

Preliminary Official Statement Dated March 6, 2018

In the opinion of Barnes & Thornburg LLP, South Bend, Indiana, under existing laws, interest on the Bonds (as hereinafter defined) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds. In the opinion of Barnes & Thornburg LLP, South Bend, Indiana, under existing laws, interest on the Bonds is exempt from income taxation in the State of Indiana, except for the financial institutions tax. (See "TAX MATTERS" and Appendix F herein.)

**\$5,045,000\***  
**CITY OF SOUTH BEND, INDIANA**  
**General Obligation Bonds, Series 2018**

Dated: Date of Delivery  
Anticipated Delivery Date: March 29, 2018

Due: January 15 and July 15 as shown on  
the inside front cover

**ANTICIPATED BOND SALE: March 15, 2018 11:00 A.M. E.D.T. (Local Time)**

**Upon 24 Hours' Notice Electronic and Sealed Bids**

The City of South Bend, Indiana General Obligation Bonds, Series 2018 (the "Bonds") are being issued by the City of South Bend, Indiana (the "City") pursuant to Indiana Code 36-4-6-19, Indiana Code 6-1.1-20-1, and other applicable provisions of the Indiana Code, as amended and as in effect on the issue date of the Bonds (the "Act") and pursuant to Ordinance No. 10576-18 approved by the Common Council of the City on January 22, 2018 (the "Ordinance"). The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated office of U.S. Bank National Association (the "Registrar" and "Paying Agent"). Interest will be payable on January 15 and July 15 of each year, beginning July 15, 2018. The Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (DTC). Purchasers of beneficial interests in the Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds will be paid directly to DTC by the Paying Agent. The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the Direct Participants and Indirect Participants, all as defined and more fully described herein. (See "DESCRIPTION OF THE BONDS" herein.)

The Bonds are being issued by the City for the purpose of (i) financing the replacement of current Fire Station 9 with a newly constructed station at the corner of Mishawaka Avenue and 21<sup>st</sup> Street in the City, (ii) financing the construction of an additional classroom building on the grounds of the Luther J Taylor Sr. Fire Training Center (collectively, the "Projects"), (iii) providing payment of preliminary expenses related thereto and all incidental expenses incurred in connection therewith (all of which are deemed to be a part of the Projects), (iv) funding a debt service reserve fund, and (v) paying costs of selling and issuing the Bonds. (See "PURPOSE OF THE BOND ISSUE" herein.)

The Bonds are, as to all principal thereof and interest due thereon, general obligations of the City payable from *ad valorem* property taxes on all taxable property within the City, to the extent other revenues of the City are not sufficient for such purpose. **The City reasonably expects to pay debt service on the Bonds from a combination of Emergency Medical Service Revenues (the "EMS Revenues"), Local Income Tax Revenues (the "LIT Revenues"), and tax increment finance revenues from the River East Development Area (the "TIF Revenues") (collectively, the "Revenues"), expected to be received by the City and, if such Revenues are ever insufficient, from a tax levied by the City for such purpose.** (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.)

The Bonds are subject to optional redemption prior to maturity. If term bonds are issued, they will be subject to mandatory sinking fund redemption. (See "REDEMPTION PROVISIONS" herein.)

PURSUANT TO THE PROVISIONS OF THE ACT AND THE ORDINANCE, THE PRINCIPAL OF THIS BOND AND ALL OTHER BONDS OF SAID ISSUE AND THE INTEREST DUE THEREON ARE PAYABLE AS A GENERAL OBLIGATION OF THE CITY, FROM AN *AD VALOREM* PROPERTY TAX TO BE LEVIED ON ALL TAXABLE PROPERTY WITHIN THE CITY TO THE EXTENT REVENUES OF THE CITY ARE NOT SUFFICIENT FOR SUCH PURPOSE. (SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.)

IN CONNECTION WITH ANY ACQUISITION OF THE BONDS BY FINANCIAL INSTITUTIONS, THE BONDS WILL NOT BE DEEMED TO BE "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR PURPOSES OF SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

*This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

*The City has authorized the distribution of this Official Statement to prospective purchasers and other interested parties. The City has deemed this Official Statement "nearly final" as of the date hereof, subject to including certain additional information available after the sale of the Bonds, all in accordance with the provisions of Rule 15c2-12 of the United States Securities and Exchange Commission.*

\* Preliminary, subject to change.

**\$5,045,000\***  
**CITY OF SOUTH BEND, INDIANA**  
 General Obligation Bonds, Series 2018  
 Base CUSIP (\_\_\_\_\_)

The Bonds are payable on January 15 and July 15 in the years and in the amounts as follows:

| <u>Date</u> | <u>Principal*</u> | <u>Date</u> | <u>Principal*</u> |
|-------------|-------------------|-------------|-------------------|
| 7/15/18     | \$ 55,000         | 7/15/28     | \$ 120,000        |
| 1/15/19     | 60,000            | 1/15/29     | 125,000           |
| 7/15/19     | 70,000            | 7/15/29     | 130,000           |
| 1/15/20     | 75,000            | 1/15/30     | 130,000           |
| 7/15/20     | 75,000            | 7/15/30     | 135,000           |
| 1/15/21     | 80,000            | 1/15/31     | 140,000           |
| 7/15/21     | 85,000            | 7/15/31     | 150,000           |
| 1/15/22     | 80,000            | 1/15/32     | 145,000           |
| 7/15/22     | 90,000            | 7/15/32     | 155,000           |
| 1/15/23     | 85,000            | 1/15/33     | 155,000           |
| 7/15/23     | 95,000            | 7/15/33     | 165,000           |
| 1/15/24     | 90,000            | 1/15/34     | 165,000           |
| 7/15/24     | 95,000            | 7/15/34     | 175,000           |
| 1/15/25     | 100,000           | 1/15/35     | 175,000           |
| 7/15/25     | 100,000           | 7/15/35     | 185,000           |
| 1/15/26     | 105,000           | 1/15/36     | 185,000           |
| 7/15/26     | 110,000           | 7/15/36     | 195,000           |
| 1/15/27     | 110,000           | 1/15/37     | 200,000           |
| 7/15/27     | 120,000           | 7/15/37     | 210,000           |
| 1/15/28     | 115,000           | 1/15/38     | 210,000           |

\* Preliminary, subject to change. The City reserves the right to adjust principal amounts within maturities of the Bonds to achieve approximate level annual debt service based upon the rates by the successful bidder. If the maximum principal amount of the Bonds issued decreases, the City reserves the right to adjust principal amounts within maturities based on the parameters set forth in this paragraph.

**This Official Statement does not constitute an offering of any security, other than the original offering of the Bonds. No dealer, broker, salesman, or other person has been authorized by the City of South Bend, Indiana (the "City") or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.**

**Information herein has been obtained from the City and other sources believed to be reliable but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter or Municipal Advisor. References in this Official Statement to laws, regulations, reports and documents do not purport to be comprehensive or definitive and all references herein to such laws and documents are qualified in their entirety by reference to the full text of such data.**

**UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, GOVERNMENTAL ENTITY OR AGENCY SHALL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT NOR APPROVED THE SALE AND DISTRIBUTION OF THE BONDS.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**This Official Statement includes the front cover page immediately preceding this page. This Official Statement has been prepared and delivered in connection with the original sale and delivery of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.**

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**CITY OF SOUTH BEND, INDIANA**

**MAYOR**

Pete Buttigieg

**COMMON COUNCIL**

Tim Scott  
Regina Williams  
Jo M. Broden  
Karen L. White

Dr. David Varner  
Oliver Davis  
John Voorde  
Gavin Ferlic

**CITY CLERK**

Kareemah Fowler

**CITY CONTROLLER**

Jennifer Hockenull

**CORPORATION COUNSEL**

Stephanie Steele

**BOND COUNSEL**

Barnes & Thornburg LLP  
*South Bend, Indiana*

**MUNICIPAL ADVISOR**

Crowe Horwath LLP  
*Indianapolis, Indiana*

**\$5,045,000\***  
**CITY OF SOUTH BEND, INDIANA**  
 General Obligation Bonds, Series 2018

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\* Preliminary, subject to change

## **PRELIMINARY OFFICIAL STATEMENT**

**\$5,045,000\***

**CITY OF SOUTH BEND, INDIANA**  
General Obligation Bonds, Series 2018

### **INTRODUCTORY STATEMENT**

The purpose of this Official Statement, including the cover page, Notice of Intent to Sell and the Appendices, is to provide information relating to the \$5,045,000\* City of South Bend, Indiana General Obligation Bonds, Series 2018 (the "Bonds") to be issued by the City of South Bend, Indiana (the "City" or the "Issuer").

All financial and other information presented in this Official Statement has been provided by the City from their records, except for information expressly attributed to other sources. The presentation of information concerning the City, including financial statements and tax tables shows, recent historic information and does not indicate or project future or continuing trends in the financial position or other affairs of the City. Past experiences shown by financial and other information may not necessarily continue in the future. References to provisions of Indiana law or the Indiana Constitution are references to current provisions which may be amended, repealed, or supplemented.

### **PURPOSE OF THE BOND ISSUE**

The Bonds are being issued by the City for the purpose of (i) financing the replacement of current Fire Station 9 with a newly constructed station at the corner of Mishawaka Avenue and 21<sup>st</sup> Street in the City which new station would be approximately 10,000 square feet and would house Engine 9, Medic 9, Boat 2, and accommodate up to seven assigned firefighters per day, (ii) financing the construction of an additional classroom building on the grounds of the Luther J Taylor Sr. Fire Training Center which proposed building would be an approximately 3,000 square foot building and would house a rugged, divisible classroom with the capacity for 100 personnel and additional training props and storage areas (collectively, the "Projects"), (iii) providing payment of preliminary expenses related thereto and all incidental expenses incurred in connection therewith (all of which are deemed to be a part of the Projects), (iv) funding a debt service reserve fund, and (v) paying costs of selling and issuing the Bonds.

### **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

The Bonds are, as to all principal thereof and interest due thereon, general obligations of the City payable from ad valorem property taxes on all taxable property within the City to the extent Revenues (as herein defined) of the City are not sufficient for such purpose. The amount of the tax levy each year applicable to making payments on the Bonds as set forth in the budget of the City (the "Tax Levy") shall be reduced by available Revenues of the City to the extent such Revenues have been set aside and designated by the City for such purpose in the account of the City's Debt Service Fund (the "Revenues Account"). The amounts available and so deposited in the Revenues Account shall be determined at the time the budget and tax levy for a given year is finally fixed, and such amounts shall be used for no purpose except as contemplated above and are pledged by the City to the payment of the Bonds.

The City reasonably expects to pay debt service on the Bonds from a combination of Emergency Medical Service Revenues which consist of revenues from Fire Emergency Medical Service ambulance calls within the City, copies of public records, false alarm ordinance violations, special events, grants and other income (the "EMS Revenues"), Local Income Tax Revenues (the "LIT Revenues"), and tax increment finance revenues from the River East Development Area (the "TIF Revenues") (collectively, the "Revenues"), expected to be received by the City and deposited into the Revenues Account.

The Bonds are further secured by a Reserve Fund anticipated to be funded by bond proceeds upon the date of delivery of the Bonds in an amount (the "Reserve Amount") equal to the least of: (a) the maximum annual principal and interest requirements on the Bonds, (b) 125% of the average annual principal and interest requirements on the Bonds, or (c) 10% of the stated principal amount of the Bonds.

\* Preliminary, subject to change

## ESTIMATED SOURCES AND USES OF FUNDS

### Estimated Sources of Funds

|                                  |                     |
|----------------------------------|---------------------|
| Estimated Par Amount             | \$ 5,045,000 *      |
| Total Estimated Sources of Funds | <u>\$ 5,045,000</u> |

### Estimated Uses of Funds

|                               |                     |
|-------------------------------|---------------------|
| Project Fund                  | \$ 4,780,973        |
| Surety Bond                   | 17,620              |
| Underwriter's Discount        | 100,900             |
| Cost of Issuance              | <u>145,507</u>      |
| Total Estimated Uses of Funds | <u>\$ 5,045,000</u> |

\* Preliminary, subject to change

(1) Includes legal fees, municipal advisory fees, rating agency fees, printing and mailing expenses and other miscellaneous expenses.

## DESCRIPTION OF THE BONDS

The Bonds are being issued subject to the provisions of Indiana law, including, without limitation, Indiana Code 36-4-6-19, Indiana Code 6-1.1-20-1, and other applicable provisions of the Indiana Code, as amended and as in effect on the issue date of the Bonds (the "Act") and pursuant to Ordinance No. 10576-18 (the "Ordinance") (See APPENDIX D – ORDINANCE NUMBER 10576-18).

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (DTC). Purchases of beneficial interests in the Bonds will be made in book-entry-only form, in denominations of \$5,000. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Bonds. (See "APPENDIX E – BOOK-ENTRY-ONLY SYSTEM")

Interest on the Bonds will be paid semi-annually on January 15 and July 15 of each year, beginning no earlier than July 15, 2018. The principal of the Bonds is payable on each January 15 and July 15, beginning on July 15, 2018, at the principal corporate trust office of U.S. Bank National Association, as Registrar and Paying Agent (the "Registrar" and the "Paying Agent"). Interest on the Bonds will be paid by check or draft, mailed one business day prior to the interest payment date to the registered owners of the Bonds as the names appear as of the last day of the month preceding the interest payment date and at the addresses as they appear on the registration books kept by the Registrar; provided, however, so long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds will be paid directly to DTC by the Paying Agent. Neither the Issuer nor the Paying Agent will have any responsibility for a Beneficial Owner's receipt from DTC or its nominee, or from any Direct Participant (as hereinafter defined) or Indirect Participant (as hereinafter defined), of any payments of principal of or interest on the Bonds. (The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants and Indirect Participants.) (See "APPENDIX E - BOOK-ENTRY-ONLY SYSTEM")

## REDEMPTION PROVISIONS

### Optional Redemption

The Bonds maturing or subject to mandatory sinking fund redemption on and after July 15, 2028, are redeemable prior to maturity at the option of the City, in whole or in part, on January 15, 2028, or any date thereafter, on 30 days' notice, in whole or in part, in any order of maturities to be selected by the City and by lot within a maturity, at 100% of the face value thereof plus accrued interest to the redemption date, and without any redemption premium.



### Mandatory Sinking Fund Redemption

All or a portion of the Bonds may be issued as one or more term bonds, upon election of the Underwriter. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date, on dates consistent with the schedule on the inside front cover of this Official Statement.

### Notice of Redemption; Payment of Redeemed Bonds

Notice of any redemption will be mailed by first class mail not less than 30 days prior to the date selected for redemption to the registered owners of all Bonds to be redeemed at the address shown on the registration books of the Paying Agent. Failure to give proper notice of redemption, or any defect therein, with respect to the Bonds shall not affect the validity of any proceedings for the redemption of any other Bond.

The Bonds called for redemption will not earn interest after the redemption date if money is available at the place of redemption to pay the redemption price. The City will be released from all liability on such redeemed Bonds, such redeemed Bonds will no longer be considered outstanding, and interest thereon will cease at the date specified for such redemption.

For so long as the Bonds are registered in the name of DTC or its nominee, the City will send notices of redemption of the Bonds only to DTC or its nominee, in accordance with the preceding paragraphs. Neither the City, the Registrar, nor the Paying Agent will have any responsibility for any beneficial owners' receipt from DTC or its nominee, or from any Participant or Indirect Participant, of any notices of redemption. (See "APPENDIX E – BOOK-ENTRY-ONLY SYSTEM")

With respect to any optional redemption of any Bonds, unless moneys sufficient to pay the principal of, and premium, if any, and interest on the Bonds to be redeemed have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption is conditional upon the receipt of such moneys by the Paying Agent on or prior to the date fixed for redemption. If such moneys are not received by the redemption date, such notice will be of no force and effect, the Paying Agent will not redeem such Bonds, the redemption price will not be due and payable and the Paying Agent will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed and that the failure to redeem such Bonds will not constitute an Event of Default under the Ordinance. Moneys need not be on deposit with the Paying Agent prior to the mailing of the notice of redemption of any Bonds pursuant to the Ordinance.

## **LITIGATION**

To the best of the knowledge of the City, there is not now any pending or threatened litigation restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting, questioning or affecting the validity of the Bonds, or any of the proceedings of the City taken with respect to the issuance or sale thereof, or the pledge thereof to the payment of the Bonds.

## **LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES**

The enforceability of the rights and remedies of the registered owners of the Bonds under the Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the enforceability of the rights and remedies under the Bond Ordinance may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Those exceptions would encompass any exercise of federal, State or local police powers (including the police powers of the City and the State), in a manner consistent with the public health and welfare. The

enforceability of the Bond Ordinance, in a situation where such enforcement may adversely affect the public health and welfare, may be subject to those police powers.

## **TAX MATTERS**

In the opinion of Barnes & Thornburg LLP, South Bend, Indiana (“Bond Counsel”), under existing laws, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds (the “Code”). The opinion of Bond Counsel is based on certain certifications, covenants and representations of the Issuer and is conditioned on continuing compliance therewith. In the opinion of Bond Counsel, under existing laws, interest on the Bonds is exempt from income taxation in the State for all purposes, except the State financial institutions tax. (See “APPENDIX F – FORM OF BOND COUNSEL OPINION”)

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the excludability of the interest on the Bonds from gross income for federal income tax purposes. Noncompliance with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issue, regardless of the date on which noncompliance occurs. Should the Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Bonds would be materially and adversely affected. It is not an event of default if interest on the Bonds is not excludable from gross income for federal income tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Bonds.

The interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. However, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years that began prior to January 1, 2018.

The Bonds are not “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5), which, in general, include all corporations which are transacting the business of a financial institution in the State. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State income tax, the accrual or receipt of interest on the Bonds may otherwise affect an owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner’s particular tax status and the owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Bonds.

## **ORIGINAL ISSUE DISCOUNT**

The initial public offering prices of the Bonds maturing on \_\_\_\_\_, 20\_\_, through and including \_\_\_\_\_, 20\_\_ (collectively, the “Discount Bonds”), are less than the principal amounts thereof payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of each maturity of the Discount Bonds, as set forth on the inside front cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the “Issue Price” for such maturity), and the amount payable at its maturity, will be treated as “original issue discount.” The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on January 15 and July 15 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at

the Issue Price for such maturity will treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

### **AMORTIZABLE BOND PREMIUM**

The initial public offering prices of the Bonds maturing on \_\_\_\_\_, 20\_\_, through and including \_\_\_\_\_, 20\_\_ (collectively, the "Premium Bonds"), are greater than the principal amounts thereof payable at maturity or on an earlier call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial public offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (1) the amount of amortizable Bond Premium and (2) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of the Premium Bonds. Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found in Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

### **PROCEDURES FOR PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION**

#### General

Generally, real and personal property in the State of Indiana (the "State") is assessed each year as of January 1. On or before August 1 each year, each county auditor must submit a statement of the

assessed value for the ensuing year to the Department of Local Government Finance (the "DLGF") in the manner prescribed by the DLGF. The DLGF shall make the certified statement available on the DLGF's computer gateway.

By statute, the budget, tax rate and levy of a local political subdivision (except for any school corporation which elects to have a budget year from July 1 of a year through June 30 of the following year) must be established no later than November 1. The budget, tax levy and tax rate are subject to review, revision, reduction or increase by the DLGF. The DLGF must complete its actions on or before February 15 of the immediately succeeding calendar year.

On or before March 15, each county auditor prepares and delivers to the Auditor of State and the county treasurer the final abstract of property taxes within that county. The county treasurer mails tax statements on or before the following April 15. Property taxes are due and payable to the county treasurer in two installments on May 10 and November 10. If an installment of taxes is not completely paid on or before the due date, a penalty of 10% of the amount delinquent is added to the amount due; provided, that so long as the installment is completely paid within 30 days of the due date and the taxpayer is not liable for delinquent property taxes first due and payable in a previous year for the same parcel, the amount of the penalty is five percent of the amount of the delinquent taxes. On May 11 and November 11 of each year after one year of delinquency, an additional penalty equal to 10% of any taxes remaining unpaid is added. The penalties are imposed only on the principal amount of the delinquency. Real property becomes subject to tax sale procedures on June 30 if a delinquency of more than \$25 then exists with respect to an installment due on or before May 10 of the prior year. With respect to delinquent personal property taxes, each county treasurer shall serve a demand upon each county resident who is delinquent in the payment of personal property taxes after November 10, but before August 1 of the succeeding year. Each county auditor distributes property taxes collected to the various political subdivisions on or before the June 30 or December 31 after the due date of the tax payment.

Under State law, personal property is assessed at its actual historical cost less depreciation, whereas real property assessed after February 28, 2011, must be assessed in accordance with the 2011 Real Property Assessment Manual (the "Manual") and the Real Property Assessment Guidelines for 2011 (the "Guidelines"), both published by the DLGF, pursuant to 50 Indiana Administrative Code 2.4 (the "Rule"). The purpose of the Rule is to accurately determine "true tax value" as defined in the Manual and the Guidelines, not to mandate that any specific assessment method be followed. The Manual defines "true tax value" for all real property, other than agricultural land, as "the market value in use of a property for its current use, as reflected by the utility received by the owner or a similar user from that property." In the case of agricultural land, true tax value shall be the value determined in accordance with the Guidelines and certain provisions of the Indiana Code. The Manual permits assessing officials in each county to choose any acceptable mass appraisal method to determine true tax value, taking into consideration the ease in administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal methodology, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they are capable of producing accurate and uniform values throughout the jurisdiction and across all classes of real property. The Manual specifies the standards for accuracy and validation that the DLGF will use to determine the acceptability of any alternate appraisal method.

The intent of the DLGF is that an assessment determined by an assessing official in accordance with the Rule and the Manual and Guidelines shall be presumed to be correct. Any evidence relevant to the true tax value of the real property as of the assessment date may be presented to rebut the presumption of correctness of the assessment. Such evidence may include an appraisal prepared in accordance with generally recognized appraisal standards; however, there is no requirement that an appraisal be presented either to support or to rebut an assessment. Instead, the validity of the assessment shall be evaluated on the basis of all relevant evidence presented. Whether an assessment is correct shall be determined on the basis of whether, in light of the relevant evidence, it reflects the real property's true tax value.

There are certain credits, deductions and exemptions available for various classes of property. For instance, real property may be eligible for certain deductions for mortgages, solar energy heating or cooling systems, wind power devices, hydroelectric power devices, and geothermal energy heating or

cooling devices, and if such property is owned by the aged. Residential real property may be eligible for certain deductions for rehabilitation. Real property, which is the principal residence of the owner thereof, is entitled to certain deductions and may be eligible for additional deductions, and if such owner is blind or disabled, such property may also be eligible for additional deductions. Buildings designed and constructed to systematically use coal combustion products throughout the building may be eligible for certain deductions. Tangible property consisting of coal conversion systems and resource recovery systems may be eligible for certain deductions. Tangible property or real property owned by disabled veterans and their surviving spouses may be eligible for certain deductions. Commercial and industrial real property, new manufacturing equipment and research and development equipment may be entitled to economic revitalization area deductions. Government-owned properties and properties owned, used and occupied for charitable, educational or religious purposes may be entitled to exemptions from tax. "Assessed value" or "assessed valuation" means an amount equal to the true tax value of property, which represents the gross assessed value of such property, less any deductions, credits and exemptions applicable to such property, and is the value used for taxing purposes in the determination of tax rates.

Changes in assessed values of real property occur periodically as a result of general reassessments scheduled by the State General Assembly, as well as when changes occur in the property due to new construction or demolition of improvements. The current reassessment was effective as of the March 1, 2012, assessment date, and affects taxes payable beginning in 2013. Before July 1, 2013, and before May 1 of every fourth year thereafter, each county assessor was and is required to prepare and submit to the DLGF a reassessment plan for its county. The DLGF must complete its review and approval of the reassessment plan before March 1, 2015, and January 1 of each subsequent year that follows a year in which the reassessment plan is submitted by the county. The reassessment plan must divide all parcels of real property in the county into four different groups of parcels. Each group of parcels must contain approximately 25% of the parcels within each class of real property in the county. All real property in each group of parcels shall be reassessed under the county's reassessment plan once during each four-year cycle. The reassessment of a group of parcels in a particular class of real property shall begin on May 1 of a year and must be completed on or before January 1 of the year after the year in which the reassessment of the group of parcels begins. For real property included in a group of parcels that is reassessed, the reassessment is the basis for taxes payable in the year following the year in which the reassessment is to be completed. The county may submit a reassessment plan that provides for reassessing more than 25% of all parcels of real property in the county in a particular year. A plan may provide that all parcels are to be reassessed in one year. However, a plan must cover a four-year period. All real property in each group of parcels shall be reassessed under the county's reassessment plan once during each reassessment cycle. The reassessment of the first group of parcels under a county's reassessment plan was required to begin on July 1, 2014, and was required to be completed on or before January 1, 2015.

In addition, the assessed value of real property will be annually adjusted to reflect changes in market value, based, in part, on comparable sales data, in order to account for changes in value that occur between reassessments. This process is generally known as "Trending."

When a change in assessed value occurs, a written notification is sent to the affected property owner. If the owner wishes to appeal this action, the owner must file a notice in writing with the township assessor or the county assessor, if the township is not served by a township assessor. That request must be filed with such official: (1) for assessments before January 1, 2019, by the earlier of: (a) 45 days after the date on which the notice of assessment is mailed by the county; or (b) 45 days after the date on which the tax statement is mailed by the county treasurer; and (2) for assessments after December 31, 2018, by the earlier of: (a) June 15 of the assessment year, if the notice of assessment is mailed by the county before May 1 of the assessment year; or (b) June 15 of the year in which the tax statement is mailed by the county treasurer, if the notice of assessment is mailed by the county on or after May 1 of the assessment year. The filing of such notice constitutes a request by the taxpayer for a preliminary informal meeting with the township assessor or the county assessor, if the township is not served by a township assessor. While the appeal is pending: (1) any taxes on real property which become due on the property in question must be paid in an amount based on the immediately preceding year's assessment, or it may be paid based on the amount that is billed; and (2) any taxes on personal property which become due on the property in question must be paid in an amount based on the assessed value reported by the taxpayer on the taxpayer's personal property tax return, or it may be paid based on the amount billed.

Prior to February 15 of each year for taxes to be collected during that year, the DLGF is required to review the proposed budgets, tax rates and tax levies of each political subdivision, including the City, and the proposed appropriations from those levies to pay principal of and interest on each political subdivision's funding, refunding, judgment funding or other outstanding obligations, to pay judgments rendered against the political subdivision and to pay the political subdivision's outstanding lease rental obligations (collectively "bond and lease obligations") to be due and payable in the next calendar year. If it determines that the proposed levies and appropriations are insufficient to pay the bond and lease obligations, the DLGF may at any time increase the tax rate and tax levy of a political subdivision to pay such bond and lease obligations.

