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September 10, 2018

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

We have reviewed the audit report opined on by BKD LLP, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Indianapolis-Marion County Building Authority as of June 30, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

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, 2017 and 2016

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
June 30, 2017 and 2016

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Independent Auditor's Report

Board of Directors and Board of Trustees
Indianapolis-Marion County Building Authority
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Indianapolis-Marion County Building Authority (Authority), a component unit of the Consolidated City of Indianapolis-Marion County, which comprise the statements of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues as of June 30, 2017 and 2016, and the related statements of net revenues and changes in operating and debt service funds for the years 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 audits. We conducted our audits 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 organization'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 organization'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 Indianapolis-Marion County Building Authority as of June 30, 2017 and 2016, and the changes in its net revenues and changes in operating and debt service funds for the years then ended, on the basis described in Note 1 to the financial statements.

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 audits were 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The pension information as 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 audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction of Use

Our report is intended solely for the use of the governing body of the Authority, the Consolidated City of Indianapolis-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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
November 13, 2017

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Statements of Assets, Deferred Outflows, Liabilities, Deferred Inflows and
Accumulated Net Revenues
June 30, 2017 and 2016

All Properties

Assets and Deferred Outflows of Resources

	2017	2016
Operating Funds		
Current accounts		
Cash and cash equivalents - general	\$ 2,915,074	\$ 2,706,075
Cash - payroll	16,213	15,764
Office imprest funds	1,600	1,600
	2,932,887	2,723,439
Amounts receivable for tenant alterations and improvements - completed and in process	361,409	208,252
Grants and capital advance receivable	427,376	564
Materials and supplies	364,930	349,361
Prepaid insurance and service contracts	44,472	42,696
	4,131,074	3,324,312
Replacement fund cash and cash equivalents (for nonrecurring general maintenance, improvements or replacements)	1,540,456	1,447,481
Restricted cash for City-County Building Plaza	8,832,428	4,990,086
Total operating funds	14,503,958	9,761,879
Debt Service Funds		
Restricted cash and cash equivalents	852,775	1,340,354
Building, Site and Project Costs		
Buildings and site improvements	73,433,616	73,433,616
Furnishings and equipment	5,814,643	5,814,643
Total building, site and project costs	79,248,259	79,248,259
Deferred Outflows of Resources	1,022,675	839,520
Total assets and deferred outflows of resources	\$ 95,627,667	\$ 91,190,012

Liabilities, Deferred Inflows of Resources and Accumulated Net Revenues

	<u>2017</u>	<u>2016</u>
Operating Liabilities		
Accounts payable	\$ 1,500,936	\$ 983,200
Accrued liabilities	290,989	287,379
Net pension liability	2,742,582	2,348,028
Amounts withheld from employee wages	36,314	35,543
Unearned maintenance fees	-	154,080
Total operating liabilities	<u>4,570,821</u>	<u>3,808,230</u>
Bond and Note Indebtedness		
Accrued interest payable	115,125	150,894
Unearned credit - fixed rentals applicable to the succeeding year	483,000	943,000
Bonds payable	<u>4,889,190</u>	<u>6,455,208</u>
Total bond and note indebtedness	<u>5,487,315</u>	<u>7,549,102</u>
Deferred Inflows of Resources - Pension	<u>60,750</u>	<u>44,618</u>
Accumulated Net Revenues		
Operating - unrestricted	2,062,634	1,743,453
Restricted for debt service	369,775	397,354
Restricted for City-County Building Plaza	8,832,428	4,990,086
Net investment in capital assets	<u>74,243,944</u>	<u>72,657,169</u>
Total accumulated net revenues	<u>85,508,781</u>	<u>79,788,062</u>
Total liabilities, deferred inflows of resources and accumulated net revenues	<u>\$ 95,627,667</u>	<u>\$ 91,190,012</u>

