197,420	-
Transfers out	(3,807,360)	(3,807,360)	(3,807,360)	-
Net change in fund balances	(1,943,006)	(1,788,124)	3,510,332	5,101,036
Fund balances - beginning	<u>7,774,412</u>	<u>7,774,412</u>	<u>7,774,412</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,831,406</u>	<u>\$ 5,986,288</u>	<u>\$ 11,284,744</u>	<u>\$ 5,101,036</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, 2006

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)	\$ 3,510,332
Adjustments:	
To adjust revenues for accruals	
Beginning	493,547
Ending	2,727,009
To adjust expenditures for accruals	
Beginning	2,571,939
Ending	<u>(3,126,581)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP basis)	<u>\$ 6,176,246</u>

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, 2006

Note 1. Budgets and Budgetary Accounting

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

- a. The executive and fiscal officers submit 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.
- b. The City advertises the budget prior to adoption and the City Council holds public hearings to obtain taxpayer comments.
- c. The budget is approved in September of each year by the City Council through passage of an ordinance.
- d. Copies of the budget ordinance and advertisements are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the City 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.
- e. 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.
- f. Formal budgetary integration is required by 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, 2006
(Continued)

Capital projects funds:

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

- g. 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.
- h. 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 \$1,112,999 in 2006.

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.

2004 Road Construction—To account for expenses related to the road projects as outlined in bond documents.

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.

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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, 2006

<u>Assets</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 8,131,558	\$ 2,292,010	\$ 9,284,583	\$ 19,708,151
Receivables:				
Taxes	111,497	40,788	24,711	176,996
Accounts	861,419	-	-	861,419
Special assessments	6,207	-	-	6,207
Intergovernmental	<u>368,614</u>	<u>16,750</u>	<u>26,105</u>	<u>411,469</u>
Total assets	<u>\$ 9,479,295</u>	<u>\$ 2,349,548</u>	<u>\$ 9,335,399</u>	<u>\$ 21,164,242</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 18,505	\$ -	\$ -	\$ 18,505
Accrued payroll and withholdings payable	145,320	-	-	145,320
Compensated absences payable	10,146	-	-	10,146
Unavailable revenue	<u>157,285</u>	<u>57,538</u>	<u>50,816</u>	<u>265,639</u>
Total liabilities	<u>331,256</u>	<u>57,538</u>	<u>50,816</u>	<u>439,610</u>
Fund balances:				
Reserved for:				
Encumbrances	1,551,423	-	2,315,729	3,867,152
Unreserved, reported in:				
Special revenue funds	7,596,616	-	-	7,596,616
Debt service funds	-	2,292,010	-	2,292,010
Capital projects funds	<u>-</u>	<u>-</u>	<u>6,968,854</u>	<u>6,968,854</u>
Total fund balances	<u>9,148,039</u>	<u>2,292,010</u>	<u>9,284,583</u>	<u>20,724,632</u>
Total liabilities and fund balances	<u>\$ 9,479,295</u>	<u>\$ 2,349,548</u>	<u>\$ 9,335,399</u>	<u>\$ 21,164,242</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Special Revenue	Debt Service	Capital Projects	Totals
Revenues:				
Property taxes	\$ 5,830,943	\$ 3,332,477	\$ 918,346	\$ 10,081,766
Special assessments	105	-	-	105
Licenses and permits	810,226	-	-	810,226
Intergovernmental	3,595,219	224,907	162,130	3,982,256
Charges for services	2,086,059	-	41,895	2,127,954
Fines and forfeits	1,518,809	-	-	1,518,809
Other:				
Interest on investments	325,548	44,910	632,915	1,003,373
Donations	84,223	-	-	84,223
Reimbursements	508,431	77,858	265,951	852,240
Total revenues	<u>14,759,563</u>	<u>3,680,152</u>	<u>2,021,237</u>	<u>20,460,952</u>
Expenditures:				
Current:				
General government	1,291,188	1,400	580,240	1,872,828
Public safety	956,957	-	-	956,957
Highways and streets	8,937,754	-	3,286,777	12,224,531
Culture and recreation	1,505,966	-	64,258	1,570,224
Debt service:				
Principal	-	1,880,000	-	1,880,000
Interest	-	1,802,697	-	1,802,697
Capital outlay:				
General government	-	-	3,499,032	3,499,032
Public safety	300,207	-	-	300,207
Highways and streets	811,437	-	3,325,563	4,137,000
Total expenditures	<u>13,803,509</u>	<u>3,684,097</u>	<u>10,755,870</u>	<u>28,243,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>956,054</u>	<u>(3,945)</u>	<u>(8,734,633)</u>	<u>(7,782,524)</u>
Other financing sources (uses):				
Transfers in	-	1,467,386	137,360	1,604,746
Transfers out	(197,420)	(1,026,000)	-	(1,223,420)
Total other financing sources and uses	<u>(197,420)</u>	<u>441,386</u>	<u>137,360</u>	<u>381,326</u>
Net change in fund balances	758,634	437,441	(8,597,273)	(7,401,198)
Fund balance - beginning	<u>8,389,405</u>	<u>1,854,569</u>	<u>17,881,856</u>	<u>28,125,830</u>
Fund balances - ending	<u>\$ 9,148,039</u>	<u>\$ 2,292,010</u>	<u>\$ 9,284,583</u>	<u>\$ 20,724,632</u>

CITY OF CARMEL
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2006

<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	\$ 2,425,802	\$ 975,400	\$ 1,663,334	\$ 561,043	\$ 61,400	\$ 474,829	\$ 66,195	\$ 305,605
Receivables:								
Taxes	111,497	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Intergovernmental	238,120	130,494	-	-	-	-	-	-
Total assets	\$ 2,775,419	\$ 1,105,894	\$ 1,663,334	\$ 561,043	\$ 61,400	\$ 474,829	\$ 66,195	\$ 305,605
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 9,656	\$ 8,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	99,838	-	-	45,482	-	-	-	-
Compensated absences payable	10,146	-	-	-	-	-	-	-
Unavailable revenue	157,285	-	-	-	-	-	-	-
Total liabilities	276,925	8,849	-	45,482	-	-	-	-
Fund balances:								
Reserved for:								
Encumbrances	908,606	642,817	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	1,589,888	454,228	1,663,334	515,561	61,400	474,829	66,195	305,605
Total fund balances	2,498,494	1,097,045	1,663,334	515,561	61,400	474,829	66,195	305,605
Total liabilities and fund balances	\$ 2,775,419	\$ 1,105,894	\$ 1,663,334	\$ 561,043	\$ 61,400	\$ 474,829	\$ 66,195	\$ 305,605

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2006
 (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	\$ 29,836	\$ 2,204	\$ 23,416	\$ 16,057	\$ 424,694	\$ 6,092	\$ 31,264	\$ 54,122
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Accounts	861,419	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Total assets	\$ 891,255	\$ 2,204	\$ 23,416	\$ 16,057	\$ 424,694	\$ 6,092	\$ 31,264	\$ 54,122
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-
Compensated absences payable	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	891,255	2,204	23,416	16,057	424,694	6,092	31,264	54,122
Total fund balances	891,255	2,204	23,416	16,057	424,694	6,092	31,264	54,122
Total liabilities and fund balances	\$ 891,255	\$ 2,204	\$ 23,416	\$ 16,057	\$ 424,694	\$ 6,092	\$ 31,264	\$ 54,122

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2006
 (Continued)

<u>Assets</u>	Barrett Law	Deferral Fund	Public Safety Training Facility	Thoroughfare	Levy Excess	City Court	Totals
Cash and cash equivalents	\$ 150,235	\$ 300,967	\$ -	\$ 527,172	\$ -	\$ 31,891	\$ 8,131,558
Receivables:							
Taxes	-	-	-	-	-	-	111,497
Accounts	-	-	-	-	-	-	861,419
Special assessments	6,207	-	-	-	-	-	6,207
Intergovernmental	-	-	-	-	-	-	368,614
Total assets	\$ 156,442	\$ 300,967	\$ -	\$ 527,172	\$ -	\$ 31,891	\$ 9,479,295
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,505
Accrued payroll and withholdings payable	-	-	-	-	-	-	145,320
Compensated absences payable	-	-	-	-	-	-	10,146
Unavailable revenue	-	-	-	-	-	-	157,285
Total liabilities	-	-	-	-	-	-	331,256
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	-	-	-	1,551,423
Unreserved, reported in:							
Special revenue funds	156,442	300,967	-	527,172	-	31,891	7,596,616
Total fund balances	156,442	300,967	-	527,172	-	31,891	9,148,039
Total liabilities and fund balances	\$ 156,442	\$ 300,967	\$ -	\$ 527,172	\$ -	\$ 31,891	\$ 9,479,295