### **CIRCUIT BREAKER TAX CREDIT**

The electors of the State, at the general election held on November 2, 2010, approved an amendment to the State Constitution (the "Amendment"), which provides taxpayers with a tax credit for all property taxes in an amount that exceeds a percentage of the gross assessed value of real and personal property eligible for the credit (the "Circuit Breaker Tax Credit"). As a result of such approval, the Amendment has become a part of the State Constitution.

In particular, under the Amendment, with respect to property taxes first due and payable in 2012 and thereafter, the State General Assembly is required to limit a taxpayer's property tax liability as follows:

(1) A taxpayer's property tax liability on tangible property, including curtilage, used as a principal place of residence by an:

- (a) owner of property;
- (b) individual who is buying the tangible property under a contract; or
- (c) individual who has a beneficial interest in the owner of the tangible property (collectively, the "Tangible Property");

may not exceed 1% of the gross assessed value of the property that is the basis for the determination of property taxes.

(2) A taxpayer's property tax liability on other residential property may not exceed 2% of the gross assessed value of the property that is the basis for the determination of property taxes.

(3) A taxpayer's property tax liability on agricultural property may not exceed 2% of the gross assessed value of the property that is the basis for the determination of property taxes.

(4) A taxpayer's property tax liability on other real property may not exceed 3% of the gross assessed value of the property that is the basis for the determination of property taxes.

(5) A taxpayer's property tax liability on personal property (other than personal property that is Tangible Property or personal property that is other residential property) within a particular taxing district may not exceed 3% of the gross assessed value of the taxpayer's personal property that is the basis for the determination of property taxes within the taxing district.

The Amendment provides that, with respect to property taxes first due and payable in 2012 and thereafter, property taxes imposed after being approved by the voters in a referendum will not be considered for purposes of calculating the limits to property tax liability under the provisions of the Amendment described in the preceding paragraphs.

As required by the Amendment, the State General Assembly enacted amendments to Indiana Code 6-1.1-20.6 (the "Statute") for the purposes of limiting a taxpayer's property tax liability and excluding property taxes imposed after being approved by the voters in a referendum from the calculation of such limits to property tax liability.

In addition, under the Amendment, the State General Assembly may, by law, provide that property taxes imposed in Lake or St. Joseph County to pay debt service or make lease rental payments for bonds or leases issued or entered into before July 1, 2008 (the "Pre-Amendment Bonds" and "Pre-Amendment Leases"), will not be considered for purposes of calculating the limits to property tax liability under the

provisions of the Amendment described in the preceding paragraphs; provided that any such law may not apply after December 31, 2019. The State General Assembly enacted amendments to the Statute for such purpose, and they apply through and including December 31, 2019. In particular, the Statute, as so amended, provides that property taxes to pay:

(1) any bonds issued to refund Pre-Amendment Bonds, which have a maturity date that is not later than the maturity date of such refunded Pre-Amendment Bonds (the “Refunding Pre-Amendment Bonds”); or

(2) to make lease payments (a) on a Pre-Amendment Lease that is amended to secure Refunding Pre-Amendment Bonds, which has a term that is not longer than the term of such Pre-Amendment Lease, or (b) on a Pre-Amendment Lease that secures Refunding Pre-Amendment Bonds, which has a term that ends not later than the maturity date of the Pre-Amendment Bonds refunded by such Refunding Pre-Amendment Bonds;

in each case, will also not be considered for purposes of calculating the limits to property tax liability under the provisions of the Amendment described in the preceding paragraphs.

In addition, pursuant to the Statute, certain senior citizens with annual income below specified levels or their surviving spouses may be entitled to credits in addition to the Circuit Breaker Tax Credit with respect to their property tax liability attributable to their homesteads.

The application of the Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. Except for referendum tax levies approved by voters for the benefit of school corporations, a political subdivision may not increase its property tax levy or borrow money to make up for any property tax revenue shortfall due to the application of the Circuit Breaker Tax Credit.

Political subdivisions are required by law to fully fund the payments of their debt obligations in an amount sufficient to pay any debt service or lease rentals on outstanding obligations, regardless of any reduction in property tax collections due to the application of the Circuit Breaker Tax Credit. Upon the failure of a political subdivision to pay any of the political subdivision’s Debt Service Obligations (as hereinafter defined) during a calendar year when due, the Treasurer of State, upon being notified of the failure by a claimant, shall pay the unpaid Debt Service Obligations that are due from money in possession of the State that would otherwise be available for distribution to the political subdivision under any other law, deducting such payment from the amount distributed. A deduction must be made: (1) first, from local income tax distributions; and (2) second, from any other undistributed funds of the political subdivision in possession of the State.

“Debt Service Obligations” of a political subdivision means (1) the principal and interest payable during a calendar year on bonds and (2) lease rental payments payable during a calendar year on leases of such political subdivision, which are payable from ad valorem property taxes.

The Statute categorizes property taxes levied to pay Debt Service Obligations as “protected taxes,” regardless of whether the property taxes were approved at a referendum, and all other property taxes as “unprotected taxes.” For property taxes due and payable in 2014 and thereafter, the total amount of revenue to be distributed to a fund for which protected taxes were imposed shall be determined as if no Circuit Breaker Tax Credit was applied. The total amount of the loss in revenue due to the application of the Circuit Breaker Tax Credit must reduce only the amount of unprotected taxes distributed to a fund using the following criteria: (1) the reduction may be allocated in the amounts determined by the political subdivision using a combination of unprotected taxes of the political subdivision in those taxing districts in which the credit caused a reduction in protected taxes; and (2) the tax revenue and each fund of any other political subdivisions must not be affected by the reduction. If the allocation of property tax reductions to funds receiving only unprotected taxes is insufficient to offset the amount of the Circuit Breaker Tax Credit or there is not a fund receiving only unprotected taxes from which to distribute revenue, the revenue for a fund receiving protected taxes will also be reduced. If a fund receiving protected taxes is reduced, the Statute provides that a political subdivision may transfer money from any other available source in order to

meet its Debt Service Obligations. The amount of this transfer is limited to the amount by which the protected taxes are insufficient to meet Debt Service Obligations.

This application of property tax revenues may impact the ability of political subdivisions to provide existing levels of service and, in extreme cases, the ability to make debt service or lease rental payments.

#### Future Changes in Law

The Issuer cannot predict the timing, likelihood or impact on property tax collections of any future judicial actions, amendments to the State Constitution, including legislation, regulations or rulings taken, enacted, promulgated or issued to implement the regulations, the statutes or the Amendment described above or of future property tax reform in general. In addition, there can be no assurance as to future events or legislation that may impact such regulations or statutes or the Amendment or the collection of property taxes by the Issuer.

### **ISSUE PRICE**

As described in ("APPENDIX J") to this Official Statement, the winning bidder agrees by submission of its bid to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" certificate, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. Provided the winning bidder is purchasing the Bonds as an underwriter and is not purchasing the Bonds with the intent to hold the Bonds for its own account, then the City and the winning bidder shall agree to the process by which issue price will be established on the date of sale of the Bonds in the event that the Competitive Sale Requirements (as defined in APPENDIX J) are not met. The winning bidder must agree to execute the applicable schedules depending on the sale results. All interested bidders should read ("APPENDIX J") regarding the City's requirement for the winning bidder to establish the issue price of the Bonds within the meaning of the Code.

### **RATING**

Standard & Poor's ("S&P") has assigned an underlying rating of "AA" to the Bonds. Such rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely by S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Bonds.

### **CONTINUING DISCLOSURE**

#### General

The City will covenant for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined under this caption only), pursuant to the Continuing Disclosure Contract to be delivered on the date of issuance of the Bonds (the "Disclosure Contract"), to provide or cause to be provided: (1) each year, certain financial information and operating data relating to the City for its preceding fiscal year (the "Annual Report") by not later than the date six months after the first day of its fiscal year, commencing with the Annual Report for its fiscal year ended December 31, 2018; provided, however, that if the audited financial statements of the City are not available by such date, they will be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the City or in the form provided by the State on an annual basis will be included in the Annual Report; and (2) timely notices of the occurrence of certain enumerated events. Currently, the City's fiscal year commences on January 1. "Beneficial Owner" means, under this caption only, any person which has or shares power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).



The Annual Report will be provided by the City to the Municipal Securities Rulemaking Board (the "MSRB"). If the City is unable to provide to the MSRB an Annual Report by the date required, the City shall provide, in a timely manner, to the MSRB, a notice of the failure to file the Annual Report by such date. The notices of the occurrence of certain enumerated events will be provided by the City to the MSRB. Each Annual Report and each of the foregoing notices shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The information to be contained in the Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of the Continuing Disclosure Contract are set forth in APPENDIX G herein.

#### Compliance with Previous Undertakings

On May 25, 2016, the City submitted an offer of settlement (the "Settlement Offer") to the Securities and Exchange Commission (the "Commission") pursuant to Rule 240(a) of the Rules of Practice of the Commission (17 C.F.R. § 201.240(a)) in anticipation of cease-and-desist proceedings to be instituted against the City by the Commission, pursuant to Section 8A of the Securities Act of 1933 (the "Securities Act"). The Settlement Offer was based on information self-reported by the City to the Commission pursuant to the Commission's Municipalities Continuing Disclosure Cooperation Initiative. Pursuant to the Settlement Offer, the Commission entered a cease-and-desist order (Securities and Exchange Commission Administrative Proceeding/File No. 3-17443) on August 24, 2016 (the "Order"), under which the City was ordered to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act and, in addition, to:

1. Within 180 days of the entry of the Order, establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, including the designation of an individual or officer at the City responsible for ensuring compliance by the City with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training;
2. Within 180 days of the entry of the Order, comply with existing continuing disclosure undertakings, including updating past delinquent filings if the City is not currently in compliance with its continuing disclosure obligations;
3. Disclose in a clear and conspicuous fashion the terms of the Order in any final official statement for an offering by the City within five years of the institution of these proceedings;
4. Certify, in writing, compliance with the undertakings set forth above, which certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance; and
5. Cooperate with any subsequent investigation by the Commission regarding the misleading statement(s) and/or material omission(s), including the roles of individuals and/or other parties involved.

In the previous five years, the City has never failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in subsection (b)(5)(i) of Rule 15c-2-12 promulgated by the Commission pursuant to the Securities Exchange Act of 1934 (the "Rule"), except to the extent described in the Order which consisted of certain audits, unaudited annual financial information and operating data not being filed on a timely basis or incomplete operating data being filed and required notices of late filings not being and certain rating changes not being consistently filed. The City has filed any information required to be filed in such five year period by the City for any outstanding bonds.

Pursuant to the "City of South Bend, Indiana, Bond Continuing Disclosure Procedure" adopted by the City, the City will comply fully with the Rule and will publish or post the required financial/operating information and event filings with the MSRB in a timely manner.

## **MUNICIPAL ADVISOR**

Crowe Horwath LLP (the “Municipal Advisor” and “Crowe”) has been retained by the City to provide certain municipal advisory services including, among other things, preparation of the deemed “nearly final” Preliminary Official Statement and the Final Official Statement (together, the “Official Statement”). The information contained in the Official Statement has been compiled from records and other materials provided by the City and other sources deemed to be reliable.

To the best of the Municipal Advisor’s knowledge, all of the information contained in the Official Statement, while it may be summarized is (i) complete and accurate; (ii) does not contain any untrue statement of material fact; and (iii) does not omit any material fact, or make any statement which would be misleading in light of the circumstances under which these statements are being made. However, the Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statement.

The Municipal Advisor’s duties, responsibilities and fees arise solely as municipal advisor to the City and they have no secondary obligations or other responsibility. The Municipal Advisor’s fees are expected to be paid from the proceeds of the Bonds.

Crowe is a Municipal Advisor registered with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. As such, Crowe is providing certain specific municipal advisory services to the City, but is neither a placement agent to the City nor broker/dealer.

## **CONCLUDING STATEMENTS**

The forgoing summaries and statements in this Official Statement do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. The attached Appendices are an important part of this Official Statement and should be read together with all the foregoing statements.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and are not presented as unqualified statements of fact. The information contained herein has been carefully compiled from sources deemed reliable and to the best knowledge and belief of the City there are no untrue statements nor omissions of material facts in the Official Statement which would make the statements and representations therein misleading.

Certain supplemental information concerning the financial condition of the City which is exhibited hereafter is considered part of this Official Statement.

The presentation of historical tax and other financial data exhibited elsewhere herein is intended to show recent trends and conditions. There is no intention to represent by such data that such trends will continue in the future, nor that any pending improvement or diminution of local conditions is indicated thereby.

Crowe Horwath LLP has served as municipal advisor to the City in connection with the sale of the Bonds. The municipal advisor makes no representation as to the completeness or the accuracy of the information set forth in this Official Statement. Inquiries concerning information with respect to the issuance of the Bonds should be directed to Crowe Horwath LLP, attention Herschel Frierson (317) 269-2377 or by email at [herschel.frierson@crowehorwath.com](mailto:herschel.frierson@crowehorwath.com) or Becca Zakowski (317) 689-5506 or at [rebecca.zakowski@crowehorwath.com](mailto:rebecca.zakowski@crowehorwath.com).

The execution of this Official Statement has been authorized by the City.

CITY OF SOUTH BEND, INDIANA

/s/ Pete Buttigieg

Mayor

Dated: March 6, 2018

**APPENDIX A**  
**DESCRIPTION OF THE CITY OF SOUTH BEND**

## DESCRIPTION OF THE CITY

### Location

The City of South Bend (the "City") is located in St. Joseph County in north central Indiana adjacent to the border of the State of Michigan. It is approximately 140 miles north of Indianapolis, Indiana and approximately 90 miles east of Chicago, Illinois.

### Government

The City has eleven elected officials: the Mayor, the Common Council including council members covering six districts and three council members at large, and the City Clerk.

The South Bend Police Department consists of 260 sworn officers and 102 civilian employees. The South Bend Fire Department is comprised of eleven fire stations and employs 251 full-time firefighters in four divisions.

### Population

|      | <u>City of<br/>South Bend</u> | <u>St. Joseph<br/>County</u> | <u>State of<br/>Indiana</u> |
|------|-------------------------------|------------------------------|-----------------------------|
| 2010 | 101,168                       | 266,931                      | 6,483,802                   |
| 2000 | 107,789                       | 265,559                      | 6,080,485                   |
| 1990 | 105,511                       | 247,052                      | 5,544,159                   |
| 1980 | 109,727                       | 241,617                      | 5,490,210                   |
| 1970 | 125,580                       | 244,827                      | 5,195,392                   |

Source: U.S. Census Bureau.

### Employment

Employment as of October 2017

|                   | <u>State of<br/>Indiana</u> | <u>City of<br/>South Bend (1)</u> | <u>% of<br/>Indiana</u> |
|-------------------|-----------------------------|-----------------------------------|-------------------------|
| Labor Force       | 3,306,994                   | 47,125                            | 1.43 %                  |
| Employment        | 3,194,396                   | 45,227                            | 1.42                    |
| Unemployment      | 112,598                     | 1,898                             | 1.69                    |
| Unemployment Rate | 3.4%                        | 4.0%                              |                         |

(1) Data is preliminary.

Source: U.S. Department of Labor, Bureau of Labor Statistics at [www.bls.gov](http://www.bls.gov).

## Annual Average Unemployment Rate

|      | <u>United States</u> | <u>State of Indiana</u> | <u>St. Joseph County</u> | <u>City of South Bend</u> |
|------|----------------------|-------------------------|--------------------------|---------------------------|
| 2016 | 4.9 %                | 4.4 %                   | 4.5 %                    | 5.1 %                     |
| 2015 | 5.3                  | 4.8                     | 5.0                      | 5.7                       |
| 2014 | 6.2                  | 5.9                     | 6.5                      | 7.5                       |
| 2013 | 7.4                  | 7.7                     | 8.7                      | 10.0                      |
| 2012 | 8.1                  | 8.3                     | 9.5                      | 10.8                      |

Source: U.S. Department of Labor, Bureau of Labor Statistics at [www.bls.gov](http://www.bls.gov).

## Employment by Industry as of November 2017

|                                     | <u>Indiana (1)</u> |                   | <u>South Bend MSA (1)</u> |                   | <u>% of Indiana</u> |
|-------------------------------------|--------------------|-------------------|---------------------------|-------------------|---------------------|
|                                     | <u>Employed</u>    | <u>% of Total</u> | <u>Employed</u>           | <u>% of Total</u> |                     |
| Mining, Logging, and Construction   | 148,800            | 4.70 %            | 5,800                     | 4.03 %            | 3.90 %              |
| Manufacturing                       | 531,600            | 16.78             | 16,600                    | 11.53             | 3.12                |
| Trade, Transportation and Utilities | 607,300            | 19.17             | 25,200                    | 17.50             | 4.15                |
| Information                         | 29,800             | 0.94              | 1,500                     | 1.04              | 5.03                |
| Financial Activities                | 139,100            | 4.39              | 5,400                     | 3.75              | 3.88                |
| Professional & Business Services    | 344,200            | 10.87             | 14,100                    | 9.79              | 4.10                |
| Educational & Health Services       | 482,800            | 15.24             | 39,000                    | 27.08             | 8.08                |
| Leisure & Hospitality               | 301,600            | 9.52              | 14,600                    | 10.14             | 4.84                |
| Other Services                      | 129,800            | 4.09              | 6,100                     | 4.24              | 4.70                |
| Government                          | 452,900            | 14.30             | 15,700                    | 10.90             | 3.47                |
| Total Nonfarm Employment            | <u>3,167,900</u>   | <u>100.00 %</u>   | <u>144,000</u>            | <u>100.00 %</u>   |                     |

(1) Data is preliminary.

Source: U.S. Department of Labor, Bureau of Labor Statistics at [www.bls.gov](http://www.bls.gov).

## Major Employers

As of August 2015 employment figures for the major employers in South Bend Region were as follows:

| <u>Employer</u>                         | <u>Type of Business</u> | <u>Approximate Number of Employees</u> |
|---|-------------------------|--|
| University of Notre Dame                | Higher Education        | 5,802                                  |
| Beacon Health System                    | Health Care             | 4,683                                  |
| South Bend Community School Corporation | Public Schools          | 3,615                                  |
| Saint Joseph Health System              | Health Care             | 2,626                                  |
| Indiana University South Bend           | Higher Education        | 1,277                                  |
| City of South Bend                      | Government              | 1,139                                  |
| AM General                              | Manufacturing           | 800                                    |
| Honeywell                               | Manufacturing           | 700                                    |
| Press Ganey                             | Health Care Measurement | 694                                    |
| Liberty Mutual Insurance                | Insurance               | 650                                    |

Source: St. Joseph County Chamber of Commerce.

## Taxes

Assessed Valuation: \$2,405,428,521 for taxes payable in 2018.

Property Tax: \$5.9801 for taxes payable in 2018 per \$100 of assessed valuation in the South Bend-Portage taxing district in St. Joseph County.

Sales & Use Tax: 7% tangible personal property except food and prescription drugs.

Individual Adjusted Gross Income: 3.23% of earnings - \$1,000 annual exemption allowed for taxpayer and \$1,500 for each dependent child.

Excise Tax: Cigarettes - 99.5 cents per 20 cigarette package, and 124.375 cents per 25 cigarette package. Gasoline - 28 cents per gallon.

Automobile Tax: Excise tax in lieu of personal property tax, based on initial retail price and age of vehicle.

Innkeeper's Tax: 6% additional sales tax on any overnight stay in St. Joseph County.

Local Income Tax: 1.75% of adjusted gross income of St. Joseph County resident taxpayers and certain non-resident taxpayers. There are two rate components of the St. Joseph County local income tax: property tax relief 0.60% and expenditure 1.15%. The expenditure rate allocation is 0.25% public safety, 0.40% economic development, and 0.50% certified shares.

## Community Data

Hospitals: There are two major hospitals in the South Bend area, collectively with over 1,089 beds: Memorial Hospital of South Bend and St. Joseph Regional Medical Center.

Parks and Recreation: The park system consists of 53 local parks and facilities.

Cultural: The City of South Bend is the home of a minor league baseball team affiliated with the Chicago Cubs with games played at Four Winds Field at Coveleski Stadium. The St. Joseph River runs through the City providing boating activities. The East Race Waterway is a 2,000 yard man-made rafting and kayaking course which flows adjacent to the St. Joseph River. Other attractions include the South Bend Symphony, Morris Performing Arts Center, Broadway Theater League, Potawatomi Zoo, Studebaker National Museum, Northern Indiana Historical Society and Center for History, The History Museum, Potawatomi Conservatories, and the Century Center (a 225,000 square foot convention and exhibit center). Other activities are also available at the major colleges and universities in the area.

## Transportation

Railroads: Four rail lines provide freight and passenger service to the City and the South Shore passenger line runs from South Bend to Chicago. South Bend is also served by AMTRAK.

Highways: I-80/90 (Indiana Toll Road); U.S. Highway 6, 20 and 31; State Highways 2, 4, 23, 104, 331, and 933.

Trucking: 43 trucking lines, 33 terminals.

Air: South Bend Regional Airport serves the City with four carriers.

Bus: A municipal bus service (Transpo) is provided within the City. Inter-City bus lines include United Limo and Greyhound.

## Utilities

Electricity: Indiana Michigan Electric Power Company

Gas: Northern Indiana Public Service Company

Water/Sewage: The City of South Bend Municipal Waterworks and Municipal Sewage Works

## Education

Public Schools: The City of South Bend is served by the South Bend Community School Corporation which has a current enrollment of approximately 18,110. The School Corporation includes five high schools, ten middle schools, 18 elementary schools, and five other education facilities.

Colleges and Universities: Institutions of higher education in the community include the University of Notre Dame, St. Mary's College, Indiana University at South Bend, Purdue University School of Technology, Bethel College, Holy Cross College, Trine State University, Ivy Tech Community College, and Indiana Tech.

## Building Permits

|                             | 2017 (1)              | 2016                  | 2015                  | 2014                 | 2013                 |
|-----------------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| Permits:                    |                       |                       |                       |                      |                      |
| Residential                 | 101                   | 69                    | 85                    | 64                   | 54                   |
| Commercial/Industrial       | 20                    | 31                    | 25                    | 17                   | 16                   |
| Building Additions/Garages* | 1,160                 | 1,290                 | 1,205                 | 1,317                | 1,430                |
| Other                       | 8                     | 7                     | 10                    | 11                   | 32                   |
| Total Permits               | <u>1,289</u>          | <u>1,397</u>          | <u>1,325</u>          | <u>1,409</u>         | <u>1,532</u>         |
| Permit Value:               |                       |                       |                       |                      |                      |
| Residential                 | \$ 43,153,109         | \$ 18,067,693         | \$ 27,500,503         | \$ 25,311,968        | \$ 21,000,495        |
| Commercial/Industrial       | 17,934,187            | 53,666,564            | 31,131,213            | 10,421,380           | 4,989,476            |
| Building Additions/Garages* | 42,221,201            | 92,842,264            | 104,448,676           | 43,767,441           | 37,282,326           |
| Other                       | 770,950               | 541,406               | 15,713,590            | 4,643,302            | 6,649,561            |
| Total Permit Value          | <u>\$ 104,079,447</u> | <u>\$ 165,117,927</u> | <u>\$ 178,793,982</u> | <u>\$ 84,144,091</u> | <u>\$ 69,921,858</u> |

\* Includes residential and non-residential

(1) Excludes December 2017 Data.

Source: City of South Bend Building Department.



**Financial Institutions**

The following banks have deposits in South Bend, Indiana and total deposits in Indiana as of June 30, 2017:

| <u>Institution</u>     | <u>Bank Deposits<br/>in the City of<br/>South Bend</u> | <u>Market Share</u> | <u>Bank Deposits<br/>in the State of<br/>Indiana</u> |
|------------------------|--|---------------------|--|
| 1st Source Bank        | \$ 1,466,041,000                                       | 51.38 %             | \$ 4,294,153,000                                     |
| KeyBank NA             | 575,612,000  | 20.17               | 3,506,898,000  |
| Wells Fargo Bank NA    | 262,325,000  | 9.19                | 3,422,338,000  |
| Fifth Third Bank       | 159,967,000  | 5.61                | 8,840,696,000  |
| JPMorgan Chase Bank NA | <u>112,007,000</u>                                     | 3.93                | 18,977,634,000                                       |
| Total                  | <u>\$ 2,575,952,000</u>                                |                     |  |

The following banks have deposits in South Bend but account for less than 3% of market share: Lake City Bank, PNC Bank NA, Old National Bank, MutualBank, Horizon Bank, First State Bank of Middlebury, and Woodforest National Bank.

Source: FDIC, [www.fdic.gov](http://www.fdic.gov).

**Source of Data and Information**

Statistical data and other information set forth under this "DESCRIPTION OF THE CITY OF SOUTH BEND" have been compiled by the City's municipal advisor, Crowe Horwath LLP, from sources deemed to be reliable.

**APPENDIX B**  
**CITY DEBT AND TAXATION**

**CITY OF SOUTH BEND**

**Direct and Overlapping Debt**  
(As of February 1, 2018)

|   | <u>Total</u><br><u>Debt</u> | <u>Percent</u><br><u>Applicable</u> | <u>Amount</u><br><u>Applicable</u> |
|---|-----------------------------|-------------------------------------|------------------------------------|
| <u>Direct Debt</u>  |                             |                                     |                                    |
| City of South Bend, Indiana General Obligation<br>Bonds, Series 2018 (1)  | \$ 5,045,000                | 100.00 %                            | \$ 5,045,000                       |
| <u>Lease Obligation Debt</u>  |                             |                                     |                                    |
| South Bend Building Corporation First Mortgage<br>Revenue Bonds, Series 2013                                      | 4,695,000                   | 100.00                              | <u>4,695,000</u>                   |
| Total Direct Debt and Lease Obligation Debt   |                             |                                     | <u>9,740,000</u>                   |
| <u>Overlapping and Underlying Direct Debt</u><br><u>and Lease Obligations</u>                                     |                             |                                     |                                    |
| City of South Bend Redevelopment Authority  | 52,835,000                  | 100.00                              | 52,835,000                         |
| City of South Bend Redevelopment District   | 1,795,000                   | 100.00                              | 1,795,000                          |
| City of South Bend Park District  | 14,075,000                  | 100.00                              | 14,075,000                         |
| South Bend Community School Corporation (2)   | 106,709,291                 | 51.33                               | 54,773,879                         |
| St. Joseph County Public Library  | 2,465,000                   | 48.87                               | 1,204,646                          |
| St. Joseph County   | 14,645,000                  | 29.55                               | 4,327,598                          |
| St. Joseph County Airport Authority   | 10,800,000                  | 29.55                               | 3,191,400                          |
| Penn-Harris-Madison School Corporation (2)  | 41,070,470                  | 2.49                                | 1,022,655                          |
| Mishawaka-Penn-Harris Public Library  | 3,525,000                   | 2.01                                | <u>70,853</u>                      |
| Total Overlapping and Underlying Direct Debt and<br>Lease Obligations   |                             |                                     | <u>133,296,031</u>                 |
| Total Direct Debt and Lease Obligation Debt and<br>Overlapping and Underling Direct Debt and<br>Lease Obligations |                             |                                     | <u>\$ 143,036,031</u>              |

(1) To be issued herein.