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

**Statements of Net Revenues and Changes in
Operating and Debt Service Funds
Years Ended June 30, 2017 and 2016**

All Properties

	2017			
	Accumulated Net Revenues	Current Accounts	Replacement Fund	Capital and Debt Service Funds
Revenues				
Rental income - fixed	\$ 1,886,000	\$ -	\$ -	\$ 1,886,000
Rental income - additional	9,561,640	9,561,640	-	-
Income from investments	13,317	11,663	1,628	26
Maintenance fees	2,649,460	2,649,460	-	-
Contractual payments	85,000	85,000	-	-
Grants	4,509,291	4,509,291	-	-
Other income	1,889,678	1,889,678	-	-
	<u>20,594,386</u>	<u>18,706,732</u>	<u>1,628</u>	<u>1,886,026</u>
Operating Expenses	<u>13,038,754</u>	<u>13,038,754</u>	<u>-</u>	<u>-</u>
Net Revenues Before Other Expenses	<u>7,555,632</u>	<u>5,667,978</u>	<u>1,628</u>	<u>1,886,026</u>
Other Expenses				
Interest expense	279,844	-	-	279,844
Nonrecurring repairs	1,555,069	1,300,777	254,292	-
	<u>1,834,913</u>	<u>1,300,777</u>	<u>254,292</u>	<u>279,844</u>
Net Revenues (Expenses)	5,720,719	4,367,201	(252,664)	1,606,182
Balances, July 1	79,788,062	39,172,994	364,757	40,250,311
Add (deduct)				
Transfer to replacement fund	-	(1,428,363)	1,428,363	-
Balances, June 30	<u>\$ 85,508,781</u>	<u>\$ 42,111,832</u>	<u>\$ 1,540,456</u>	<u>\$ 41,856,493</u>

2016

Accumulated Net Revenues	Current Accounts	Replacement Fund	Capital and Debt Service Funds
\$ 1,886,000	\$ -	\$ -	\$ 1,886,000
8,980,100	8,980,100	-	-
7,591	6,800	765	26
2,414,556	2,414,556	-	-
85,000	85,000	-	-
-	-	-	-
226,831	226,831	-	-
<u>13,600,078</u>	<u>11,713,287</u>	<u>765</u>	<u>1,886,026</u>
<u>11,393,061</u>	<u>11,393,061</u>	<u>-</u>	<u>-</u>
<u>2,207,017</u>	<u>320,226</u>	<u>765</u>	<u>1,886,026</u>
367,591	-	-	367,591
<u>379,278</u>	<u>63,235</u>	<u>316,043</u>	<u>-</u>
<u>746,869</u>	<u>63,235</u>	<u>316,043</u>	<u>367,591</u>
1,460,148	256,991	(315,278)	1,518,435
78,327,914	38,916,003	680,035	38,731,876
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 79,788,062</u>	<u>\$ 39,172,994</u>	<u>\$ 364,757</u>	<u>\$ 40,250,311</u>

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

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) the Authority does not provide financial statements in the formats prescribed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, nor does it provide a management's discussion and analysis as required supplementary information.

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016, 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 \$1,540,456 and \$1,447,481 of the \$2,062,634 and \$1,743,453 of Operating - Unrestricted Accumulated Net Revenues at June 30, 2017 and 2016, respectively, for nonrecurring general maintenance, improvements or replacements in accordance with various lease agreements, leaving a balance of \$522,178 and \$295,972 for remaining operating purposes at June 30, 2017 and 2016, respectively.

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

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.

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.

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

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 relate using the interest method or straight-line method which approximates the former.

Deferred Outflows of Resources

As of June 30, 2017 and 2016, deferred outflows of resources consisted of the following components:

	2017	2016
Differences between expected and actual experience - CCB	\$ 61,444	\$ 100,788
Changes of assumptions - CCB	121,005	198,487
Net differences between projected and actual earnings on pension plan investments - CCB	448,905	175,084
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions - CCB	76,814	25,765
Deferred pension contributions - CCB	314,507	324,384
Deferred loss on refunding - MCJ II	-	15,012
	<u>\$ 1,022,675</u>	<u>\$ 839,520</u>
Total deferred outflows of resources	<u>\$ 1,022,675</u>	<u>\$ 839,520</u>

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the changes in net revenues.

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, 2017 and 2016

Note 2: Deposits, Investments and Investment Income

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

	2017	2016
Cash deposits	\$ 13,292,426	\$ 9,148,032
Money market mutual funds	866,120	1,353,328
Total deposits and investments	\$ 14,158,546	\$ 10,501,360

The above amounts are reflected as cash and cash equivalents in the statements of assets, deferred outflows, liabilities, deferred inflows and accumulated net revenues as follows:

	2017	2016
Current accounts	\$ 2,932,887	\$ 2,723,439
Replacement funds	1,540,456	1,447,481
City-County Building Plaza funds	8,832,428	4,990,086
Total operating funds	13,305,771	9,161,006
Debt service funds	852,775	1,340,354
Total cash and cash equivalents	\$ 14,158,546	\$ 10,501,360

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 generally authorize the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, municipal securities of Indiana issuers that have not defaulted during the previous 20 years, certificates of deposit and open-end money market mutual funds.