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 December 31, 2006

<u>Assets</u>	Lease Rental	2002 Bond and Interest	2004 Bond and Interest	Redevelopment Commission Bond and Interest	Civic Square Building Corporation	Totals
Cash and cash equivalents	\$ 46,763	\$ 2,011	\$ 732,695	\$ 1,014,530	\$ 496,011	\$ 2,292,010
Receivables:						
Taxes	27,986	-	12,802	-	-	40,788
Intergovernmental	11,493	-	5,257	-	-	16,750
Total assets	\$ 86,242	\$ 2,011	\$ 750,754	\$ 1,014,530	\$ 496,011	\$ 2,349,548
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Unavailable revenue	\$ 39,479	\$ -	\$ 18,059	\$ -	\$ -	\$ 57,538
Total liabilities	39,479	-	18,059	-	-	57,538
Fund balances:						
Unreserved, reported in:						
Debt service funds	46,763	2,011	732,695	1,014,530	496,011	2,292,010
Total fund balances	46,763	2,011	732,695	1,014,530	496,011	2,292,010
Total liabilities and fund balances	\$ 86,242	\$ 2,011	\$ 750,754	\$ 1,014,530	\$ 496,011	\$ 2,349,548

CITY OF CARMEL
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2006

<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	\$ 326,900	\$ 313,045	\$ 974,160	\$ 210,459	\$ 559	\$ 333,228
Receivables:						
Taxes	-	-	24,711	-	-	-
Intergovernmental	15,957	-	10,148	-	-	-
Total assets	<u>\$ 342,857</u>	<u>\$ 313,045</u>	<u>\$ 1,009,019</u>	<u>\$ 210,459</u>	<u>\$ 559</u>	<u>\$ 333,228</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unavailable revenue	15,957	-	34,859	-	-	-
Total liabilities	15,957	-	34,859	-	-	-
Fund balances:						
Reserved for:						
Encumbrances	326,704	134,305	974,160	-	-	-
Unreserved, reported in:						
Capital projects funds	196	178,740	-	210,459	559	333,228
Total fund balances	326,900	313,045	974,160	210,459	559	333,228
Total liabilities and fund balances	<u>\$ 342,857</u>	<u>\$ 313,045</u>	<u>\$ 1,009,019</u>	<u>\$ 210,459</u>	<u>\$ 559</u>	<u>\$ 333,228</u>

Continued on next page

CITY OF CARMEL
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2006
 (Continued)

<u>Assets</u>	1997 Road Construction	2004 Road Construction	Park Capital	Redevelopment Commission Construction	Totals
Cash and cash equivalents	\$ 402	\$ 5,763,602	\$ 984,713	\$ 377,515	\$ 9,284,583
Receivables:					
Taxes	-	-	-	-	24,711
Intergovernmental	-	-	-	-	26,105
Total assets	<u>\$ 402</u>	<u>\$ 5,763,602</u>	<u>\$ 984,713</u>	<u>\$ 377,515</u>	<u>\$ 9,335,399</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Unavailable revenue	-	-	-	-	50,816
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,816</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	880,560	-	2,315,729
Unreserved, reported in:					
Capital projects funds	402	5,763,602	104,153	377,515	6,968,854
Total fund balances	<u>402</u>	<u>5,763,602</u>	<u>984,713</u>	<u>377,515</u>	<u>9,284,583</u>
Total liabilities and fund balances	<u>\$ 402</u>	<u>\$ 5,763,602</u>	<u>\$ 984,713</u>	<u>\$ 377,515</u>	<u>\$ 9,335,399</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006

	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	\$ 5,830,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-	-
Licenses and permits	-	-	798,496	-	-	-	11,730	-
Intergovernmental	2,413,504	1,021,327	-	-	-	-	-	101,000
Charges for services	-	-	-	1,235,616	-	-	18,197	-
Fines and forfeits	-	-	-	-	-	-	19,436	167,372
Other:								
Interest on investments	56,151	52,349	77,567	19,493	2,700	22,055	2,235	15,263
Donations	2,114	-	-	43,623	6,425	7,614	-	-
Reimbursements	31,255	2,000	-	17,136	-	-	1,811	125
Total revenues	<u>8,333,967</u>	<u>1,075,676</u>	<u>876,063</u>	<u>1,315,868</u>	<u>9,125</u>	<u>29,669</u>	<u>53,409</u>	<u>283,760</u>
Expenditures:								
Current:								
General government	-	-	-	-	1,199	-	-	-
Public safety	-	-	-	-	-	-	36,408	279,696
Highways and streets	6,864,059	1,709,815	-	-	-	-	-	-
Culture and recreation	-	-	479,566	1,020,258	-	6,142	-	-
Capital outlay								
Public safety	-	-	-	-	-	-	-	-
Highways and streets	811,437	-	-	-	-	-	-	-
Total expenditures	<u>7,675,496</u>	<u>1,709,815</u>	<u>479,566</u>	<u>1,020,258</u>	<u>1,199</u>	<u>6,142</u>	<u>36,408</u>	<u>279,696</u>
Excess (deficiency) of revenues over (under) expenditures	<u>658,471</u>	<u>(634,139)</u>	<u>396,497</u>	<u>295,610</u>	<u>7,926</u>	<u>23,527</u>	<u>17,001</u>	<u>4,064</u>
Other financing sources (uses):								
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	658,471	(634,139)	396,497	295,610	7,926	23,527	17,001	4,064
Fund balances - beginning	<u>1,840,023</u>	<u>1,731,184</u>	<u>1,266,837</u>	<u>219,951</u>	<u>53,474</u>	<u>451,302</u>	<u>49,194</u>	<u>301,541</u>
Fund balances - ending	<u>\$ 2,498,494</u>	<u>\$ 1,097,045</u>	<u>\$ 1,663,334</u>	<u>\$ 515,561</u>	<u>\$ 61,400</u>	<u>\$ 474,829</u>	<u>\$ 66,195</u>	<u>\$ 305,605</u>

Continued on next page

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (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	44,953	-	-	-	14,435	-	-	-
Charges for services	822,541	-	-	9,705	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other:								
Interest on investments	3,478	189	1,179	783	19,743	283	684	2,510
Donations	-	11,500	12,947	-	-	-	-	-
Reimbursements	3,611	-	-	-	8,600	-	40,000	-
Total revenues	874,583	11,689	14,126	10,488	42,778	283	40,684	2,510
Expenditures:								
Current:								
General government	-	-	-	8,346	7,007	-	50,000	-
Public safety	575,631	13,621	13,615	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Capital outlay								
Public safety	300,207	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Total expenditures	875,838	13,621	13,615	8,346	7,007	-	50,000	-
Excess (deficiency) of revenues over (under) expenditures	(1,255)	(1,932)	511	2,142	35,771	283	(9,316)	2,510
Other financing sources (uses):								
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(1,255)	(1,932)	511	2,142	35,771	283	(9,316)	2,510
Fund balances - beginning	892,510	4,136	22,905	13,915	388,923	5,809	40,580	51,612
Fund balances - ending	\$ 891,255	\$ 2,204	\$ 23,416	\$ 16,057	\$ 424,694	\$ 6,092	\$ 31,264	\$ 54,122

Continued on next page

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Barrett Law	Deferral Fund	Public Safety Training Facility	Thoroughfare	Levy Excess	City Court	Totals
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,830,943
Special assessments	105	-	-	-	-	-	105
Licenses and permits	-	-	-	-	-	-	810,226
Intergovernmental	-	-	-	-	-	-	3,595,219
Charges for services	-	-	-	-	-	-	2,086,059
Fines and forfeits	-	108,800	-	-	-	1,223,201	1,518,809
Other:							
Interest on investments	6,837	12,025	37	29,987	-	-	325,548
Donations	-	-	-	-	-	-	84,223
Reimbursements	-	-	-	403,893	-	-	508,431
Total revenues	<u>6,942</u>	<u>120,825</u>	<u>37</u>	<u>433,880</u>	<u>-</u>	<u>1,223,201</u>	<u>14,759,563</u>
Expenditures:							
Current:							
General government	767	-	-	-	-	1,223,869	1,291,188
Public safety	-	31,892	6,094	-	-	-	956,957
Highways and streets	-	-	-	363,880	-	-	8,937,754
Culture and recreation	-	-	-	-	-	-	1,505,966
Capital outlay							
Public safety	-	-	-	-	-	-	300,207
Highways and streets	-	-	-	-	-	-	811,437
Total expenditures	<u>767</u>	<u>31,892</u>	<u>6,094</u>	<u>363,880</u>	<u>-</u>	<u>1,223,869</u>	<u>13,803,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,175</u>	<u>88,933</u>	<u>(6,057)</u>	<u>70,000</u>	<u>-</u>	<u>(668)</u>	<u>956,054</u>
Other financing sources (uses):							
Transfers out	-	-	-	-	(197,420)	-	(197,420)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(197,420)</u>	<u>-</u>	<u>(197,420)</u>
Net change in fund balances	<u>6,175</u>	<u>88,933</u>	<u>(6,057)</u>	<u>70,000</u>	<u>(197,420)</u>	<u>(668)</u>	<u>758,634</u>
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 156,442</u>	<u>\$ 300,967</u>	<u>\$ -</u>	<u>\$ 527,172</u>	<u>\$ -</u>	<u>\$ 31,891</u>	<u>\$ 9,148,039</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 For The Year Ended December 31, 2006