(2) As of June 30, 2017.

### Local Income Tax (LIT)

In 2015, the Indiana General Assembly enacted P.L. 23-2015, to consolidate and simplify the various local income tax laws, including County Option Income Tax and County Economic Development Income Tax, into a uniform law and to transition each county to a single local income tax governed by IC 6-3.6 (the "LIT Statute") The LIT Statute, effective July 1, 2015, provides that the total combined local income tax in effect in a county on May 1, 2016, under the former statutes continue in effect after that date and will be treated as taxes imposed under the LIT Statute.

#### County Economic Development Income Tax Revenue Bonds

The City presently has outstanding \$5,085,000 Economic Development Income Tax Revenue Bonds (the "CEDIT Bonds"). These CEDIT Bonds are payable solely from the City's share of the St. Joseph County Economic Development Income Tax and do not constitute a claim against the base property taxes collected or other income of the City.

| <u>Issue Date</u> | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Outstanding as of February 1, 2018</u> | <u>Title</u>                                  |
|-------------------|------------------------|-----------------------|---|---|
| 2015              | \$ 5,605,000           | 08/01/35              | <u>\$ 5,085,000</u>                       | Economic Development Income Tax Bonds of 2015 |

Note: St. Joseph County, Indiana issued \$9,155,000 Economic Development Income Tax Revenue Bonds of 2014 on December 30, 2014. The City pledged a portion of their CEDIT Revenues to pay 29.03% of annual debt service on the County Bonds.

#### County Option Income Tax Lease Rental Revenue Bonds

The City presently has outstanding \$9,575,000 South Bend Building Corporation County Option Income Tax Revenue Bonds (the "COIT Bonds"). These COIT Bonds are payable solely from the City's share of the St. Joseph County Option Income Tax and do not constitute a claim against the base property taxes collected or other income of the City.

| <u>Issue Date</u> | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Outstanding as of February 1, 2018</u> | <u>Title</u>  |
|-------------------|------------------------|-----------------------|---|---|
| 2010              | \$ 6,075,000           | 02/01/21              | \$ 1,885,000                              | County Option Income Tax Lease Rental Revenue Refunding Bonds of 2010 |
| 2010              | 4,980,000              | 01/15/19              | 680,000                                   | Taxable Revenue Bonds, Series 2010                                    |
| 2012              | 13,595,000             | 02/01/23              | <u>7,010,000</u>                          | First Mortgage Revenue Refunding Bonds, Series 2012                   |
| Total             |                        |                       | <u>\$ 9,575,000</u>                       |   |

**Direct Debt Issuance Limitation**

The City is limited to the issuance of direct general obligation debt in an amount not to exceed 2% of one-third of the assessed valuation. **The Bonds being issued herein are subject to the 2% debt limitation.**

|   |                     |
|---|---------------------|
| Net Assessed Valuation - 2017 Payable Year 2018 | \$ 2,405,428,521    |
| 2% of One-Third Thereof                         | 16,036,190          |
| Less Bonds subject to limitation:               |                     |
| Economic Development Income Tax Bonds of 2015   | (5,085,000)         |
| General Obligation Bonds, Series 2018 (1)       | <u>(5,045,000)</u>  |
| Issuance Margin                                 | <u>\$ 5,906,190</u> |

(1) To be issued herein.

Per Capita and Debt Ratio Analysis

|   |                  |
|---|------------------|
| Population - 2010                           | 101,168          |
| Assessed Valuation (2017 Payable Year 2018) | \$ 2,405,428,521 |

| <u>Description</u>   | <u>Amount</u>         | <u>Debt Per Capita</u> | <u>Ratio of Debt/Assessed Valuation</u> |
|--|-----------------------|------------------------|---|
| Total Direct Debt and Lease Obligations                            | \$ 9,740,000          | \$ 96.28               | 0.40 %                                  |
| Total Overlapping and Underlying Direct Debt and Lease Obligations | <u>133,296,031</u>    | <u>1,317.57</u>        | <u>5.54</u>                             |
| Totals   | <u>\$ 143,036,031</u> | <u>\$ 1,413.85</u>     | <u>5.95 %</u>                           |

**Hotel-Motel Tax Revenue Debt**

| <u>Issue Date</u> | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Outstanding as of February 1, 2018</u> | <u>Title</u>   |
|-------------------|------------------------|-----------------------|---|--|
| 2013              | \$3,990,000            | 05/01/26              | <u>\$ 2,875,000</u>                       | Lease Rental Revenue Refunding Bonds, Series 2013 (Century Center Project) |

Note: On March 25, 2015, the St. Joseph County Board of Managers approved a pledge of hotel-motel tax revenue in the amount of up to \$230,000 per year towards the repayment of the 2015 Century Center Energy Conservation Bond. The final Debt Revenue payment on the bond is due May 1, 2030.

**Tax Increment Financing (TIF) Revenue Debt**

| <u>Issue Date</u> | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Outstanding as of February 1, 2018</u> | <u>Title</u>   |
|-------------------|------------------------|-----------------------|---|--|
| 2011              | 10,389,036             | 08/01/24              | \$ 5,985,000                              | Tax Increment Revenue Bonds, Series 2003 (Airport Economic Development Area)   |
| 2011              | 17,358,395             | 08/01/24              | 10,505,000                                | Tax Increment Revenue Bonds, Series 2003 (South Bend Central Development Area) |
| 2001              | 1,040,000              | 06/22/21              | 238,409                                   | Revenue Bonds, Series 2001 A (1)   |
| 2017              | 25,000,000             | 02/15/37              | 25,000,000                                | Taxable Economic Development Revenue Bonds, Series 2017 (Eddy Street Phase II) |
|                   |                        |                       | <hr/>                                     |  |
| Total             |                        |                       | <u>\$ 41,728,409</u>                      |  |

(1) The Bonds are payable from payments made by Robert Bosch Corporation and are backed by TIF revenues of the Airport Economic Development Area.

**Statement of City Utility Revenue Debt**

The City of South Bend owns and operates the municipal waterworks and municipal sewage works (the "Utilities") which have heretofore issued and have outstanding the following revenue bonds. All such revenue bonds constitute a lien on the revenue of the utilities and are not, pursuant to Indiana statutes, direct obligations of the City. Revenue bonds issued of the Utilities and outstanding as February 1, 2018, were as follows:

| <u>Utility</u>                                      | <u>Final Maturity</u> | <u>Outstanding February 1, 2018</u> |
|---|-----------------------|-------------------------------------|
| Sewage Works - 2009 State Revolving Fund (SRF) Loan | 2028                  | \$ 2,118,609                        |
| Sewage Works - 2010                                 | 2030                  | 6,750,000                           |
| Sewage Works - 2011                                 | 2031                  | 16,400,000                          |
| Sewage Works - 2012                                 | 2032                  | 19,830,000                          |
| Sewage Works - 2013                                 | 2024                  | 6,095,000                           |
| Sewage Works - 2015                                 | 2025                  | 22,435,000                          |
| Waterworks - 2009 A (SRF)                           | 2030                  | 311,650                             |
| Waterworks - 2009 B Indiana Bond Bank (IBB)         | 2030                  | 4,085,000                           |
| Waterworks - 2012                                   | 2033                  | 6,570,000                           |
| Waterworks - 2012 B                                 | 2023                  | 2,005,000                           |
| Waterworks - 2016                                   | 2027                  | 2,895,000                           |

**Total City Tax Rates**  
 City of South Bend – Portage Township (1)  
 (Per \$100 Assessed Valuation)

|                       | Years Payable           |                         |                         |                         |                         |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                       | <u>2018</u>             | <u>2017</u>             | <u>2016</u>             | <u>2015</u>             | <u>2014</u>             |
| County                | \$ 0.6908               | \$ 0.6950               | \$ 0.6974               | \$ 0.6866               | \$ 0.7058               |
| Portage Township      | 0.0558                  | 0.0527                  | 0.0512                  | 0.0500                  | 0.0505                  |
| Schools               | 1.1623                  | 1.2049                  | 1.2682                  | 1.2940                  | 1.3577                  |
| Library               | 0.3291                  | 0.3372                  | 0.3549                  | 0.3207                  | 0.3309                  |
| Corporation           | 3.5514                  | 3.5168                  | 3.4778                  | 3.4314                  | 3.3913                  |
| Redevelopment         | 0.0178                  | 0.0376                  | 0.0648                  | 0.0687                  | 0.0379                  |
| Airport               | 0.0555                  | 0.0285                  | 0.0423                  | 0.0338                  | 0.0345                  |
| Transportation        | 0.1174                  | 0.1161                  | 0.1153                  | 0.1100                  | 0.1125                  |
| <b>Total Tax Rate</b> | <b><u>\$ 5.9801</u></b> | <b><u>\$ 5.9888</u></b> | <b><u>\$ 6.0719</u></b> | <b><u>\$ 5.9952</u></b> | <b><u>\$ 6.0211</u></b> |

(1) Includes County and overlapping levies.

Source: St. Joseph County Abstracts.

**Certified Net Assessed Valuation**

| Payable<br><u>Year</u> | City of<br><u>South Bend</u> | St. Joseph<br><u>County</u> |
|------------------------|------------------------------|-----------------------------|
| 2018                   | \$ 2,405,428,521             | \$ 8,478,762,714            |
| 2017                   | 2,317,096,240                | 8,201,203,024               |
| 2016                   | 2,257,279,248                | 7,906,760,026               |
| 2015                   | 2,230,375,068                | 7,864,008,472               |
| 2014                   | 2,181,510,508                | 7,514,198,242               |

Source: St. Joseph County Budget Order.

**Property Taxes Levied and Collected**  
City of South Bend

| Collection<br><u>Year</u> | <u>Levied</u> | Current and<br>Delinquent<br>Collected after<br><u>Circuit Breaker</u> | Percentage<br>Collected after<br><u>Circuit Breaker</u> | Circuit Breaker<br><u>Credit</u> | Percentage<br>Collected before<br><u>Circuit Breaker</u> |
|---------------------------|---------------|--|---|----------------------------------|--|
| 2017                      | \$ 81,487,640 | \$ 49,080,526  | 60.23 %   | \$ 32,421,068                    | 100.02 %   |
| 2016                      | 78,503,658    | 47,766,833   | 60.85   | 30,864,405                       | 100.16   |
| 2015                      | 76,533,090    | 45,265,669   | 59.15   | 31,636,141                       | 100.48   |
| 2014                      | 73,981,565    | 44,540,371   | 60.20   | 28,708,050                       | 99.01  |
| 2013                      | 72,696,497    | 43,943,006   | 60.45   | 27,863,156                       | 98.78  |

Source: St. Joseph County Auditor and St. Joseph County Budget Order.

**Ten Largest Taxpayers**  
City of South Bend

| <u>Taxpayer</u>                       | <u>Type of Business</u>    | Payable 2018<br>Net Assessed<br><u>Valuation</u> |
|---------------------------------------|----------------------------|--|
| University of Notre Dame              | Higher Education           | \$ 43,277,785                                    |
| Indiana Michigan Power Company        | Utility                    | 41,328,450                                       |
| Edward Rose of Indiana                | Apartments and Real Estate | 35,532,900                                       |
| Honeywell                             | Manufacturing              | 28,601,739                                       |
| Federal-Mogul Powertrain Systems      | Automotive Parts           | 25,425,870                                       |
| Noble Americas South Bend Ethanol LLC | Ethanol Plant              | 20,195,680                                       |
| Nipsco Industries Inc                 | Utility                    | 19,764,470                                       |
| US Bank National Association          | Banking                    | 19,152,900                                       |
| Comcast                               | Telecommunications         | 17,625,810                                       |
| Indiana Bell - AT&T Inc.              | Telecommunications         | 17,488,870                                       |
|                                       |                            | <u>\$ 268,394,474</u>                            |

Source: St. Joseph County Auditor's Office

**Sources of Data and Information**

Statistical data and other information set forth under the caption "CITY DEBT AND TAXATION" have been compiled by the City's municipal advisor, Crowe Horwath LLP, from sources deemed to be reliable.



**APPENDIX C**  
**FINANCIAL INFORMATION OF THE CITY**



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Bend (City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions 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 City'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 City'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 opinions.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Investment Returns, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions, Schedules of Changes in City Net Pension Liability and Related Ratios, Schedules of Funding Progress, Budgetary Comparison Schedules, and Budget/GAAP Reconciliation, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Combining Balance Sheet, Combining Statement of Revenue, Expenditures and Changes in Fund Balances, Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual, Combining Statements of Net Position, Combining Statements of Revenue, Expenses, and Changes in Net Position, Combining Statements of Cash Flows, Statement of Assets and Liabilities, Combining Statement of Changes in Fiduciary Net Position, and Statement of Changes in Assets and Liabilities, and the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The Combining Balance Sheet, Combining Statement of Revenue, Expenditures and Changes in Fund Balances, Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual, Combining Statements of Net Position, Combining Statements of Revenue, Expenses, and Changes in Net Position, Combining Statements of Cash Flows, Statement of Assets and Liabilities, Combining Statement of Changes in Fiduciary Net Position, and Statement of Changes in Assets and Liabilities are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, and other budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

June 5, 2017

# City of South Bend, Indiana

## Management's Discussion and Analysis

The management of the City of South Bend, Indiana (the "City") provides herewith this Management's Discussion and Analysis (MD&A) of the financial activities and condition of the **City of South Bend, Indiana** for the fiscal year ended **December 31, 2016**.

Readers of the information contained within this Management's Discussion and Analysis, and any opinion derived therein, should be considered as a part of the greater whole of the financial statements, notes to the financial statements, supplemental information and letter of transmittal, as contained within this Comprehensive Annual Financial Report (CAFR).

The City of South Bend is the county seat of St. Joseph County, Indiana, and is the fourth largest city in the state of Indiana. St. Joseph County is located within the heartland of the manufacturing and metropolitan regions of the Upper Midwest. The City of South Bend is located in the north central region of the state of Indiana, five (5) miles south of the Indiana / Michigan state boundary line. The City is approximately ninety (90) miles east of the city of Chicago and one hundred forty (140) miles north of the city of Indianapolis.

The 2010 U.S. Bureau of the Census population for the City of South Bend was reported as 101,168 and the 2010 Census population for St. Joseph County was reported as 266,931. Accordingly, South Bend is classified as a "Second Class City" under State of Indiana statutes, defined as cities with a population between 35,000 and 600,000 residents.

The City of South Bend and St. Joseph County is a vibrant and diverse area with a strong local economy based on a mix of agricultural, manufacturing and service, higher education, health care and other commercial and tourism based industries. The diverse economic mix creates varied employment opportunities for residents while providing insulation from economic downturns through diversification. South Bend is home to the University of Notre Dame.

The City of South Bend provides a full range of general governmental services to its residents. Services include general government, public safety, street construction and maintenance, infrastructure construction and maintenance, parks and recreation services, arts and culture, and sanitation services. In addition, the City provides Water Utility, Wastewater Utility and Solid Waste services to commercial and residential properties within the city. City operations also include the Century Center convention venue, Morris Performing Arts Center, Palais Royale Ballroom, Studebaker National Museum, South Bend Redevelopment Authority and Public Parking Garages within the city footprint.

The City of South Bend governmental structure includes elected officials as follows with defined management and legislative authority in compliance with Indiana statute.

|                |   |             |
|----------------|---|-------------|
| Mayor          | Chief Executive Officer   | 4-year term |
| Common Council | 9 member legislative body<br>6 from defined districts within the City<br>3 at-large members | 4-year term |
| City Clerk     | Secretary of the Common Council   | 4-year term |

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

The current terms of office for Common Council members, Mayor and City Clerk expire on December 31, 2019.

The City of South Bend was incorporated in 1865, is compliant with Indiana statutes, and remains as such through the period covered by this Management's Discussion and Analysis report.

### Financial Highlights

|                                  | Governmental Activities |                       | Business-type Activities |                       | Government-wide Activities |                       |
|----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|----------------------------|-----------------------|
|                                  | 2016                    | 2015                  | 2016                     | 2015                  | 2016                       | 2015                  |
| Assets/deferred outflows         | \$ 516,480,560          | \$ 516,636,797        | \$ 320,179,055           | \$ 317,443,817        | \$ 836,659,615             | \$ 834,080,614        |
| Liabilities/deferred inflows     | 353,797,922             | 375,776,902           | 117,568,564              | 122,632,404           | 471,366,486                | 498,409,306           |
| <b>Net position</b>              |                         |                       |                          |                       |                            |                       |
| Net investment in capital assets | 161,341,318             | 157,604,691           | 145,288,974              | 141,998,384           | 306,630,292                | 299,603,075           |
| Restricted                       | 8,669,117               | 9,137,552             | 31,963,852               | 28,397,290            | 40,632,969                 | 37,534,842            |
| Unrestricted                     | -7,327,797              | -25,882,348           | 25,357,665               | 24,415,739            | 18,029,868                 | -1,466,609            |
| <b>Total net position</b>        | <b>\$ 162,682,638</b>   | <b>\$ 140,859,895</b> | <b>\$ 202,610,491</b>    | <b>\$ 194,811,413</b> | <b>\$ 365,293,129</b>      | <b>\$ 335,671,308</b> |
| Change vs. prior year            | \$ 21,822,743           | \$ 3,890,735          | \$ 7,799,078             | \$ 6,387,416          | \$ 29,621,821              | \$ 10,278,151         |
| Expenses                         | 134,519,353             | 164,310,194           | 64,067,328               | 61,899,676            | 198,586,681                | 226,209,870           |
| Revenues                         | 152,661,080             | 143,906,425           | 75,547,422               | 75,039,628            | 228,208,502                | 218,946,053           |

- Government-wide net position was \$365,293,129 as of December 31, 2016.
- Government-wide net position increased by \$29,621,821 or 8.8% during fiscal 2016. Governmental activity net position increased by \$21,822,743 or 15.5% and business-type activity net position increased by \$7,799,078 or 4.0% during fiscal 2016. On an overall basis, the City is better off financially at December 31, 2016 than it was at December 31, 2015 on a government-wide financial basis. The primary reason is that the City received higher than expected property taxes, income taxes and other revenues in 2016 while spending less than anticipated due to plan changes in the TIF and Utility areas.
- Total assets and deferred outflows of resources as of December 31, 2016 of \$836,659,615 increased by \$2,579,001 or 0.3% as compared to total assets and deferred outflows of resources as of December 31, 2015.
- Total liabilities and deferred inflows of resources as of December 31, 2016 of \$471,366,486 decreased by \$27,042,820 or 5.4% as compared to total liabilities and deferred inflows of resources as of December 31, 2015.
- As of December 31, 2016, the government-wide net position of \$365,293,129 has \$306,630,292 invested in capital assets (net of debt) which is not available for spending, \$40,632,969 classified as restricted for debt service; capital outlay; and other; and \$18,029,868 classified as unrestricted.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

- Government-wide revenue received in fiscal 2016 totaled \$228,208,502, an increase of \$9,262,449 or 4.2% versus government-wide revenue received in fiscal 2015. Governmental activity revenue increased by \$8,754,655 or 6.1%, and business-type activity revenue increased by \$507,794 or 0.7%.
- Government-wide expenses in 2016 totaled \$198,586,681, a decrease of \$27,623,189 or 12.2% compared to expenses of \$226,209,870 in 2015. Government activity expenses decreased by \$29,790,841 or 18.1% and business-type activity expenses increased by \$2,167,652 or 3.5% compared to fiscal 2015.
- Explanatory commentary concerning the changes in assets, liabilities, revenue and expenditures can be found in later sections of this MD&A.

### Overview of the Financial Statements

The City of South Bend's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of South Bend's finances using "accrual-based accounting," a method of accounting used by private sector businesses.

- **Statement of Net Position**

This statement reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City of South Bend as of December 31, 2016. The difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources is reported as "net position," and can generally be thought of as the net worth of the City. Increases in net position generally indicate an improvement in financial position while decreases in net position may indicate a deterioration of financial position.

- **Statement of Activities**

This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City of South Bend for the year ended December 31, 2016. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The statement of activities displays the expense of the City's various programs net of the related revenues, as well as a separate presentation of revenue available for general purposes including property and county option income taxes, fees for services and other revenue sources.

# City of South Bend, Indiana

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## Management's Discussion and Analysis (Continued)

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The major governmental activities of the City of South Bend include general government, public safety, street construction and maintenance, infrastructure construction and maintenance, parks and recreation services, and arts and culture. The major business-type activities of the City include the water utility, wastewater utility, solid waste sanitation services, Century Center convention center, building department, emergency medical services and the downtown parking garages.

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Bend can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Each fund has its own cash balance which must be maintained according to the City's cash reserve policy.

### Governmental Funds

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. Governmental funds use the modified accrual accounting method. The City maintains seven (7) major governmental funds (General, Parks and Recreation, Public Safety Local Option Income Tax (LOIT), County Option Income Tax (COIT), Economic Development Income Tax (EDIT), Rainy Day, and River West TIF) and sixty-eight (68) non major governmental funds.



# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

### Proprietary Funds

The City of South Bend maintains two types of proprietary funds: enterprise and internal service.

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains seven (7) enterprise funds. Information is presented separately in the proprietary statement of net position and the proprietary statement of revenues, expenses and changes in fund net position for the Water utility, Wastewater utility and Century Center, which are considered major enterprise funds. Data from the other four (4) nonmajor enterprise funds (Consolidated Building Department, Parking Garage, Solid Waste, and Emergency Medical Services) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.
- **Internal service funds** are used to accumulate and allocate costs internally among the City's various functions and funds. The City maintains six (6) internal service funds. The City of South Bend uses internal service funds to account for its self-funded liability insurance program, self-funded employee health benefits program, unemployment compensation claims, police take-home vehicle program, 311 call center, and central services unit (a department that accounts for expenses related to fuel, vehicle repairs, printing and other services provided to City departments on a cost-reimbursement basis). Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The City maintains six (6) fiduciary funds, which consist of two (2) pension trust funds (1925 Police Pension and 1937 Firefighters' Pension), three (3) agency funds (Payroll, Police Distributions Payable and Morris/Palais Royale Box Office), and one (1) private-purpose trust fund (City Cemetery).

# **City of South Bend, Indiana**

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## **Management's Discussion and Analysis (Continued)**

### **Pension Trust Fund Operations**

City employees are covered by the Public Employees Retirement Fund (PERF) and the 1977 Police Officers' and Firefighters' Pension Fund, both of which are administered by the State of Indiana. However, certain police officers and firefighters hired before May 1, 1977 (who did not opt into the 1977 fund) continue to be members of the 1925 Police Officers' Pension Fund or the 1937 Firefighters' Pension Fund. These two funds are administered by the City. The number of police officers and firefighters in the City-managed pension trust funds will continue to decline in the future as current participants pass away. The State makes certain contributions toward the funding of the 1925 Police Officers' and 1937 Firefighters' pension plans.

### **Notes to the Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and accompanying notes and disclosures, this CAFR presents supplementary information ("Required Supplementary Information" or "RSI") immediately following the basic financial statements. Other supplementary information is found in the Statistical Section. The combining statements referred to earlier in connection with non-major governmental, non-major enterprise, internal service and fiduciary funds are presented immediately after the Required Supplementary Information within the financial statement section of the CAFR.

