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February 29, 2016

Board of Directors  
Indianapolis-Marion County Building Authority  
200 E. Washington Street, Suite 311  
Indianapolis, IN 46204

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Indianapolis-Marion County Building Authority, as of June 30, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the finding in the report which is referenced in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*. It is classified as a material weakness in internal control and details the \$5,000,000 adjustment needed to financial statements due to a grant that was not recognized as in the fiscal year under audit.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

# **Indianapolis-Marion County Building Authority**

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

Independent Auditor's Report and Financial Statements

June 30, 2015

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**June 30, 2015**

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## Independent Auditor's Report

To the Board of Director  
Indianapolis-Marion County Building Authority  
Indianapolis, Indiana

We have audited the accompanying financial statements of Indianapolis-Marion County Building Authority (Authority), a component unity of the Consolidated City of Indianapolis-Marion County, which comprise the statement of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues as of June 30, 2015, and the related statement of net revenues and changes in operating and debt service funds for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 1; this includes determining that the basis of accounting described in Note 1 is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues of the Indianapolis-Marion County Building Authority as of June 30, 2015, and its net revenues and changes in operating and debt service funds for the year then ended, on the basis of accounting described in Note 1 to the financial statements.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in 2015, the Authority changed its method of accounting for pension accounts and the accrued net pension liability. Our opinion is not modified with respect to this matter.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the Authority's interpretation of the statute under which it was created and provisions of trust indentures and loan agreements executed for the benefit of holders of Authority bonds and notes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The pension information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

### **Restriction on Use**

Our report is intended solely for the information and use of the governing body of the Authority, the City of Indianapolis and Marion County, management of the Authority and bondholders and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Indianapolis, Indiana  
November 17, 2015

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Statement of Assets, Deferred Outflows, Liabilities, Deferred Inflows and**  
**Accumulated Net Revenues**  
**June 30, 2015**

**All Properties**

**Assets and Deferred Outflows of Resources**

**Operating Funds**

Current accounts		
Cash and cash equivalents - general	\$ 2,395,459	
Cash - payroll	10,652	
Office imprest funds	<u>1,600</u>	
	2,407,711	
Amounts receivable for tenant alterations and improvements - completed and in process	278,023	
Grant receivable	5,000,000	
Materials and supplies	352,370	
Prepaid insurance and service contracts	<u>42,287</u>	
	8,080,391	
Replacement fund (for nonrecurring general maintenance, improvements or replacements)		
Cash and cash equivalents	<u>1,608,031</u>	
Subtotal		\$ 9,688,422

**Debt Service Funds**

Restricted cash and cash equivalents		1,319,438
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**Building, Site and Project Costs**

Buildings and site improvements	73,433,616	
Furnishings and equipment	<u>5,814,643</u>	
Subtotal		79,248,259

**Deferred Outflows of Resources**

		<u>347,654</u>
Total assets and deferred outflows of resources		<u><u>\$ 90,603,773</u></u>

## Liabilities, Deferred Inflows of Resources and Accumulated Net Revenues

### Operating Liabilities

Accounts payable	\$	805,531	
Accrued liabilities		376,434	
Net pension liability		1,484,521	
Amounts withheld from employee wages		36,583	
Unearned maintenance fees		152,475	
Subtotal			\$ 2,855,544

### Bond and Note Indebtedness

Accrued interest payable		184,448	
Unearned credit - fixed rentals applicable to the succeeding year		943,000	
Serial bonds and notes payable		7,947,977	
Subtotal			9,075,425

### Deferred Inflows of Resources

344,890

### Accumulated Net Revenues

Operating - unrestricted		1,790,602	
Restricted for debt service		376,438	
Restricted for City-County Building Plaza		5,000,000	
Net investment in capital assets		71,160,874	
Subtotal			<u>78,327,914</u>

Total liabilities, deferred inflows of resources and accumulated net revenues

\$ 90,603,773

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

**Statement of Net Revenues and Changes in  
Operating and Debt Service Funds  
Year Ended June 30, 2015**

**All Properties**

	2015			
	Accumulated Net Revenues	Current Accounts	Replacement Fund	Capital and Debt Service Funds
<b>Revenues</b>				
Rental income - fixed	\$ 1,892,000	\$ -	\$ -	\$ 1,892,000
Rental income - additional	8,570,100	8,570,100	-	-
Income from investments	1,867	1,340	526	1
Maintenance fees	2,431,800	2,431,800	-	-
Contractual payments	100,000	100,000	-	-
Grants	5,000,000	5,000,000	-	-
Other income	19,411	19,411	-	-
	<u>18,015,178</u>	<u>16,122,651</u>	<u>526</u>	<u>1,892,001</u>
<b>Operating Expenses</b>	<u>10,868,979</u>	<u>10,868,979</u>	<u>-</u>	<u>-</u>
<b>Net Revenues Before Other Expenses</b>	<u>7,146,199</u>	<u>5,253,672</u>	<u>526</u>	<u>1,892,001</u>
<b>Other Expenses</b>				
Interest expense	431,483	-	-	431,483
Nonrecurring repairs	399,338	108,545	290,793	-
	<u>830,821</u>	<u>108,545</u>	<u>290,793</u>	<u>431,483</u>
<b>Net Revenues (Expenses)</b>	<u>6,315,378</u>	<u>5,145,127</u>	<u>(290,267)</u>	<u>1,460,518</u>
<b>Balances, July 1, as previously reported</b>	73,335,127	35,093,467	970,302	37,271,358
<b>Change in Accounting Principle - see Note 1</b>	<u>(1,322,591)</u>	<u>(1,322,591)</u>	<u>-</u>	<u>-</u>
<b>Balances, July 1, as restated</b>	<u>72,012,536</u>	<u>33,770,876</u>	<u>970,302</u>	<u>37,271,358</u>
<b>Balances, June 30</b>	<u>\$ 78,327,914</u>	<u>\$ 38,916,003</u>	<u>\$ 680,035</u>	<u>\$ 38,731,876</u>

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Organization***

Indianapolis-Marion County Building Authority (Authority) is a body corporate and politic created April 7, 1953, by concurrent resolution of the Board of Commissioners of Marion County, the County Council of Marion County and the Common Council of the City of Indianapolis, pursuant to chapter 54 of the 1953 Act of the Indiana General Assembly. The original Act has been amended and codified and is now Indiana Code 36-9-13 et. seq. The purpose of the Authority is to finance, acquire, construct, improve, renovate, equip, operate, maintain and manage land, governmental buildings and communication systems for governmental entities within Marion County. The Authority has no stockholders or equity holders, and all bond and note loan proceeds, rentals and other revenues must be disbursed for specific purposes in accordance with provisions of Indiana Code 36-9-13 et. seq. and several trust indentures and loan agreements executed for the security of the holders of the bonds and notes.