	Lease Rental	2002 Bond and Interest	2004 Bond and Interest	Redevelopment Commission Bond and Interest	Civic Square Building Corporation	Totals
Revenues:						
Property taxes	\$ 957,071	\$ -	\$ 2,085,641	\$ 289,765	\$ -	\$ 3,332,477
Intergovernmental	68,917	-	155,990	-	-	224,907
Other:						
Interest on investments	1,360	93	2,470	36,461	4,526	44,910
Reimbursements	10	-	2,005	75,843	-	77,858
Total revenues	<u>1,027,358</u>	<u>93</u>	<u>2,246,106</u>	<u>402,069</u>	<u>4,526</u>	<u>3,680,152</u>
Expenditures:						
Current:						
General government	-	-	-	1,400	-	1,400
Debt service:						
Principal	-	-	660,000	240,000	980,000	1,880,000
Interest	-	-	862,050	791,825	148,822	1,802,697
Total expenditures	<u>-</u>	<u>-</u>	<u>1,522,050</u>	<u>1,033,225</u>	<u>1,128,822</u>	<u>3,684,097</u>
Excess of revenues over expenditures	<u>1,027,358</u>	<u>93</u>	<u>724,056</u>	<u>(631,156)</u>	<u>(1,124,296)</u>	<u>(3,945)</u>
Other financing sources (uses):						
Transfers in	-	-	-	441,386	1,026,000	1,467,386
Transfers out	(1,026,000)	-	-	-	-	(1,026,000)
Total other financing sources and uses	<u>(1,026,000)</u>	<u>-</u>	<u>-</u>	<u>441,386</u>	<u>1,026,000</u>	<u>441,386</u>
Net change in fund balances	1,358	93	724,056	(189,770)	(98,296)	437,441
Fund balances - beginning	<u>45,405</u>	<u>1,918</u>	<u>8,639</u>	<u>1,204,300</u>	<u>594,307</u>	<u>1,854,569</u>
Fund balances - ending	<u>\$ 46,763</u>	<u>\$ 2,011</u>	<u>\$ 732,695</u>	<u>\$ 1,014,530</u>	<u>\$ 496,011</u>	<u>\$ 2,292,010</u>

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2006

	Cumulative Capital Improvement	Cumulative Capital Development	Cumulative Capital Storm Sewer	2002 Bond Construction	Civic Square Construction	Land Acquisition
Revenues:						
Property taxes	\$ -	\$ -	\$ 918,346	\$ -	\$ -	\$ -
Intergovernmental	95,744	-	66,386	-	-	-
Charges for services	-	-	-	-	-	-
Other:						
Interest on investments	15,082	40,353	57,739	14,801	26	15,456
Reimbursements	-	730	-	-	-	-
Total revenues	110,826	41,083	1,042,471	14,801	26	15,456
Expenditures:						
Current:						
General government	185,272	45,952	349,016	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
General government	-	1,213,096	2,150,133	135,803	-	-
Highways and streets	-	-	-	-	-	-
Total expenditures	185,272	1,259,048	2,499,149	135,803	-	-
Excess (deficiency) of revenues over (under) expenditures	(74,446)	(1,217,965)	(1,456,678)	(121,002)	26	15,456
Other financing sources:						
Transfers in	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-
Net change in fund balances	(74,446)	(1,217,965)	(1,456,678)	(121,002)	26	15,456
Fund balances - beginning	401,346	1,531,010	2,430,838	331,461	533	317,772
Fund balances - ending	\$ 326,900	\$ 313,045	\$ 974,160	\$ 210,459	\$ 559	\$ 333,228

Continued on next page

CITY OF CARMEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	1997 Road Construction	2004 Road Construction	Park Capital	Redevelopment Commission Construction	Totals
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 918,346
Intergovernmental	-	-	-	-	162,130
Charges for services	-	-	41,895	-	41,895
Other:					
Interest on investments	19	413,393	41,837	34,209	632,915
Reimbursements	-	28,668	-	236,553	265,951
Total revenues	<u>19</u>	<u>442,061</u>	<u>83,732</u>	<u>270,762</u>	<u>2,021,237</u>
Expenditures:					
Current:					
General government	-	-	-	-	580,240
Highways and streets	-	2,092,768	-	1,194,009	3,286,777
Culture and recreation	-	-	64,258	-	64,258
Capital outlay:					
General government	-	-	-	-	3,499,032
Highways and streets	-	3,325,563	-	-	3,325,563
Total expenditures	<u>-</u>	<u>5,418,331</u>	<u>64,258</u>	<u>1,194,009</u>	<u>10,755,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19</u>	<u>(4,976,270)</u>	<u>19,474</u>	<u>(923,247)</u>	<u>(8,734,633)</u>
Other financing sources:					
Transfers in	-	-	137,360	-	137,360
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>137,360</u>	<u>-</u>	<u>137,360</u>
Net change in fund balances	19	(4,976,270)	156,834	(923,247)	(8,597,273)
Fund balances - beginning	<u>383</u>	<u>10,739,872</u>	<u>827,879</u>	<u>1,300,762</u>	<u>17,881,856</u>
Fund balances - ending	<u>\$ 402</u>	<u>\$ 5,763,602</u>	<u>\$ 984,713</u>	<u>\$ 377,515</u>	<u>\$ 9,284,583</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, 2006

	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	\$ 5,936,244	\$ 5,830,943	\$ (105,301)	\$ -	\$ -	\$ -
Intergovernmental	1,524,122	2,425,092	900,970	792,000	1,013,709	221,709
Other	61,912	89,520	27,608	34,000	54,349	20,349
Total revenues	7,522,278	8,345,555	823,277	826,000	1,068,058	242,058
Expenditures:						
Current:						
Highways and roads						
Personal services	3,675,708	3,190,507	485,201	-	-	-
Supplies	506,872	484,001	22,871	-	-	-
Other services and charges	3,312,698	3,193,196	119,502	145,263	145,263	-
Capital outlay	869,267	809,837	59,430	1,568,867	1,568,867	-
Total expenditures	8,364,545	7,677,541	687,004	1,714,130	1,714,130	-
Net change in fund balances	(842,267)	668,014	1,510,281	(888,130)	(646,072)	242,058
Fund balances - beginning	1,757,787	1,757,787	-	1,621,472	1,621,472	-
Fund balances - ending	\$ 915,520	\$ 2,425,801	\$ 1,510,281	\$ 733,342	\$ 975,400	\$ 242,058

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, 2006

	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	\$ 974,355	\$ 957,071	\$ (17,284)	\$ 2,123,306	\$ 2,085,641	\$ (37,665)
Intergovernmental	65,304	74,726	9,422	29,872	158,647	128,775
Other	1,360	1,370	10	1,400	4,475	3,075
Total revenues	1,041,019	1,033,167	(7,852)	2,154,578	2,248,763	94,185
Expenditures:						
Debt service:						
Interest	-	-	-	2,397,550	1,522,050	875,500
Total expenditures	-	-	-	2,397,550	1,522,050	875,500
Excess of revenues over expenditures	1,041,019	1,033,167	(7,852)	(242,972)	726,713	483,741
Other financing uses:						
Transfers out	(1,026,000)	(1,026,000)	-	-	-	-
Net change in fund balances	15,019	7,167	(7,852)	(242,972)	726,713	483,741
Fund balances - beginning	39,596	39,596	-	5,982	5,982	-
Fund balances - ending	\$ 54,615	\$ 46,763	\$ (7,852)	\$ (236,990)	\$ 732,695	\$ 483,741