### **Government-wide Financial Statements**

The following financial analysis will focus on the statement of net position and statement of changes in net position of the City's governmental and business-type activities.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

### Statement of Net Position

|                                  | Governmental Activities |                       | Business-type Activities |                       | Government-wide Activities |                       |
|----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|----------------------------|-----------------------|
|                                  | 2016                    | 2015                  | 2016                     | 2015                  | 2016                       | 2015                  |
| <b>Assets</b>                    |                         |                       |                          |                       |                            |                       |
| Current and other                | \$ 214,523,060          | \$ 226,795,797        | \$ 68,688,703            | \$ 74,526,365         | \$ 283,211,763             | \$ 301,322,162        |
| Capital assets (net)             | 273,380,335             | 265,386,820           | 249,215,298              | 240,503,593           | 522,595,633                | 505,890,413           |
| Total Assets                     | 487,903,395             | 492,182,617           | 317,904,001              | 315,029,958           | 805,807,396                | 807,212,575           |
| <b>Deferred Outflows</b>         | 28,577,165              | 24,454,180            | 2,275,054                | 2,413,859             | 30,852,219                 | 26,868,039            |
| <b>Liabilities</b>               |                         |                       |                          |                       |                            |                       |
| Current                          | 8,052,118               | 30,617,734            | 17,885,075               | 15,584,204            | 25,937,193                 | 46,201,938            |
| Long term                        | 329,439,412             | 324,909,155           | 99,440,549               | 106,707,120           | 428,879,961                | 431,616,275           |
| Total Liabilities                | 337,491,530             | 355,526,889           | 117,325,624              | 122,291,324           | 454,817,154                | 477,818,213           |
| <b>Deferred Inflows</b>          | 16,306,392              | 20,250,013            | 242,940                  | 341,080               | 16,549,332                 | 20,591,093            |
| <b>Net Position</b>              |                         |                       |                          |                       |                            |                       |
| Net investment in capital assets | 161,341,318             | 157,604,691           | 145,288,974              | 141,998,384           | 306,630,292                | 299,603,075           |
| Restricted                       | 8,669,117               | 9,137,552             | 31,963,852               | 28,397,290            | 40,632,969                 | 37,534,842            |
| Unrestricted                     | (7,327,797)             | (25,882,348)          | 25,357,665               | 24,415,739            | 18,029,868                 | (1,466,609)           |
| <b>Total Net Position</b>        | <b>\$ 162,682,638</b>   | <b>\$ 140,859,895</b> | <b>\$ 202,610,491</b>    | <b>\$ 194,811,413</b> | <b>\$ 365,293,129</b>      | <b>\$ 335,671,308</b> |

- As of December 31, 2016, total assets and deferred outflows exceeded liabilities and deferred inflows by \$365,293,129, an increase of \$29,621,821, or 8.8%, from the net position level as of December 31, 2015.
- Governmental activities net position of \$162,682,638 increased by \$21,822,743, or 15.4%, from December 31, 2015.
- Business-type net position of \$202,610,491 increased by \$7,799,078, or 4.0%, from December 31, 2015. The increase in business-type net position was due primarily to a 5% increase in sewer rates which will be used to support long-term capital projects of the Wastewater and a 9.1% increase in the Solid Waste fees used to support operations and capital expenditures.
- Government-wide assets and deferred outflows increased by \$2,579,001, or 0.3%, as compared to amounts as of December 31, 2015 primarily due to increased tax revenue received during 2016.
- Government-wide liabilities and deferred inflows decreased by \$27,042,820, or 5.4%, as compared to amounts as of December 31, 2015. The decrease is due primarily to the pay down of outstanding debt from operations without offsetting new debt and the reduction of the calculated net pension liability.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

### Statement of Changes in Net Position

|  | Governmental<br>Activities |                       | Business-type<br>Activities |                       | Government-wide<br>Activities |                       |
|--|----------------------------|-----------------------|-----------------------------|-----------------------|-------------------------------|-----------------------|
|  | 2016                       | 2015                  | 2016                        | 2015                  | 2016                          | 2015                  |
| <b>Revenue</b>                         |                            |                       |                             |                       |                               |                       |
| Program revenue:                       |                            |                       |                             |                       |                               |                       |
| Charge for services                    | \$ 8,171,317               | \$ 6,529,359          | \$ 75,470,222               | \$ 69,997,286         | \$ 83,641,539                 | \$ 76,526,645         |
| Operating grants                       | 2,644,272                  | 2,813,481             | -                           | -                     | 2,644,272                     | 2,813,481             |
| Capital grants                         | -                          | -                     | 649,609                     | 4,683,424             | 649,609                       | 4,683,424             |
| General revenue:                       |                            |                       |                             |                       |                               |                       |
| Taxes                                  |                            |                       |                             |                       |                               |                       |
| Property tax                           | 76,331,581                 | 72,032,049            | -                           | -                     | 76,331,581                    | 72,032,049            |
| Other tax                              | 31,463,184                 | 24,507,308            | -                           | -                     | 31,463,184                    | 24,507,308            |
| Unrestricted grants                    | 25,846,397                 | 25,487,112            | -                           | -                     | 25,846,397                    | 25,487,112            |
| Investment earnings                    | 1,458,787                  | 1,322,674             | 570,982                     | 358,918               | 2,029,769                     | 1,681,592             |
| Other revenue                          | 6,745,542                  | 11,214,442            | (1,143,391)                 | -                     | 5,602,151                     | 11,214,442            |
| <b>Total Revenue</b>                   | <b>152,661,080</b>         | <b>143,906,425</b>    | <b>75,547,422</b>           | <b>75,039,628</b>     | <b>228,208,502</b>            | <b>218,946,053</b>    |
| <b>Expenses</b>                        |                            |                       |                             |                       |                               |                       |
| General government                     | 15,618,817                 | 21,572,776            | -                           | -                     | 15,618,817                    | 21,572,776            |
| Public safety                          | 55,029,909                 | 56,528,448            | -                           | -                     | 55,029,909                    | 56,528,448            |
| Highways and streets                   | 13,550,535                 | 20,045,444            | -                           | -                     | 13,550,535                    | 20,045,444            |
| Culture and recreation                 | 17,156,094                 | 20,300,768            | -                           | -                     | 17,156,094                    | 20,300,768            |
| Economic development                   | 28,436,368                 | 40,727,612            | -                           | -                     | 28,436,368                    | 40,727,612            |
| Bond issuance costs                    | -                          | 372,432               | -                           | -                     | -                             | 372,432               |
| Interest on long-term debt             | 4,727,630                  | 4,762,714             | -                           | -                     | 4,727,630                     | 4,762,714             |
| Water utility                          | -                          | -                     | 14,900,039                  | 13,609,378            | 14,900,039                    | 13,609,378            |
| Wastewater utility                     | -                          | -                     | 26,420,526                  | 25,737,867            | 26,420,526                    | 25,737,867            |
| Civic center                           | -                          | -                     | 5,364,472                   | 4,854,747             | 5,364,472                     | 4,854,747             |
| Building department                    | -                          | -                     | 3,240,172                   | 3,552,347             | 3,240,172                     | 3,552,347             |
| Parking                                | -                          | -                     | 909,857                     | 2,139,182             | 909,857                       | 2,139,182             |
| Solid waste                            | -                          | -                     | 5,794,913                   | 5,243,972             | 5,794,913                     | 5,243,972             |
| Golf course                            | -                          | -                     | -                           | 165,977               | -                             | 165,977               |
| Emergency medical services             | -                          | -                     | 7,437,349                   | 6,596,206             | 7,437,349                     | 6,596,206             |
| <b>Total Expenses</b>                  | <b>134,519,353</b>         | <b>164,310,194</b>    | <b>64,067,328</b>           | <b>61,899,676</b>     | <b>198,586,681</b>            | <b>226,209,870</b>    |
| <b>Change in net position</b>          |                            |                       |                             |                       |                               |                       |
| Before transfers                       | 18,141,727                 | (20,403,769)          | 11,480,094                  | 13,139,952            | 29,621,821                    | (7,263,817)           |
| Special items - Disposal of operations | -                          | -                     | -                           | (1,180,964)           | -                             | (1,180,964)           |
| Transfers                              | 3,681,016                  | 2,846,415             | (3,681,016)                 | (2,846,415)           | -                             | -                     |
| <b>Change in net position</b>          | <b>21,822,743</b>          | <b>(17,557,354)</b>   | <b>7,799,078</b>            | <b>9,112,573</b>      | <b>29,621,821</b>             | <b>(8,444,781)</b>    |
| Beginning net position                 | 140,859,895                | 158,417,249           | 194,811,413                 | 185,698,840           | 335,671,308                   | 344,116,089           |
| <b>Ending net position</b>             | <b>\$ 162,682,638</b>      | <b>\$ 140,859,895</b> | <b>\$ 202,610,491</b>       | <b>\$ 194,811,413</b> | <b>\$ 365,293,129</b>         | <b>\$ 335,671,308</b> |

# **City of South Bend, Indiana**

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## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Net position for governmental activities increased by \$21,822,743 during fiscal 2016, an increase of 15.5% from the balance of Net Position at December 31, 2015. Revenue of \$152,661,080 increased by \$8,754,655, or 6.1%. Expenses were \$134,519,353 during 2016, a decrease of \$29,790,841, or 18.1% as compared to fiscal 2015.

The governmental activities revenue increases were due primarily to higher property tax and income tax revenue during 2016 resulting from an increase in assessed property values and an improving local economy. Governmental activities expenses decreased significantly in 2016 due to higher than usual spending in 2015 on large capital projects and business incentives paid to companies for economic development. Many major projects (2-way street conversions and major economic development projects) were funded in 2015.

### **Business-type Activities**

Net position from business-type activities increased by \$7,799,078 during fiscal 2016, an increase of 4.0% from the balance of Net Position at December 31, 2015. During 2016, business-type activities revenue of \$75,547,422 increased by \$507,794, or 0.7%, over fiscal 2015. During 2016, business-type activities expenses of \$64,067,328 increased by \$2,167,652, or 3.5%, when compared to fiscal 2015.

Revenue increased primarily in the Wastewater utility as a result of a 5% rate increase and in Solid Waste due to a 9.1% rate increase. Both rate increases were approved by the South Bend Common Council.

### **Financial Analysis of Government Funds**

The City of South Bend uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Funds of the City are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

### Condensed Balance Sheet, Statement of Revenue, Expenditures, and Changes in Fund Balance As of December 31, 2016

|                                    | General              | Park & Rec          | PS LOIT           | COIT                 | EDIT                 | Rainy Day            | River West TIF       | Other                | Total                 |
|------------------------------------|----------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Total assets                       | \$ 35,178,825        | \$ 4,527,367        | \$ 940,539        | \$ 10,479,820        | \$ 11,575,880        | \$ 10,185,414        | \$ 42,335,432        | \$ 90,137,661        | \$ 205,360,938        |
| Total liabilities                  | 1,226,203            | 181,597             | 114,082           | 465,853              | 375,991              | -                    | 1,420,433            | 9,835,559            | 13,619,718            |
| <b>Fund Balances:</b>              |                      |                     |                   |                      |                      |                      |                      |                      |                       |
| Nonspendable                       | 494,730              | 27,113              | -                 | 1,526,597            | 270,001              | -                    | 9,583,608            | 12,158,948           | 24,060,997            |
| Restricted                         | -                    | 4,318,657           | 826,457           | -                    | -                    | -                    | 31,331,391           | 65,350,135           | 101,826,640           |
| Committed                          | -                    | -                   | -                 | -                    | -                    | -                    | -                    | 2,698,694            | 2,698,694             |
| Assigned                           | 1,380,036            | -                   | -                 | 8,487,370            | 10,929,888           | 10,185,414           | -                    | 2,396,118            | 33,378,826            |
| Unassigned                         | 32,077,856           | -                   | -                 | -                    | -                    | -                    | -                    | (2,301,793)          | 29,776,063            |
| <b>Total fund balance</b>          | <b>\$ 33,952,622</b> | <b>\$ 4,345,770</b> | <b>\$ 826,457</b> | <b>\$ 10,013,967</b> | <b>\$ 11,199,889</b> | <b>\$ 10,185,414</b> | <b>\$ 40,914,999</b> | <b>\$ 80,302,102</b> | <b>\$ 191,741,220</b> |
| Liabilities and fund balance       | \$ 35,178,825        | \$ 4,527,367        | \$ 940,539        | \$ 10,479,820        | \$ 11,575,880        | \$ 10,185,414        | \$ 42,335,432        | \$ 90,137,661        | \$ 205,360,938        |
| Revenues                           | 62,470,763           | 10,413,258          | 6,798,193         | 10,189,226           | 10,195,560           | 1,492,715            | 18,673,223           | 32,436,480           | 152,669,418           |
| Expenditures                       | 63,575,739           | 10,835,631          | 6,525,003         | 10,644,722           | 2,515,324            | -                    | 17,358,817           | 59,520,848           | 170,976,084           |
| Net surplus (deficit)              | (1,104,976)          | (422,373)           | 273,190           | (455,496)            | 7,680,236            | 1,492,715            | 1,314,406            | (27,084,368)         | (18,306,666)          |
| Other sources (uses)               | 4,435,542            | 947,661             | -                 | (2,590,147)          | (6,709,570)          | -                    | (2,142,555)          | 15,280,219           | 9,221,150             |
| <b>Net change in fund balances</b> | <b>3,330,566</b>     | <b>525,288</b>      | <b>273,190</b>    | <b>(3,045,643)</b>   | <b>970,666</b>       | <b>1,492,715</b>     | <b>(828,149)</b>     | <b>(11,804,149)</b>  | <b>(9,085,516)</b>    |
| Beginning fund balances            | 30,622,056           | 3,820,482           | 553,267           | 13,059,610           | 10,229,223           | 8,692,699            | 41,743,148           | 92,106,251           | 200,826,736           |
| <b>Ending fund balances</b>        | <b>\$ 33,952,622</b> | <b>\$ 4,345,770</b> | <b>\$ 826,457</b> | <b>\$ 10,013,967</b> | <b>\$ 11,199,889</b> | <b>\$ 10,185,414</b> | <b>\$ 40,914,999</b> | <b>\$ 80,302,102</b> | <b>\$ 191,741,220</b> |

As of December 31, 2016, the City governmental funds reported a combined ending fund balance of \$191,741,220.

The nonspendable fund balance of \$24,060,997 is sequestered for property held for resale, inventory, and long-term receivables and is, therefore, not available for new spending. The restricted fund balance of \$101,826,640 consists of monies in debt service funds or other funds such as road and tax increment financing funds that are limited by external parties as to their use. The committed fund balance of \$2,698,694 is designated by the South Bend Common Council or South Bend Redevelopment Commission to be used for certain purposes such as for economic development projects. The assigned fund balance of \$33,378,826 includes balances in local option income tax funds that have not been committed to certain projects and are available for spending by the City. The remaining unassigned fund balance of \$29,776,063 consists of money primarily in the General Fund that has not been obligated in any manner by the City less deficits in certain nonmajor governmental funds due primarily to interfund advance transactions to finance economic development projects that will be paid back over time.

The **General Fund** is the primary operating fund for City operations including general government, public safety, certain culture and recreation expenses, and certain debt service obligations.

As of December 31, 2016, the General Fund balance of \$33,952,622 represents an increase of \$3,330,566, or 10.9% from the balance as of December 31, 2015. The increase was due primarily to higher property tax revenue during 2016 than expected and lower spending for public safety and administration than anticipated.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

As of December 31, 2016, the General Fund had an unassigned fund balance of \$32,077,856 which is equal to 50.5% of 2016 General Fund expenditures.

The General Fund unassigned fund balance has traditionally been used by the City to fund certain capital projects and emergency contingencies. In addition, the City used the unassigned fund balance in 2016 as a cash flow bridge to the receipt of property tax revenues from the County collection authority which distributes property tax revenue twice per year (June and December). The General Fund unassigned balance provided sufficient cash to cover City operating obligations without incurring tax anticipation notes and resultant borrowing costs during fiscal 2016.

As discussed in Governmental Accounting, Auditing, and Financial Reporting (GAAFR), a General Fund unassigned fund balance should be either 1) no less than 5 to 15 percent of regular General Fund operating revenues, or 2) no less than one to two months of regular General Fund operating expenditures. An unassigned fund balance may be higher if circumstances dictate, such as a delay in collection of a major revenue source. The City has a policy to maintain fund reserves equal to at least 35% of annual expenditures and exceeded this target at December 31, 2016.

The **Parks and Recreation Fund** balance increased \$525,288 during fiscal 2016, due primarily to a combination of higher property tax revenue and transfers in and lower expenditures. As of December 31, 2016, the fund balance in the Parks and Recreation Fund was \$4,345,770, or 40.1% of 2016 expenditures. The City has a policy to maintain fund reserves equal to at least 25% of annual expenditures and exceeded this target at December 31, 2016.

The **Public Safety Local Option Income Tax Fund** (Public Safety LOIT) was created in October 2009, with the local legislative passage of an increase in local option income taxes of 0.95%, a part of which (0.25%) tax increase was established to fund public safety expenditures. The City has established the Public Safety LOIT Fund as a major governmental fund, due solely to its purpose of creating a funding source to sustain public safety staffing levels, which were compromised by state implementation of property tax reform that has reduced property tax revenues, which historically are the source of public safety funding. Public Safety LOIT funds are used to cover the personnel costs of police officers and firefighters. Receipts of Public Safety LOIT tax revenue commenced in January 2010. Revenue in fiscal 2016 of \$6,798,193 increased by \$326,626 or 5.0% compared to 2015. The increase in fund balance in the amount of \$273,190 during 2016 was due to lower spending from this fund for police and fire personnel. The ending fund balance was \$826,457, or 12.7% of annual expenditures, and meets the City's cash reserve policy goal of 8%.

The **County Option Income Tax Fund** (COIT) and **Economic Development Income Tax Fund** (EDIT) funds are used to fund major capital and construction projects, economic development initiatives, certain subsidies and support to organizations and units that benefit city economic development and cultural venues, certain city-wide expenditures such as telephone and information technology costs, and certain debt service payments.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

The COIT fund balance decreased by \$3,045,643 during 2016, due to higher expenditures for the curb and sidewalk program and information technology. The City has operationally sequestered COIT funds for use in major capital and construction funding initiatives, certain subsidies and support to organizations and units that benefit city economic development and cultural venues, information technology costs, city-wide expenditures like telephone and electricity for street lights, and certain debt service payments.

As of December 31, 2016, the COIT Fund balance was \$10,013,967, or 75.6% of 2016 expenditures and transfers out. This level of fund reserves is significantly higher than the City policy target of 50%.

The EDIT Fund balance increased by \$970,666 during 2016 due to lower than anticipated expenses related to initiatives of Community Investment. The City has operationally sequestered EDIT funds for use in major economic development initiatives, certain subsidies and support to organizations and units that benefit city economic development and cultural venues, operational costs of the street, code enforcement and community investment departments and certain debt service payments.

As of December 31, 2016, the EDIT fund balance was \$11,199,889, or 121.4% of 2016 expenditures and transfers out. The City policy target is 50%.

The **Rainy Day Fund** is a new major fund for 2016. The fund is used to account for unused and unencumbered funds that are transferred from a fund that has a tax levy. Revenues in this fund also include special distributions of county option income tax and county economic development income tax. The Rainy Day Fund received a special state distribution \$1,405,850 in local income tax revenue during 2016. The ending fund balance was \$10,185,414, or 5.1% of government-wide expenses during 2016, and meets the City's cash reserve policy goal of 3%.

The fund balance in the **River West TIF Fund** decreased by \$828,149 during 2016. This change was the result of debt payments made during the year for public building debt and other economic development projects.

As of December 31, 2016, the River West TIF Fund balance of \$40,914,999 including \$9,583,608 in nonspendable fund balances (primarily property held for resale) and \$31,331,391 in restricted fund balances. This fund continues to be a major success for the City of South Bend and has generated in excess of \$645 million in private investment since its inception.

During 2016, the fund balances in **Nonmajor Governmental funds** decreased by \$11,804,149 due primarily to the spending of prior year bond proceeds on capital projects like the "Smart Streets" one-way to two-way street improvement project in the downtown.



# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

The total balance in Nonmajor Governmental Funds was \$80,302,102 at December 31, 2016. These fund balances provide the necessary resources that the City requires to meet future capital construction needs, ongoing debt service obligations, and economic development project initiatives in order to fuel community growth within the City.

Individual fund data for each of the nonmajor governmental funds is provided in the form of the combining statements immediately following the Required Supplemental Information within the Financial Section of the CAFR.

### Governmental Fund Revenue

The following schedule presents a summary of governmental fund revenue for the year ended December 31, 2016 with comparison to the prior year:

|                                 | <b>2016<br/>Actual</b> | <b>% of<br/>Total</b> | <b>2015<br/>Actual</b> | <b>% of<br/>Total</b> |
|---------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| <u>Tax Based</u>                |                        |                       |                        |                       |
| General property                | \$ 75,724,582          | 49.6%                 | \$ 71,525,988          | 50.1%                 |
| County option income            | 21,868,582             | 14.3%                 | 15,326,102             | 10.7%                 |
| County economic development     | 9,594,602              | 6.3%                  | 9,181,206              | 6.4%                  |
| Professional sports development | 673,787                | 0.5%                  | 626,192                | 0.5%                  |
| <b>Total Tax</b>                | <b>107,861,553</b>     | <b>70.7%</b>          | <b>96,659,488</b>      | <b>67.7%</b>          |
| <u>Non-Tax Based</u>            |                        |                       |                        |                       |
| Licenses and permits            | 224,677                | 0.1%                  | 151,923                | 0.1%                  |
| Intergovernmental               | 27,959,813             | 18.3%                 | 30,216,059             | 21.2%                 |
| Charge for services             | 7,062,108              | 4.6%                  | 5,794,168              | 4.1%                  |
| Fines and forfeitures           | 756,781                | 0.5%                  | 454,327                | 0.3%                  |
| Interest income                 | 1,624,527              | 1.1%                  | 1,253,242              | 0.9%                  |
| Other                           | 7,179,959              | 4.7%                  | 8,190,619              | 5.7%                  |
| <b>Total Non-Tax Based</b>      | <b>44,807,865</b>      | <b>29.3%</b>          | <b>46,060,338</b>      | <b>32.3%</b>          |
| <b>Total Revenue</b>            | <b>\$ 152,669,418</b>  | <b>100.0%</b>         | <b>\$ 142,719,826</b>  | <b>100.0%</b>         |

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

Tax revenue continues to represent the most significant source of revenue required to support services provided by the City. Property tax revenue is the primary source of funding for governmental expenditures. Property tax revenue is based on a relationship between two variables. The first variable is the net assessed property valuation of industrial, commercial and residential parcels for both real and personal property. The second variable is the application of a tax rate to arrive at the total tax levy. Taxable property is assessed at 100% of the true tax value. The amount of property tax levied (billed to property owners) is further restricted by State of Indiana-enacted property tax legislative reform, the so-called "circuit breaker" property tax caps in 2009, to no more than 1.0% (homestead), 2.0% (other residential/rental) or 3.0% (commercial/industrial) of gross assessed valuation. Property tax revenue includes taxes collected on behalf of the following funds: General Fund, Parks and Recreation Fund, Cumulative Capital Development Fund, Redevelopment Commission Tax Incremental Financing (TIF) Funds, Excess Levy Fund, and a special levy to cover debt service at the former College Football Hall of Fame building.

The City recognizes the need to further diversify the revenue stream and to reduce its dependency on general property taxes to ensure that a broad base of users of city services, including nonresidents who work in the City, share in the funding of basic City services. As a result of the need to diversify the revenue stream, the City of South Bend Common Council and Saint Joseph County Council adopted an additional local option income tax of 0.95% during 2009, increasing the tax rate from 0.8% to 1.75%. The local option income tax increase consisted of three components: 0.2% increase in the economic development income tax, a 0.25% public safety local option income tax and a 0.5% property tax relief local option income tax. The property tax relief local option income tax does not result in any direct revenue to the City but helps to reduce circuit breaker property tax losses.

The City continues to seek diversified sources of revenue that will reduce its reliance on property and income taxes. The City has supported efforts of the Accelerating Indiana Municipalities (AIM – formerly IACT) "Hometown Matters" to lobby the state legislature to enable alternative revenue sources that best fit the needs of the community. One viable source of revenue is from user fees and/or charges for services currently being performed. City-performed services are priced at levels representing the full cost of service, taking into consideration fees charged by providers of similar services. The City performs ongoing reviews of user fee costs incurred and revises service fee prices as required.

Total tax revenue was \$107,861,553 during 2016 and increased by \$11,202,065, or 11.6%, from 2015. This increase was due primarily to an improving local economic and housing market that has increased local income taxes and general property taxes. Total non-tax based revenue was \$44,807,865 and decreased \$1,252,473, or 2.7%, from 2015.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

### Governmental Fund Expenditures

The City accounts for government fund expenditures in eight functional categories as follows: (1) general government, (2) public safety, (3) highways and streets, (4) community and economic development, (5) culture and recreation, (6) bond issuance costs (7) debt service, and (8) capital outlay.

The following schedule presents a summary of governmental fund expenditures for the year ended December 31, 2016 with comparison to fiscal year 2015.

|                                    | <u>2016</u>           | <u>% of</u>   | <u>2015</u>           | <u>% of</u>   |
|------------------------------------|-----------------------|---------------|-----------------------|---------------|
|                                    | <u>Actual</u>         | <u>Total</u>  | <u>Actual</u>         | <u>Total</u>  |
| General government                 | \$ 16,311,633         | 9.6%          | \$ 8,420,278          | 4.9%          |
| Public safety                      | 64,350,281            | 37.7%         | 61,889,405            | 35.9%         |
| Highways and streets               | 11,294,768            | 6.6%          | 12,787,641            | 7.4%          |
| Community and economic development | 20,894,153            | 12.2%         | 11,068,013            | 6.4%          |
| Culture and recreation             | 13,070,606            | 7.6%          | 12,855,704            | 7.4%          |
| Bond issuance costs                | 0                     | 0.0%          | 372,432               | 0.2%          |
| Debt service                       | 17,998,348            | 10.5%         | 18,711,690            | 10.8%         |
| Capital outlay                     | 27,056,295            | 15.8%         | 46,553,570            | 27.0%         |
| <b>Total Expenditures</b>          | <b>\$ 170,976,084</b> | <b>100.0%</b> | <b>\$ 172,658,733</b> | <b>100.0%</b> |

Government fund expenditures in fiscal 2016 of \$170,976,084 decreased by \$1,682,649, or 1.0%, in comparison to government fund expenditures in fiscal 2015.

Capital outlay expenditures decreased by \$19,497,275, or 41.9%, during 2016 due primarily to overall increased spending in tax increment financing funds, the County Option Income Tax Fund, the Major Moves Fund, and other capital projects funds during 2015, which did not occur in 2016.

Public Safety expenditures continue to be the primary use of government fund resources with 37.7% of expenditures used for this purpose in fiscal 2016. Public safety spending is followed by capital outlay expenditures (15.8%), community and economic development (12.2%), debt service (10.5%), general government (9.6%), culture and recreation (7.6%), and highways and streets (6.6%). General government spending is comprised of the executive offices of the Mayor, Common Council, City Clerk, City Attorney, Controller, Engineering and other administrative functions. Governmental expenditures increased during 2016 due to the allocation of expenditures that were formerly classified as capital costs in 2015.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

### Proprietary funds

#### Condensed Statement of Net Position Revenue, Expenses, and Changes in Fund Net Position As of December 31, 2016

|  | Water Utility        | Wastewater Utility    | Century Center       | Other                | Total Enterprise      | Internal Service     |
|--|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| Total assets                                     | \$ 70,843,131        | \$ 195,580,693        | \$ 21,483,621        | \$ 30,106,608        | \$ 318,014,053        | \$ 16,548,865        |
| Total deferred outflows                          | 113,328              | 2,161,726             | -                    | -                    | 2,275,054             | -                    |
| Total liabilities                                | 20,868,465           | 86,008,309            | 426,280              | 10,132,622           | 117,435,676           | 3,332,705            |
| Total deferred inflows                           | -                    | -                     | 239,584              | 3,356                | 242,940               | -                    |
| <b>Net position:</b>                             |                      |                       |                      |                      |                       |                      |
| Net investment in capital assets                 | 39,644,547           | 79,882,890            | 18,846,844           | 6,914,693            | 145,288,974           | 1,348,906            |
| Restricted for:                                  |                      |                       |                      |                      |                       |                      |
| Debt service fund                                | 50,069               | 814,230               | -                    | -                    | 864,299               | -                    |
| Customer repair and deposit fund                 | 1,541,424            | 1,752,931             | -                    | -                    | 3,294,355             | -                    |
| Cash with fiscal agent                           | 147,437              | 248,464               | -                    | 897,564              | 1,293,465             | -                    |
| Bond reserve fund                                | 1,392,739            | 4,111,633             | -                    | -                    | 5,504,372             | -                    |
| Operating reserve fund                           | 2,457,950            | 4,627,379             | -                    | -                    | 7,085,329             | -                    |
| Capital outlay fund                              | 2,582,972            | 10,137,217            | 865,986              | 335,857              | 13,922,032            | -                    |
| Unrestricted                                     | 2,270,856            | 10,159,366            | 1,104,927            | 11,822,516           | 25,357,665            | 11,867,254           |
| <b>Total net position</b>                        | <b>\$ 50,087,994</b> | <b>\$ 111,734,110</b> | <b>\$ 20,817,757</b> | <b>\$ 19,970,630</b> | <b>\$ 202,610,491</b> | <b>\$ 13,216,160</b> |
| Operating revenues                               | \$ 15,091,372        | \$ 39,061,562         | \$ 3,483,226         | \$ 16,219,646        | \$ 73,855,806         | \$ 28,609,186        |
| Operating expenses                               | 14,184,457           | 23,752,666            | 5,364,472            | 17,148,792           | 60,450,387            | 25,978,738           |
| Operating income (loss)                          | 906,915              | 15,308,896            | (1,881,246)          | (929,146)            | 13,405,419            | 2,630,448            |
| Nonoperating rev (exp)                           | (684,605)            | (2,920,355)           | 1,027,397            | 2,629                | (2,574,934)           | 107,672              |
| Income (loss) before contributions and transfers | 222,310              | 12,388,541            | (853,849)            | (926,517)            | 10,830,485            | 2,738,120            |
| Capital contributions                            | -                    | -                     | 619,001              | 30,608               | 649,609               | -                    |
| Transfers in                                     | -                    | -                     | -                    | 2,110,468            | 2,110,468             | -                    |
| Transfers out                                    | (2,039,748)          | (3,672,060)           | (79,676)             | -                    | (5,791,484)           | -                    |
| <b>Change in net position</b>                    | <b>(1,817,438)</b>   | <b>8,716,481</b>      | <b>(314,524)</b>     | <b>1,214,559</b>     | <b>7,799,078</b>      | <b>2,738,120</b>     |
| Total net position – beginning                   | 51,905,432           | 103,017,629           | 21,132,281           | 18,756,071           | 194,811,413           | 10,478,040           |
| <b>Total net position – ending</b>               | <b>\$ 50,087,994</b> | <b>\$ 111,734,110</b> | <b>\$ 20,817,757</b> | <b>\$ 19,970,630</b> | <b>\$ 202,610,491</b> | <b>\$ 13,216,160</b> |

The City of South Bend maintains two types of proprietary funds: enterprise and internal service.