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

At June 30, 2017 and 2016, the Authority had the following investment securities, all of which mature within one year:

	2017	2016
Money market mutual funds	\$ 866,120	\$ 1,353,328

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 municipal securities of Indiana issuers that have not defaulted during the previous 20 years and other 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. 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 statutes require 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, 2017 and 2016, the Authority's investments in money market mutual funds were rated AAA by Standard & Poor's.

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, 2017 and 2016, 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 years ended June 30, 2017 and 2016 consisted of:

	2017	2016
Interest and dividend income	\$ 13,317	\$ 7,591

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

Note 3: Retirement Plan

Plan Description

The Authority contributes to the Public Employees' Retirement Fund of Indiana (PERF), a cost-sharing, multiple-employer defined-benefit retirement plan established in accordance with IC 5-10.3. 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). The PERF ASA Only Plan was originally available only to employees of the State of Indiana, but effective July 1, 2016, employees of political subdivisions may also be eligible to participate.

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.

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 2017 and 2016, the Authority contributed 11.20% 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.

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

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. Employees are immediately vested in their respective annuity savings accounts. 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.

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.

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Notes to Financial Statements
June 30, 2017 and 2016

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.

Contributions

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, 2016 actuarial valuation and adopted by the INPRS Board therefore become effective on January 1, 2018. The Authority's approved contribution rate from July 1, 2015 through June 30, 2017 was 11.20% and is unchanged for fiscal year 2018. For the years ended June 30, 2017 and 2016, contributions to the pension plan from the Authority were \$314,507 and \$324,384, respectively.

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

At June 30, 2017 and 2016, the Authority reported a liability of \$2,742,582 and \$2,348,028, respectively, for its proportionate share of the net pension liability. The 2017 net pension liability was measured as of June 30, 2016 and the 2016 net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those respective dates. Member census data as of the year preceding the measurement date was used in developing each actuarial valuation. Standard actuarial roll forward techniques were then used to project the total pension liability to the 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, 2017, the Authority's proportion was 0.06043%, which was an increase of 0.00278% from its proportion of 0.05765% measured as of June 30, 2016.

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of \$527,026 and \$365,725. At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,444	\$ 5,063
Changes of assumptions	121,005	-
Net differences between projected and actual earnings on pension plan investments	448,905	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	76,814	55,687
Authority's contributions subsequent to the measurement date	314,507	-
Total	<u>\$ 1,022,675</u>	<u>\$ 60,750</u>

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	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,788	\$ 4,856
Changes of assumptions	198,487	-
Net differences between projected and actual earnings on pension plan investments	175,084	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	25,765	39,762
Authority's contributions subsequent to the measurement date	324,384	-
Total	\$ 824,508	\$ 44,618

At June 30, 2017 and 2016, the Authority reported \$314,507 and \$324,384, respectively, 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 following fiscal year. Other amounts reported as deferred inflows of resources at June 30, 2017, related to pensions will be recognized in pension expense as follows:

2018	\$ 236,587
2019	159,150
2020	178,688
2021	72,993
	\$ 647,418

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.25%
Salary increases	2.50% - 4.25% 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 for the June 30, 2016 valuation were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2010 and June 30, 2014.

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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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	22%	5.7%
Private equity	10%	6.2%
Fixed income - ex inflation linked	24%	2.7%
Fixed income - inflation linked	7%	0.7%
Commodities	8%	2.0%
Real estate	7%	2.7%
Absolute return	10%	4.0%
Risk parity	12%	5.0%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for the years ended June 30, 2017 and 2016. 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, 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 at June 30, 2017 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.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the net pension liability	\$ 3,938,997	\$ 2,742,582	\$ 1,748,180

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

	2017	2016
Jail Building Refunding Bonds of 2009 (Taxable) Serial bonds in the amount of \$870,000 due January 1, 2017 at an interest of 5.03%	\$ -	\$ 870,000
Unamortized discount	-	(3,314)
	-	866,686
Arrestee Processing Center Bonds of 2003		
Bonds, maturing January 15, 2020 (\$2,265,000) and January 15, 2023 (\$2,600,000). Interest at 4.50% to 5.00% due semiannually on July 1 and January 1	4,865,000	5,560,000
	24,190	28,522
Unamortized premium	4,889,190	5,588,522
	\$ 4,889,190	\$ 6,455,208

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 15, 2020 and January 15, 2023, are subject to redemption from mandatory sinking fund payments through 2021.