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, 2006

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 934,930	\$ 918,346	\$ (16,584)
Intergovernmental	177,480	95,744	(81,736)	-	-	-	57,661	71,515	13,854
Other	6,000	15,082	9,082	25,000	41,083	16,083	-	57,739	57,739
Total revenues	183,480	110,826	(72,654)	25,000	41,083	16,083	992,591	1,047,600	55,009
Expenditures:									
Current:									
Highways and roads									
Supplies	-	-	-	-	-	-	21,930	21,930	-
Other services and charges	20,000	20,000	-	124,991	-	124,991	327,275	327,275	-
Capital outlay	165,767	165,767	-	1,335,479	1,335,479	-	2,150,133	2,150,133	-
Total expenditures	185,767	185,767	-	1,460,470	1,335,479	124,991	2,499,338	2,499,338	-
Excess of revenues over expenditures	(2,287)	(74,941)	(72,654)	(1,435,470)	(1,294,396)	141,074	(1,506,747)	(1,451,738)	55,009
Other financing sources									
Transfers in	-	-	-	-	-	-	-	-	-
Net change in fund balances	(2,287)	(74,941)	(72,654)	(1,435,470)	(1,294,396)	141,074	(1,506,747)	(1,451,738)	55,009
Fund balances - beginning	401,841	401,841	-	1,607,441	1,607,441	-	2,425,897	2,425,897	-
Fund balances - ending	\$ 399,554	\$ 326,900	\$ (72,654)	\$ 171,971	\$ 313,045	\$ 141,074	\$ 919,150	\$ 974,159	\$ 55,009

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CITY OF CARMEL
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 December 31, 2006

<u>Assets</u>	Pension Trust Funds		
	Police Pension	Fire Pension	Total
Cash and cash equivalents	\$ -	\$ 130,918	\$ 130,918
Investments at fair value:			
U.S. Government securities	3,567,852	4,487,858	8,055,710
Interest Receivable	28,052	35,965	64,017
Total assets	3,595,904	4,654,741	8,250,645
 <u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	3,595,904	4,654,741	8,250,645
Total net assets	\$ 3,595,904	\$ 4,654,741	\$ 8,250,645

CITY OF CARMEL
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2006

<u>Additions</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Contributions:			
Employer	\$ 324,006	\$ 300,922	\$ 624,928
Plan members	<u>-</u>	<u>4,149</u>	<u>4,149</u>
Total contributions	<u>324,006</u>	<u>305,071</u>	<u>629,077</u>
Investment income:			
Net increase in fair value of investments	11,687	15,771	27,458
Interest	<u>216,055</u>	<u>271,702</u>	<u>487,757</u>
Net investment income	<u>227,742</u>	<u>287,473</u>	<u>515,215</u>
Total additions	<u>551,748</u>	<u>592,544</u>	<u>1,144,292</u>
<u>Deductions</u>			
Benefits	426,243	412,045	838,288
Administrative expense	<u>1,830</u>	<u>1,243</u>	<u>3,073</u>
Total deductions	<u>428,073</u>	<u>413,288</u>	<u>841,361</u>
Changes in net assets	123,675	179,256	302,931
Net assets - beginning	<u>3,472,229</u>	<u>4,475,485</u>	<u>7,947,714</u>
Net assets - ending	<u>\$ 3,595,904</u>	<u>\$ 4,654,741</u>	<u>\$ 8,250,645</u>

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

	Payroll
Assets:	
Cash and cash equivalents, January 1, 2003	\$ 479,930
Additions	35,362,701
Deductions	(35,283,203)
Cash and cash equivalents, December 31, 2003	\$ 559,428
 Liabilities:	
Withholdings payable, January 1, 2003	\$ 479,930
Additions	35,362,701
Deductions	(35,283,203)
Withholdings payable, December 31, 2003	\$ 559,428

STATISTICAL SECTION

Statistical Section

This part of the City of Carmel's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	105-111
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	112-115
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	116-121
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	122-124
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	125-126

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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CITY OF CARMEL
Net Assets by Component
As of December 31,

	<u>2006</u>	<u>2005 *</u>	<u>2004 *</u>	<u>2003 *</u>
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 165,215,713	\$ 153,572,649	\$ 166,265,901	\$ 160,106,455
Restricted	36,514,923	5,347,623	9,285,083	-
Unrestricted	<u>16,729,537</u>	<u>44,376,529</u>	<u>5,114,019</u>	<u>13,225,650</u>
Total governmental activities net assets	<u>\$ 218,460,173</u>	<u>\$ 203,296,801</u>	<u>\$ 180,665,003</u>	<u>\$ 173,332,105</u>
Business - Type Activities:				
Invested in capital assets, net of related debt	\$ 107,993,515	\$ 92,478,300	\$ 102,152,134	\$ 94,570,952
Restricted	2,351,038	1,445,558	1,099,320	951,076
Unrestricted	<u>6,015,017</u>	<u>16,674,672</u>	<u>2,126,310</u>	<u>6,238,349</u>
Total business - type activities net assets	<u>\$ 116,359,570</u>	<u>\$ 110,598,530</u>	<u>\$ 105,377,764</u>	<u>\$ 101,760,377</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 273,209,228	\$ 246,050,949	\$ 268,418,035	\$ 254,677,407
Restricted	38,865,961	6,793,181	10,384,403	951,076
Unrestricted	<u>22,744,554</u>	<u>61,051,201</u>	<u>7,240,329</u>	<u>19,463,999</u>
Total primary government net assets	<u>\$ 334,819,743</u>	<u>\$ 313,895,331 ^a</u>	<u>\$ 286,042,767</u>	<u>\$ 275,092,482</u>

The City of Carmel implemented GASB 34 for the fiscal year ended December 31, 2003. Information prior to the implementation of GASB 34 is not available.

* The amounts presented for Governmental Activities have been restated. The 2003 balances were restated in 2004 to recognize retroactively recorded infrastructure assets. The 2004 balances were restated in 2005 due to certain prior period adjustments. The 2005 balances were restated in 2006 due to certain prior period adjustments.

^a A notable portion of 2005 net asset increase was due to capital assets and infrastructure contributed by developers and infrastructure acquired through annexation.

CITY OF CARMEL
Changes in Net Assets
Fiscal Years Ended December 31,

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses:				
Governmental Activities:				
General government	\$ 10,352,967	\$ 12,165,495	\$ 13,636,853	\$ 17,009,153
Public safety	33,557,162	28,861,813	27,547,163	24,568,150
Highways and streets	16,024,468	9,166,819	10,812,132	244,180
Economic Development	3,422,848	5,861,430	1,123,120	509,948
Culture and recreation	3,502,261	2,666,812	2,265,630	2,075,718
Interest on long-term debt	9,252,105	2,453,477	2,822,987	1,267,275
Total governmental activities expenses	<u>76,111,811</u>	<u>61,175,846</u>	<u>58,207,885</u>	<u>45,674,424</u>
Business-Type Activities:				
Water	8,457,722	5,885,842	5,483,254	5,218,024
Wastewater	6,536,053	6,023,641	5,574,330	5,238,286
Total business-type activities expenses	<u>14,993,775</u>	<u>11,909,483</u>	<u>11,057,584</u>	<u>10,456,310</u>
Total primary government expenses	<u>91,105,586</u>	<u>73,085,329</u>	<u>69,265,469</u>	<u>56,130,734</u>
Program Revenues:				
Governmental Activities:				
Charges for services:				
General Government	3,945,270	4,367,658	3,752,734	3,193,997
Public Safety	6,807,746	6,272,320	805,812	257,729
Highways and streets	673,701	455,078	15,956	31,912
Economic Development	-	-	3,200	-
Culture and recreation	2,076,007	1,688,746	1,216,231	430,918
Operating grants and contributions				
General Government	454,867	1,167,542	239,306	6,088,184
Public Safety	145,953	167,510	6,014,591	5,959,994
Highways and streets	3,007,846	2,853,931	2,792,465	1,983,958
Economic Development	-	-	5,076,819	-
Culture and recreation	-	-	689,637	633,488
Capital grants and contributions				
General Government	-	11,392,163 ^a	-	-
Public Safety	-	-	-	2,166,175
Highways and streets	5,360,062	16,850,686 ^a	1,196,477	8,823,512
Economic Development	-	-	129,569	715,858
Culture and recreation	-	-	55,050	1,223,763
Total governmental activities revenues	<u>22,471,452</u>	<u>45,215,634</u>	<u>21,987,847</u>	<u>31,509,488</u>
Charges for services				
Water	6,646,286	5,627,465	5,098,635	4,305,355
Wastewater	5,165,793	4,485,233	4,534,680	4,408,904
Operating grants and contributions				
Water	126,804	-	-	-
Wastewater	24,029	-	-	-
Capital grants and contributions				
Water	5,551,191	4,693,232	3,108,630	3,407,484
Wastewater	2,457,234	1,930,671	1,827,112	2,202,283
Total business-type activities revenues	<u>19,971,337</u>	<u>16,736,601</u>	<u>14,569,057</u>	<u>14,324,026</u>
Total primary government revenues	<u>42,442,789</u>	<u>61,952,235</u>	<u>36,556,904</u>	<u>45,833,514</u>