The Authority is an independent joint building authority under the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. Accordingly, for financial reporting purposes, the Authority is considered to be a component unit of the Consolidated City of Indianapolis-Marion County.

A five-member Board of Trustees appoints the five members of the Board of Directors, the governing body of the Authority. Two of the trustees are appointed by the City-County Council of the Consolidated City of Indianapolis-Marion County; one is appointed by the Mayor of the City of Indianapolis in his capacity as the municipal executive of Indianapolis and two are appointed by the Mayor of Indianapolis in his capacity as the county executive of Marion County.

***Basis of Accounting***

The Authority prepares special-purpose financial statements. The accounts of the Authority are maintained on the accrual basis in accordance with resolutions of the Authority and the Authority's interpretation of applicable statutes and the above-mentioned trust indentures and loan agreements. These practices primarily differ from accounting principles generally accepted in the United States of America in that: (1) the leases with the participating governments are treated as operating leases rather than as direct financing leases; (2) depreciation is not provided; (3) costs of subsequent building improvements, equipment additions and major items of repairs and replacements ordinarily capitalized are expensed; and (4) no statement of cash flows is presented.

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

***Use of Estimates***

The preparation of financial statements in conformity with the basis of accounting noted above requires management to make estimates and assumptions affecting the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimated amounts.

***Cash Equivalents***

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015, cash equivalents consisted of money market mutual funds.

***Investments***

Investments are stated at fair value.

***Depreciation, Improvements, Additions and Major Repairs and Replacements***

No provision for depreciation has been included in the accompanying financial statements. Annual fixed rentals and income on interim investment thereof are retained for subsequent retirement of debt related to building and site costs.

The costs of subsequent improvements, equipment additions and major items of repairs and replacements are expensed. Funds to pay such costs are provided from additional rentals of the current year and/or from additional rentals retained as a reserve for such costs.

The Authority has set aside \$1,608,031 of the \$1,790,602 of Operating - Unrestricted Accumulated Net Revenues at June 30, 2015, for nonrecurring general maintenance, improvements or replacements in accordance with various lease agreements, leaving a balance of \$182,571 for remaining operating purposes at June 30, 2015.

***Interest Capitalization***

Interest cost is capitalized on all projects acquired with tax-exempt borrowings from the date of the borrowing until the project is substantially completed and ready for its intended use. The amount capitalized is reduced by interest earned on investments acquired with the proceeds of the borrowing.

***Materials and Supplies***

The stockroom inventory of materials and supplies is carried at cost, determined on a first-in, first-out (FIFO) basis, not to exceed market value, based on a physical inventory at each year-end date.

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

***Compensated Absences***

Substantially all employees receive compensation for vacations and sick leave. Vacation earned is based on length of service. Vacation leave which has been earned but not paid has been accrued. Employees receive sick pay starting on the third consecutive day of illness. Sick leave pay will continue through the seventh calendar day of illness or until the weekly indemnity benefit of the group insurance plan begins payment. Compensation for sick pay is not accrued because benefits are not provided through paid time off or by cash payments at termination or retirement.

***Cost-Sharing Defined-Benefit Pension Plan***

The Authority participates in a cost-sharing multiple-employer defined-benefit pension plan (Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

***Bond Issuance Costs***

Bond issuance costs are expensed as incurred.

***Unearned Income***

Maintenance fees and rental payments received in advance of the period to which they relate are recorded as unearned income.

***Original Issue Discounts and Premiums***

Original issue discounts and premiums on bonds are accreted over the life of the bonds to which they relates using the interest method or straight-line method which approximates the former.

***Deferred Outflows of Resources***

As of June 30, 2015, deferred outflows of resources consisted of the following components:

Deferred pension contributions - CCB	\$ 302,614
Deferred loss on refunding - MCJ II	45,040
	_____
Total deferred outflows of resources	\$ 347,654

***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

***Adoption of New Accounting Standard***

The Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (GASB 68)*, during 2015. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. With the implementation of GASB 68, the Authority recorded a net pension liability of \$1,484,521 as of June 30, 2015, which was not previously included on the statement of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues. This amount represents the Authority's proportionate share of the net pension liability of the Public Employee's Retirement Fund of Indiana. Adoption of GASB 68 resulted in a decrease of \$1,322,591 in the previously reported accumulated net revenues as of June 30, 2014.

In addition, deferred inflows of \$344,890 and deferred outflows of \$302,614 as of June 30, 2015 were recognized within the statement of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues, as a result of the Authority's adoption of GASB 68.

**Note 2: Deposits, Investments and Investment Income**

Cash and investments included in the statement of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues consist of the following:

	<b>2015</b>
Current accounts	\$ 2,407,711
Replacement funds	1,608,031
Total operating funds	4,015,742
Debt service funds	1,319,438
	\$ 5,335,180

The carrying amount of deposits and investments, by type of investment, are:

	<b>2015</b>
Cash deposits	\$ 4,002,437
Money market mutual funds	1,332,743
	\$ 5,335,180

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The Authority's cash deposits are insured up to \$250,000 per each Federal Deposit Insurance Corporation (FDIC) insured institution. Any cash deposits in excess of the \$250,000 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

***Investments***

Indiana statutes authorize the Authority to invest in United States obligations and issues of federal agencies, Indiana municipal securities, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, certificates of deposit and open-end money market mutual funds.

At June 30, 2015, the Authority had the following investment securities, all of which mature within one year:

	<b>2015</b>
Money market mutual funds	\$ 1,332,743

***Interest Rate Risk*** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority's investment policy for interest rate risk requires compliance with the provisions of Indiana statutes. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

***Credit Risk*** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy for credit risk requires compliance with the provisions of Indiana statutes. Further, Indiana Code Section 5-13-9-2.5 requires that if the Authority invests in money market mutual funds, the underlying securities must be rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At June 30, 2015, the Authority's investments in money market mutual funds were rated AAA by Standard & Poor's.