The City maintains seven (7) enterprise funds. Information is presented separately in the Proprietary Statement of Net Position, the Proprietary Statement of Revenues and Expenditures, and Changes in Fund Net Position for the Water Utility, Wastewater Utility and Century Center, which are considered major enterprise funds. Data from the other four (4) non-major enterprise funds (Consolidated Building Department, Parking Garage, Solid Waste, and Emergency Medical Services) are combined into a single, aggregated presentation.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

The City maintains six (6) internal service funds. The City of South Bend uses internal service funds to account for its business insurance and self-funded liability insurance program, self-funded employee health benefits program, police take-home vehicle program, unemployment compensation claims, 311 call center and central services unit (a department that accounts for expenses related to fuel, vehicle repairs, printing and other services provided to City departments on a cost-reimbursement basis). The internal service funds have been combined into a single, aggregated presentation.

As of December 31, 2016, City enterprise funds reported a net position of \$202,610,491, an increase of \$7,799,078, or 4.0%, from the net position at December 31, 2015.

At December 31, 2016, net position includes net investment in capital assets of \$145,288,974, restricted net position of \$31,963,852 and unrestricted net position of \$25,357,665.

During 2016, the **Water utility** experienced a decrease in net position of \$1,817,438 and the **Wastewater utility** experienced an increase in net position of \$8,716,481. The Water utility experienced increase operating revenues of \$887,087 while the Wastewater utility experienced an increase in operating revenue of \$2,426,061. The Wastewater utility had the benefit of a 5% rate increase during 2016 but the Water utility had no rate increase. Through a series of sewer rate increases approved by the South Bend Common Council, the Wastewater utility continues to build its fund balances in order to pay for the mandated Long Term Control Plan, a multi-year program being built by the City to control wastewater overflow events. On March 27, 2017, the Common Council passed an ordinance which will allow the City to increase water rates in 2018 by 22% and in 2019 by 22% provided the rates are also approved by the Indiana Utility Regulatory Commission.

During 2016, **Century Center** experienced a decrease in net position of \$314,524, primarily as the result of expenses outpacing revenue in 2016.

**Nonmajor Enterprise Funds** experienced an increase in net position of \$1,214,559 during 2016. The Parking Garage Fund reported an increase in net position of \$93,169 primarily as the result of deferred capital improvements. The Consolidated Building Fund reported an increase in net position of \$684,927 during 2016 as the result of underspending budgeted monies. The Solid Waste Fund reported a decrease in net position of \$53,611 and continues to accumulate capital lease debt to finance new trash trucks. A solid waste fee increase of 9.1% was approved for 2016 to help shore up the finances of the fund.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

**Internal Services Funds** reported net position of \$13,216,160 at December 31, 2016, an increase of \$2,738,120, or 26.1%, compared to net position at December 31, 2015. The Liability Insurance Fund increased its net position by \$210,902 in 2016 as the result of public safety and parks fund paying into the fund which was not done in 2015 due to budget constraints. The Central Services Fund increased its net position by \$7,744. The Self-Funded Employee Benefits Fund had an increase in its net position of \$2,393,888 due to a 10% employer rate increase and more modest growth in medical insurance claims. In January 2016, the City opened the Activate Health and Wellness Center for the benefit of employees and their families and to control future health care cost increases. The 311 Call Center is a fully allocated fund which supports most city departments. Therefore, this fund has no fund balance as of December 31, 2016.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains six fiduciary funds, which consist of two pension trust funds (1925 Police Pension and 1937 Firefighters' Pension), one private-purpose trust fund (Cemetery) and three agency funds (Payroll, Police Distributions Payable and Morris/Palais Royale Box Office).

|                                | <u>Pension Trust</u> | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--------------------------------|----------------------|------------------------------|---------------|
| Total assets                   | \$ 961,577           | \$ 427,872                   | \$ 2,930,775  |
| Total liabilities              | 525                  | -                            | 2,930,775     |
| <b>Total net position</b>      | <b>\$ 961,052</b>    | <b>\$ 427,872</b>            | <b>\$ -</b>   |
| Total additions                | 10,889,614           | 399,329                      | -             |
| Total deductions               | 11,558,030           | -                            | -             |
| <b>Changes in net position</b> | <b>\$ (668,416)</b>  | <b>\$ 399,329</b>            | <b>\$ -</b>   |

Effective in fiscal 2009, with the passage of State legislation, the State of Indiana began making contributions to the **1925 Police** and **1937 Firefighters' Pension Funds**. These funds no longer receive property tax revenue distributions beyond fiscal 2009. The administration of the pension plans is the responsibility of the City.

The decline in the net asset position of the pension trust is the result of timing differences in the payment of pension benefits and the contributions received from the State of Indiana (the State reimburses in June and September for expenses paid in the previous calendar year), as well as the cost of healthcare benefits to pension members which are not covered by State contributions. In 2016, the regular Fire Department budget paid retiree health care costs while this change will occur in 2017 for the Police Department. In other words, the 1925 Police and 1937 Firefighters' pension funds will no longer pay retiree health insurance costs. Rather, these costs will be paid from the regular police and fire operating budgets.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

The increase in the private purpose trust fund is due to the City taking in cash from a trust fund for the Bowman Cemetery which was previously held in the name of an outside association. These funds will be used for necessary cemetery improvements.

### General Fund Budgetary Highlights

The City prepares an annual budget for General Fund expenditures, which is subject to City of South Bend Common Council approval for adoption, before November 1 of the year preceding the budget period, according to state statute concerning the annual budget of second class cities and towns. The Common Council adopted the 2016 budget at its meeting held in October 2015.

The General Fund budget applicable for fiscal 2016 is reported as follows:

|                   | <u>Original</u> | <u>Final</u>  | <u>Actual Budgetary Basis</u> | <u>Variance</u> |
|-------------------|-----------------|---------------|-------------------------------|-----------------|
| Revenue           | \$ 53,852,368   | \$ 56,484,084 | \$ 56,474,525                 | \$ (9,559)      |
| Expenditures      | 53,852,368      | 55,117,963    | 53,862,310                    | 1,255,653       |
| Surplus (deficit) | \$ -            | \$ 1,366,121  | \$ 2,612,215                  | \$ 1,246,094    |

General Fund revenue/transfers in was originally budgeted at \$53,852,368 for fiscal 2016. During the year, the General Fund revenue/transfers in budget was increased by \$2,631,716 to \$56,484,084. The budget may be increased or decreased at any time based on updated revenue projections. By closely aligning the budget with actual results, more meaningful analysis is made possible. The revenue/transfers in budget was increased primarily due to an increase in the property tax estimate because of higher collections than anticipated.

During 2016, the General Fund collected \$56,474,525 in revenue/transfers in on a budgetary basis, which was \$2,622,157 higher than the original budget. The primary reason for the revenue pickup was a change in property tax collections that were higher than budgeted due to higher assessed property values and collection rates.

General Fund expenditures/transfers out were originally budgeted at \$53,852,368 for fiscal 2016. During the year, the General Fund expenditure/transfers out budget were increased by \$1,265,595 to \$55,117,963. Additional appropriations were passed for Fire Department overtime and other purposes. Carry forward of unspent encumbrances from 2015 also increased the 2016 amended budget.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

General Fund spending is reviewed on a monthly basis under the direction of the City Controller to ensure spending remains within budgetary constraints. Monthly reviews are conducted as required with General Fund department management to review spending projections to ensure that annual expenditures remain within the budgetary levels. Budget amendments for cost-neutral redistribution between expense categories (i.e., personnel, supplies, services, capital) were submitted to Common Council four times during 2016, as required to adjust the budget to prevent any budget overruns in any expenditure category.

Additional appropriations for projects, initiatives, or unbudgeted spending requirements within the General Fund are presented to the Common Council for adoption as deemed necessary by the Mayor.

General Fund expenditures/transfers out incurred on a budgetary basis, including cash expended and outstanding encumbrances as of year-end December 31, 2016, amounted to \$53,862,310. The expenditures/transfers out and commitments as of year-end December 31, 2016 are less than the 2016 amended General Fund budget by \$1,255,653 or 2.2%. The largest savings were in the police and administration/finance department budgets as personnel and other costs spent were less than budgeted due to position vacancies and other factors.

### Capital Assets and Debt Administration

#### Statement of Capital Assets

|                                 | Governmental<br>Activities |                       | Business type<br>Activities |                       | Government-wide<br>Activities |                       |
|---------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-------------------------------|-----------------------|
|                                 | 2016                       | 2015                  | 2016                        | 2015                  | 2016                          | 2015                  |
| <b>Assets not depreciated</b>   |                            |                       |                             |                       |                               |                       |
| Land                            | \$ 14,707,088              | \$ 15,106,806         | \$ 2,614,014                | \$ 2,614,016          | \$ 17,321,102                 | \$ 17,720,822         |
| Construction in progress        | 23,595,717                 | 5,339,423             | 19,259,541                  | 16,644,050            | 42,855,258                    | 21,983,473            |
| <b>Total</b>                    | <b>38,302,805</b>          | <b>20,446,229</b>     | <b>21,873,555</b>           | <b>19,258,066</b>     | <b>60,176,360</b>             | <b>39,704,295</b>     |
| <b>Assets depreciated</b>       |                            |                       |                             |                       |                               |                       |
| Buildings                       | 125,966,988                | 128,082,279           | 84,190,901                  | 85,178,794            | 210,157,889                   | 213,261,073           |
| Non-building improvements       | 21,377,908                 | 16,616,553            | 28,186,217                  | 28,186,217            | 49,564,125                    | 44,802,770            |
| Machinery and equipment         | 47,301,986                 | 45,543,924            | 41,959,457                  | 40,171,610            | 89,261,443                    | 85,715,534            |
| Roads and Infrastructure        | 437,067,498                | 434,344,887           | 210,940,599                 | 199,721,525           | 648,008,097                   | 634,066,412           |
| <b>Total Cost</b>               | <b>631,714,380</b>         | <b>624,587,643</b>    | <b>365,277,174</b>          | <b>353,258,146</b>    | <b>996,991,554</b>            | <b>977,845,789</b>    |
| <b>Accumulated depreciation</b> |                            |                       |                             |                       |                               |                       |
| Buildings                       | 49,668,561                 | 47,274,258            | 35,418,271                  | 34,631,698            | 85,086,832                    | 81,905,956            |
| Non-building improvements       | 9,936,113                  | 9,242,882             | 7,441,963                   | 6,193,452             | 17,378,076                    | 15,436,334            |
| Machinery and equipment         | 33,115,197                 | 30,808,402            | 22,720,699                  | 22,524,631            | 55,835,896                    | 53,333,033            |
| Roads                           | 303,916,980                | 292,321,510           | 72,354,498                  | 68,662,837            | 376,271,478                   | 360,984,347           |
| <b>Total</b>                    | <b>396,636,851</b>         | <b>379,647,052</b>    | <b>137,935,431</b>          | <b>132,012,618</b>    | <b>534,572,282</b>            | <b>511,659,670</b>    |
| <b>Net Depreciated Assets</b>   | <b>235,077,529</b>         | <b>244,940,591</b>    | <b>227,341,743</b>          | <b>221,245,528</b>    | <b>462,419,272</b>            | <b>466,186,119</b>    |
| <b>Net Capital Assets</b>       | <b>\$ 273,380,334</b>      | <b>\$ 265,386,820</b> | <b>\$ 249,215,298</b>       | <b>\$ 240,503,594</b> | <b>\$ 522,595,632</b>         | <b>\$ 505,890,414</b> |



# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

The investment in capital assets includes land and land improvements, buildings and building improvements, vehicles, information technology equipment, machinery and equipment, and construction in progress. A detailed explanation of these capital assets can be found in the Notes to the Basic Financial Statements.

Under the category of roads and infrastructure, the current cost amount of \$648,008,097 includes estimated costs derived primarily from the City's 2006 implementation of GASB Statement No. 34, which required the retroactive reporting of infrastructure capital assets. All other assets are recorded at historical cost.

### Major Capital Asset Project Spending in 2016

Included in capital asset additions for 2016 were the following projects:

- Wastewater - \$7.40 million - Digester #2 Upgrades
- Wastewater - \$5.8 million - Primary Clarifier Rehabilitation
- Infrastructure - \$2.1 million - Bartlett Street/Memorial Hospital Parking Lot
- Infrastructure - \$1.0 million - Ignition Park Improvements
- Infrastructure - \$1.8 million - Western Avenue Streetscape
- Wastewater - \$13.2 million - Secondary Clarifier Improvements (construction in progress)
- Infrastructure - \$13.7 million - Main, Michigan, St. Joseph Streetscape (smart streets – construction in progress)

### Capital Assets Analysis

As of December 31, 2016, government-wide capital assets were valued at \$522,595,632, net of accumulated depreciation, an increase of \$16,705,218, or 3.3%, since December 31, 2015. Construction in Progress increased by \$20,871,785, and capitalized assets in land, buildings, improvements, machinery and equipment, and roads decreased by \$3,766,847, net of depreciation, since December 31, 2015. On January 1, 2013, the City instituted a new capitalization policy that included significantly higher thresholds for expenditures to qualify as capital assets. Consequently, many purchases formerly considered as capital assets no longer qualify as such. The asset decrease is the result of fewer assets being added to the register as those assets that remain continue to depreciate.

At December 31, 2016, the cost of Roads & Infrastructure (\$648,008,097) was the major asset class followed by Buildings (\$210,157,889) and Machinery & Equipment (\$89,261,443).

Total depreciation expense was \$31,308,797 for 2016, as compared to \$30,426,526 for 2015. Depreciation expense was \$19,840,701 for governmental activities and \$11,468,096 for business-type activities for 2016.

Additional information on capital assets can be found in the notes to the financial statements in Note 6.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

### Debt Administration

Outstanding debt principal as of December 31, 2016 was \$236,909,378, a decrease of \$14,728,071, or 5.9%, from 2015. City outstanding debt includes revenue bonds, mortgage bonds, notes and loans payable and capital leases.

| Type              | Beginning             | Additions            | Retirements            | Ending                |
|-------------------|-----------------------|----------------------|------------------------|-----------------------|
| Revenue bonds     | \$ 210,687,811        | \$ 3,300,000         | \$ (19,470,632)        | \$ 194,517,179        |
| Mortgage bonds    | 19,756,538            | -                    | (2,108,123)            | 17,648,415            |
| Notes and loans   | 8,290,651             | -                    | (1,061,065)            | 7,229,586             |
| Capital leases    | 12,902,449            | 8,898,799            | (4,287,050)            | 17,514,198            |
| <b>Total Debt</b> | <b>\$ 251,637,449</b> | <b>\$ 12,198,799</b> | <b>\$ (26,926,870)</b> | <b>\$ 236,909,378</b> |

During 2016, the City entered into capital lease agreements in the amount of \$8.90 million to purchase certain vehicles, copiers, and equipment. The lease terms are typically for five years with semi-annual debt service paid from the operating budgets of the user departments. Capital lease financing is used to acquire police vehicles, public works vehicles, computer replacements, copiers and other vehicles and equipment. The City solicits competitive financing proposals for lease financing from local and national companies and the interest rate achieved during 2016 was on average less than 2% for these leases.

During 2016, the City refunded Waterworks bond in the amount of \$3,300,000 to take advantage of lower interest rates. The net present value of the interest savings is \$160,657 over the remaining term of the bonds.

Under the Indiana Constitution and State statute, the City's general obligation bonded debt and certain other debt is subject to a legal limitation based upon 2% of total assessed value of real and personal property. The City had no general obligation bonded debt outstanding at December 31, 2016 and none of the above debt issuance amounts are subject to this debt limitation. A calculation of the City's legal debt limitation can be found in the statistical debt capacity section of this document.

Additional information on debt can be found in the Notes to Financial Statements in Note 8 - Leases and Note 9 - Long-term Debt.

### Significant Subsequent Events

On January 18, 2017, the City paid off the 2005 Southside Tax Incremental Financing (TIF) revenue bonds' \$3,800,000 outstanding balance. This early debt payoff was paid from the TIF No. 3 - Southside Development fund, a nonmajor capital project fund. These bonds had a February 1, 2027 original maturity.

On January 23, 2017, the Common Council approved the Eddy Street Commons Phase 2 revenue bonds in an amount not to exceed \$25 million. These bonds are financing infrastructure public improvements.

# City of South Bend, Indiana

## Management's Discussion and Analysis (Continued)

On March 27, 2017, the Common Council approved a water rate increase of 22 percent in 2018 and a second increase of 22 percent in 2019 to fund the operating and capital needs of the Water Utility. These rate increases will be effective if approved by the Indiana Utility Regulatory Commission.

### Economic Factors and 2017 Budget

#### Economic Factors

Property tax revenue, historically and at present, is the principal source of revenue for funding of governmental activities within the City of South Bend.

The State of Indiana General Assembly enacted property tax reform legislation in March 2008. Known as the "Circuit Breaker", House Enrolled Act 1001 (HEA 1001) limits property taxes paid to 1% of gross assessed value for residential homesteads, 2% for agricultural/rental properties, and 3% for all other real and personal property.

Under current legislation, all Indiana localities assess properties based on market values. Each year properties are "trended", which involves comparing property values to sales activity in the neighborhood and adjusting the current assessed values up or down according to the trended data.

The Circuit Breaker legislation was phased in commencing in fiscal 2009 and has led to significant reductions in property tax revenues available to fund city governmental operations since then. In 2016, the primary funds supported by property taxes (General Fund, Parks and Recreation Fund, and Cumulative Capital Development Fund) lost approximately \$30.9 million in taxable property tax levy due to the circuit breaker caps (Indiana Legislative Services Agency, Circuit Breaker Report, December 2016).

As a consequence of the state enacted legislation in 2008, the City enacted a 0.95% local option income tax increase to partially offset the property tax revenue loss. The local option tax increase became effective in October 2009, and has resulted in an increase in local income taxes available to the City to fund ongoing governmental operations of public safety, parks and recreation, highways and streets and general government.

Management of the City of South Bend will continue to oversee the financial affairs from a posture of fiscal conservatism similar to the management practices engaged in during fiscal 2016. Special attention will be given to maintaining adequate fund reserves in the General Fund and the income tax funds as they are very important to the continued financial strength of the City.

City Management believes that the national economic recovery will continue according to the predictions of governmental economists, with low to zero inflation over the next fiscal period. In addition, job creation is the primary engine to drive economic recovery, as the Congressional Budget Office (CBO) predicts a growth in Gross Domestic Product (GDP) of 2.1% for 2017. Unemployment rates in the South Bend-Mishawaka Metropolitan Area continue to improve and were 4.8% in January 2017 as compared to a high of 13.0% in January 2010 (Bureau of Labor Statistics).

# **City of South Bend, Indiana**

## **Management's Discussion and Analysis (Continued)**

### **2017 Budget and Beyond**

The City will engage to ensure effective delivery of required services to taxpayers and residents within the constraints of available financial resources. The City will continue to provide required services within the constraints of a balanced General Fund budget. For 2017 and 2018, the City has enacted a “zero growth” budget expenditure target goal for all funds supported by property and income tax revenue. In addition, the City has engaged in a process of program budgeting with the Center for Priority Based Budgeting for the 2017 and 2018 budgets. This program budgeting is in addition to the state-required fund and account budgeting through the Indiana Department of Local Government Finance.

Preliminary projections of circuit breaker property tax losses indicate a potential decline of property tax revenue of \$2.54 million dollar in the General Fund, \$510 thousand dollars in the Parks & Recreation Fund and \$3.8 million dollars in the Tax Increment Financing funds in fiscal year 2020 due to the expiration of some special credits to local governments in Saint Joseph County and Lake County. City Management is aware of this fiscal situation and is developing strategies to address this matter. One strategy is to maintain a well-financed Rainy Day Fund. This fund received a special distribution of county option income tax funds of \$1.4 million dollars in May 2016 and had cash reserves of \$10.2 million dollars at February 28, 2017. No spending is currently planned for this fund.

Through its Office of Innovation, the City continues to pursue reengineering programs targeted to create efficiency and cost improvements within City operations. These include purchasing process reengineering, back-office process improvements for human resources, performance management and other customer service operations. These initiatives, upon successful deployment completion, will achieve the desired results to create efficiency gains in the delivery of services to taxpayers.

The City is committed to creating a budget for fiscal 2018 that will remain fiscally responsible to the effective delivery of required services to city residents and stakeholders within the existing revenue constraints. Specific concerns for the 2018 budget include the continuing impact of circuit breaker property tax reform on City revenue, high health and pension costs and other stagnant or declining revenue sources such as gasoline, wheel and auto excise taxes.

# City of South Bend, Indiana

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## Management's Discussion and Analysis (Continued)

### Requests for Information

This Management's Discussion and Analysis, as contained within the City of South Bend Comprehensive Annual Financial Report, is intended to provide readers with a general overview of the financial condition of the City of South Bend as of December 31, 2016. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

John H. Murphy, CFO  
City of South Bend  
Department of Administration and Finance  
227 W. Jefferson Boulevard, 12<sup>th</sup> Floor  
South Bend, Indiana 46601

Telephone 574-235-7678  
Email [jmurphy@southbendin.gov](mailto:jmurphy@southbendin.gov)

Jennifer C. Hockenull, Controller  
City of South Bend  
Department of Administration and Finance  
227 W. Jefferson Boulevard, 12<sup>th</sup> Floor  
South Bend, Indiana 46601

Telephone 574-235-9822  
Email [jhockenh@southbendin.gov](mailto:jhockenh@southbendin.gov)

City of South Bend  
June 30, 2017

# City of South Bend, Indiana

## Statement of Net Position December 31, 2016

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>Assets</b>                                   |                            |                             |               |
| Cash and cash equivalents                       | \$ 58,142,559              | \$ 7,234,289                | \$ 65,376,848 |
| Investments                                     | 133,745,451                | 20,397,926                  | 154,143,377   |
| Receivables:                                    |                            |                             |               |
| Taxes   | 153,965                    | -                           | 153,965       |
| Accounts  | 544,503                    | 8,492,882                   | 9,037,385     |
| Interest  | 318,143                    | 96,829                      | 414,972       |
| Intergovernmental                               | 960,421                    | -                           | 960,421       |
| Loans   | 5,336,870                  | -                           | 5,336,870     |
| Allowance for doubtful accounts                 | -                          | (130,000)                   | (130,000)     |
| Internal balances                               | 80,588                     | (80,588)                    | -             |
| Inventory                                       | 906,849                    | 672,513                     | 1,579,362     |
| Prepaid expenses                                | 614,061                    | 41,001                      | 655,062       |
| Restricted assets                               | 1,100                      | 31,963,851                  | 31,964,951    |
| Property held for resale                        | 13,718,551                 | -                           | 13,718,551    |
| Capital assets:                                 |                            |                             |               |
| Assets not subject to depreciation              | 38,302,805                 | 21,873,555                  | 60,176,360    |
| Assets subject to depreciation                  | 235,077,529                | 227,341,743                 | 462,419,272   |
| Total assets                                    | 487,903,395                | 317,904,001                 | 805,807,396   |
| <b>Deferred Outflows of Resources</b>           |                            |                             |               |
| Unamortized loss on refunding                   | 2,291,565                  | 2,275,054                   | 4,566,619     |
| Deferred outflows related to pensions           | 26,285,600                 | -                           | 26,285,600    |
| Total deferred outflows of resources            | 28,577,165                 | 2,275,054                   | 30,852,219    |
| <b>Liabilities</b>                              |                            |                             |               |
| Accounts payable                                | 6,609,556                  | 3,733,489                   | 10,343,045    |
| Due to other governmental units                 | -                          | 101,142                     | 101,142       |
| Performance deposits payable                    | 86,452                     | 5,000                       | 91,452        |
| Accrued liabilities and other:                  |                            |                             |               |
| Accrued payroll payable                         | 1,304,006                  | 473,573                     | 1,777,579     |
| Accrued interest payable                        | 46,131                     | 294,143                     | 340,274       |
| Taxes payable                                   | 2,314                      | -                           | 2,314         |
| Customer deposits payable                       | -                          | 1,698,134                   | 1,698,134     |
| Other current payables                          | 3,659                      | 68,664                      | 72,323        |
| Noncurrent liabilities:                         |                            |                             |               |
| Due within one year:                            |                            |                             |               |
| Accrued interest payable from restricted assets | 1,657,778                  | -                           | 1,657,778     |
| Compensated absences                            | 4,756,341                  | 750,238                     | 5,506,579     |
| Notes and loans payable                         | 210,266                    | 183,384                     | 393,650       |
| Mortgage bonds payable                          | 1,744,275                  | 295,725                     | 2,040,000     |
| Claims payable                                  | 2,317,615                  | -                           | 2,317,615     |
| Capital leases                                  | 2,858,050                  | 2,071,583                   | 4,929,633     |
| Revenue bonds payable                           | 11,962,653                 | 8,210,000                   | 20,172,653    |

# City of South Bend, Indiana

## Statement of Net Position (Continued) December 31, 2016

|                                      | Primary Government         |                             |                       |
|--------------------------------------|----------------------------|-----------------------------|-----------------------|
|                                      | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>Liabilities (Continued)</b>       |                            |                             |                       |
| Noncurrent liabilities (Continued):  |                            |                             |                       |
| Due in more than one year:           |                            |                             |                       |
| Notes and loans payable              | \$ 4,437,115               | \$ 2,398,821                | \$ 6,835,936          |
| Mortgage bonds payable               | 10,347,275                 | 5,261,141                   | 15,608,416            |
| Capital leases                       | 8,071,025                  | 4,513,540                   | 12,584,565            |
| Net OPEB obligation                  | 13,285,244                 | -                           | 13,285,244            |
| Net pension liability                | 180,714,296                | -                           | 180,714,296           |
| Revenue bonds payable                | 87,077,479                 | 87,267,047                  | 174,344,526           |
| Total liabilities                    | <u>337,491,530</u>         | <u>117,325,624</u>          | <u>454,817,154</u>    |
| <b>Deferred Inflows of Resources</b> |                            |                             |                       |
| Unamortized service agreement        | -                          | 239,584                     | 239,584               |
| Unamortized gain on sale/leaseback   | -                          | 3,356                       | 3,356                 |
| Deferred inflows related to pensions | <u>16,306,392</u>          | <u>-</u>                    | <u>16,306,392</u>     |
| Total deferred inflows of resources  | <u>16,306,392</u>          | <u>242,940</u>              | <u>16,549,332</u>     |
| <b>Net Position</b>                  |                            |                             |                       |
| Net investment in capital assets     | 161,341,318                | 145,288,974                 | 306,630,292           |
| Restricted for:                      |                            |                             |                       |
| Debt service fund                    | 5,382,083                  | 864,299                     | 6,246,382             |
| Customer repair and deposit fund     | -                          | 3,294,355                   | 3,294,355             |
| Cash with fiscal agent               | -                          | 1,293,465                   | 1,293,465             |
| Bond reserve fund                    | 3,287,034                  | 5,504,372                   | 8,791,406             |
| Operating reserve fund               | -                          | 7,085,329                   | 7,085,329             |
| Capital outlay fund                  | -                          | 13,922,032                  | 13,922,032            |
| Unrestricted                         | <u>(7,327,797)</u>         | <u>25,357,665</u>           | <u>18,029,868</u>     |
| Total net position                   | <u>\$ 162,682,638</u>      | <u>\$ 202,610,491</u>       | <u>\$ 365,293,129</u> |