CITY OF CARMEL
Changes in Net Assets
Fiscal Years Ended December 31,
(continued)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Revenues (expenses):				
Governmental activities	(53,640,359)	(15,960,212)	(36,220,038)	(14,164,936)
Business-type activities	4,977,562	4,827,118	3,511,473	3,867,716
Total net revenues (expenses):	<u>(48,662,797)</u>	<u>(11,133,094)</u>	<u>(32,708,565)</u>	<u>(10,297,220)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property Taxes	35,001,997 ^d	32,271,048 ^b	22,419,363	17,343,516
County Option income tax	22,008,393 ^d	15,251,357 ^c	10,205,588	11,342,577
Financial institutions tax	-	-	-	29,591
Food and beverage tax	1,140,652 ^d	-	-	-
Auto and aircraft excise tax	2,366,358	2,432,705	1,393,855	1,042,776
Commercial vehicle excise tax	-	-	-	11,403
ABC excise tax	-	-	-	24,107
ABC gallonage tax	-	-	-	76,863
State cigarette tax	-	-	-	32,642
Gaming tax	-	-	-	238,598
Other taxes	684,509	63,963	423,863	-
Payment in lieu of taxes	-	-	406,350	-
Other	84,223	1,016,003	386,519	1,625,095
Gain (Loss) on disposal of assets	248,277	-	-	-
Unrestricted investment earnings	7,269,322	4,023,102	1,980,313	204,270
Total Governmental activities:	<u>68,803,731</u>	<u>55,058,178</u>	<u>37,215,851</u>	<u>31,971,438</u>
Business - Type activities:				
Other	-	136,886	48,919	148,177
Unrestricted investment earnings	783,478	256,762	56,996	97,858
Total Business - Type activities:	<u>783,478</u>	<u>393,648</u>	<u>105,915</u>	<u>246,035</u>
Total Primary Government	<u>69,587,209</u>	<u>55,451,826</u>	<u>37,321,766</u>	<u>32,217,473</u>
Changes in net assets				
Governmental activities	15,163,372	39,097,966	995,813	17,806,502
Business-type activities	5,761,040	5,220,766	3,617,388	4,113,751
Total primary government	<u>\$ 20,924,412</u>	<u>\$ 44,318,732</u>	<u>\$ 4,613,201</u>	<u>\$ 21,920,253</u>

The City of Carmel implemented GASB 34 for the fiscal year ended December 31, 2003. Information prior to the implementation of GASB 34 is not available.

^a Capital grants and contributions increased mainly due to roadways and related infrastructure acquired through annexation or contributed by developers.

^b Large property tax increases needed to fund services to annexed areas and other growing areas of the City. A portion was also due to tax increment revenues increases.

^c The City's share of income tax increased due mainly to prior year annexations.

^d For discussion on increase, please refer to the management's discussion and analysis.

CITY OF CARMEL
Fund Balances of Governmental Funds
As of December 31,

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund				
Reserved	\$ 2,246,772	\$ 1,736,655	\$ 1,302,278	\$ 1,035,399
Unreserved	8,638,400 ^b	2,972,271	(4,121,553)	(3,193,397)
Total general fund	<u>\$ 10,885,172</u>	<u>\$ 4,708,926</u>	<u>\$ (2,819,275)</u>	<u>\$ (2,157,998)</u>
All other governmental funds:				
Reserved	\$ 3,867,152	\$ 7,273,121	\$ 3,713,301	\$ 3,278,487
Unreserved, reported in:				
Special revenue funds	10,008,195	7,585,647	10,031,844	8,088,538
Debt service funds	30,368,689 ^b	2,418,354	3,270,278	677,500
Capital projects funds	139,899,005 ^b	12,594,441	25,943,822 ^a	6,463,735
Total all other governmental funds	<u>\$ 184,143,041</u>	<u>\$ 29,871,563</u>	<u>\$ 42,959,245</u>	<u>\$ 18,508,260</u>

The City of Carmel has elected to show only four years of data for this schedule.

^a Increase in other governmental funds due to 2004 bond proceeds for road and redevelopment projects which had not yet been spent.

^b See management's discussion and analysis for discussion of these fund changes.

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CITY OF CARMEL
Changes in Fund Balances of Governmental Funds
Fiscal Years Ended December 31,

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Taxes	\$ 56,880,398	\$ 47,522,405 ^a	\$ 22,759,052	\$ 17,343,516
Special assessments	105	1,604	-	-
License and Permits	3,049,987	3,531,624	2,236,155	1,546,783
Intergovernmental	7,475,059	6,568,796	27,216,483	23,397,298
Charges and Services	6,636,052	7,521,869	3,968,659	2,754,871
Fines and Forfeits	1,917,524	1,728,705	419,648	462,817
Miscellaneous	11,531,062 ^c	1,959,550	18,069,955 ^b	1,910,101
Total Revenues	\$ 87,490,187	\$ 68,834,553	\$ 74,669,952	\$ 47,415,386
Expenditures				
Current:				
General Government	10,820,398	12,442,630	13,154,132	12,726,665
Public Safety	32,215,245	28,890,720	26,188,240	23,139,182
Highways and Streets	12,224,531	5,944,393	5,907,867	5,483,935
Economic Development	3,646,598	247,552	-	-
Culture and Recreation	3,477,492	2,638,776	1,535,479	1,706,982
Capital Outlay	29,939,020	25,852,232	13,266,860	13,303,596
Debt Service:				
Principal	12,899,018	3,223,031	8,712,163	953,448
Interest	6,071,621	2,453,477	1,077,568	1,267,275
Bond Issue Costs	1,361,195	-	-	-
Total Expenditures	\$ 112,655,118	\$ 81,692,811	\$ 69,842,309	\$ 58,581,083
Excess (deficiency) of revenues over (under) expenditures	\$ (25,164,931)	\$ (12,858,258)	\$ 4,827,643	\$ (11,165,697)

CITY OF CARMEL
Changes in Fund Balances of Governmental Funds
Fiscal Years Ended December 31,
(continued)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Other Financing Sources (Uses)				
Transfers in	6,874,103	2,995,148	3,540,518	3,235,519
Transfers out	(6,874,103)	(2,995,148)	(3,134,157)	(3,235,519)
Issuance of debt	86,746,246	3,648,648	17,856,352	2,995,000
Capital Leases	732,882	2,023,044	699,352	1,618,619
Notes and loans proceeds	1,390,000	-	-	-
Total other financing sources (uses)	<u>\$ 88,869,128</u>	<u>\$ 5,671,692</u>	<u>\$ 18,962,065</u>	<u>\$ 4,613,619</u>
Net change in fund balance	<u>\$ 63,704,197</u>	<u>\$ (7,186,566)</u>	<u>\$ 23,789,708</u>	<u>\$ (6,552,078)</u>
Debt service as a percentage of noncapital expenditures	<u>22.9%</u>	<u>10.2%</u>	<u>17.3%</u>	<u>4.9%</u>

The City of Carmel has elected to show only four years of data for this schedule.

^a Reflects change of reporting income tax revenues and tax increment revenues from intergovernmental in prior years to taxes in 2005.

^b Approximately \$15 million in bond proceeds were transferred from the Redevelopment Authority Internal Service Fund to the City Construction Fund for road projects.

^c Increase reflects mainly Redevelopment Authority activities in 2006 which were previously reported as an internal service fund and as such not combined with other Governmental Funds.

City of Carmel
Assessed Value and True Tax Value of Taxable Property
Last Ten Years

Year Payable	Real Property					Total
	Residential	Commercial	Industry	Other (3)	Total	
2006	\$ 1,369,006,170	\$ 508,063,858	\$ 10,858,033	\$ 20,533,062	\$ 1,908,461,123	
2005	1,282,009,953	467,931,195	10,941,267	25,580,381	1,786,462,796	
2004	1,012,372,540	428,357,207	10,935,567	16,476,182	1,468,141,495	
2003	797,854,663	387,536,440	9,221,467	1,191,346	1,195,803,916	
2002	N/A	N/A	N/A	N/A	N/A	
2001	N/A	N/A	N/A	N/A	N/A	
2000	N/A	N/A	N/A	N/A	N/A	
1999	N/A	N/A	N/A	N/A	N/A	
1998	N/A	N/A	N/A	N/A	N/A	
1997	N/A	N/A	N/A	N/A	N/A	

Year Payable	Personal Property	Total Personal and Real Property	Less: Tax Increment Districts	Total		Total Direct Tax Rate
				Assessed Value (1)	True Tax Value (2)	
2006	\$ 161,449,537	\$ 2,069,910,660	\$ 192,540,580	\$ 1,877,370,080	\$ 5,632,110,240	\$ 0.5282
2005	138,953,574	1,925,416,370	155,215,250	1,770,201,120	5,310,603,361	0.5299
2004	124,049,073	1,592,190,568	130,727,548	1,461,463,020	4,384,389,060	0.5284
2003	147,523,707	1,343,327,623	110,319,698	1,233,007,925	3,699,023,774	0.3747
2002	N/A	809,806,732	34,314,043	775,492,689	2,326,478,066	0.5642
2001	N/A	743,484,975	21,879,280	721,605,695	2,164,817,085	1.7103
2000	N/A	709,989,771	17,919,760	692,070,011	2,076,210,033	1.5373
1999	N/A	667,086,756	9,851,820	657,234,936	1,971,704,808	1.5374
1998	N/A	614,403,284	9,358,930	605,044,354	1,815,133,062	1.6711
1997	N/A	566,549,638	5,180,610	561,369,028	1,684,107,084	1.7228

(1) Property reassessments were effective in 1997 and 2003.