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral that is in the possession of an outside party. The Authority's investment in money market mutual funds was not subject to custodial credit risk at June 30, 2015, as their existence is not evidenced by securities that exist in physical book entry form. The Authority's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

**Concentration of Credit Risk** - The Authority places no limit on the amount that may be invested in any one issuer.

**Foreign Currency Risk** - This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

**Investment Income**

Investment income for the year ended June 30, 2015 consisted of:

	<b>2015</b>
Interest and dividend income	\$ 1,867

**Note 3: Retirement Plan**

**Plan Description**

The Authority contributes to the Public Employees' Retirement Fund of Indiana (PERF), established in accordance with IC 5-10.3 to act as a common investment and administrative agent for units of state and local governments in Indiana. PERF is administered by the Indiana Public Retirement System (INPRS) and is governed by the INPRS Board of Trustees (INPRS Board). PERF provides retirement, disability and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan and certain INPRS employees. All full-time Authority employees are eligible to participate in this plan. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for PERF. This report may be obtained by writing to Indiana Public Retirement System, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

There are two tiers to the PERF plan. The first is the Public Employee's Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' ASA Only Plan (PERF ASA Only Plan). However, the PERF ASA Only Plan, which became effective March 1, 2013, only applies to newly hired full-time employees of the State of Indiana who may elect to participate in either the PERF Hybrid Plan or the PERF ASA Only Plan.

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

There are two aspects to the PERF Hybrid Plan defined-benefit structure. The first portion is the monthly defined-benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Annuity Savings Account (ASA) that supplements the defined-benefit at retirement.

Prior to July 1, 2013, PERF operated as an agent, multiple-employer defined-benefit pension plan. Effective July 1, 2013, PERF converted to a cost-sharing, multiple employer defined-benefit pension plan. This means the pension obligations to the employees of all participating employers have been pooled and pension plan assets can be used to pay the benefits of the employees of any participating employer. This change did not affect the contribution rate for the Authority.

***Funding Policy***

The funding policy of INPRS provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

The employer defined-benefit contribution rate is based on an actuarial valuation and is adopted, and may be amended, by the INPRS Board. For 2015, the Authority contributed 10.98% of employee compensation to the plan. The ASA consists of the employee contribution, which is set by statute at 3% of compensation, as defined by Indiana statutes, plus the interest/earnings or losses credited to the employee's account. The employer may choose to make the contributions on behalf of its participating employees, which the Authority has elected not to do. In addition, under certain circumstances, employees may elect to make additional voluntary contributions of up to 10% of their compensation into their ASA. An employee's contribution and interest credits belong to the employee and do not belong to the state or the Authority.

***Retirement Benefits***

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the employee's ASA. Retirement benefits vest after ten years of creditable service. The vesting period is eight years for certain elected officials. At retirement, an employee may choose to receive a lump-sum payment of the amount credited to the employee's ASA, receive the amount as an annuity or leave the contributions invested with INPRS.

Vested employees leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if an employee is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A nonvested employee who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. An employee who returns to covered service and works no less than six months in a covered position may reclaim his/her forfeited creditable service.

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Notes to Financial Statements**  
**June 30, 2015**

An employee who has reached: (1) age 65 and has at least ten years of creditable service; (2) age 60 and has at least 15 years of creditable service; or (3) at least age 55 and whose age plus number of years of creditable service is at least 85 is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.10% times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the 20 calendar quarters of creditable service in which the employee's annual compensation was the highest. All 20 calendar quarters do not have to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. Employee contributions paid by the employer on behalf of the employee and severance pay up to \$2,000 are included as part of the employee's salary.

An employee who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. An employee retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the employee's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89%. This amount is reduced five percentage points per year (e.g., age 58 is 84%) to age 50 being 44%.

The monthly pension benefits for employees in pay status may be increased periodically by a cost-of-living adjustment (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

***Disability and Survivor Benefits***

The PERF Hybrid Plan also provides disability and survivor benefits. An employee who has at least five years of creditable service and becomes disabled while in active service, on leave, receiving workers' compensation benefits or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the employee has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of an employee with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the employee had been married for two or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the employee had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of an employee who was at least 65 years of age and had at least ten but not more than 14 years of creditable service.

The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly.

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***Contributions Required and Contributions Made***

Employer contribution rates are adopted annually by the INPRS Board for PERF. The contributions are actuarially determined based on the funding policy, actuarial assumptions and actuarial methods established by the INPRS Board. Contributions determined by the actuarial valuation become effective either 12 or 18 months after the valuation date, depending on the applicable employer. In the case of the Authority, contribution rates and amounts determined by the June 30, 2014 actuarial valuation and adopted by the INPRS Board therefore become effective on January 1, 2016. The Authority's approved contribution rate from July 1, 2014 through December 31, 2014, was 10.75% and its approved contribution rate from January 1, 2015 through June 30, 2015, was 11.20%, as compared to the aggregate actuarially determined contribution rates for all participating political subdivisions in PERF of 11.21% and 10.55% for these respective periods. For the year ended June 30, 2015, contributions to the pension plan from the Authority were \$302,614, or 10.98% of annual pay.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Authority reported a liability of \$1,484,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Member census data as of June 30, 2013, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2013 and June 30, 2014. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2013, to the June 30, 2014, measurement date. Wages reported by the Authority relative to the collective wages of the plan served as the basis to determine the Authority's proportionate share. This basis of allocation is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2015, the Authority's proportion was 0.05649%, which was a decrease of 0.00136% from its proportion measured as of June 30, 2014.

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For the year ended June 30, 2015, the Authority recognized pension expense of \$123,559. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2015</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 6,661
Net differences between projected and actual earning on pension plan investments	-	288,507
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	-	49,722
Authority's contributions subsequent to the measurement date	302,614	-
Total	\$ 302,614	\$ 344,890

At June 30, 2015, the Authority reported \$302,614 as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources at June 30, 2015, related to pensions will be recognized in pension expense as follows:

2016	\$ 88,236
2017	88,236
2018	88,236
2019	80,182
	\$ 344,890

**Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.25% - 4.5% average, including inflation
Ad hoc cost of living adjustments	1.0% average
Long-term expected rate of return	6.75% net of pension plan investment expense

Mortality rates were based on the 2013 IRS Static Mortality Tables projected for five years, as appropriate with adjustments for mortality improvements based on Scale AA.

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The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2005 through June 30, 2010.