# City of South Bend, Indiana

| Functions/Programs   | Expenses              | Program Revenues     |                                    |                                  |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|
|  |                       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>                                   |                       |                      |                                    |                                  |
| Governmental activities:                                     |                       |                      |                                    |                                  |
| General government   | \$ 15,618,817         | \$ 1,622,788         | \$ 732,782                         | \$ -                             |
| Public safety  | 55,029,909            | 975,712              | 325                                | -                                |
| Highways and streets   | 13,550,535            | 707,547              | 179,720                            | -                                |
| Community and economic development                           | 28,436,368            | 481,293              | 1,057,658                          | -                                |
| Culture and recreation                                       | 17,156,094            | 4,383,977            | 673,787                            | -                                |
| Interest on long-term debt                                   | 4,727,630             | -                    | -                                  | -                                |
| <b>Total governmental activities</b>                         | <b>134,519,353</b>    | <b>8,171,317</b>     | <b>2,644,272</b>                   | <b>-</b>                         |
| Business-type activities:                                    |                       |                      |                                    |                                  |
| Water Utility  | 14,900,039            | 15,091,372           | -                                  | -                                |
| Wastewater Utility   | 26,420,526            | 39,061,562           | -                                  | -                                |
| Century Center   | 5,364,472             | 4,796,676            | -                                  | 619,001                          |
| Consolidated Building  | 3,240,172             | 1,764,100            | -                                  | 30,608                           |
| Parking Garage   | 909,857               | 996,197              | -                                  | -                                |
| Solid Waste  | 5,794,913             | 5,839,143            | -                                  | -                                |
| Emergency Medical Services                                   | 7,437,349             | 7,921,172            | -                                  | -                                |
| <b>Total business-type activities</b>                        | <b>64,067,328</b>     | <b>75,470,222</b>    | <b>-</b>                           | <b>649,609</b>                   |
| <b>Total primary government</b>                              | <b>\$ 198,586,681</b> | <b>\$ 83,641,539</b> | <b>\$ 2,644,272</b>                | <b>\$ 649,609</b>                |
| General revenues:  |                       |                      |                                    |                                  |
| Property taxes   |                       |                      |                                    |                                  |
| Income taxes   |                       |                      |                                    |                                  |
| Grants and contributions not restricted to specific programs |                       |                      |                                    |                                  |
| Investment income  |                       |                      |                                    |                                  |
| Other miscellaneous income                                   |                       |                      |                                    |                                  |
| Gain (loss) on sale of fixed assets                          |                       |                      |                                    |                                  |
| <b>Total general revenues</b>                                |                       |                      |                                    |                                  |
| Transfers  |                       |                      |                                    |                                  |
| <b>Change in Net Position</b>                                |                       |                      |                                    |                                  |
| <b>Net Position - Beginning of year</b>                      |                       |                      |                                    |                                  |
| <b>Net Position - End of year</b>                            |                       |                      |                                    |                                  |



## Statement of Activities Year Ended December 31, 2016

| Net (Expense) Revenue and Changes in Net Position |                             |                       |
|---|-----------------------------|-----------------------|
| Primary Government                                |                             |                       |
| Governmental<br>Activities                        | Business-type<br>Activities | Total                 |
| \$ (13,263,247)                                   | \$ -                        | \$ (13,263,247)       |
| (54,053,872)                                      | -                           | (54,053,872)          |
| (12,663,268)                                      | -                           | (12,663,268)          |
| (26,897,417)                                      | -                           | (26,897,417)          |
| (12,098,330)                                      | -                           | (12,098,330)          |
| (4,727,630)                                       | -                           | (4,727,630)           |
| (123,703,764)                                     | -                           | (123,703,764)         |
| -   | 191,333                     | 191,333               |
| -   | 12,641,036                  | 12,641,036            |
| -   | 51,205                      | 51,205                |
| -   | (1,445,464)                 | (1,445,464)           |
| -   | 86,340                      | 86,340                |
| -   | 44,230                      | 44,230                |
| -   | 483,823                     | 483,823               |
| -   | 12,052,503                  | 12,052,503            |
| (123,703,764)                                     | 12,052,503                  | (111,651,261)         |
| 76,331,581  | -                           | 76,331,581            |
| 31,463,184  | -                           | 31,463,184            |
| 25,846,397  | -                           | 25,846,397            |
| 1,458,787   | 570,982                     | 2,029,769             |
| 6,745,542   | -                           | 6,745,542             |
| -   | (1,143,391)                 | (1,143,391)           |
| 141,845,491                                       | (572,409)                   | 141,273,082           |
| 3,681,016   | (3,681,016)                 | -                     |
| 21,822,743  | 7,799,078                   | 29,621,821            |
| 140,859,895                                       | 194,811,413                 | 335,671,308           |
| <b>\$ 162,682,638</b>                             | <b>\$ 202,610,491</b>       | <b>\$ 365,293,129</b> |

# City of South Bend, Indiana

|  | General Fund         | Parks and Recreation | Public Safety<br>LOIT | COIT                 | EDIT                 |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|
| <b>Assets</b>                              |                      |                      |                       |                      |                      |
| Cash and cash equivalents                  | \$ 3,710,448         | \$ 1,001,514         | \$ 209,382            | \$ 1,992,931         | \$ 2,483,512         |
| Investments                                | 30,638,155           | 3,488,926            | 729,415               | 6,942,676            | 8,651,688            |
| Receivables:                               |                      |                      |                       |                      |                      |
| Taxes                                      | -                    | -                    | -                     | -                    | -                    |
| Accounts                                   | 152,799              | 1,670                | -                     | 920                  | 150,000              |
| Interest                                   | 71,819               | 8,144                | 1,742                 | 16,696               | 20,679               |
| Intergovernmental                          | 63,498               | -                    | -                     | -                    | -                    |
| Loans                                      | -                    | -                    | -                     | -                    | -                    |
| Due from other funds                       | 47,376               | -                    | -                     | -                    | -                    |
| Advances to other funds                    | 494,730              | -                    | -                     | 1,351,598            | -                    |
| Inventory                                  | -                    | 27,113               | -                     | -                    | -                    |
| Property held for resale                   | -                    | -                    | -                     | 174,999              | 270,001              |
| <b>Total assets</b>                        | <b>\$ 35,178,825</b> | <b>\$ 4,527,367</b>  | <b>\$ 940,539</b>     | <b>\$ 10,479,820</b> | <b>\$ 11,575,880</b> |
| <b>Liabilities</b>                         |                      |                      |                       |                      |                      |
| Accounts payable                           | \$ 272,439           | \$ 49,534            | \$ -                  | \$ 442,554           | \$ 375,991           |
| Due to other funds                         | 19,935               | 6,066                | -                     | -                    | -                    |
| Advances from other funds                  | -                    | -                    | -                     | -                    | -                    |
| Performance deposits payable               | 73,106               | 2,618                | -                     | -                    | -                    |
| Accrued liabilities and other:             |                      |                      |                       |                      |                      |
| Accrued payroll payable                    | 858,870              | 122,918              | 114,082               | 23,299               | -                    |
| Taxes payable                              | 1,853                | 461                  | -                     | -                    | -                    |
| Other current payables                     | -                    | -                    | -                     | -                    | -                    |
| <b>Total liabilities</b>                   | <b>1,226,203</b>     | <b>181,597</b>       | <b>114,082</b>        | <b>465,853</b>       | <b>375,991</b>       |
| <b>Fund Balances</b>                       |                      |                      |                       |                      |                      |
| Nonspendable                               | 494,730              | 27,113               | -                     | 1,526,597            | 270,001              |
| Restricted                                 | -                    | 4,318,657            | 826,457               | -                    | -                    |
| Committed                                  | -                    | -                    | -                     | -                    | -                    |
| Assigned                                   | 1,380,036            | -                    | -                     | 8,487,370            | 10,929,888           |
| Unassigned                                 | 32,077,856           | -                    | -                     | -                    | -                    |
| <b>Total fund balances</b>                 | <b>33,952,622</b>    | <b>4,345,770</b>     | <b>826,457</b>        | <b>10,013,967</b>    | <b>11,199,889</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 35,178,825</b> | <b>\$ 4,527,367</b>  | <b>\$ 940,539</b>     | <b>\$ 10,479,820</b> | <b>\$ 11,575,880</b> |

**Governmental Funds  
Balance Sheet  
December 31, 2016**

| Rainy Day            | River West TIF       | Nonmajor Funds       | Total                 |
|----------------------|----------------------|----------------------|-----------------------|
| \$ 2,267,458         | \$ 7,238,085         | \$ 36,120,468        | \$ 55,023,798         |
| 7,899,033            | 25,214,956           | 39,412,161           | 122,977,010           |
| -                    | 8,475                | 145,490              | 153,965               |
| -                    | -                    | 173,625              | 479,014               |
| 18,923               | 60,086               | 94,238               | 292,327               |
| -                    | 28,848               | 868,075              | 960,421               |
| -                    | 201,374              | 5,135,496            | 5,336,870             |
| -                    | -                    | 30,048               | 77,424                |
| -                    | -                    | 4,468,117            | 6,314,445             |
| -                    | -                    | -                    | 27,113                |
| -                    | 9,583,608            | 3,689,943            | 13,718,551            |
| <b>\$ 10,185,414</b> | <b>\$ 42,335,432</b> | <b>\$ 90,137,661</b> | <b>\$ 205,360,938</b> |
| \$ -                 | \$ 998,726           | \$ 3,763,296         | \$ 5,902,540          |
| -                    | 18,475               | 58,007               | 102,483               |
| -                    | 400,000              | 5,883,254            | 6,283,254             |
| -                    | 3,232                | 7,496                | 86,452                |
| -                    | -                    | 119,847              | 1,239,016             |
| -                    | -                    | -                    | 2,314                 |
| -                    | -                    | 3,659                | 3,659                 |
| -                    | 1,420,433            | 9,835,559            | 13,619,718            |
| -                    | 9,583,608            | 12,158,948           | 24,060,997            |
| -                    | 31,331,391           | 65,350,135           | 101,826,640           |
| -                    | -                    | 2,698,694            | 2,698,694             |
| 10,185,414           | -                    | 2,396,118            | 33,378,826            |
| -                    | -                    | (2,301,793)          | 29,776,063            |
| 10,185,414           | 40,914,999           | 80,302,102           | 191,741,220           |
| <b>\$ 10,185,414</b> | <b>\$ 42,335,432</b> | <b>\$ 90,137,661</b> | <b>\$ 205,360,938</b> |

# City of South Bend, Indiana

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2016

|   |                              |
|---|------------------------------|
| <b>Fund Balance Reported in Governmental Funds</b>  | \$ 191,741,220               |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds  | 271,972,273                  |
| Prepaid expenses are not available to pay for current period expenditures, and therefore are deferred in the funds  | 411,345                      |
| Deferred outflows of resources related to pensions are not available to pay for current period expenditures, and therefore are reported in the funds                                    | 26,285,600                   |
| Deferred inflows on refunding are not due and payable in the current period and are not reported in the funds   | 2,291,565                    |
| Notes and loans payable, mortgage bonds payable, revenue bonds payable, and capital leases are not due and payable in the current period and are not reported in the funds              | (126,648,983)                |
| Accrued interest is not due and payable in the current period and is not reported in the funds  | (1,703,826)                  |
| Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities | (4,576,784)                  |
| Deferred inflows of resources related to pensions do not present a claim on current financial resources and are not reported as fund liabilities  | (16,306,392)                 |
| Net OPEB obligations do not present a claim on current financial resources and are not reported as fund liabilities   | (13,285,244)                 |
| Net pension liabilities do not present a claim on current financial resources and are not reported as fund liabilities  | (180,714,296)                |
| Amounts reported for governmental activities in the statement of net position are different because - Internal service funds are included as part of governmental activities            | 13,216,160                   |
| <b>Net Position of Governmental Activities</b>  | <b><u>\$ 162,682,638</u></b> |

# City of South Bend, Indiana

|  | General Fund         | Parks and Recreation | Public Safety<br>LOIT | COIT                 | EDIT                 |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|
| <b>Revenue</b>                                     |                      |                      |                       |                      |                      |
| Property taxes                                     | \$ 39,362,139        | \$ 7,902,995         | \$ -                  | \$ -                 | \$ -                 |
| Income taxes                                       | -                    | -                    | 6,791,160             | 9,454,023            | 9,594,602            |
| Licenses and permits                               | 224,677              | -                    | -                     | -                    | -                    |
| Professional sports development taxes              | -                    | -                    | -                     | -                    | -                    |
| Intergovernmental                                  | 15,437,682           | 667,306              | -                     | -                    | -                    |
| Charges for services                               | 1,973,484            | 1,679,829            | -                     | 560,276              | 150,000              |
| Fines and forfeitures                              | 10,716               | -                    | -                     | -                    | 354,660              |
| Investment income                                  | 228,292              | 23,834               | 7,033                 | 97,746               | 93,264               |
| Rental income                                      | -                    | 3,474                | -                     | -                    | -                    |
| Other revenue                                      | 5,233,773            | 135,820              | -                     | 77,181               | 3,034                |
| <b>Total revenue</b>                               | <b>62,470,763</b>    | <b>10,413,258</b>    | <b>6,798,193</b>      | <b>10,189,226</b>    | <b>10,195,560</b>    |
| <b>Expenditures</b>                                |                      |                      |                       |                      |                      |
| Current:   |                      |                      |                       |                      |                      |
| General government                                 | 4,932,618            | -                    | -                     | 9,284,181            | 1,631,294            |
| Public safety                                      | 56,211,109           | -                    | 6,525,003             | -                    | -                    |
| Highways and streets                               | 989,907              | -                    | -                     | -                    | -                    |
| Community and economic development                 | -                    | -                    | -                     | -                    | -                    |
| Culture and recreation                             | 1,415,100            | 10,640,291           | -                     | -                    | -                    |
| Capital outlay                                     | -                    | -                    | -                     | -                    | -                    |
| Debt service:                                      |                      |                      |                       |                      |                      |
| Principal  | 23,687               | 189,555              | -                     | 1,214,597            | 835,000              |
| Interest on long-term debt                         | 3,318                | 5,785                | -                     | 145,944              | 49,030               |
| <b>Total expenditures</b>                          | <b>63,575,739</b>    | <b>10,835,631</b>    | <b>6,525,003</b>      | <b>10,644,722</b>    | <b>2,515,324</b>     |
| <b>Excess of Revenue (Under) Over Expenditures</b> | <b>(1,104,976)</b>   | <b>(422,373)</b>     | <b>273,190</b>        | <b>(455,496)</b>     | <b>7,680,236</b>     |
| <b>Other Financing Sources (Uses)</b>              |                      |                      |                       |                      |                      |
| Issuance of debt                                   | 10,924               | 21,393               | -                     | 15,855               | -                    |
| Proceeds from sale of capital assets               | -                    | -                    | -                     | -                    | -                    |
| Transfers in                                       | 4,627,122            | 926,268              | -                     | 3,039                | -                    |
| Transfers out                                      | (202,504)            | -                    | -                     | (2,609,041)          | (6,709,570)          |
| <b>Total other financing sources (uses)</b>        | <b>4,435,542</b>     | <b>947,661</b>       | <b>-</b>              | <b>(2,590,147)</b>   | <b>(6,709,570)</b>   |
| <b>Net Change in Fund Balances</b>                 | <b>3,330,566</b>     | <b>525,288</b>       | <b>273,190</b>        | <b>(3,045,643)</b>   | <b>970,666</b>       |
| <b>Fund Balances - Beginning of year</b>           | <b>30,622,056</b>    | <b>3,820,482</b>     | <b>553,267</b>        | <b>13,059,610</b>    | <b>10,229,223</b>    |
| <b>Fund Balances - End of year</b>                 | <b>\$ 33,952,622</b> | <b>\$ 4,345,770</b>  | <b>\$ 826,457</b>     | <b>\$ 10,013,967</b> | <b>\$ 11,199,889</b> |

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended December 31, 2016**

| Rainy Day            | River West TIF       | Nonmajor Funds       | Total                 |
|----------------------|----------------------|----------------------|-----------------------|
| \$ -                 | \$ 17,513,853        | \$ 10,945,595        | \$ 75,724,582         |
| 1,405,850            | -                    | 4,217,549            | 31,463,184            |
| -                    | -                    | -                    | 224,677               |
| -                    | -                    | 673,787              | 673,787               |
| -                    | 396,000              | 11,458,825           | 27,959,813            |
| -                    | -                    | 2,698,519            | 7,062,108             |
| -                    | -                    | 391,405              | 756,781               |
| 86,865               | 279,969              | 807,524              | 1,624,527             |
| -                    | 88,616               | 137,699              | 229,789               |
| -                    | 394,785              | 1,105,577            | 6,950,170             |
| <u>1,492,715</u>     | <u>18,673,223</u>    | <u>32,436,480</u>    | <u>152,669,418</u>    |
| -                    | -                    | 463,540              | 16,311,633            |
| -                    | -                    | 1,614,169            | 64,350,281            |
| -                    | -                    | 10,304,861           | 11,294,768            |
| -                    | 13,765,421           | 7,128,732            | 20,894,153            |
| -                    | -                    | 1,015,215            | 13,070,606            |
| -                    | -                    | 27,056,295           | 27,056,295            |
| -                    | 2,485,000            | 8,307,488            | 13,055,327            |
| -                    | 1,108,396            | 3,630,548            | 4,943,021             |
| <u>-</u>             | <u>17,358,817</u>    | <u>59,520,848</u>    | <u>170,976,084</u>    |
| 1,492,715            | 1,314,406            | (27,084,368)         | (18,306,666)          |
| -                    | -                    | 4,950,881            | 4,999,053             |
| -                    | 458,746              | 82,335               | 541,081               |
| -                    | 22,199               | 13,962,422           | 19,541,050            |
| -                    | (2,623,500)          | (3,715,419)          | (15,860,034)          |
| <u>-</u>             | <u>(2,142,555)</u>   | <u>15,280,219</u>    | <u>9,221,150</u>      |
| 1,492,715            | (828,149)            | (11,804,149)         | (9,085,516)           |
| <u>8,692,699</u>     | <u>41,743,148</u>    | <u>92,106,251</u>    | <u>200,826,736</u>    |
| <u>\$ 10,185,414</u> | <u>\$ 40,914,999</u> | <u>\$ 80,302,102</u> | <u>\$ 191,741,220</u> |

# City of South Bend, Indiana

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2016

|   |           |                          |
|---|-----------|--------------------------|
| <b>Net Change in Fund Balances - Total governmental funds</b>   | \$        | (9,085,516)              |
| Amounts reported for governmental activities in the statement of activities are different because:  |           |                          |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:  |           |                          |
| Capital outlay  |           | 29,689,464               |
| Depreciation expense  |           | (19,691,675)             |
| Net book value of assets disposed of and transferred  |           | (2,092,111)              |
| Prepaid expenses recorded in the statement of net position do not require the use of current financial resources, and therefore are not reported in the fund statements   |           | 208,465                  |
| Debt proceeds (from notes and loans payable, mortgage bonds payable, revenue bonds payable, and capital leases) provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position                            |           | (4,999,053)              |
| Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)   |           | 13,055,327               |
| Other adjustments related to debt premiums, discounts, deferred inflows, and deferred outflows  |           | 84,284                   |
| Changes in accrued interest payable and other   |           | 134,556                  |
| Changes in compensated absences reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment  |           | (95,240)                 |
| Changes in the net OPEB obligation reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment   |           | (1,624,309)              |
| Changes in the net pension asset, net pension liabilities, and related deferred inflows and outflows reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment |           | 13,500,431               |
| Internal service funds are included as part of governmental activities - Net change in position   |           | 2,738,120                |
| <b>Change in Net Position of Governmental Activities</b>  | <b>\$</b> | <b><u>21,822,743</u></b> |

# City of South Bend, Indiana

## Proprietary Funds Statement of Net Position December 31, 2016

|   | Enterprise Funds |              |                |              |              | Governmental                      |
|---|------------------|--------------|----------------|--------------|--------------|-----------------------------------|
|   | Water Utility    | Wastewater   | Century Center | Nonmajor     | Total        | Activities                        |
|   |                  | Utility      |                | Enterprise   |              | Proprietary Internal Service Fund |
| <b>Assets</b>                           |                  |              |                |              |              |                                   |
| Current assets:                         |                  |              |                |              |              |                                   |
| Cash and cash equivalents               | \$ 848,168       | \$ 2,964,074 | \$ 1,380,151   | \$ 2,041,896 | \$ 7,234,289 | \$ 3,118,761                      |
| Investments                             | 2,953,621        | 10,325,798   | -              | 7,118,507    | 20,397,926   | 10,768,441                        |
| Receivables:                            |                  |              |                |              |              |                                   |
| Accounts                                | 698,698          | 2,888,911    | 355,233        | 4,550,040    | 8,492,882    | 65,489                            |
| Interest                                | 22,128           | 57,009       | -              | 17,692       | 96,829       | 25,816                            |
| Allowance for doubtful accounts         | (50,000)         | (80,000)     | -              | -            | (130,000)    | -                                 |
| Due from other funds                    | 25,223           | 3,041        | -              | 1,200        | 29,464       | 78,744                            |
| Inventory                               | 469,161          | 171,415      | 31,937         | -            | 672,513      | 879,736                           |
| Prepaid expenses                        | 9,167            | 28,364       | 3,470          | -            | 41,001       | 202,716                           |
| Total current assets                    | 4,976,166        | 16,358,612   | 1,770,791      | 13,729,335   | 36,834,904   | 15,139,703                        |
| Noncurrent assets:                      |                  |              |                |              |              |                                   |
| Restricted assets                       | 8,172,590        | 21,691,854   | 865,986        | 1,233,421    | 31,963,851   | 1,100                             |
| Capital assets:                         |                  |              |                |              |              |                                   |
| Assets not subject to depreciation      | 376,951          | 19,623,750   | 713,434        | 1,159,420    | 21,873,555   | -                                 |
| Assets subject to depreciation          | 57,317,424       | 137,906,477  | 18,133,410     | 13,984,432   | 227,341,743  | 1,408,062                         |
| Total noncurrent assets                 | 65,866,965       | 179,222,081  | 19,712,830     | 16,377,273   | 281,179,149  | 1,409,162                         |
| Total assets                            | 70,843,131       | 195,580,693  | 21,483,621     | 30,106,608   | 318,014,053  | 16,548,865                        |
| <b>Deferred Outflows of Resources -</b> |                  |              |                |              |              |                                   |
| Unamortized loss on refunding           | 113,328          | 2,161,726    | -              | -            | 2,275,054    | -                                 |
| <b>Liabilities</b>                      |                  |              |                |              |              |                                   |
| Current liabilities:                    |                  |              |                |              |              |                                   |
| Accounts payable                        | 562,715          | 2,432,600    | 264,090        | 474,084      | 3,733,489    | 707,016                           |
| Due to other governmental units         | -                | -            | -              | 101,142      | 101,142      | -                                 |
| Due to other funds                      | 72,095           | 4,330        | -              | 2,436        | 78,861       | 4,288                             |
| Performance deposits payable            | -                | -            | -              | 5,000        | 5,000        | -                                 |
| Accrued liabilities and other:          |                  |              |                |              |              |                                   |
| Accrued payroll payable                 | 98,886           | 198,967      | -              | 175,720      | 473,573      | 64,990                            |
| Accrued interest payable                | 6,630            | 193,294      | -              | 94,219       | 294,143      | 83                                |
| Customer deposits payable               | 1,561,223        | -            | 136,911        | -            | 1,698,134    | -                                 |
| Other current payables                  | 43,385           | -            | 25,279         | -            | 68,664       | -                                 |
| Compensated absences                    | 245,114          | 266,190      | -              | 238,934      | 750,238      | 179,557                           |
| Notes and loans payable                 | 20,912           | 162,472      | -              | -            | 183,384      | -                                 |
| Mortgage bonds payable                  | -                | 70,725       | -              | 225,000      | 295,725      | -                                 |
| Claims payable                          | -                | -            | -              | -            | -            | 2,317,615                         |
| Capital leases                          | 210,934          | 595,824      | -              | 1,264,825    | 2,071,583    | 13,577                            |
| Revenue bonds payable                   | 1,375,000        | 6,835,000    | -              | -            | 8,210,000    | -                                 |
| Total current liabilities               | 4,196,894        | 10,759,402   | 426,280        | 2,581,360    | 17,963,936   | 3,287,126                         |
| Noncurrent liabilities:                 |                  |              |                |              |              |                                   |
| Advances from other funds               | -                | -            | -              | 31,191       | 31,191       | -                                 |
| Notes and loans payable                 | 311,650          | 2,087,171    | -              | -            | 2,398,821    | -                                 |
| Mortgage bonds payable                  | -                | 270,739      | -              | 4,990,402    | 5,261,141    | -                                 |
| Capital leases                          | 728,876          | 1,254,995    | -              | 2,529,669    | 4,513,540    | 45,579                            |
| Revenue bonds payable                   | 15,631,045       | 71,636,002   | -              | -            | 87,267,047   | -                                 |
| Total noncurrent liabilities            | 16,671,571       | 75,248,907   | -              | 7,551,262    | 99,471,740   | 45,579                            |
| Total liabilities                       | 20,868,465       | 86,008,309   | 426,280        | 10,132,622   | 117,435,676  | 3,332,705                         |
| <b>Deferred Inflows of Resources</b>    |                  |              |                |              |              |                                   |
| Unamortized service agreement           | -                | -            | 239,584        | -            | 239,584      | -                                 |
| Unamortized gain on sale/leaseback      | -                | -            | -              | 3,356        | 3,356        | -                                 |
| Total deferred inflows of resources     | -                | -            | 239,584        | 3,356        | 242,940      | -                                 |

The Notes to Financial Statements are an  
Integral Part of this Statement.