(2) True tax value is 3 times assessed value. Beginning in 2002, tax rates were based upon \$100 of true tax value. In prior years, the rate was per \$100 of assessed value.

(3) Includes adjustments due to appeals as well as assessed values from property classes of agriculture, exempt, utility and other as defined by the County Auditor's office.

Source: Hamilton County Auditor's Office - Total Assessed and true tax values are those amounts that have been reported to and certified by the State each year. Prior to 2006, this table did not include any breakdown between real and personal property or show classes of real property. The County is only able to go back to 2003 to provide class detail of certified assessed values. Such detail will be provided for future years and reports.

CITY OF CARMEL
Direct and Overlapping Property Tax Rates
Last Ten Years

	<u>2006</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>
City Direct Rates:										
Corporation General	\$ 0.3512	\$ 0.3947	\$ 0.3193	\$ 0.2381	\$ 0.3051	\$ 1.1175	\$ 0.9784	\$ 1.0722	\$ 1.0982	\$ 1.1630
MVH	0.1054	0.0749	0.1281	0.0574	0.1572	0.2879	0.2498	0.1555	0.2531	0.2032
Cumulative Cap Development			0.0246	0.0236	0.0333	0.1000	0.1000	0.1000	0.1000	0.1000
Debt Service										0.0108
Lease Rental	0.0173	0.0188	0.0251	0.0257	0.0519	0.1549	0.1591	0.1597	0.1698	0.1958
Cumulative Cap Sewer	0.0166	0.0166	0.0166	0.0167	0.0167	0.0500	0.0500	0.0500	0.0500	0.0500
Redevelopment Bond	0.0377	0.0086								
Redevelopment Comm TIF		0.0163	0.0147	0.0132						
Total Direct Rate	<u>\$ 0.5282</u>	<u>\$ 0.5299</u>	<u>\$ 0.5284</u>	<u>\$ 0.3747</u>	<u>\$ 0.5642</u>	<u>\$ 1.7103</u>	<u>\$ 1.5373</u>	<u>\$ 1.5374</u>	<u>\$ 1.6711</u>	<u>\$ 1.7228</u>
Overlapping Rates:										
State	0.0024	0.0024	0.0024	0.0033	0.0033	0.0100	0.0100	0.0100	0.0100	0.0100
County	0.2266	0.2317	0.2246	0.2138	0.3310	1.0055	1.0181	1.0330	1.0482	1.0224
Solid Waste	0.0027	0.0028	0.0029							
Township - Clay	0.0269	0.0089	0.0092	0.0096	0.0135	0.0705	0.0296	0.0241	0.0279	0.0266
Library	0.0451	0.0457	0.0453	0.0437	0.0786	0.2447	0.2233	0.2209	0.2315	0.1118
School Districts										
Carmel Clay School Corp	1.2601	1.2103	1.1548	1.0363	1.5975	4.7806	5.0131	5.0721	5.1111	5.1429
Total Direct and Overlapping Rate	<u>\$ 2.0920</u>	<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>

CITY OF CARMEL
Principal Taxpayers
Current and Nine Years Ago

2006			1997		
Taxpayer	Assessed Value	Percent of Total City Assessed Value *	Taxpayer	Assessed Value	Percent of Total City Assessed Value *
Duke Weeks Realty/Duke Realty Ltd./Duke Realty Services LP	\$ 44,795,618	2.39%	Conseco	\$ 9,549,510	1.70%
Washington National Life Insurance., formerly Bankers National Life Insurance	29,609,750	1.58%	Aetna Life Insurance	8,877,840	1.58%
Clay Terrace Partners, LLC	18,949,223	1.01%	Technology Center Assoc. Ltd. Com	8,875,640	1.58%
REI Investments: Hrb Associates, LP/Technology Center Assoc. Ltd./North Penn Avenue/Rei Investments/Fidelity Office Bldg/Meridian Mile Assoc.	14,627,317	0.78%	Thompson Consumer Electronic	6,991,690	1.25%
Carmel Indy Properties, LLC	14,261,500	0.76%	Phoenix Mutual Life Insurance	5,783,790	1.03%
Tom Wood Nissan Inc./Tom Wood Ford/Wood Jaguar PDI Ctr/Wood Hyundai RE LLC/TJW Inc.	11,479,513	0.61%	Meijer, Inc	5,429,010	0.97%
GPI Retail Properties/c/o Gibraltar Property Inc.	11,442,400	0.61%	Raymon Equities Trust	5,222,950	0.93%
Midwest Independent Trans System Operator Inc.	10,603,610	0.56%	Fidelity Office Building Ltd. Partners	4,495,650	0.80%
Mohawk Housing Partners, LLC	10,379,057	0.55%	Dan Young Chevrolet	4,033,160	0.72%
Talcott II Merdian LLC/Phoenix Home Life Insurance	10,302,337	0.55%	Dellen Oldsmobile	3,378,310	0.60%
	<u>\$ 176,450,325</u>	<u>9.40%</u>		<u>\$ 62,637,550</u>	<u>11.16%</u>

Source: Hamilton County Auditor's Office

* Based on City's assessed values as reported on assessed value table.

CITY OF CARMEL
Property Tax Levied and Collected
Last Ten Years

	<u>Total Taxes Levied for the Current Fiscal Year</u>		<u>Taxes Collected</u>	<u>Percentage of Levy</u>
2006	\$ 29,797,451	\$	29,221,103	98.07%
2005	28,066,712		28,084,717	100.06%
2004	23,209,357		23,370,030	100.69%
2003	13,371,105		13,071,295	97.76%
2002	13,289,762		13,179,751	99.17%
2001	12,668,163		12,662,295	99.95%
2000	10,639,192		10,824,016	101.74%
1999	10,104,329		10,156,535	100.52%
1998	10,110,896		10,326,367	102.13%
1997	9,671,266		9,901,555	102.38%

Note: Hamilton County Auditor's Office system is not set-up to track collections by year levied. The amount collected includes any delinquent payment plus any penalty or interest applicable. As of the end of 2006, total delinquent property tax due to the City for 2006 and all prior years was approximately \$655,000.

Source: Hamilton County Auditor's Office

CITY OF CARMEL
 Ratios of Outstanding Debt by Type
 Last Ten Years

Governmental Activities									
Fiscal Year	Property Tax		Revenue Bonds				Bond Anticipation Notes	Capital Leases	Total Governmental Activities
	Building Corporation Bonds	Redevelopment Bonds	COIT Bonds	Tax Increment Bonds	Notes Payable				
2006	\$ 4,100,000	\$ 34,270,000	\$ 114,185,000	\$ 91,613,227	\$ 1,110,982	\$ 11,980,000	\$ 3,212,352	\$ 260,471,561	
2005	5,080,000	35,000,000	44,070,000	91,853,227	-	8,985,000	3,873,615	188,861,842	
2004	6,015,000	35,000,000	46,585,000	11,955,000	-	5,336,352	3,243,602	108,134,954	
2003	6,670,000	-	46,345,000	2,555,000	-	2,995,000	3,706,412	62,271,412	
2002	7,510,000	-	47,925,000	2,655,000	-	-	3,037,432	61,127,432	
2001	8,320,000	-	38,955,000	2,655,000	-	-	934,226	50,864,226	
2000	9,095,000	-	40,370,000	2,655,000	-	-	809,601	52,929,601	
1999	9,840,000	-	41,720,000	2,655,000	-	-	410,859	54,625,859	
1998	10,555,000	-	42,500,000	2,655,000	-	-	-	55,710,000	
1997	11,320,000	-	32,000,000	-	-	-	-	43,320,000	