The long-term expected rate of return on pension plan investments was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted-average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public equity	22%	6.0%
Private equity	10%	7.7%
Fixed income - ex inflation linked	22%	2.1%
Fixed income - inflation linked	10%	0.5%
Commodities	8%	2.5%
Real estate	8%	3.9%
Absolute return	10%	1.8%
Risk parity	10%	4.3%
	100%	

***Discount Rate***

The discount rate used to measure the total pension liability was 6.75% for the year ended June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the PERF's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The Authority's proportionate share of the net pension liability has been calculated using a discount rate of 6.75%. The following presents the Authority's proportionate share of the net pension liability calculated using a discount rate of 1% higher and 1% lower than the current rate.

	<b>Current</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Authority's proportionate share of the net pension liability	\$ 2,383,163	\$ 1,484,521	\$ 723,138

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERF financial report.

**Note 4: Bond and Note Indebtedness**

	<b>2015</b>
Jail Building Refunding Bonds of 2009 (Taxable)	
Serial bonds, maturing January 1, 2016 to January 1, 2017 in payments ranging from \$830,000 in fiscal year 2016 to \$870,000 in fiscal year 2017. Interest at 4.88 to 5.03%, due semiannually on January 1 and July 1	\$ 1,700,000
Unamortized discount	(9,878)
	1,690,122
 Arrestee Processing Center Bonds of 2003	
Serial bonds, maturing January 1, 2016 to January 1, 2023 in payments ranging from \$665,000 in fiscal year 2016 to \$905,000 in fiscal year 2023. Interest at 4.00 to 5.00%, due semiannually on June 30 and December 30	6,225,000
Unamortized premium	32,855
	6,257,855
	\$ 7,947,977

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The various serial bonds of the Authority are subject to optional redemption prior to maturity in whole or in part on interest payment dates at 100% of the principal amount, plus accrued interest.

The Arrestee Processing Center Bonds of 2003 maturing on January 1, 2016, January 1, 2020 and January 1, 2023, are subject to redemption from mandatory sinking fund payments beginning in 2014, 2018 and 2021, respectively.

On August 4, 2009, the Authority issued \$6,025,000 in Refunding Bonds to advance refund \$6,175,000 of outstanding 1997 Jail Building Bonds, which were called on September 3, 2009.

As a result of the August 2009 advance refunding, the Authority reduced its total debt service requirements by \$1,078,454, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) in the amount of \$539,760. The Authority recognized an accounting loss of \$222,705 in connection with this refunding that is reflected as a deferred outflow of resources and is being amortized to interest expense on a straight-line basis through January 1, 2017.

Debt service requirements to maturity for all Authority indebtedness at June 30, 2015 follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 1,495,000	\$ 368,915	\$ 1,863,915
2017	1,565,000	301,811	1,866,811
2018	725,000	230,250	955,250
2019	750,000	194,000	944,000
2020	790,000	156,500	946,500
Thereafter	<u>2,600,000</u>	<u>237,375</u>	<u>2,837,375</u>
	<u>\$ 7,925,000</u>	<u>\$ 1,488,851</u>	<u>\$ 9,413,851</u>

**Note 5: Revenues**

The Authority leases various facilities under its control to the City of Indianapolis and Marion County for semiannual fixed rentals to cover principal and interest payments on related debt and additional semiannual rentals to cover the cost of operation and maintenance of the facilities. All of the leases provide for annual adjustments to the additional rentals based upon operating expense budgets for the facilities. They also contain lease renewal and purchase options. If these options are not exercised, the leases provide for transfer, upon the expiration of the lease, of ownership of the properties to the lessees free and clear of all obligations of the lease. The governing Indiana statute with respect to each of the Authority's leases provides that the government lessee(s) shall be obligated to levy annually a tax sufficient to produce each year the necessary funds to pay the lease rentals to the Authority.

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All of the assets classified under building, site and project costs in the statement of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues are held by the Authority for the purpose of rental or related use.

Future fixed rentals on all of the Authority's leases to be received in each of the next five years and thereafter are as follows:

2016	\$ 1,886,000
2017	1,426,000
2018	966,000
2019	966,000
2020	966,000
Thereafter	2,415,000
	\$ 8,625,000

Additional rentals aggregated \$8,570,100 for the year ended June 30, 2015. The Authority's Board of Directors will, from time to time, authorize the use of surplus funds from the operations of certain buildings to be used as a credit against future additional rentals.

The Authority is also authorized to enter into management contracts with eligible governmental entities. As of June 30, 2015, the Authority has entered into management contracts which expire on various dates through June 30, 2018. The contracts provide for the construction, operation and/or maintenance of various facilities for use by departments and other entities of the City of Indianapolis and Marion County. The City and the County advance funds to the Authority for construction of the facilities and, with respect to all of the properties, designates the Authority as its manager and agent for the purpose of maintaining and managing the facilities.

The annual maintenance fees payable to the Authority for the cost of operating, maintaining and managing the facilities covered by management contracts vary each year based on operating expense budgets for the facilities. Maintenance fees aggregated \$2,431,800 for the year ended June 30, 2015.

**Note 6: Risk Management**

The Authority purchases commercial insurance policies for all risks of loss. Certain of these policies allow for deductibles, which range from \$10,000 to \$100,000 per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Indianapolis-Marion County Building Authority**  
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**Note 7: Conduit Debt Obligations**

In March 2010, the Authority issued \$106,250,000 in Indianapolis-Marion County Building Authority Wishard Hospital Project Bonds, Series 2010 B-1, and \$359,330,000 in Indianapolis-Marion County Building Authority Wishard Hospital Project Bonds, Series 2010 B-2 (collectively, the Series 2010B Bonds) for the purpose of financing the acquisition, construction and equipping of certain hospital and healthcare facilities for Health and Hospital Corporation of Marion County, Indiana (Corporation). In April 2013, the Authority issued an additional \$42,460,000 in Indianapolis-Marion County Building Authority Wishard Hospital Project Bonds, Series 2013 A (the Series 2013A Bonds). The Series 2010B and 2013A Bonds are special limited obligations of the Authority, payable solely from, and secured by, a pledge of lease rental revenues to be received by the Authority from the Corporation in accordance with a Master Lease agreement, Amendment and Addendums between the two entities, dated March 1, 2010, December 31, 2012 and April 30, 2013. The lease rentals are payable from ad valorem property taxes to be levied on all taxable property within Marion County, Indiana, to the extent other revenues of the Corporation are not sufficient to fund such payments. The Series 2010B Bonds and Series 2013A Bonds do not constitute a debt or pledge of the faith and credit of the Authority and are therefore not reported in the Authority's financial statements. At June 30, 2015, \$498,820,000 in bonds remain outstanding.