# City of South Bend, Indiana

## Proprietary Funds Statement of Net Position (Continued) December 31, 2016

|                                   | Enterprise Funds     |                       |                      |                        |                                 | Governmental<br>Activities |
|-----------------------------------|----------------------|-----------------------|----------------------|------------------------|---------------------------------|----------------------------|
|                                   |                      |                       |                      |                        | Proprietary<br>Internal Service |                            |
|                                   | Water Utility        | Wastewater<br>Utility | Century Center       | Nonmajor<br>Enterprise | Total                           | Fund                       |
| <b>Net Position</b>               |                      |                       |                      |                        |                                 |                            |
| Net investment in capital assets: | \$ 39,644,547        | \$ 79,882,890         | \$ 18,846,844        | \$ 6,914,693           | \$ 145,288,974                  | \$ 1,348,906               |
| Debt service fund                 | 50,069               | 814,230               | -                    | -                      | 864,299                         | -                          |
| Customer repair and deposit fund  | 1,541,424            | 1,752,931             | -                    | -                      | 3,294,355                       | -                          |
| Cash with fiscal agent            | 147,437              | 248,464               | -                    | 897,564                | 1,293,465                       | -                          |
| Bond reserve fund                 | 1,392,739            | 4,111,633             | -                    | -                      | 5,504,372                       | -                          |
| Operating reserve fund            | 2,457,950            | 4,627,379             | -                    | -                      | 7,085,329                       | -                          |
| Capital outlay fund               | 2,582,972            | 10,137,217            | 865,986              | 335,857                | 13,922,032                      | -                          |
| Unrestricted                      | 2,270,856            | 10,159,366            | 1,104,927            | 11,822,516             | 25,357,665                      | 11,867,254                 |
|                                   |                      |                       |                      |                        |                                 |                            |
| Total net position                | <u>\$ 50,087,994</u> | <u>\$ 111,734,110</u> | <u>\$ 20,817,757</u> | <u>\$ 19,970,630</u>   | <u>\$ 202,610,491</u>           | <u>\$ 13,216,160</u>       |

# City of South Bend, Indiana

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2016

|  | Enterprise Funds     |                       |                      |                      |                       | Governmental         |
|--|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
|  | Water Utility        | Wastewater            | Century Center       | Nonmajor             | Total                 | Proprietary          |
|  |                      | Utility               |                      | Enterprise           |                       | Internal Service     |
|  |                      |                       |                      |                      | Fund                  |                      |
| <b>Operating Revenue</b>                                   |                      |                       |                      |                      |                       |                      |
| Metered revenue  | \$ 10,149,170        | \$ 38,219,093         | \$ -                 | \$ -                 | \$ 48,368,263         | \$ -                 |
| Convention fees  | -                    | -                     | 3,362,396            | -                    | 3,362,396             | -                    |
| Fire protection revenue                                    | 2,000,428            | -                     | -                    | -                    | 2,000,428             | -                    |
| Licenses and permits                                       | -                    | -                     | -                    | 1,752,497            | 1,752,497             | -                    |
| Interest and penalty charges                               | 76,957               | 667,656               | -                    | -                    | 744,613               | -                    |
| Parking fees   | -                    | -                     | 110,792              | 993,845              | 1,104,637             | -                    |
| Solid waste fees   | -                    | -                     | -                    | 5,511,281            | 5,511,281             | -                    |
| Employee/Employer contributions                            | -                    | -                     | -                    | -                    | -                     | 21,121,497           |
| Charges for sales and services                             | -                    | -                     | -                    | 7,822,894            | 7,822,894             | 7,371,837            |
| Water leak insurance revenue                               | 974,068              | -                     | -                    | -                    | 974,068               | -                    |
| Charges to other funds                                     | 1,414,956            | -                     | -                    | -                    | 1,414,956             | -                    |
| Other  | 475,793              | 174,813               | 10,038               | 139,129              | 799,773               | 115,852              |
| <b>Total operating revenue</b>                             | <b>15,091,372</b>    | <b>39,061,562</b>     | <b>3,483,226</b>     | <b>16,219,646</b>    | <b>73,855,806</b>     | <b>28,609,186</b>    |
| <b>Operating Expenses</b>                                  |                      |                       |                      |                      |                       |                      |
| Cost of water  | 6,531,883            | -                     | -                    | -                    | 6,531,883             | -                    |
| Cost of sewage treatment                                   | -                    | 14,414,508            | -                    | -                    | 14,414,508            | -                    |
| Other operation and maintenance                            | -                    | -                     | -                    | 14,535,669           | 14,535,669            | 9,071,629            |
| General and administration                                 | 2,359,837            | 2,505,862             | 4,302,253            | 1,142,300            | 10,310,252            | 1,172,912            |
| Insurance claims and premiums                              | -                    | -                     | -                    | -                    | -                     | 15,585,171           |
| Plumbing contractors                                       | 1,045,518            | -                     | -                    | -                    | 1,045,518             | -                    |
| Customer service   | 2,144,461            | -                     | -                    | -                    | 2,144,461             | -                    |
| Depreciation   | 2,102,758            | 6,832,296             | 1,062,219            | 1,470,823            | 11,468,096            | 149,026              |
| <b>Total operating expenses</b>                            | <b>14,184,457</b>    | <b>23,752,666</b>     | <b>5,364,472</b>     | <b>17,148,792</b>    | <b>60,450,387</b>     | <b>25,978,738</b>    |
| <b>Operating Income (Loss)</b>                             | <b>906,915</b>       | <b>15,308,896</b>     | <b>(1,881,246)</b>   | <b>(929,146)</b>     | <b>13,405,419</b>     | <b>2,630,448</b>     |
| <b>Nonoperating Revenue (Expenses)</b>                     |                      |                       |                      |                      |                       |                      |
| Investment income  | 115,235              | 374,035               | 932                  | 80,780               | 570,982               | 112,274              |
| Hotel/Motel tax revenue                                    | -                    | -                     | 1,313,450            | -                    | 1,313,450             | -                    |
| Interest expense   | (715,582)            | (2,667,860)           | -                    | (233,499)            | (3,616,941)           | -                    |
| (Loss) gain on sale of assets                              | (84,258)             | (626,530)             | (286,985)            | (145,618)            | (1,143,391)           | (4,330)              |
| Debt service charge  | -                    | -                     | -                    | -                    | -                     | (272)                |
| Other nonoperating general revenue                         | -                    | -                     | -                    | 300,966              | 300,966               | -                    |
| <b>Total nonoperating (expenses) revenue</b>               | <b>(684,605)</b>     | <b>(2,920,355)</b>    | <b>1,027,397</b>     | <b>2,629</b>         | <b>(2,574,934)</b>    | <b>107,672</b>       |
| <b>Income (Loss) - Before contributions</b>                | <b>222,310</b>       | <b>12,388,541</b>     | <b>(853,849)</b>     | <b>(926,517)</b>     | <b>10,830,485</b>     | <b>2,738,120</b>     |
| <b>Capital Contributions - Other capital contributions</b> | <b>-</b>             | <b>-</b>              | <b>619,001</b>       | <b>30,608</b>        | <b>649,609</b>        | <b>-</b>             |
| <b>Transfers In</b>  | <b>-</b>             | <b>-</b>              | <b>-</b>             | <b>2,110,468</b>     | <b>2,110,468</b>      | <b>-</b>             |
| <b>Transfers Out</b>                                       | <b>(2,039,748)</b>   | <b>(3,672,060)</b>    | <b>(79,676)</b>      | <b>-</b>             | <b>(5,791,484)</b>    | <b>-</b>             |
| <b>Change in Net Position</b>                              | <b>(1,817,438)</b>   | <b>8,716,481</b>      | <b>(314,524)</b>     | <b>1,214,559</b>     | <b>7,799,078</b>      | <b>2,738,120</b>     |
| <b>Net Position - Beginning of year</b>                    | <b>51,905,432</b>    | <b>103,017,629</b>    | <b>21,132,281</b>    | <b>18,756,071</b>    | <b>194,811,413</b>    | <b>10,478,040</b>    |
| <b>Net Position - End of year</b>                          | <b>\$ 50,087,994</b> | <b>\$ 111,734,110</b> | <b>\$ 20,817,757</b> | <b>\$ 19,970,630</b> | <b>\$ 202,610,491</b> | <b>\$ 13,216,160</b> |

The Notes to Financial Statements are an Integral Part of this Statement.

# City of South Bend, Indiana

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2016

|   | Enterprise Funds    |                      |                     |                     |                      | Governmental        |
|---|---------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
|   | Water Utility       | Wastewater           | Century Center      | Nonmajor            | Total                | Proprietary         |
|   |                     | Utility              |                     |                     |                      | Enterprise          |
|   |                     |                      |                     |                     |                      | Fund                |
| <b>Cash Flows from Operating Activities</b>                             |                     |                      |                     |                     |                      |                     |
| Receipts from customers and users                                       | \$ 13,284,386       | \$ 38,658,757        | \$ 3,187,792        | \$ 16,391,948       | \$ 71,522,883        | \$ 5,253,324        |
| Receipts from interfund services and reimbursements                     | 1,996,165           | 23,990               | 10,059              | 1,170               | 2,031,384            | 23,260,163          |
| Payments to suppliers   | (6,086,376)         | (6,321,402)          | (4,172,257)         | (5,325,142)         | (21,905,177)         | (22,332,513)        |
| Payments to employees   | (5,221,969)         | (7,008,726)          | -                   | (8,889,487)         | (21,120,182)         | (3,274,707)         |
| Internal activity - Payments to other funds                             | (572,755)           | (2,846,998)          | -                   | (935,789)           | (4,355,542)          | (179,059)           |
| Net cash provided by (used in) operating activities                     | 3,399,451           | 22,505,621           | (974,406)           | 1,242,700           | 26,173,366           | 2,727,208           |
| <b>Cash Flows from Noncapital Financing Activities</b>                  |                     |                      |                     |                     |                      |                     |
| Transfers from other funds  | -                   | -                    | -                   | 2,110,468           | 2,110,468            | -                   |
| Loans received from other funds   | -                   | -                    | -                   | 31,191              | 31,191               | -                   |
| Hotel/Motel tax   | -                   | -                    | 1,313,450           | -                   | 1,313,450            | -                   |
| Transfers to other funds  | (2,039,748)         | (3,672,060)          | (79,676)            | -                   | (5,791,484)          | -                   |
| Other nonoperating revenue  | -                   | -                    | -                   | 300,966             | 300,966              | -                   |
| Net cash (used in) provided by noncapital financing activities          | (2,039,748)         | (3,672,060)          | 1,233,774           | 2,442,625           | (2,035,409)          | -                   |
| <b>Cash Flows from Capital and Related Financing Activities</b>         |                     |                      |                     |                     |                      |                     |
| Proceeds from capital debt refunding                                    | 3,300,000           | -                    | -                   | -                   | 3,300,000            | -                   |
| Proceeds from capital debt issued for future capital purchase           | 976,915             | 878,127              | -                   | 1,700,882           | 3,555,924            | -                   |
| Proceeds from sales of capital assets                                   | 9,521               | -                    | -                   | 22,816              | 32,337               | -                   |
| Purchase of capital assets  | (360,274)           | (17,575,639)         | (113,127)           | (2,656,877)         | (20,705,917)         | (241,192)           |
| Principal paid on capital debt  | (4,866,156)         | (7,465,416)          | -                   | (1,255,730)         | (13,587,302)         | (10,487)            |
| Interest paid on capital debt   | (703,383)           | (2,488,229)          | -                   | (234,627)           | (3,426,239)          | (313)               |
| Net cash (used in) provided by capital and related financing activities | (1,643,377)         | (26,651,157)         | (113,127)           | (2,423,536)         | (30,831,197)         | (251,992)           |
| <b>Cash Flows from Investing Activities</b>                             |                     |                      |                     |                     |                      |                     |
| Interest received on investments  | 112,485             | 377,841              | 932                 | 75,257              | 566,515              | 104,446             |
| Proceeds from sale and maturities of investment securities              | 319,801             | 6,517,695            | -                   | (1,037,258)         | 5,800,238            | (1,775,543)         |
| Net cash provided by (used in) investing activities                     | 432,286             | 6,895,536            | 932                 | (962,001)           | 6,366,753            | (1,671,097)         |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>             | 148,612             | (922,060)            | 147,173             | 299,788             | (326,487)            | 804,119             |
| <b>Cash and Cash Equivalents - Beginning of year</b>                    | 2,489,427           | 12,111,777           | 2,098,964           | 2,975,529           | 19,675,697           | 2,315,742           |
| <b>Cash and Cash Equivalents - End of year</b>                          | <u>\$ 2,638,039</u> | <u>\$ 11,189,717</u> | <u>\$ 2,246,137</u> | <u>\$ 3,275,317</u> | <u>\$ 19,349,210</u> | <u>\$ 3,119,861</u> |

# City of South Bend, Indiana

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2016

|   | Enterprise Funds    |                       |                     |                        |                      | Governmental<br>Activities              |
|---|---------------------|-----------------------|---------------------|------------------------|----------------------|---|
|   | Water Utility       | Wastewater<br>Utility | Century Center      | Nonmajor<br>Enterprise | Total                | Proprietary<br>Internal Service<br>Fund |
|   |                     |                       |                     |                        |                      |   |
| <b>Statement of Net Position Classification of Cash and Cash Equivalents</b>            |                     |                       |                     |                        |                      |   |
| Cash and investments  | \$ 3,801,789        | \$ 13,289,872         | \$ 1,380,151        | \$ 9,160,403           | \$ 27,632,215        | \$ 13,887,202                           |
| Restricted cash and investments   | 8,172,590           | 21,691,854            | 865,986             | 1,233,421              | 31,963,851           | 1,100                                   |
| Less amounts classified as investments  | (9,336,340)         | (23,792,009)          | -                   | (7,118,507)            | (40,246,856)         | (10,768,441)                            |
| <b>Total cash and cash equivalents</b>  | <b>\$ 2,638,039</b> | <b>\$ 11,189,717</b>  | <b>\$ 2,246,137</b> | <b>\$ 3,275,317</b>    | <b>\$ 19,349,210</b> | <b>\$ 3,119,861</b>                     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>  |                     |                       |                     |                        |                      |   |
| Operating income (loss)   | \$ 906,915          | \$ 15,308,896         | \$ (1,881,246)      | \$ (929,146)           | \$ 13,405,419        | \$ 2,630,448                            |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: |                     |                       |                     |                        |                      |   |
| Depreciation and amortization   | 2,102,758           | 6,832,296             | 1,062,219           | 1,470,823              | 11,468,096           | 149,026                                 |
| Lease proceeds used for noncapital expenses   | -                   | -                     | -                   | 299,885                | 299,885              | 43,938                                  |
| Changes in assets and liabilities:  |                     |                       |                     |                        |                      |   |
| Receivables   | 146,302             | (379,560)             | (215,221)           | 173,501                | (274,978)            | (21,127)                                |
| Due from other funds  | (4,264)             | 745                   | 10,059              | (30)                   | 6,510                | (74,572)                                |
| Inventory   | (190,715)           | 45,309                | 5,489               | -                      | (139,917)            | (28,250)                                |
| Prepaid expenses and other assets   | 14,920              | 6,116                 | 6,997               | -                      | 28,033               | 6,937                                   |
| Accounts payable  | 253,219             | 545,563               | 150,092             | 165,426                | 1,114,300            | 189,769                                 |
| Due to other governments  | -                   | -                     | -                   | (58,956)               | (58,956)             | -                                       |
| Performance deposit   | -                   | -                     | -                   | (32,437)               | (32,437)             | -                                       |
| Due to other funds  | 68,309              | 2,253                 | -                   | (8,307)                | 62,255               | (585)                                   |
| Accrued liabilities and other   | (16,927)            | -                     | (128,415)           | -                      | (145,342)            | -                                       |
| Accrued payroll payable   | 36,576              | 113,749               | -                   | 72,279                 | 222,604              | 31,732                                  |
| Compensated absences payable  | 35,220              | 30,254                | -                   | 89,662                 | 155,136              | 56,321                                  |
| Customer deposits   | 47,138              | -                     | 15,620              | -                      | 62,758               | -                                       |
| Estimate of unfiled claims  | -                   | -                     | -                   | -                      | -                    | (256,429)                               |
| <b>Net cash provided by (used in) operating activities</b>                              | <b>\$ 3,399,451</b> | <b>\$ 22,505,621</b>  | <b>\$ (974,406)</b> | <b>\$ 1,242,700</b>    | <b>\$ 26,173,366</b> | <b>\$ 2,727,208</b>                     |
| <b>Noncash Investing, Capital, and Financing Activities</b>                             |                     |                       |                     |                        |                      |   |
| Capital assets disposed (at cost)   | \$ 554,395          | \$ 2,547,395          | \$ 1,835,418        | \$ 1,819,908           | \$ 6,757,116         | \$ 45,303                               |
| Capital asset contribution  | -                   | -                     | 619,001             | 30,608                 | 649,609              | -                                       |
| Work in progress completed transferred to capital assets                                | -                   | 13,241,010            | -                   | -                      | 13,241,010           | -                                       |
| Accumulated depreciation on disposals of capital assets                                 | (460,616)           | (1,927,374)           | (1,548,433)         | (1,651,474)            | (5,587,897)          | (40,973)                                |

# City of South Bend, Indiana

## Fiduciary Funds Statement of Fiduciary Net Position December 31, 2016

|                               | <u>Pension Trust<br/>Funds</u> | <u>Private-<br/>Purpose Trust<br/>Fund</u> | <u>Agency Funds</u> |
|-------------------------------|--------------------------------|--|---------------------|
| <b>Assets</b>                 |                                |  |                     |
| Cash and cash equivalents     | \$ 213,763                     | \$ 6,413                                   | \$ 2,930,775        |
| Investments                   | 744,677                        | 22,340                                     | -                   |
| Receivables - Interest        | 1,870                          | 54   | -                   |
| Receivables - Accounts        | 1,267                          | 399,065                                    | -                   |
| Total assets                  | <u>\$ 961,577</u>              | <u>\$ 427,872</u>                          | <u>\$ 2,930,775</u> |
| <b>Liabilities</b>            |                                |  |                     |
| Accounts payable              | \$ 170                         | \$ -                                       | \$ -                |
| Accrued liabilities and other | 355                            | -  | 420,885             |
| Customer deposits payable     | -                              | -  | 1,692,774           |
| Police distribution payable   | -                              | -  | 817,116             |
| Total liabilities             | <u>525</u>                     | <u>-</u>                                   | <u>\$ 2,930,775</u> |
| <b>Net Position</b>           | <u>\$ 961,052</u>              | <u>\$ 427,872</u>                          |                     |

# City of South Bend, Indiana

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended December 31, 2016

|  | Pension Trust<br>Funds | Private-Purpose<br>Trust Fund |
|--|------------------------|-------------------------------|
| <b>Additions</b>                               |                        |                               |
| Investment income - Interest and dividends     | \$ 9,565               | \$ 262                        |
| Contributions:                                 |                        |                               |
| On behalf                                      | 10,858,021             | -                             |
| Other  | 22,028                 | 399,067                       |
| Total contributions                            | 10,880,049             | 399,067                       |
| Total additions                                | 10,889,614             | 399,329                       |
| <b>Deductions</b>                              |                        |                               |
| Benefit payments                               | 11,529,995             | -                             |
| Administrative expenses                        | 28,035                 | -                             |
| Total deductions                               | 11,558,030             | -                             |
| <b>Net (Decrease) Increase in Net Position</b> | (668,416)              | 399,329                       |
| <b>Net Position - Beginning of year</b>        | 1,629,468              | 28,543                        |
| <b>Net Position - End of year</b>              | \$ 961,052             | \$ 427,872                    |

# City of South Bend, Indiana

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## Notes to Financial Statements December 31, 2016

### Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of South Bend:

#### **Reporting Entity**

The City of South Bend (the "City") was established under the laws of the State of Indiana and operates under a Council-Mayor form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations.

#### **Blended Component Units**

The South Bend Redevelopment Authority is a significant blended component unit of the City. Although it is legally separate from the City, the Redevelopment Authority is reported as if it were part of the City because its sole purpose is to finance and construct land, building, and other improvements for use by the City. Financial statements for the Redevelopment Authority are available at the City Controller's Office, City of South Bend, 227 West Jefferson, 12th Floor County-City Building, South Bend, Indiana 46601.

The South Bend Building Corporation, Inc. is also a legally separate nonprofit corporation and a significant blended component unit of the City. The Building Corporation is reported as if it were part of the City because its main purpose is to finance construction and remodeling of City buildings. Debt of the Building Corporation is repaid through lease payments from the City. Financial statements for the Building Corporation are available at the City Controller's Office, City of South Bend, 227 West Jefferson, 12th Floor County-City Building, South Bend, Indiana 46601.

#### **Related Organizations**

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The mayor and the Common Council appoint the board members of the South Bend Housing Authority, South Bend Public Transportation Corporation (TRANSPo), Urban Enterprise Association, St. Joseph County Housing Consortium, and the Saint Joseph County Board of Managers for Hotel-Motel Tax.

#### **Accounting and Reporting Principles**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

### Note I - Summary of Significant Accounting Policies (Continued)

#### Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

#### Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:



### Note I - Summary of Significant Accounting Policies (Continued)

**Governmental Funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as “major” governmental funds:

- The General Fund, which is the primary operating fund, accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Park and Recreation Fund is used to account for the operation of the City park system. Financing is provided by a specific annual property tax levy to the extent that user fees and miscellaneous revenues are insufficient to provide such financing.
- The Public Safety Local Option Income Tax (LOIT) Fund is used to account for the City's share of the public safety local option income tax. Expenditures are restricted to public safety.
- The County Option Income Tax (COIT) Fund is used to account for the City's share of the county option income tax. Expenditures include any lawful purpose of the City.
- The Economic Development Income Tax (EDIT) Fund is to account for the City's share of the County Economic Development Tax. Expenditures include any lawful purpose of the City.
- The Rainy Day fund is for unused and unencumbered funds that are transferred from a fund that has a tax levy. Revenues in this fund also include special distributions of county option income tax (COIT) and county economic development income tax (CEDIT).
- The River West TIF (Tax Incremental Financing) Fund is used to account for public improvement projects in the river west economic development area. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of property in the district before redevelopment.

### Note I - Summary of Significant Accounting Policies (Continued)

**Proprietary Funds** include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as “major” enterprise funds:

- The Water Utility Fund accounts for the operation of the City's water distribution system.
- The Wastewater Utility Fund accounts for the operation of the City's wastewater treatment plant, pumping stations, and collection systems.
- The Century Center Fund accounts for the operation and maintenance of the City's convention center. Financing is received from various user fees for conventions, meetings, and other events held at the civic center and a subsidy from the St. Joseph County's Special Funds Board of Managers.

The City's internal service funds are used to account for various City liability coverage, employee medical coverage, police officers' take home vehicle, 311 call center, unemployment claims, and central services such as fuel, vehicle repairs, and various supplies provided to other departments on a cost-reimbursement basis. The activities are accounted for on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

**Fiduciary Funds** include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The pension trust funds account for the activities of the 1925 Police and 1937 Fire Pension Funds which accumulate resources for pension benefit payments.
- The Private-Purpose Trust Fund reports a trust arrangement under which principal and income benefit cemetery maintenance.
- The agency funds account for assets held by the City as an agent for employee payroll, pension, and payroll deductions, held for an entertainment center's event deposits, and collected by the South Bend Police Department from asset seizures.

### Note I - Summary of Significant Accounting Policies (Continued)

Interfund Activity: During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### **Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, franchise taxes, licenses, and interest associated with the current fiscal period.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

### Note I - Summary of Significant Accounting Policies (Continued)

#### Specific Balances and Transactions

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

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

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost. A “nonparticipating” instrument is one that does not recognize market fluctuations in its valuation.

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

Open-end mutual funds are reported at fair value.

Money market investments are reported fair value.

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

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Restricted assets also include customer deposits, operating reserves, capital outlay accounts, and debt service reserve funds.

**Capital Assets** - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

### Note I - Summary of Significant Accounting Policies (Continued)

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

The City has implemented retroactive reporting of its infrastructure as of December 31, 2006.

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

All land purchases are capitalized regardless of acquisition price. Land is never depreciated.

Major outlays for capital assets and improvements are capitalized when projects have completed the construction phase. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Infrastructure, intangibles, buildings, equipment, roads, and vehicles are depreciated using the straight-line method over the following useful lives:

| Capital Asset Class                | Capitalization<br>Threshold | Lives (in years) |
|------------------------------------|-----------------------------|------------------|
| Buildings and improvements         | \$ 100,000                  | 20-30            |
| Large office equipment             | 10,000                      | 5-10             |
| Vehicles and other equipment       | 10,000                      | 5-20             |
| Roads - Collectors and residential | 250,000                     | 40-50            |
| Utilities infrastructure (large)   | 250,000                     | 30-99            |

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. Net position restricted for debt service and for capital outlay shown in the business-type activities and in the enterprise funds are restricted pursuant to state statute and/or local ordinance.

### Note I - Summary of Significant Accounting Policies (Continued)

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The deferred charge on refunding and deferred charges on pensions that are reported in the governmental activities statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are recorded with respect to pensions per GASB Statement No. 68.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category: an unamortized amount related to a service agreement, an unamortized gain related to a sale/leaseback transaction, and deferred inflows related to pensions per GASB Statement No. 68.

#### Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### Note I - Summary of Significant Accounting Policies (Continued)

#### Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable fund balances include items that cannot be spent. This includes activity that is not in a spendable form (long-term portions of loans, property held for resale) and activity that is legally or contractually required to remain intact, such as principal balances in a permanent fund.

Restricted fund balances have constraints placed upon the use of the resources either by an external party such as a grantor or creditor or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action by the South Bend Common Council, for all non-TIF Funds, or by the South Bend Redevelopment Commission for TIF Funds. This formal action is the passage of an ordinance by the Council or resolution by the Commission specifying the purposes for which the funds can be used. The same type of formal action is necessary to remove or change the specified use. The South Bend Common Council is the highest level of decision-making authority for the non-TIF Funds. The South Bend Redevelopment Commission is the highest level of decision-making authority for the TIF Funds.

Assigned fund balances include amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For the governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed. Currently, state statute does not require the City's Common Council to undertake any resolution regarding the assignment of fund balances. Assignments of fund balance are imposed by informal action of the City Controller. Formal action by a governing body is not required to assign fund balances.

The unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Only the General Fund may report a positive unassigned fund balance whereas other governmental funds may need to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

### Note I - Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted amounts are available for use, generally it is the City's policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the City's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed.

The fund balance policy includes reserve ranges for funds as follows:

- General: 35 percent of annual expenditures
- COIT: 50 percent of annual expenditures
- EDIT: 50 percent of annual expenditures
- Water operating: 5 percent of annual expenditures
- Wastewater operating: 5 percent of annual expenditures
- Other: generally 25 percent of annual expenditures

The detail of the fund balance classifications of the governmental funds for the year ended December 31, 2016 can be found in Note 16.

#### **Property Tax Revenue**

Property taxes levied are collected by the County Treasurer and are usually distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations, adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively.

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.