Business Activities									
Fiscal Year	Water Revenue Bonds	Water Notes Payable	Sewage Revenue Bonds	Bond Anticipation Notes	Capital Leases	Total Business Activities	Total Primary Government	Percentage of Personal Income ¹	Debt per Capita ¹
	2006	\$ 11,995,000	\$ 21,159,434	\$ 11,000,000	\$ 35,000,000	\$ -	\$ 79,154,434	\$ 339,625,995	12.76%
2005	12,470,000	-	11,000,000	15,000,000	-	38,470,000	227,331,842	8.78%	3,837
2004	12,935,000	-	-	-	-	12,935,000	121,069,954	5.05%	2,112
2003	13,385,000	-	-	-	-	13,385,000	75,656,412	3.16%	1,339
2002	13,640,000	-	-	-	2,591	13,642,591	74,770,023	3.16%	1,380
2001	4,510,000	-	-	-	10,722	4,520,722	55,384,948	2.42%	1,046
2000	4,765,000	-	-	-	24,038	4,789,038	57,718,639	2.73%	1,115
1999	5,005,000	-	-	-	36,753	5,041,753	59,667,612	3.98%	1,581
1998	5,235,000	-	-	-	11,666	5,246,666	60,956,666	3.77%	1,404
1997	5,455,000	-	-	-	899	5,455,899	48,775,899	3.39%	1,198

¹ Population and personal income data can be found in the Demographics and Economic Schedule

CITY OF CARMEL
Ratios of Net General Bonded Debt Outstanding
Last Ten Years

	Building Corporation Bonds	Redevelopment Bonds	Total	Less: Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value ¹	Net Bonded Debt Per Capita ¹
2006	\$ 4,100,000	\$ 34,270,000	\$ 38,370,000	\$ 1,275,469	\$ 37,094,531	1.98%	\$ 618
2005	5,080,000	35,000,000	40,080,000	639,885	39,440,115	2.23%	666
2004	6,015,000	35,000,000	41,015,000	625,318	40,389,682	2.76%	705
2003	6,670,000	-	6,670,000	677,798	5,992,202	0.49%	106
2002	7,510,000	-	7,510,000	832,573	6,677,427	0.86%	123
2001	8,320,000	-	8,320,000	724,144	7,595,856	1.05%	144
2000	9,095,000	-	9,095,000	705,814	8,389,186	1.21%	162
1999	9,840,000	-	9,840,000	618,840	9,221,160	1.40%	244
1998	10,555,000	-	10,555,000	617,973	9,937,027	1.64%	229
1997	11,320,000	-	11,320,000	764,456	10,555,544	1.88%	259

¹ The City's population can be found in the Demographics and Economics Schedule. The assessed value can be found in the Assessed Value Schedule.

Note: This schedule includes only debt repaid with property taxes. It excludes bonds payable from income taxes and tax increment financing bonds.

CITY OF CARMEL
 Direct and Overlapping Debt
 At December 31, 2006

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Percent Applicable to Carmel</u>	<u>Amount Applicable to Carmel</u>
Direct Debt:			
City of Carmel (see page 116)	<u>\$260,471,561</u>	100.00%	<u>\$260,471,561</u>
Overlapping Debt Paid with Property Taxes:			
Carmel Clay School Corporation	239,640,000	79.26%	189,938,664
Carmel Clay Public Library	17,595,000	79.26%	13,945,797
Clay Township	58,555,000	79.26%	46,410,693
Hamilton County	64,227,202	32.20%	20,681,159
Other Overlapping Debt:			
Hamilton County Tax Increment Bonds	46,680,000	32.20%	15,030,960
Hamilton County - County Option Income Tax Bonds	<u>61,060,000</u>	32.20%	<u>19,661,320</u>
Sub-Total Overlapping Debt	<u>\$ 487,757,202</u>		<u>\$ 305,668,593</u>
Total Direct and Overlapping Debt			<u>\$ 566,140,154</u>

Note: The percentage of overlapping debt applicable is estimated using assessed values. The percentages are calculated by determining the portion of another governmental unit's assessed value that is within the City's corporate boundaries and dividing it by each unit total assessed value.

Overlapping governments are those that coincide, as least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF CARMEL
Legal Debt Margin
Last Ten Years

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 1,877,370,080
Debt Limit (2% of assessed value)	37,547,402
Debt applicable to limit	<u>17,775,000</u>
Legal debt margin	<u><u>\$ 19,772,402</u></u>

Year	<u>Debt Limit</u>	<u>Total net debt applicable to limit (A)</u>	<u>Legal Debt Margin</u>	<u>Total debt applicable to the limit as a percentage of debt limit</u>
2006	37,547,402	17,775,000	19,772,402	47.34%
2005	35,402,685	9,650,000	25,752,685	27.26%
2004	29,229,260	10,055,000	19,174,260	34.40%
2003	24,660,159	10,450,000	14,210,159	42.38%
2002	15,509,854	10,450,000	5,059,854	67.38%
2001	14,432,114	-	14,432,114	0.00%
2000	13,841,400	-	13,841,400	0.00%
1999	13,114,699	-	13,114,699	0.00%
1998	12,100,887	-	12,100,887	0.00%
1997	11,227,381	80,000	11,147,381	0.71%

(A) All other outstanding debt of the City is structured as lease transactions or tax increment district bonds. Neither of these are subject to the 2% limitation shown above. Currently the only outstanding debt subject to the statutory debt limit are the County Income Tax Revenue Bonds, Series, 2002 and the County Option Income Tax Refunding Bond, Series 2006.

CITY OF CARMEL
 Governmental Activities Pledged Revenue Coverage
 Last Ten Years

Year	County Option Income Tax				Tax Increment Bonds			
	COIT Revenue	Debt Service		Coverage	Tax Increment	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2006	\$ 18,706,287	\$ 2,445,000	\$ 1,549,819	4.68	\$ 6,367,412	\$ 385,000	\$ 783,920	5.45
2005	13,719,390	2,540,000	1,888,844	3.10	4,544,547	100,000	163,325	17.26
2004	10,205,588	1,690,000	1,750,190	2.97	2,765,857	100,000	169,825	10.25
2003	13,515,144	1,600,000	2,508,336	3.29	1,717,386	100,000	176,325	6.22
2002	13,874,606	1,520,000	2,120,791	3.81	1,519,971	100,000	182,825	5.37
2001	11,036,204	1,440,000	2,198,116	3.03	1,685,368	-	182,825	9.22
2000	10,382,631	1,375,000	2,272,091	2.85	1,145,129	-	182,825	6.26
1999	9,446,415	1,300,000	2,342,141	2.59	373,156	-	91,413	4.08
1998	9,584,946	-	503,742	19.03	-	-	-	N/A
1997	8,835,774	-	-	N/A	-	-	-	N/A

Source: Pledged revenue data provided by the County Auditor is based upon actual annual COIT and Tax Increment distributions to the City. Although the City received tax increment prior to 2000, the County could not readily provide data specific to City only. Since there were no outstanding bonds the coverage test is not applicable, the information was not pursued further.

CITY OF CARMEL
 Business - Type Activities Pledged Revenue Coverage
 Last Ten Years

Water Utility

Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2006	\$ 6,646,286	\$ 5,370,967	\$ 1,275,319	\$ 16,202,816 (B)	\$ 1,086,533	\$ 17,289,349	0.07
2005	5,322,117	3,893,290	1,428,827	465,000	647,199	1,112,199	1.28
2004	5,098,635	3,474,951	1,623,684	450,000	571,888	1,021,888	1.59
2003	4,305,355	3,509,940	795,415	4,260,000 (A)	609,751	4,869,751	0.16
2002	4,402,941	3,231,342	1,171,599	270,000	348,765	618,765	1.89
2001	3,657,905	2,425,663	1,232,242	255,000	246,879	501,879	2.46
2000	3,545,649	2,243,979	1,301,670	240,000	259,857	499,857	2.60
1999	3,654,543	2,091,635	1,562,908	230,000	272,451	502,451	3.11
1998	3,166,513	1,872,417	1,294,096	220,000	284,376	504,376	2.57
1997	2,944,642	1,725,831	1,218,811	210,000	295,771	505,771	2.41

Wastewater Utility

Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2006	\$ 5,165,793	\$ 4,745,951	\$ 419,842	\$ -	\$ 315,411	\$ 315,411	1.33
2005	4,790,778	4,462,535	328,243	-	45,459	45,459	7.22
2004	4,534,680	3,916,135	618,545	-	-	-	N/A
2003	4,408,904	3,826,044	582,860	-	-	-	N/A
2002	4,422,989	3,476,126	946,863	-	-	-	N/A
2001	4,502,323	3,263,808	1,238,515	-	-	-	N/A
2000	4,312,442	2,927,074	1,385,368	-	-	-	N/A
1999	4,233,712	2,790,905	1,442,807	-	-	-	N/A
1998	4,143,860	2,777,881	1,365,979	-	-	-	N/A
1997	3,748,343	2,543,015	1,205,328	-	-	-	N/A

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.