**Note 8: Commitments and Contingencies**

***Litigation***

The Authority is involved in certain litigation which is considered by management to be incidental to the conduct of Authority operations. In the opinion of management, the ultimate outcome of these matters, in the aggregate, is not currently expected to have a material adverse effect upon the financial position, changes in financial position and cash flows of the Authority.

## **Supplementary Information**

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows and**  
**Accumulated Net Revenues by Property**  
**June 30, 2015**

**Assets and Deferred Outflows of Resources**

	<b>Total</b>	<b>City-County Building and Parking Site</b>	<b>Arrestee Processing Center</b>	<b>Riverside and Belmont Garages</b>	<b>Marion County Jail</b>
<b>Operating Funds</b>					
Cash and cash equivalents - general	\$ 2,395,459	\$ 681,872	\$ 70,498	\$ 173,394	\$ 106,560
Cash - payroll	10,652	10,652	-	-	-
Office imprest funds	1,600	1,600	-	-	-
	<b>2,407,711</b>	<b>694,124</b>	<b>70,498</b>	<b>173,394</b>	<b>106,560</b>
Amounts receivable for tenant alterations and improvements - completed and in process	278,023	278,023	-	-	-
Grant receivable	5,000,000	5,000,000	-	-	-
Materials and supplies	352,370	352,370	-	-	-
Prepaid insurance and service contracts	42,287	25,714	1,866	2,550	2,837
	<b>8,080,391</b>	<b>6,350,231</b>	<b>72,364</b>	<b>175,944</b>	<b>109,397</b>
Replacement fund (for nonrecurring general maintenance, improvements or replacements)					
Cash and cash equivalents	1,608,031	1,356,579	-	184,212	67,240
Subtotal	<b>9,688,422</b>	<b>7,706,810</b>	<b>72,364</b>	<b>360,156</b>	<b>176,637</b>
<b>Debt Service Funds</b>					
Restricted cash and cash equivalents	1,319,438	-	823,194	-	-
<b>Building, Site and Project Costs</b>					
Buildings and site improvements	73,433,616	29,679,916	7,038,708	-	-
Furnishings and equipment	5,814,643	800,367	5,014,276	-	-
	<b>79,248,259</b>	<b>30,480,283</b>	<b>12,052,984</b>	<b>-</b>	<b>-</b>
<b>Deferred Outflows of Resources</b>					
	347,654	302,614	-	-	-
Total assets and deferred outflows	<b>\$ 90,603,773</b>	<b>\$ 38,489,707</b>	<b>\$ 12,948,542</b>	<b>\$ 360,156</b>	<b>\$ 176,637</b>

<b>Marion County Jail II</b>	<b>Public Safety Training Academy</b>	<b>Juvenile Justice Complex</b>	<b>Public Safety Properties</b>	<b>Department of Metropolitan Development Properties</b>
\$ 102,845	\$ 329,690	\$ 374,615	\$ 283,991	\$ 271,994
-	-	-	-	-
-	-	-	-	-
102,845	329,690	374,615	283,991	271,994
-	-	-	-	-
-	-	-	-	-
-	1,407	2,671	2,832	2,410
102,845	331,097	377,286	286,823	274,404
-	-	-	-	-
102,845	331,097	377,286	286,823	274,404
496,244	-	-	-	-
17,501,491	2,326,953	16,886,548	-	-
-	-	-	-	-
17,501,491	2,326,953	16,886,548	-	-
45,040	-	-	-	-
\$ 18,145,620	\$ 2,658,050	\$ 17,263,834	\$ 286,823	\$ 274,404

**Indianapolis-Marion County Building Authority**  
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**Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows and**  
**Accumulated Net Revenues by Property**  
**June 30, 2015**

**Liabilities, Deferred Inflows of Resources and Accumulated Net Revenues**

	Total	City-County Building and Parking Site	Arrestee Processing Center	Riverside and Belmont Garages	Marion County Jail	Marion County Jail II
<b>Operating Liabilities</b>						
Accounts payable	\$ 805,531	\$ 335,348	\$ 20,919	\$ 60,387	\$ 184,962	\$ -
Accrued liabilities	376,434	376,434	-	-	-	-
Net pension liability	1,484,521	1,484,521	-	-	-	-
Amounts withheld from employee wages	36,583	36,583	-	-	-	-
Unearned maintenance fees	152,475	-	-	-	-	-
	<u>2,855,544</u>	<u>2,232,886</u>	<u>20,919</u>	<u>60,387</u>	<u>184,962</u>	<u>-</u>
<b>Bond and Note Indebtedness</b>						
Accrued interest payable	184,448	-	142,325	-	-	42,123
Unearned credit - fixed rentals applicable to the succeeding year	943,000	-	483,000	-	-	460,000
Serial bonds and notes payable	7,947,977	-	6,257,855	-	-	1,690,122
	<u>9,075,425</u>	<u>-</u>	<u>6,883,180</u>	<u>-</u>	<u>-</u>	<u>2,192,245</u>
<b>Deferred Inflows of Resources</b>						
	344,890	344,890	-	-	-	-
<b>Accumulated Net Revenues</b>						
Operating - unrestricted	1,790,602	431,648	51,445	299,769	(8,325)	102,845
Restricted for debt service	376,438	-	340,194	-	-	36,244
Restricted for City-County Building Plaza	5,000,000	5,000,000	-	-	-	-
Net investment in capital assets	71,160,874	30,480,283	5,652,804	-	-	15,814,286
	<u>78,327,914</u>	<u>35,911,931</u>	<u>6,044,443</u>	<u>299,769</u>	<u>(8,325)</u>	<u>15,953,375</u>
Total liabilities, deferred inflows of resources and accumulated net revenues	<u>\$ 90,603,773</u>	<u>\$ 38,489,707</u>	<u>\$ 12,948,542</u>	<u>\$ 360,156</u>	<u>\$ 176,637</u>	<u>\$ 18,145,620</u>

<b>Public Safety Training Academy</b>	<b>Juvenile Justice Complex</b>	<b>Public Safety Properties</b>	<b>Department of Metropolitan Development Properties</b>
\$ 24,775	\$ 78,858	\$ 83,103	\$ 17,179
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	152,475
24,775	78,858	83,103	169,654
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
306,322	298,428	203,720	104,750
-	-	-	-
-	-	-	-
2,326,953	16,886,548	-	-
2,633,275	17,184,976	203,720	104,750
\$ 2,658,050	\$ 17,263,834	\$ 286,823	\$ 274,404

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**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**City-County Building and Parking Site**