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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 was reflected as a deferred outflow of resources and was 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, 2017 follows:

	Principal	Interest	Total
2018	\$ 725,000	\$ 230,250	\$ 955,250
2019	750,000	194,000	944,000
2020	790,000	156,500	946,500
2021	830,000	117,000	947,000
2022	865,000	79,650	944,650
Thereafter	905,000	40,725	945,725
	<u>\$ 4,865,000</u>	<u>\$ 818,125</u>	<u>\$ 5,683,125</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.

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.

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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:

2018	\$	966,000
2019		966,000
2020		966,000
2021		966,000
2022		966,000
Thereafter		483,000
	\$	5,313,000

Additional rentals aggregated \$9,561,640 and \$8,980,100 for the years ended June 30, 2017 and 2016, respectively. 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, 2017, 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 \$2,649,460 and \$2,414,556 for the years ended June 30, 2017 and 2016, respectively.

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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Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016, \$475,360,000 and \$487,310,000 in bonds remain outstanding, respectively.

Note 8: Disclosures About Fair Value of Assets and Liabilities

The Authority categorizes its fair value measurements (investments) within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2017 and 2016:

- Money market mutual funds of \$866,120 and \$1,353,328 as of June 30, 2017 and 2016, respectively, are valued using quoted market prices (Level 1 inputs).

Indianapolis-Marion County Building Authority
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Notes to Financial Statements
June 30, 2017 and 2016

Note 9: 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.

Construction Commitments

At June 30, 2017, the Authority had construction commitments for the renovation of the City-County Building Plaza in the amount of \$7,145,000.

Note 10: City-County Building Plaza Renovation Project

The Authority has received approximately \$9.5 million for the renovation of the City-County Building Plaza. Construction for the project began at the end of fiscal year 2016. Construction costs related to the project were \$672,889 and \$14,300 for the years ended June 30, 2017 and 2016, respectively. The anticipated completion date for the project is set for July 2018.

Supplementary Information

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, 2017

Assets and Deferred Outflows of Resources

	Total	City-County Building	Arrestee Processing Center	Riverside and Belmont Garages	Marion County Jail
Operating Funds					
Cash and cash equivalents - general	\$ 2,915,074	\$ 1,104,193	\$ 112,079	\$ 224,426	\$ 156,478
Cash - payroll	16,213	16,213	-	-	-
Office imprest funds	1,600	1,600	-	-	-
	2,932,887	1,122,006	112,079	224,426	156,478
Amounts receivable for tenant alterations and improvements - completed and in process	361,409	361,409	-	-	-
Grants and capital advance receivable	427,376	427,376	-	-	-
Materials and supplies	364,930	364,930	-	-	-
Prepaid insurance and service contracts	44,472	27,803	1,866	2,550	3,852
	4,131,074	2,303,524	113,945	226,976	160,330
Replacement fund cash and cash equivalents (for nonrecurring general maintenance, improvements or replacements)	1,540,456	1,327,867	-	171,639	40,950
Restricted cash for City-County Building Plaza	8,832,428	8,832,428	-	-	-
Total operating funds	14,503,958	12,463,819	113,945	398,615	201,280
Debt Service Funds					
Restricted cash and cash equivalents	852,775	-	852,775	-	-
Building, Site and Project Costs					
Buildings and site improvements	73,433,616	29,679,916	7,038,708	-	-
Furnishings and equipment	5,814,643	800,367	5,014,276	-	-
Total building, site and project costs	79,248,259	30,480,283	12,052,984	-	-
Deferred Outflows of Resources					
	1,022,675	1,022,675	-	-	-
Total assets and deferred outflows	\$ 95,627,667	\$ 43,966,777	\$ 13,019,704	\$ 398,615	\$ 201,280

Marion County Jail II	Public Safety Training Academy	Juvenile Justice Complex	Public Safety Properties	Department of Metropolitan Development Properties	City Market
\$ 100,591	\$ 330,629	\$ 412,363	\$ 354,637	\$ 74,057	\$ 45,621
-	-	-	-	-	-
-	-	-	-	-	-
100,591	330,629	412,363	354,637	74,057	45,621
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,485	3,053	2,535	1,328	-
100,591	332,114	415,416	357,172	75,385	45,621
-	-	-	-	-	-
-	-	-	-	-	-
100,591	332,114	415,416	357,172	75,385	45,621
-	-	-	-	-	-
-	-	-	-	-	-
17,501,491	2,326,953	16,886,548	-	-	-
-	-	-	-	-	-
17,501,491	2,326,953	16,886,548	-	-	-
-	-	-	-	-	-
\$ 17,602,082	\$ 2,659,067	\$ 17,301,964	\$ 357,172	\$ 75,385	\$ 45,621