(B) The Water Utility repaid a \$15 million bond anticipation note plus interest in 2006 with a new \$35 million note.

CITY OF CARMEL
Demographic and Economic Statistics
Last Ten Years

City of Carmel					Hamilton County (3)				
City's Population (1)	School Enrollment (2)	Unemployment Rates (3)	Personal Income (thousands of dollars) (4)	Assumed Per Capita Personal Income (4)	Population	Personal Income (thousands of dollars)	Per Capita Personal Income		
2006	60,000	14,680	2.0%	\$ 2,661,240	\$ 44,354	250,979	\$ 10,677,000	\$	44,354
2005	59,243	14,517	2.1%	2,588,978	43,701	240,685	10,053,000		43,701
2004	57,321	14,054	2.9%	2,395,215	41,786	223,176	9,233,000		41,786
2003	56,514	12,514	2.9%	2,394,442	42,369	216,826	8,780,000		42,369
2002	54,178	12,905	2.9%	2,369,854	43,742	197,500	8,577,000		43,742
2001	52,928	12,566	2.2%	2,289,189	43,251	197,477	8,019,000		43,251
2000	51,781	12,073	1.7%	2,113,804	40,822	182,740	7,158,000		40,822
1999	37,733	11,628	1.1%	1,498,943	39,725	170,114	6,579,000		39,725
1998	43,403	11,306	0.9%	1,615,807	37,228	162,597	5,853,000		37,228
1997	40,698	10,840	1.1%	1,439,325	35,366	154,994	5,293,000		35,366

1) 1997 - 1998 & 2000 - 2005 are annual estimates from the Population Division, U.S. Census Bureau. Population for 1999 from the Census 2000. 2006 is an estimate from the City.

2) State of Indiana, Department of Education for students attending Carmel - Clay Corporation schools.

3) State of Indiana, Department of Workforce Development (IDWD). Hamilton County Personal Income and Per Capita Income figures are for the prior calendar year.

4) Personal Income and per capita income statistics are not maintained by the State for municipalities. Personal income data is available through the Indiana Department of Workforce Development, however, the smallest unit of government for which this can be obtained is the county level. In order to provide personal income data for the required ratios outlined in GASB 44, we have used Hamilton County data, as displayed above, from the IDWD. We have assumed that the per capital personal income for the County is reasonably representative of Carmel per capita personal income. Personal income for the City shown above is calculated using City population estimates times the County per capita personal income.

CITY OF CARMEL
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Conseco, Inc	2,100	1	6.79%	2,686	1	12.90%
Carmel Clay Schools	1,840	2	5.95%	1,431	3	6.88%
Resort Condominium Intl. (RCI)	1,200	3	3.88%			
TCL - Thomson Electronics	900	4	2.91%	1,500	2	
Indiana Insurance Company	800	5	2.59%	500	8	2.40%
St. Vincent Carmel Hospital	750	6	2.43%	360	9	1.73%
Gaylor Group	675	7	2.18%			
Household International	675	8	2.18%			
Verizon	550	9	1.78%			
Midwest Independent Transmission System Operator, Inc	538	10	1.74%			
MacMillan Publishing Company				950	4	4.56%
Meijer				550	5	2.64%
CNA (formerly Continental Insurance)				515	6	2.47%
One Call Long Distance				500	7	2.40%
City of Carmel				330	10	1.59%

CITY OF CARMEL
 Full-Time Equivalent City Government Employees
 by Function / Program
 Last Ten Years

	<u>2006</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>
General Government										
Clerk-Treasurer	6	5	5	5	5	4	4	4	4	4
Mayor	3	3	3	2	2	2	2	2	2	1
City Council	7	7	7	7	7	7	7	7	7	7
Board of Public Works	0	0	0	0	0	0	0	0	0	0
Plan Commission	1	1	1	1	1	1	1	1	1	1
Administration	4	4	2	2	2	2	2	2	2	1
City Court	7	6	5	5	4	4	4	4	4	4
Law Department	3	3	3	2	2	2	2	2	2	2
Community Services	24	22	18	13	11	11	8	6	4	4
Public Safety										
Police										
Officers	99	98	90	82	77	74	75	72	70	70
Civilians	19	19	18	14	14	14	14	15	15	14
Fire										
Firefighters and Officers	154	152	149	136	129	124	124	112	106	105
Civilians	7	7	7	7	7	6	6	4	4	5
Culture and Recreation										
Parks Department	13	12	10	9	9	8	8	5	4	3
Water	44	32	30	29	23	22	22	20	17	19
Wastewater	48	42	38	40	40	37	37	38	34	35
Other Programs										
Human Resources	3	3	3	2	2	2	2	2	2	2
Street	42	38	34	23	23	20	21	16	15	15
Engineering	11	10	8	5	5	4	4	5	4	3
Information Systems	9	8	8	5	5	4	4	3	3	2
Communication Center	27	23	20	17	17	17	18	18	18	18
TOTAL	<u>531</u>	<u>495</u>	<u>459</u>	<u>406</u>	<u>385</u>	<u>365</u>	<u>365</u>	<u>338</u>	<u>318</u>	<u>315</u>

CITY OF CARMEL
Operating Indicators by Functions / Programs
Last Ten Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Government										
Building Permits issued:										
Residential (Single/Multi Families)	597	761	847	901	751	826	920	973	1,003	1,066
Commercial	35	51	42	46	26	40	24	39	11	17
Estimated Property Value of Building Permits issued (<i>millions of dollars</i>)	\$ 311	\$ 350	\$ 307	\$ 444	\$ 290	\$ 391	\$ 297	\$ 330	\$ 274	\$ 336
Public Safety										
Police:										
Physical arrest	3,259	3,523	2,935	2,871	2,480	2,347	2,160	2,316	2,138	2,912
Parking violations	243	121	141	281	219	513	267	196	227	114
Traffic Citations	7,453	6,257	5,805	8,228	5,989	5,848	4,676	3,464	3,768	3,344
Traffic Warnings	12,416	12,017	10,542	12,090	13,068	14,231	13,479	11,948	12,429	12,017
Fire:										
Emergency Medical responses	2,997	2,910	2,682	2,591	2,529	2,413	2,352	2,282	2,076	1,794
Fire Runs	1,973	1,831	1,768	1,705	1,769	1,777	1,795	1,562	1,629	1,414
Water										
New connections	8,911 *	702	680	608	2,593 **	510	551	543	516	487
Water main breaks	35	50	31	26	20	27	33	43	39	48
Average daily consumption (<i>millions of gallons</i>)	7.478	6.566	6.165	5.463	5.592	4.599	7.466	6.987	5.392	3.614
Peak daily consumption (<i>millions of gallons</i>)	13.268	17.069	13.257	11.297	12.598	10.434	10.527	9.764	8.475	9.400
Wastewater										
Average daily sewage treatment (<i>millions of gallons</i>)	10.88	10.65	9.77	9.89	9.68	8.30	7.83	7.98	8.30	7.78

* Includes 8,400 customers acquired from Indianapolis

**Includes 2,200 customers acquired when purchased Hamilton Western

Note: The Carmel Clay Board of Parks and Recreation provides the City's residents with outstanding park and recreation programs and facilities. The Park Board, jointly created in 1991 by the City and Clay Township, owns and operates park facilities throughout the City and Township with the financial support of the City through an interlocal agreement. As such, the operations and capital assets for parks are separate from the City and do not appear on these tables. The financial statements reflect the expenditures for payments under the interlocal agreement but not park assets, liabilities or fund balances.

CITY OF CARMEL
 Capital Asset Statistics by Function / Program
 Last Ten Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Communication Center	1	1	1	1	1	1	1	1	1	1
Fire Stations	4	4	4	4	4	4 *	3	3	3	3
Other public works										
Streets (miles)	388	371.01	293.86	280.65	216.87	209.27	203.49	199.55	187.69	173.72
Traffic Signals	40	38	38	35	35	35	35	35	29	25
Water										
Water mains (miles)	860 **	650	650	500	500	300	275	250	205	185
Fire Hydrant	4,439 ***	2,996	2,642	2,440	1,817	1,770	1,746	1,702	1,593	1,527
Wastewater										
Sanitary sewers (miles)	575	545	515	485	455	425	395	365	335	305
Storm sewers (miles)	368.67	351.68	274.53	261.32	216.87	209.27	203.49	199.55	187.69	173.72
Treatment capacity (millions of gallons)	12	12	12	12	12	12	12	12	12	12

Note: See Parks and Recreation discussion on previous page, Operating Indicators Schedule.

*Two township fire stations built within the corporate limits in 2001

**Includes 160 miles of mains acquired from Indianapolis

***Includes 1300 hydrants acquired from Indianapolis