	<b>Accumulated Net Revenues</b>	<b>Current Accounts</b>	<b>Replacement Fund</b>
<b>Revenues</b>			
Rental income - additional	\$ 4,777,400	\$ 4,777,400	\$ -
Income from investments	918	487	431
Contractual payments	100,000	100,000	-
Grants	5,000,000	5,000,000	-
Other income	19,411	19,411	-
	<u>9,897,729</u>	<u>9,897,298</u>	<u>431</u>
<b>Operating Expenses</b>	<u>4,662,330</u>	<u>4,662,330</u>	<u>-</u>
<b>Net Revenues Before Other Expenses</b>	5,235,399	5,234,968	431
<b>Other Expenses</b>			
Nonrecurring repairs	<u>139,533</u>	<u>-</u>	<u>139,533</u>
<b>Net Revenues (Expenses)</b>	<u>5,095,866</u>	<u>5,234,968</u>	<u>(139,102)</u>
<b>Balances, July 1, as previously stated</b>	32,173,656	31,181,438	992,218
<b>Change in Accounting Principle</b>	<u>(1,322,591)</u>	<u>(1,322,591)</u>	<u>-</u>
<b>Balances, July 1, as restated</b>	<u>30,851,065</u>	<u>29,858,847</u>	<u>992,218</u>
Add (deduct)			
Transfer of excess funds to Marion County Jail	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
<b>Balances, June 30</b>	<u>\$ 35,911,931</u>	<u>\$ 35,058,815</u>	<u>\$ 853,116</u>

**Indianapolis-Marion County Building Authority**  
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**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**Arrestee Processing Center**

	<b>Accumulated Net Revenues</b>	<b>Current Accounts</b>	<b>Capital and Debt Service Funds</b>
<b>Revenues</b>			
Rental income - fixed	\$ 966,000	\$ -	\$ 966,000
Rental income - additional	286,800	286,800	-
Income from investments	43	43	-
	<u>1,252,843</u>	<u>286,843</u>	<u>966,000</u>
<b>Operating Expenses</b>	<u>280,967</u>	<u>280,967</u>	<u>-</u>
<b>Net Revenues Before Other Expenses</b>	971,876	5,876	966,000
<b>Other Expenses</b>			
Interest expense	<u>292,986</u>	<u>-</u>	<u>292,986</u>
<b>Net Revenues</b>	678,890	5,876	673,014
<b>Balances, July 1</b>	<u>5,365,553</u>	<u>45,560</u>	<u>5,319,993</u>
<b>Balances, June 30</b>	<u>\$ 6,044,443</u>	<u>\$ 51,436</u>	<u>\$ 5,993,007</u>

**Indianapolis-Marion County Building Authority**  
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**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**Riverside and Belmont Garages**

	<u>Accumulated Net Revenues</u>	<u>Current Accounts</u>	<u>Replacement Fund</u>
<b>Revenues</b>			
Maintenance fees	\$ 804,100	\$ 804,100	\$ -
Income from investments	163	100	63
	<u>804,263</u>	<u>804,200</u>	<u>63</u>
<b>Operating Expenses</b>	<u>799,593</u>	<u>799,593</u>	<u>-</u>
<b>Net Revenues Before Other Expenses</b>	4,670	4,607	63
<b>Other Expenses</b>			
Nonrecurring repairs	<u>87,507</u>	<u>-</u>	<u>87,507</u>
<b>Net Revenues (Expenses)</b>	(82,837)	4,607	(87,444)
<b>Balances, July 1</b>	<u>382,606</u>	<u>285,140</u>	<u>97,466</u>
<b>Balances, June 30</b>	<u>\$ 299,769</u>	<u>\$ 289,747</u>	<u>\$ 10,022</u>

**Indianapolis-Marion County Building Authority**  
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**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**Marion County Jail**

	<u>Accumulated Net Revenues</u>	<u>Current Accounts</u>	<u>Replacement Fund</u>
<b>Revenues</b>			
Rental income - additional	\$ 1,768,600	\$ 1,768,600	\$ -
Income from investments	146	114	32
	<u>1,768,746</u>	<u>1,768,714</u>	<u>32</u>
<b>Operating Expenses</b>	<u>1,865,797</u>	<u>1,865,797</u>	<u>-</u>
<b>Net Revenues (Expenses) Before Other Expenses</b>	(97,051)	(97,083)	32
<b>Other Expenses</b>			
Nonrecurring repairs	<u>63,753</u>	<u>-</u>	<u>63,753</u>
<b>Net Expenses</b>	(160,804)	(97,083)	(63,721)
<b>Balances, July 1</b>	68,794	107,744	(38,950)
Add			
Transfer of excess funds from Assessor's West District	48,685	48,685	-
Transfer of excess funds from Parking Site	<u>35,000</u>	<u>35,000</u>	<u>-</u>
<b>Balances, June 30</b>	<u>\$ (8,325)</u>	<u>\$ 94,346</u>	<u>\$ (102,671)</u>

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**Marion County Jail II**

	<b>Accumulated Net Revenues</b>	<b>Current Accounts</b>	<b>Capital and Debt Service Funds</b>
<b>Revenues</b>			
Rental income - fixed	\$ 926,000	\$ -	\$ 926,000
Rental income - additional	54,300	54,300	-
Income from investments	36	35	1
	<u>980,336</u>	<u>54,335</u>	<u>926,001</u>
<b>Operating Expenses</b>	<u>57,563</u>	<u>57,563</u>	<u>-</u>
<b>Net Revenues (Expenses) Before Other Expenses</b>	922,773	(3,228)	926,001
<b>Other Expenses</b>			
Interest expense	<u>138,497</u>	<u>-</u>	<u>138,497</u>
<b>Net Revenues (Expenses)</b>	784,276	(3,228)	787,504
<b>Balances, July 1</b>	<u>15,169,099</u>	<u>104,871</u>	<u>15,064,228</u>
<b>Balances, June 30</b>	<u>\$ 15,953,375</u>	<u>\$ 101,643</u>	<u>\$ 15,851,732</u>

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**Public Safety Training Academy**

	<b>Accumulated Net Revenues</b>
<b>Revenues</b>	
Rental income - additional	\$ 620,900
Income from investments	138
	621,038
<b>Operating Expenses</b>	596,461
<b>Net Revenues Before Other Expenses</b>	24,577
<b>Other Expenses</b>	
Nonrecurring repairs	27,243
<b>Net Expenses</b>	(2,666)
<b>Balances, July 1</b>	2,635,941
<b>Balances, June 30</b>	\$ 2,633,275

Note: A cumulative amount of \$233,221 has been designated for major repairs. The amount represents excess funds accumulated from fiscal year ended June 30, 1989 through the current year end date.