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, 2017

Liabilities, Deferred Inflows of Resources and Accumulated Net Revenues

	Total	City-County Building	Arrestee Processing Center	Riverside and Belmont Garages	Marion County Jail
Operating Liabilities					
Accounts payable	\$ 1,500,936	\$ 944,842	\$ 39,556	\$ 51,967	\$ 131,934
Accrued liabilities	290,989	290,989	-	-	-
Net pension liability	2,742,582	2,742,582	-	-	-
Amounts withheld from employee wages	36,314	36,314	-	-	-
Unearned maintenance fees	-	-	-	-	-
Total operating liabilities	4,570,821	4,014,727	39,556	51,967	131,934
Bond and Note Indebtedness					
Accrued interest payable	115,125	-	115,125	-	-
Unearned credit - fixed rentals applicable to the succeeding year	483,000	-	483,000	-	-
Serial bonds and notes payable	4,889,190	-	4,889,190	-	-
Total bond and note indebtedness	5,487,315	-	5,487,315	-	-
Deferred Inflows of Resources					
	60,750	60,750	-	-	-
Accumulated Net Revenues					
Operating - unrestricted	2,062,634	578,589	74,389	346,648	69,346
Restricted for debt service	369,775	-	369,775	-	-
Restricted for City-County Building Plaza	8,832,428	8,832,428	-	-	-
Net investment in capital assets	74,243,944	30,480,283	7,048,669	-	-
Total accumulated net revenues	85,508,781	39,891,300	7,492,833	346,648	69,346
Total liabilities, deferred inflows of resources and accumulated net revenues	\$ 95,627,667	\$ 43,966,777	\$ 13,019,704	\$ 398,615	\$ 201,280

Marion County Jail II	Public Safety Training Academy	Juvenile Justice Complex	Public Safety Properties	Department of Metropolitan Development Properties	City Market
\$ -	\$ 58,741	\$ 105,875	\$ 108,663	\$ 15,823	\$ 43,535
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	58,741	105,875	108,663	15,823	43,535
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
100,591	273,373	309,541	248,509	59,562	2,086
-	-	-	-	-	-
-	-	-	-	-	-
17,501,491	2,326,953	16,886,548	-	-	-
17,602,082	2,600,326	17,196,089	248,509	59,562	2,086
\$ 17,602,082	\$ 2,659,067	\$ 17,301,964	\$ 357,172	\$ 75,385	\$ 45,621

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, 2017

City-County Building

	Accumulated Net Revenues	Current Accounts	Replacement Fund
Revenues			
Rental income - additional	\$ 5,264,500	\$ 5,264,500	\$ -
Income from investments	9,652	8,273	1,379
Contractual payments	85,000	85,000	-
Grants	4,509,291	4,509,291	-
Other income	1,886,967	1,886,967	-
	<u>11,755,410</u>	<u>11,754,031</u>	<u>1,379</u>
Operating Expenses	<u>6,317,383</u>	<u>6,317,383</u>	<u>-</u>
Net Revenues Before Other Expenses	5,438,027	5,436,648	1,379
Other Expenses			
Nonrecurring repairs	<u>1,498,754</u>	<u>1,262,888</u>	<u>235,866</u>
Net Revenues (Expenses)	3,939,273	4,173,760	(234,487)
Balances, July 1	35,905,007	35,320,199	584,808
Add (deduct)			
Transfer of excess funds from Marion County Jail II	47,020	47,020	-
Transfer to replacement fund	<u>-</u>	<u>(977,546)</u>	<u>977,546</u>
Balances, June 30	<u>\$ 39,891,300</u>	<u>\$ 38,563,433</u>	<u>\$ 1,327,867</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, 2017

Arrestee Processing Center

	Accumulated Net Revenues	Current Accounts	Capital and Debt Service Funds
Revenues			
Rental income - fixed	\$ 966,000	\$ -	\$ 966,000
Rental income - additional	336,450	336,450	-
Income from investments	236	236	-
	<u>1,302,686</u>	<u>336,686</u>	<u>966,000</u>
Operating Expenses	<u>320,285</u>	<u>320,285</u>	<u>-</u>
Net Revenues Before Other Expenses	982,401	16,401	966,000
Other Expenses			
Interest expense	<u>239,637</u>	<u>-</u>	<u>239,637</u>
Net Revenues	742,764	16,401	726,363
Balances, July 1	<u>6,750,069</u>	<u>58,048</u>	<u>6,692,021</u>
Balances, June 30	<u>\$ 7,492,833</u>	<u>\$ 74,449</u>	<u>\$ 7,418,384</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, 2017

Riverside and Belmont Garages

	<u>Accumulated Net Revenues</u>	<u>Current Accounts</u>	<u>Replacement Fund</u>
Revenues			
Maintenance fees	\$ 883,100	\$ 883,100	\$ -
Income from investments	630	425	205
	<u>883,730</u>	<u>883,525</u>	<u>205</u>
Operating Expenses	<u>825,773</u>	<u>825,773</u>	<u>-</u>
Net Revenues Before Other Expenses	57,957	57,752	205
Other Expenses			
Nonrecurring repairs	<u>16,028</u>	<u>-</u>	<u>16,028</u>
Net Revenues (Expenses)	41,929	57,752	(15,823)
Balances, July 1	304,719	309,924	(5,205)
Add (deduct)			
Transfer to replacement fund	<u>-</u>	<u>(192,667)</u>	<u>192,667</u>
Balances, June 30	<u>\$ 346,648</u>	<u>\$ 175,009</u>	<u>\$ 171,639</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, 2017

Marion County Jail

	Accumulated Net Revenues (Expenses)	Current Accounts	Replacement Fund
Revenues			
Rental income - additional	\$ 2,171,100	\$ 2,171,100	\$ -
Income from investments	619	575	44
	<u>2,171,719</u>	<u>2,171,675</u>	<u>44</u>
Operating Expenses	<u>2,089,956</u>	<u>2,089,956</u>	<u>-</u>
Net Revenues Before Other Expenses	81,763	81,719	44
Other Expenses			
Nonrecurring repairs	<u>2,398</u>	<u>-</u>	<u>2,398</u>
Net Revenues (Expenses)	79,365	81,719	(2,354)
Balances, July 1	(10,019)	124,395	(134,414)
Add			
Transfer to replacement fund	<u>-</u>	<u>(177,718)</u>	<u>177,718</u>
Balances, June 30	<u>\$ 69,346</u>	<u>\$ 28,396</u>	<u>\$ 40,950</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, 2017

Marion County Jail II

	<u>Accumulated Net Revenues</u>	<u>Current Accounts</u>	<u>Capital and Debt Service Funds</u>
Revenues			
Rental income - fixed	\$ 920,000	\$ -	\$ 920,000
Rental income - additional	54,300	54,300	-
Income from investments	163	137	26
	<u>974,463</u>	<u>54,437</u>	<u>920,026</u>
Operating Expenses	<u>56,324</u>	<u>56,324</u>	<u>-</u>
Net Revenues (Expenses) Before Other Expenses	918,139	(1,887)	920,026
Other Expenses			
Interest expense	<u>40,207</u>	<u>-</u>	<u>40,207</u>
Net Revenues (Expenses)	877,932	(1,887)	879,819
Balances, July 1	16,771,170	100,017	16,671,153
Add (deduct)			
Transfer of excess funds to City-County Building	<u>(47,020)</u>	<u>-</u>	<u>(47,020)</u>
Balances, June 30	<u>\$ 17,602,082</u>	<u>\$ 98,130</u>	<u>\$ 17,503,952</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, 2017

Public Safety Training Academy

	Accumulated Net Revenues	Capital and Debt Service Funds
Revenues		
Rental income - additional	\$ 646,800	\$ -
Income from investments	516	-
	647,316	-
Operating Expenses	641,855	-
Net Revenues Before Other Expenses	5,461	-
Other Expenses		
Nonrecurring repairs	11,487	-
Net Expenses	(6,026)	-
Balances, July 1	279,399	2,326,953
Balances, June 30	\$ 273,373	\$ 2,326,953

Note: A cumulative amount of \$214,201 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, 2017

Juvenile Justice Complex

	2017		Capital and Debt Service Funds
	Accumulated Net Revenues	Current Accounts	
Revenues			
Rental income - additional	\$ 1,088,490	\$ 1,088,490	\$ -
Maintenance fees	124,200	124,200	-
Income from investments	758	758	-
	<u>1,213,448</u>	<u>1,213,448</u>	<u>-</u>
Operating Expenses	<u>1,211,227</u>	<u>1,211,227</u>	<u>-</u>
Net Revenues Before Other Expenses	2,221	2,221	-
Other Expenses			
Nonrecurring repairs	<u>15,412</u>	<u>15,412</u>	<u>-</u>
Net Expenses	(13,191)	(13,191)	-
Balances, July 1	<u>17,209,280</u>	<u>322,143</u>	<u>16,887,137</u>
Balances, June 30	<u>\$ 17,196,089</u>	<u>\$ 308,952</u>	<u>\$ 16,887,137</u>