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

**Schedule of Net Revenues and Changes in Operating and  
Debt Service Funds**

**Year Ended June 30, 2015**

**Juvenile Justice Complex**

	<b>Accumulated Net Revenues</b>	<b>Current Accounts</b>	<b>Capital and Debt Service Funds</b>
<b>Revenues</b>			
Rental income - fixed	\$ -	\$ -	\$ -
Rental income - additional	1,062,100	1,062,100	-
Maintenance fees	117,300	117,300	-
Income from investments	199	199	-
	<u>1,179,599</u>	<u>1,179,599</u>	<u>-</u>
<b>Operating Expenses</b>	<u>1,117,422</u>	<u>1,117,422</u>	<u>-</u>
<b>Net Revenues Before Other Expenses</b>	62,177	62,177	-
<b>Other Expenses</b>			
Nonrecurring repairs	<u>43,618</u>	<u>43,618</u>	<u>-</u>
<b>Net Revenues</b>	18,559	18,559	-
<b>Balances, July 1</b>	<u>17,166,417</u>	<u>279,280</u>	<u>16,887,137</u>
<b>Balances, June 30</b>	<u><u>\$ 17,184,976</u></u>	<u><u>\$ 297,839</u></u>	<u><u>\$ 16,887,137</u></u>

Note: A cumulative amount of \$219,680 has been designated for major repairs. This amount represents excess funds accumulated from fiscal year ended June 30, 1990 through the current year end date.

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

**Schedule of Net Revenues and Changes in Operating and  
Debt Service Funds**

**Year Ended June 30, 2015**

**Public Safety Properties**

	<u><b>Accumulated Net Revenues</b></u>
<b>Revenues</b>	
Maintenance fees	\$ 1,181,300
Income from investments	156
	<u>1,181,456</u>
<b>Operating Expenses</b>	<u>1,160,437</u>
<b>Net Revenues Before Other Expenses</b>	21,019
<b>Other Expenses</b>	
Nonrecurring repairs	<u>37,684</u>
<b>Net Expenses</b>	(16,665)
<b>Balances, July 1</b>	<u>220,385</u>
<b>Balances, June 30</b>	<u><u>\$ 203,720</u></u>

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**Department of Metropolitan Development Properties**

	<b>Accumulated Net Revenues</b>
<b>Revenues</b>	
Maintenance fees	\$ 304,950
Interest income	57
	305,007
 <b>Operating Expenses</b>	 309,924
 <b>Net Expenses</b>	 (4,917)
 <b>Balances, July 1</b>	 109,667
 <b>Balances, June 30</b>	 \$ 104,750

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedule of Net Revenues and Changes in Operating and**  
**Debt Service Funds**  
**Year Ended June 30, 2015**

**Assessor's West District**

	<b>Accumulated Net Revenues</b>
<b>Revenues</b>	
Maintenance fees	\$ 24,150
Interest income	11
	24,161
 <b>Operating Expenses</b>	 18,485
 <b>Net Revenues</b>	 5,676
 <b>Balances, July 1</b>	 43,009
Add (deduct)	
Transfer of excess funds to MCJ	(48,685)
 <b>Balances, June 30</b>	 \$ -

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Analysis of Building, Site and Project Costs**  
**June 30, 2015**

	<b>2015</b>
<b>City-County Building</b>	
Building construction and site costs	\$ 25,952,752
Architectural and engineering costs	1,182,685
Furnishings and equipment	800,367
General and administrative costs	817,302
Maintenance and operations costs	354,011
Financing costs	
Interest on Governmental Building Bonds, October 1, 1959 - July 31, 1962	\$ 3,726,562
Income on investments	(2,510,884)
	1,215,678
Legal advice and counsel	116,354
Other	41,134
Total	\$ 30,480,283
 <b>Arrestee Processing Center</b>	
Building construction and site costs	\$ 4,198,350
Architectural and engineering costs	631,444
Consultation and advisory services	990,731
Furnishings and equipment	5,014,276
General and administrative costs	153,305
Maintenance and operations costs	261,267
Financing costs	
Interest on APC Bonds of 2003	\$ 263,455
Interest on APC Anticipation Notes of 2003	61,616
Amortization of bond issue costs	2,170
	327,241
Income on investments	(54,426)
	272,815
Legal advice and counsel	144,690
Other legal	290,611
Other	95,495
Total	\$ 12,052,984

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Analysis of Building, Site and Project Costs (Continued)**  
**June 30, 2015**

		<b>2015</b>
<b>Marion County Jail II</b>		
Building construction costs		\$ 16,833,922
Financing costs		
Interest on Jail Building Bonds of 1997	\$ 1,061,000	
Amortization of discount	23,712	
Amortization of bond issue cost	46,402	
Investment income, net of amortization of premiums and discounts	(463,545)	
		667,569
Total		\$ 17,501,491
<b>Public Safety Training Academy</b>		
Building renovation costs		\$ 1,966,556
Architectural and engineering costs		159,521
Financing costs		
Interest on Training Academy Bonds of 1988	\$ 147,550	
Amortization of bond issue costs	11,649	
Investment income, net of amortization of premiums and discounts	(96,437)	
		62,762
Legal advice and counsel		4,877
Other costs		133,237
Total		\$ 2,326,953
<b>Juvenile Justice Complex</b>		
Building construction costs		\$ 13,478,236
Project management costs		50,508
Architectural and engineering costs		1,105,574
Financing costs		
Interest on Detention Center Bonds of 1988	\$ 2,632,706	
Amortization of bond issue costs	75,855	
Investment income, net of amortization of premiums and discounts	(1,263,116)	
		1,445,445
Legal advice and counsel		19,381
Other costs		787,404
Total		\$ 16,886,548

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Analysis of Operating Fund Expenses - Current Accounts**  
**Year Ended June 30, 2015**