Note: A cumulative amount of \$208,132 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, 2017

Public Safety Properties

	Accumulated Net Revenues
Revenues	
Maintenance fees	\$ 1,276,700
Income from investments	627
Other income	2,711
	1,280,038
 Operating Expenses	 1,201,557
Net Revenues Before Other Expenses	78,481
 Other Expenses	
Nonrecurring repairs	10,990
Net Revenues	67,491
 Balances, July 1	 181,018
Balances, June 30	\$ 248,509

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, 2017

Department of Metropolitan Development Properties

	Accumulated Net Revenues
Revenues	
Maintenance fees	\$ 308,160
Interest income	116
	308,276
Operating Expenses	319,180
Net Expenses	(10,904)
Balances, July 1	70,466
Balances, June 30	\$ 59,562

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, 2017

City Market

	Accumulated Net Revenues
Revenues	
Maintenance fees	\$ 57,300
Operating Expenses	55,214
Net Revenues	2,086
Balances, July 1	-
Balances, June 30	\$ 2,086

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, 2017

City-County Building

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		<u>(2,510,884)</u>	
			1,215,678
Legal advice and counsel			116,354
Other			<u>41,134</u>
Total			<u><u>\$ 30,480,283</u></u>

Arrestee Processing Center

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		<u>2,170</u>	
			327,241
Income on investments		<u>(54,426)</u>	
			272,815
Legal advice and counsel			144,690
Other legal			290,611
Other			<u>95,495</u>
Total			<u><u>\$ 12,052,984</u></u>

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, 2017

Marion County Jail II

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	<u>(463,545)</u>	
		<u>667,569</u>
Total		<u><u>\$ 17,501,491</u></u>

Public Safety Training Academy

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	<u>(96,437)</u>	
		62,762
Legal advice and counsel		4,877
Other costs		<u>133,237</u>
Total		<u><u>\$ 2,326,953</u></u>

Juvenile Justice Complex

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	<u>(1,263,116)</u>	
		1,445,445
Legal advice and counsel		19,381
Other costs		<u>787,404</u>
Total		<u><u>\$ 16,886,548</u></u>

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, 2017

	Total	City-County Building	Arrestee Processing Center	Riverside and Belmont Garages	Marion County Jail
Administrative	\$ 4,000	\$ -	\$ -	\$ 3,450	\$ -
Air conditioning and heating - repairs and maintenance	1,205,605	476,913	17,686	73,687	266,399
Tenant alterations (direct purchases and labor charges only)	544,554	544,554	-	-	-
Building Authority office	612,537	316,020	15,368	41,776	85,065
Custodial	1,606,922	923,925	33,717	97,116	45,726
Electrical system - repairs and maintenance	411,490	53,553	13,222	57,705	94,571
Elevators	221,924	178,843	4,303	1,475	17,284
Furnishings	45,549	32,225	-	-	-
Groundskeeping	395,206	73,018	1,621	12,420	20,538
General building expense	1,370,365	911,143	45,554	58,850	121,337
Insurance	1,255,207	395,157	36,227	143,831	230,214
Occupant service	5,794	494	-	5,300	-
Plumbing - repairs and maintenance	203,239	78,899	8,139	6,619	35,243
Professional services	123,904	57,102	6,400	14,620	20,202
Public service	102,275	102,275	-	-	-
Painting and decorating	175,688	66,456	3,721	20,135	29,426
Security	9,483	-	-	-	-
Structural maintenance	281,150	67,755	5,729	31,286	71,013
Utilities					
Electricity	2,433,025	1,176,360	84,963	136,279	441,747
Steam	507,032	260,819	-	-	246,213
Gas	147,994	-	12,067	52,732	-
Water, sewer and other	503,740	94,010	16,195	7,376	258,933
Telephone service	12,236	7,966	212	64	1,045
Garage	16,076	5,037	4,411	5,352	-
Payroll taxes and retirement plan contributions	715,424	366,524	10,750	55,700	105,000
CCB Plaza construction costs	672,889	672,889	-	-	-
	<u>13,583,308</u>	<u>6,861,937</u>	<u>320,285</u>	<u>825,773</u>	<u>2,089,956</u>
Revenue for tenant alterations	(544,554)	(544,554)	-	-	-
Totals	<u>\$ 13,038,754</u>	<u>\$ 6,317,383</u>	<u>\$ 320,285</u>	<u>\$ 825,773</u>	<u>\$ 2,089,956</u>

Marion County Jail II	Public Safety Training Academy	Juvenile Justice Complex	Public Safety Properties	Department of Metropolitan Development Properties	City Market
\$ -	\$ 550	\$ -	\$ -	\$ -	\$ -
-	69,144	151,523	131,653	1,645	16,955
-	-	-	-	-	-
-	40,873	60,422	42,504	8,700	1,809
-	94,268	229,204	179,036	-	3,930
-	27,274	46,810	93,225	17,004	8,126
-	1,918	5,724	5,519	5,508	1,350
-	5,219	-	8,105	-	-
-	20,983	18,563	34,513	213,540	10
56,324	34,433	55,630	48,842	32,523	5,729
-	105,931	155,004	159,798	21,527	7,518
-	-	-	-	-	-
-	19,635	19,495	26,696	4,934	3,579
-	6,480	13,900	5,000	200	-
-	-	-	-	-	-
-	17,674	22,625	13,632	819	1,200
-	-	6,624	2,859	-	-
-	27,940	40,771	31,765	3,433	1,458
-	93,190	215,305	285,181	-	-
-	-	-	-	-	-
-	18,118	35,943	29,134	-	-
-	14,817	73,177	39,232	-	-
-	1,608	229	265	847	-
-	-	378	898	-	-
-	41,800	59,900	63,700	8,500	3,550
-	-	-	-	-	-
56,324	641,855	1,211,227	1,201,557	319,180	55,214
-	-	-	-	-	-
\$ 56,324	\$ 641,855	\$ 1,211,227	\$ 1,201,557	\$ 319,180	\$ 55,214

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
Indiana Public Employees' Retirement Fund of Indiana (PERF)
Last 10 Fiscal Years*

	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.06043%	0.05765%	0.05649%	0.05785%
Authority's proportionate share of the net pension liability	\$ 2,742,582	\$ 2,348,028	\$ 1,484,521	\$ 1,981,408
Authority's covered payroll	\$ 2,896,284	\$ 2,757,303	\$ 2,757,770	\$ 2,777,339
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	95%	85%	54%	71%
Plan fiduciary net position as a percentage of the total pension liability	75%	77%	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.

Notes to Schedule:

Benefit changes: none

Changes of assumptions: no changes

Indianapolis-Marion County Building Authority
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Schedules of Other Information
Schedule of Authority Contributions
Indiana Public Employees' Retirement Fund of Indiana (PERF)
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 314,507	\$ 324,384	\$ 302,614	\$ 275,556
Contributions in relation to the contractually required contribution	<u>314,507</u>	<u>324,384</u>	<u>302,614</u>	<u>275,556</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 2,808,098	\$ 2,896,284	\$ 2,757,303	\$ 2,757,770
Contributions as a percentage of covered payroll	11.20%	11.20%	10.98%	10.00%

*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.

Notes to Schedule:

Benefit changes: no changes

Changes of assumptions: no changes

Changes in actuarial methods: The INPRS Board approved the following changes in methods, effective June 30, 2016 for the PERF Plan:

- For funding purposes and when the plan is below 100% funded (based on Actuarial Value of Assets), gains and losses occurring from census experience different than assumes, assumption changes and benefit changes will be amortized over a 20-year period with level payments each year, rather than a 30-year period. A new gain or loss base will continue to be established each year. This change is made on a prospective basis, beginning with the June 30, 2016 actuarial valuation. Amortization bases established prior to June 30, 2016 will continue to be amortized over their original amortization period, even if the remaining period is greater than 20 years at June 30, 2016. If the plan is at or above 100% funded (based on Actuarial Value of Assets), the methodology of treating past amortization bases as fully amortized and amortizing the entire surplus over an open 30-year period is unchanged.
- For funding purposes, the smoothing period for investment gains and losses in the development of the Actuarial Value of Assets was increased from four years to five years at June 30, 2016. This change was implemented retroactively in that the Actuarial Value of Assets at June 30, 2016 was computed as if the five-year amortization period for recognizing investment gains and losses had always been in effect.

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*

Board of Directors and Board of Trustees
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, 2017, 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, and have issued our report thereon dated November 13, 2017.

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 of the financial statements, 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.

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 Authority'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 13, 2017