	<u>Total</u>	<u>City-County Building and Parking Site</u>	<u>Arrestee Processing Center</u>	<u>Riverside and Belmont Garages</u>
Administrative	\$ 4,211	\$ 15	\$ -	\$ 3,501
Air conditioning and heating - repairs and maintenance	1,217,291	548,411	16,314	74,142
Tenant alterations (direct purchases and labor charges only)	431,790	431,790	-	-
Building Authority office	549,336	299,767	14,675	37,590
Custodial	1,573,579	917,394	35,046	93,751
Electrical system - repairs and maintenance	360,469	60,767	12,539	52,334
Elevators	218,913	170,700	3,920	1,427
Furnishings	53,091	37,235	-	-
Groundskeeping	402,883	63,165	2,070	17,556
General building expense	728,685	299,931	29,787	61,225
Insurance	1,259,959	517,026	30,943	125,838
Occupant service	1,006	1,006	-	-
Plumbing - repairs and maintenance	175,490	81,480	5,773	10,960
Professional services	106,052	40,222	6,100	15,420
Public service	87,975	87,975	-	-
Painting and decorating	151,291	61,808	3,055	16,685
Security	7,950	-	-	-
Structural maintenance	234,838	64,286	11,131	18,618
Utilities				
Electricity	2,267,398	1,073,587	69,847	132,662
Steam	567,406	247,272	-	-
Gas	197,752	-	12,232	73,843
Water, sewer and other	346,738	48,726	10,085	4,560
Telephone service	17,786	11,795	243	56
Garage	24,845	1,967	8,707	11,825
Payroll taxes and retirement plan contributions	314,645	28,405	8,500	47,600
	<u>11,301,379</u>	<u>5,094,730</u>	<u>280,967</u>	<u>799,593</u>
Revenue for tenant alterations	(432,400)	(432,400)	-	-
Totals	<u>\$ 10,868,979</u>	<u>\$ 4,662,330</u>	<u>\$ 280,967</u>	<u>\$ 799,593</u>

Marion County Jail	Marion County Jail II	Public Safety Training Academy	Juvenile Justice Complex	Public Safety Properties	Department of Metropolitan Development Properties	Assessor's West District
\$ -	\$ -	\$ 695	\$ -	\$ -	\$ -	\$ -
234,372	-	68,396	148,927	123,605	1,584	1,540
-	-	-	-	-	-	-
63,400	-	32,765	50,245	41,252	8,322	1,320
38,625	-	92,277	229,064	163,778	1,782	1,862
74,929	-	24,887	39,962	81,976	11,889	1,186
24,926	-	1,883	5,501	5,654	4,532	370
-	-	7,503	-	8,353	-	-
21,290	-	27,822	19,149	42,089	208,236	1,506
88,720	57,563	36,879	59,235	59,467	34,996	882
180,714	-	97,461	140,717	143,123	20,406	3,731
-	-	-	-	-	-	-
26,618	-	12,304	16,737	16,723	4,641	254
15,850	-	6,880	14,375	6,930	200	75
-	-	-	-	-	-	-
25,891	-	14,609	16,312	11,879	792	260
-	-	-	5,262	2,688	-	-
52,965	-	18,060	29,337	35,895	3,730	816
420,554	-	85,373	193,349	289,475	-	2,551
320,134	-	-	-	-	-	-
-	-	21,929	43,589	45,597	-	562
198,386	-	7,922	53,811	22,998	-	250
1,503	-	2,316	350	509	1,014	-
-	-	-	-	2,346	-	-
76,920	-	36,500	51,500	56,100	7,800	1,320
1,865,797	57,563	596,461	1,117,422	1,160,437	309,924	18,485
-	-	-	-	-	-	-
\$ 1,865,797	\$ 57,563	\$ 596,461	\$ 1,117,422	\$ 1,160,437	\$ 309,924	\$ 18,485

## **Other Information**

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedules of Other Information**  
**Schedule of Authority's Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement Fund of Indiana (PERF)**  
**Last 2 Fiscal Years\***

	<b>2015</b>	<b>2014</b>
Authority's proportion of the net pension liability	0.05649%	0.05785%
Authority's proportionate share of the net pension liability	\$ 1,484,521	\$ 1,981,408
Authority's covered-employee payroll	\$ 2,757,770	\$ 2,777,339
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54%	71%
Plan fiduciary net position as a percentage of the total pension liability	84%	79%

\*The amounts presented for each fiscal year were determined as of the previous June 30 (measurement date).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedules of Other Information**  
**Schedule of Authority Contributions**  
**Public Employees' Retirement Fund of Indiana (PERF)**  
**Last 2 Fiscal Years\***

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 302,614	\$ 275,556
Contributions in relation to the contractually required contribution	302,614	275,556
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,757,303	\$ 2,757,770
Contributions as a percentage of covered-employee payroll	10.98%	10.00%

**Notes to Schedule:**

**Benefit changes:** none

**Changes of assumptions:** none

\*The amounts presented for each fiscal year were determined as of June 30.

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
Indianapolis-Marion County Building Authority  
Indianapolis, Indiana

We have audited, 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, the financial statements of Indianapolis-Marion County Building Authority (Authority), which comprise the statement of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues as of June 30, 2015, and the related statement of net revenues and changes in operating and debt service funds for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated November 17, 2015, which contained an "emphasis of matter" paragraph regarding a change in accounting principle and the basis of accounting used to prepare the financial statements.

### ***Internal Control Over Financial Reporting***

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-001 to be a material weakness.

### ***Compliance and Other Matters***

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

### ***Management's Response to Findings***

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Indianapolis, Indiana  
November 17, 2015

**Indianapolis-Marion County Building Authority**  
**(A Component Unit of the Consolidated City of Indianapolis-Marion County)**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2015**

***Findings Required to be Reported by Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
2015-001	<p><b>Criteria or Specific Requirement:</b> Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><b>Condition:</b> A material adjustment was proposed and recorded during the course of the audit fieldwork.</p> <p><b>Context:</b> An adjustment was proposed and recorded during the course of the audit to recognize \$5,000,000 in grant revenue from Lilly Endowment, Inc. in connection with the City-County Building Plaza. These funds were received by the Authority subsequent to June 30, 2015, but should have been recognized in the current year as notice of the grant was given by the donor before year-end.</p> <p><b>Effect:</b> The Authority should maintain internal controls to ensure the financial statements are free from material misstatement.</p> <p><b>Cause:</b> The review and analysis for proper revenue recognition of these contributions revenues did not detect the adjustment.</p> <p><b>Recommendation:</b> We recommend that management review its process related to the review of grant agreements in order to analyze the proper recording and recognition of revenues.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b> This was an unusual transaction for the Building Authority. A grant contribution had never been received before. Originally, management recorded the grant when the funds were received and accepted in July 2015. In the future, management will examine grant documents to determine the proper timing to record the transaction.</p>