### Note I - Summary of Significant Accounting Policies (Continued)

#### Compensated Absences (Vacation and Sick Leave)

- a. Sick Leave - City employees earn sick leave at the rate of four to eight days per year, depending upon employee classification and length of service. Police officers, teamsters, 40-hour-per-week firefighters, and all other employees earn eight sick days per year, regardless of tenure of service. Firefighters working 24-hour workdays with tenure greater than five years earn five days of sick leave per year, and firefighters working 24-hour workdays with tenure less than five years, earn four days of sick leave per year. Sick leave may accumulate to a maximum 90 days for police officers, 100 days for 40-hour-per-week firefighters, 38 days for 24-per-day firefighter, 75 days for teamsters, and 65 days for all other employees. Accumulated sick leave is paid to firefighters and police officers upon termination of employment depending upon the number of sick leave hours transacted, at a rate of 50 percent to 100 percent of the base hourly rate of pay for firefighters and at a rate of one-half the first class patrolman rank rate of pay for police officers. Accumulated sick leave is paid to teamster employees, upon retirement, at a rate of \$40 for each accumulated sick leave day transacted. Sick leave buy-back during employment is paid to firefighters and police officers annually upon request. Upon request, firefighters are paid unused sick days earned in the previous year in excess of 252 hours in the sick day bank at the base hourly rate of pay. Upon request, police officers are paid up to a maximum eight unused sick days at the first class patrolman rate of pay.
- b. Vacation Leave - Primary government employees earn vacation leave at rates from zero days to 28 days based upon hire date, years of service, and employee classification. Vacation leave does not accumulate from year to year for police officers, firefighters, and teamster employees, except in instances where special cases are approved. Nonbargaining employees carry over to the following year unused vacation time up to a maximum of 160 hours. Employees earn vacation leave during the year for use in the succeeding year. Unused vacation leave is paid to employees upon termination of employment. Firefighters may sell back vacation leave, up to a maximum three days per year, during selected times of the year, at the employee's normal hourly rate of pay.

### Note I - Summary of Significant Accounting Policies (Continued)

- c. Personal Leave - City police officers earn personal leave at the rate of seven days per year, and have the opportunity to earn an additional three days leave with participation in regularly scheduled police practice shooting exercises. Police officers personal leave does not accumulate from year to year. Police officers unused personal leave may be rolled into sick leave. City employees under the teamster contract can use up to four days of their sick leave for personal leave. Personal leave of absence may be available for certain personal, family, and medical reasons when other forms of leave have been exhausted or otherwise not available. Leaves of absences are unpaid although employees may use accrued vacation, sick, and comp time. A leave of absence may not exceed 30 calendar days, however an employee facing exceptional circumstances may seek an additional 30 calendar day leave of absence subject to approval by the department and HR department. Employees who are enrolled in the City's insurance plans will be covered during the initial leave of absence, but benefit time, such as vacation and sick time, will not accrue during this period. While every effort will be made to retain employment opportunities for an individual during this time, there is no guarantee of employment at the completion of personal leave of absence.
- d. Compensatory Leave - City firefighters can elect to receive compensation for overtime hours worked either through wage payment or compensatory time off work up to a maximum of 240 hours. All other nonexempt employees working overtime hours earn compensatory time off up to a maximum balance of 32 hours, after which they are paid overtime wage. All other exempt employees working overtime hours earn compensatory time up to a maximum balance of 160 hours.

Unused vacation leave for all City employees, and unused sick leave and compensatory leave of firefighters, police officers, and teamsters, is accrued when incurred and reported as a liability in the statement of net position. Amounts due and payable at year end are included in the proprietary fund statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

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

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. Annual budgets are adopted for the following governmental funds:

Major governmental funds:

- General Fund
- Special Revenue Funds - Park and Recreation, Public Safety Local Option Income Tax (LOIT), County Option Income Tax (COIT), Economic Development Income Tax (EDIT), Rainy Day
- Capital Projects Fund - River West TIF

Nonmajor governmental funds:

- Special Revenue Funds - Motor Vehicle Highway, Recreation Nonreverting, Studebaker Oliver Revitalization Grants, Economic Development State Grants, DCI Operating, Community Investment Grants, Police State Seizure, Juvenile Positive Assistance, Unsafe Building, Law Enforcement Continuing Education, Landlord Registration, Loss Recovery, Emergency Telephone System, Local Road and Street, Excess Welfare Distribution, LOIT 2016 Special Distribution, Human Rights-Federal Grant, East Race Waterway, Morris and Palais Marketing, Police Block Grants, Economic Development Commission, Hazmat, Indiana River Rescue, COPS Block Grant II, Regional Police Academy, COPS MORE Grant, Federal Drug Enforcement, Gift, Urban Development Action Grant, Leaf Collection and Removal, Police K-9 Unit, Excess Levy
- Debt Service Fund - College Football Hall of Fame Debt Service, Redevelopment Bond - Airport Taxable, Coveleski Bond Debt Service Reserve, Redevelopment Bond - Palais Royale, Century Center Energy Conservation Debt Service

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

- Capital Projects Funds - Professional Sports Development, Coveleski Stadium Capital, Zoo Endowment, Park Nonreverting Capital, Cumulative Capital Development, Cumulative Capital Improvement, Morris Performing Arts Center Capital, TIF Leighton Plaza, TIF - West Washington, Redevelopment General, Community Revitalization Enhancement District, TIF No. 1 - Southside Development, TIF No. 3 - Southside Development, Football Hall of Fame Capital, Major Moves, TIF - River East Development, TIF Douglas Road, TIF River East Residential, Certified Technology Park, Palais Royale Historic Preservation, Airport Urban Enterprise Zone

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

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

Expenditures did not exceed appropriations for any funds or any departments within the General fund, the Parks and Recreation Fund, the Public Safety LOIT Fund, the COIT Fund, the EDIT Fund, the Rainy Day Fund, or any other major or nonmajor governmental fund which required legally approved budgets. Other financing uses for transfers out in the General fund exceeded the approved budget \$400 due to transferring code enforcement department petty cash to the Consolidated Building fund.

**Fund Deficits** - At December 31, 2016, the following funds reported deficits in fund equity, which are violations of State statute: Urban Development Action Grant (\$215,151), TIF - Douglas Road (\$166,263), and TIF - River East Residential (\$1,317,569).

Fund equity deficits arose primarily from expenditures or expenses exceeding revenues due to the underestimate of current requirements. It is anticipated that these deficits will be repaid from future revenues.

### Note 3 - Deposits and Investments

Authorization for investment activity is stated in Indiana Code 5-13. Indiana Code 5-13-9 has authorized investment in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government-sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than five years.

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

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

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if that institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2016 the bank balances held at the following institutions were collateralized with securities held by the pledging financial institution's trust department or agent in the depositor-City's name:

|                         |              |
|-------------------------|--------------|
| Wells Fargo Bank, NA    | \$ 1,911,935 |
| US Bank NA              | 16,831,622   |
| Bank of New York Mellon | 4,143,808    |
| 1st Source Bank         | 3,850,799    |

The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. The City has not formally adopted a deposit policy for custodial credit risk.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. At year end, \$80,175,943 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City must follow state statute and limit the stated final maturities of the investments to no more than five years. The City does not have a formal investment policy for interest rate risk.

At year end, the City had the following investments and maturities:

| Primary Government                | Fair Value    | Less than One<br>Year | One to Two<br>Years | More than<br>Two Years |
|-----------------------------------|---------------|-----------------------|---------------------|------------------------|
| U.S. Government Agency Securities | \$ 76,167,420 | \$ 8,580,211          | \$ 53,967,984       | \$ 13,619,225          |
| U.S. Treasuries                   | 4,008,523     | 4,008,523             | -                   | -                      |
| Total                             | \$ 80,175,943 | \$ 12,588,734         | \$ 53,967,984       | \$ 13,619,225          |

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. government agency securities are implicitly guaranteed by the full faith and credit of the U.S. government and are recognized as one of the safest investments available. The City does not have a formal investment policy for credit risk.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the City's practice to limit concentration of investments to no more than 10 percent of any institution's asset base. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

#### **Fair Value Measurement**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City has the following recurring fair value measurements as of December 31, 2016:

U.S. Government Agency and Treasury securities of \$80,175,943 are valued using significant other observable inputs (Level 2 inputs).

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 4 - Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable. As of December 31, 2016 City funds recognized the following loan receivable balances. The schedule shows the total receivable and the portion that is not due within one year. These loans were for economic development projects:

|                                   | <u>Receivable</u>   | <u>Noncurrent</u>   |
|-----------------------------------|---------------------|---------------------|
| TIF River West                    | \$ 201,374          | \$ -                |
| Nonmajor governmental funds:      |                     |                     |
| Economic development state grants | 302,069             | 238,409             |
| Community investment grants       | 230,341             | 179,666             |
| Urban development action grant    | 543,909             | 416,655             |
| Industrial revolving              | <u>4,059,177</u>    | <u>3,166,158</u>    |
| Total nonmajor governmental funds | <u>\$ 5,135,496</u> | <u>\$ 4,000,888</u> |

### Note 5 - Net Investment in Capital Assets

The net investment in capital assets is calculated as follows:

|  | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|--|------------------------------------|-------------------------------------|-----------------------|
| Capital assets not subject to depreciation   | \$ 38,302,805                      | \$ 21,873,555                       | \$ 60,176,360         |
| Capital assets subject to depreciation - Net | 235,077,529                        | 227,341,743                         | 462,419,272           |
| Deferred outflows (capital related)          | 2,291,565                          | 2,275,054                           | 4,566,619             |
| Revenue bonds payable - Current              | (11,962,653)                       | (8,210,000)                         | (20,172,653)          |
| Mortgage bonds payable - Current             | (1,744,275)                        | (295,725)                           | (2,040,000)           |
| Notes and loans payable - Current            | (210,266)                          | (183,384)                           | (393,650)             |
| Capital leases payable - Current             | (2,858,050)                        | (2,071,583)                         | (4,929,633)           |
| Revenue bonds payable - Noncurrent           | (87,077,479)                       | (87,267,047)                        | (174,344,526)         |
| Mortgage bonds payable - Noncurrent          | (10,347,275)                       | (5,261,141)                         | (15,608,416)          |
| Notes and loans payable - Noncurrent         | (4,437,115)                        | (2,398,821)                         | (6,835,936)           |
| Capital leases payable - Noncurrent          | (8,071,025)                        | (4,513,540)                         | (12,584,565)          |
| Unspent debt proceeds                        | <u>12,377,557</u>                  | <u>3,999,863</u>                    | <u>16,377,420</u>     |
| Net investment in capital assets             | <u>\$ 161,341,318</u>              | <u>\$ 145,288,974</u>               | <u>\$ 306,630,292</u> |

The business-type activities' unspent bond debt proceeds includes \$2,932,875 unspent debt proceeds (Note 10) and \$1,066,988 unspent capital lease proceeds with the latter being reported as cash with fiscal agent.



# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 6 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

|                                       | Balance<br>January 1, 2016 | Additions     | Disposals     | Balance<br>December 31, 2016 |
|---------------------------------------|----------------------------|---------------|---------------|------------------------------|
| <b>Governmental Activities</b>        |                            |               |               |                              |
| Capital assets not being depreciated: |                            |               |               |                              |
| Land                                  | \$ 15,106,806              | \$ -          | \$ 399,718    | \$ 14,707,088                |
| Construction in progress              | 5,339,423                  | 23,595,717    | 5,339,423     | 23,595,717                   |
| Subtotal                              | 20,446,229                 | 23,595,717    | 5,739,141     | 38,302,805                   |
| Capital assets being depreciated:     |                            |               |               |                              |
| Buildings                             | 128,082,279                | 511,018       | 2,626,309     | 125,966,988                  |
| Improvements other than buildings     | 16,616,553                 | 4,761,355     | -             | 21,377,908                   |
| Machinery and equipment               | 45,543,924                 | 3,735,447     | 1,977,385     | 47,301,986                   |
| Roads and other infrastructure        | 434,344,887                | 2,722,611     | -             | 437,067,498                  |
| Subtotal                              | 624,587,643                | 11,730,431    | 4,603,694     | 631,714,380                  |
| Accumulated depreciation:             |                            |               |               |                              |
| Buildings                             | 47,274,258                 | 3,520,373     | 1,126,070     | 49,668,561                   |
| Improvements other than buildings     | 9,242,881                  | 693,232       | -             | 9,936,113                    |
| Machinery and equipment               | 30,808,402                 | 4,087,694     | 1,780,899     | 33,115,197                   |
| Roads and other infrastructure        | 292,321,510                | 11,595,470    | -             | 303,916,980                  |
| Subtotal                              | 379,647,051                | 19,896,769    | 2,906,969     | 396,636,851                  |
| Net capital assets being depreciated  | 244,940,592                | (8,166,338)   | 1,696,725     | 235,077,529                  |
| Net capital assets                    | \$ 265,386,821             | \$ 15,429,379 | \$ 7,435,866  | \$ 273,380,334               |
| <b>Business-type Activities</b>       |                            |               |               |                              |
| Capital assets not being depreciated: |                            |               |               |                              |
| Land                                  | \$ 2,614,016               | \$ -          | \$ 2          | \$ 2,614,014                 |
| Construction in progress              | 16,644,050                 | 15,632,896    | 13,017,405    | 19,259,541                   |
| Subtotal                              | 19,258,066                 | 15,632,896    | 13,017,407    | 21,873,555                   |
| Capital assets being depreciated:     |                            |               |               |                              |
| Buildings                             | 85,178,794                 | 619,002       | 1,606,895     | 84,190,901                   |
| Improvements other than buildings     | 28,186,217                 | 117,509       | 117,509       | 28,186,217                   |
| Machinery and equipment               | 40,171,610                 | 5,602,338     | 3,814,491     | 41,959,457                   |
| Roads and other infrastructure        | 199,721,525                | 16,185,102    | 4,966,028     | 210,940,599                  |
| Subtotal                              | 353,258,146                | 22,523,951    | 10,504,923    | 365,277,174                  |
| Accumulated depreciation:             |                            |               |               |                              |
| Buildings                             | 34,631,698                 | 2,096,225     | 1,309,652     | 35,418,271                   |
| Improvements other than buildings     | 6,193,452                  | 1,277,888     | 29,377        | 7,441,963                    |
| Machinery and equipment               | 22,524,631                 | 3,639,507     | 3,443,439     | 22,720,699                   |
| Roads and other infrastructure        | 68,662,837                 | 5,644,809     | 1,953,148     | 72,354,498                   |
| Subtotal                              | 132,012,618                | 12,658,429    | 6,735,616     | 137,935,431                  |
| Net capital assets being depreciated  | 221,245,528                | 9,865,522     | 3,769,307     | 227,341,743                  |
| Net capital assets                    | \$ 240,503,594             | \$ 25,498,418 | \$ 16,786,714 | \$ 249,215,298               |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 6 - Capital Assets (Continued)

Accumulated depreciation additions shown in the two schedules above include depreciation expense and also include accumulated depreciation on assets transferred from other funds.

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

Governmental activities:

|  |                      |
|--|----------------------|
| General government   | \$ 406,945           |
| Public safety  | 3,123,010            |
| Highways and streets, and other general infrastructure   | 12,424,217           |
| Culture and recreation   | 3,061,541            |
| Economic development   | 675,962              |
| Internal service funds (depreciation is charged to the various functions based on their usage of the assets) | <u>149,026</u>       |
| Total governmental activities depreciation expense   | <u>\$ 19,840,701</u> |

Business-type activities:

|   |                      |
|---|----------------------|
| Emergency medical service                           | \$ 504,835           |
| Water   | 2,102,758            |
| Wastewater  | 6,832,296            |
| Century Center                                      | 1,062,219            |
| Consolidated building department                    | 152,174              |
| Parking garage                                      | 216,069              |
| Solid waste   | <u>597,745</u>       |
| Total business-type activities depreciation expense | <u>\$ 11,468,096</u> |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 6 - Capital Assets (Continued)

**Construction Commitments** - The City has active construction projects at year end. As of December 31, 2016, the City's commitments with contractors are as follows:

| <u>Project</u>   | <u>Spent to Date</u> | <u>Remaining<br/>Commitment</u> |
|--|----------------------|---------------------------------|
| Governmental activities:                               |                      |                                 |
| Ignition Park Infrastructure Phase IC - Division A     | \$ 4,035,341         | \$ 213,471                      |
| Martin Luther King Jr., HVAC Revisions                 | 106,267              | 273,441                         |
| 2016 Curb & Sidewalk - Division A                      | 289,134              | 115,165                         |
| Chet Waggoner Court                                    | 594,564              | 42,872                          |
| Fire Department Station 5                              | 106,848              | 77,331                          |
| One Way to Two Way Conversion:                         |                      |                                 |
| Chippewa Avenue & Roundabout - Division A              | 4,024,696            | 1,362,286                       |
| Marion Roundabout - Division B                         | 742,592              | 12,258                          |
| Main, Michigan, & St Joseph - Division B               | <u>13,696,275</u>    | <u>5,324,200</u>                |
| Total governmental activities                          | 23,595,717           | 7,421,024                       |
| Business-type activities - Wastewater Utility:         |                      |                                 |
| Secondary Clarifier Rehab/Secondary Treatment<br>Impr. | 15,426,772           | 1,275,433                       |
| Calvert St. Lift Station Replacement                   | 52,220               | 978,370                         |
| Prairie Avenue Sewer Sep & Flow Monitoring             | 628,724              | 225,000                         |
| Grit Removal & Influent Screening Improvements         | 1,453,663            | 70,216                          |
| East Bank Sewer Separation Phase 5                     | <u>1,698,162</u>     | <u>1,070,160</u>                |
| Total business-type activities                         | <u>19,259,541</u>    | <u>3,619,179</u>                |
| Total  | <u>\$ 42,855,258</u> | <u>\$ 11,040,203</u>            |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 7 - Interfund Receivables, Payables, and Transfers

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system, and (4) payments between funds are made. The composition of interfund balances at December 31, 2016 is as follows:

| Receivable Fund                | Payable Fund                      | Amount     |
|--------------------------------|-----------------------------------|------------|
| <b>Due to/from Other Funds</b> |                                   |            |
| General Fund                   | River West TIF                    | \$ 18,475  |
|                                | Nonmajor governmental             | 28,680     |
|                                | Water Utility                     | 221        |
|                                | Total General Fund                | 47,376     |
| Nonmajor governmental funds    | Nonmajor governmental             | 27,965     |
|                                | Internal service                  | 2,083      |
|                                | Total Nonmajor governmental funds | 30,048     |
| Water Utility                  | General                           | 10,024     |
|                                | Parks & Rec                       | 6,066      |
|                                | Nonmajor governmental             | 1,362      |
|                                | Wastewater Utility                | 4,330      |
|                                | Nonmajor enterprise               | 2,436      |
|                                | Internal service                  | 1,005      |
| Total Water Utility            | 25,223                            |            |
| Wastewater Utility             | Water Utility                     | 3,041      |
| Nonmajor enterprise funds      | Internal service                  | 1,200      |
| Internal service               | General                           | 9,911      |
|                                | Water                             | 68,833     |
| Total Internal service         |                                   | 78,744     |
| Total                          |                                   | \$ 185,632 |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

| Receivable Fund                     | Payable Fund                | Amount              |
|-------------------------------------|-----------------------------|---------------------|
| <b>Advances from/to Other Funds</b> |                             |                     |
| General Fund                        | Nonmajor governmental funds | \$ 494,730          |
| COIT                                | Nonmajor governmental funds | 1,351,598           |
| Nonmajor governmental               | River West TIF              | 400,000             |
|                                     | Nonmajor governmental funds | 4,036,926           |
|                                     | Nonmajor enterprise funds   | <u>31,191</u>       |
|                                     | Total Nonmajor governmental | <u>4,468,117</u>    |
|                                     | Total                       | <u>\$ 6,314,445</u> |

Specific purposes of the advances are as follows: the General Fund advanced funds to the Football Hall of Fame to cover operating expenses. The COIT Fund advanced funds to the Urban Development Action Grant Fund for community development projects. Major Moves advanced funds to the Douglas Road and River East Residential TIFs for project costs incurred to construct roads and a parking garage.

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

| Receiving Fund              | Paying Fund                       | Amount        |
|-----------------------------|-----------------------------------|---------------|
| General Fund                | Nonmajor governmental             | \$ 6,738      |
|                             | Water Utility                     | 1,649,989     |
|                             | Wastewater Utility                | 2,970,395     |
|                             | Total General Fund                | 4,627,122     |
| Parks and Recreation        | Water Utility                     | 330,780       |
|                             | Wastewater Utility                | 595,488       |
|                             | Total Parks and Recreation        | 926,268       |
| COIT                        | Nonmajor governmental funds       | 3,039         |
| River West TIF              | Nonmajor governmental             | 22,199        |
| Nonmajor governmental funds | General Fund                      | 202,504       |
|                             | COIT                              | 2,609,041     |
|                             | EDIT                              | 4,599,102     |
|                             | River West TIF                    | 2,623,500     |
|                             | Nonmajor governmental funds       | 3,683,443     |
|                             | Water Utility                     | 58,979        |
|                             | Wastewater Utility                | 106,177       |
|                             | Century Center                    | 79,676        |
|                             | Total nonmajor governmental funds | 13,962,422    |
| Nonmajor enterprise         | EDIT                              | 2,110,468     |
|                             | Total                             | \$ 21,651,518 |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

The City typically uses transfers to fund ongoing operating subsidies. Specific purposes of the transfers are as follows: The Water and Wastewater Utility Funds transferred PILOT funds to the General, Parks and Recreation, Redevelopment Bond Debt Service-Airport Taxable, and Cumulative Capital Development Funds for general use. The COIT, EDIT, River West TIF, Cumulative Capital Improvement, and TIF River East Residential Funds transferred funds to the Redevelopment Authority and South Bend Building Corporation Debt Services Funds for debt service payments. The COIT and EDIT Funds transferred funds to the Motor Vehicle Highway Fund for general operations as well as for the curb and sidewalk improvements. The EDIT Fund transferred funds to the DCI Operating Fund for salaries and wages relating to community investment initiatives and to the Consolidated Building Fund for general operations of Code Enforcement and Animal Care & Control. The Leaf Collection and Removal Fund transferred funds collected from customers for leaf collection to the Motor Vehicle Highway Fund to cover supervisory personnel in charge of the Leaf Collection and Removal program.

### Note 8 - Leases

**Operating Leases** - The City has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for golf cart global positioning systems, office machines, and office space. Rental expenditures for these leases were \$232,883. The following is a schedule by years of future minimum rental payments as of December 31, 2016:

| Years Ending<br>December 31 | Amount            |
|-----------------------------|-------------------|
| 2017                        | \$ 165,089        |
| 2018                        | 90,860            |
| 2019                        | 64,160            |
| 2020                        | 63,660            |
| 2021                        | 63,660            |
| Total                       | <u>\$ 447,429</u> |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 8 - Leases (Continued)

**Capital Leases** - The City has entered into various capital leases for various types of equipment and two parking garages. The parking garage capital leases are being repaid from governmental funds. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2016 are as follows:

| Years Ending<br>December 31          | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------------------|----------------------------|-----------------------------|
| 2017                                 | \$ 3,076,836               | \$ 2,166,911                |
| 2018                                 | 2,649,829                  | 1,560,718                   |
| 2019                                 | 2,162,992                  | 1,331,259                   |
| 2020                                 | 1,775,559                  | 1,272,578                   |
| 2021                                 | 1,181,636                  | 482,074                     |
| 2022-2026                            | 800,000                    | -                           |
| Total minimum lease payments         | 11,646,852                 | 6,813,540                   |
| Less amount representing<br>interest | 717,777                    | 228,417                     |
| Present value                        | <u>\$ 10,929,075</u>       | <u>\$ 6,585,123</u>         |

Assets acquired through capital leases still in effect are as follows:

|                                   | Governmental<br>Activities | Business-type<br>Activities |
|-----------------------------------|----------------------------|-----------------------------|
| Buildings                         | \$ -                       | \$ 1,324,615                |
| Improvements other than buildings | 1,458,939                  | -                           |
| Machinery and equipment           | 12,301,675                 | 7,904,821                   |
| Total                             | 13,760,614                 | 9,229,436                   |
| Accumulated depreciation          | (6,618,151)                | (3,669,137)                 |
| Net                               | <u>\$ 7,142,463</u>        | <u>\$ 5,560,299</u>         |



# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 9 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Debt activity is as follows:

| Description   | Amount           |
|---|------------------|
| <b>Governmental Activities</b>  |                  |
| <u>Mortgage Bonds:</u>  |                  |
| 2010 Public Works Service Center Refunding<br>Interest rates: 3.0% to 5.0%<br>Original issue: \$6,075,000, 87.7% Governmental (\$5,327,775)<br>Principal installments: \$525,000 to \$615,000 plus interest<br>Maturity: February 1, 2021             | \$ 2,416,135     |
| 2012 New Fire Station/Police Renovations Refunding<br>Interest rates: 2.1% to 5.0%<br>Original issue: \$13,595,000<br>Principal installments: \$545,000 to \$770,000<br>Maturity: February 1, 2023  | <u>8,885,000</u> |
| Subtotal  | 11,301,135       |
| <u>Revenue Bonds:</u>   |                  |
| 2014 St. Joseph County PSAP (EDIT) Revenue Bonds<br>City's portion of \$9,155,000 bond (29.03%)<br>Interest rates: 2.0% to 3.625%<br>Original issue: \$2,657,697<br>Installments of \$12,799 to \$16,611 plus interest<br>Maturity: December 31, 2034 | 2,386,508        |
| 2014 TJX Special Taxing District Refunding Bonds<br>Interest rates: 2.0% - 3.0%<br>Original issue: \$3,440,000<br>Installments of \$395,000 to \$470,000 plus interest<br>Maturity: January 1, 2022   | 2,210,000        |
| 2003 Amended River West TIF Refunding<br>Interest rates: 4.0% to 5.2%<br>Original issue: \$14,420,000<br>Installments of \$254,036 to \$530,000 plus interest<br>Maturity: February 1, 2025   | 7,125,000        |
| 2011 Downtown TIF Refunding<br>Interest rates: 4.0% to 5.2%<br>Original issue: \$19,795,000<br>Installments of \$260,000 to \$935,000 plus interest<br>Maturity: February 1, 2025   | 12,500,000       |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 9 - Long-term Debt (Continued)

| Description  | Amount       |
|--|--------------|
| <b>Governmental Activities (Continued)</b>   |              |
| <u>Revenue Bonds (continued):</u>  |              |
| 2005 Southside TIF/Erksine Village<br>Interest rates: 6.1% to 6.75%<br>Original issue: \$5,485,000<br>Installments of \$165,000 to \$465,000 plus interest<br>Maturity: February 1, 2027                                       | \$ 3,800,000 |
| 2015 Eddy Street Common Refunding<br>Interest rates: 4.0% to 6.0%<br>Original issue: \$36,000,000<br>Installments of \$145,000 to \$1,420,000 plus interest<br>Maturity: February 15, 2033                                     | 30,075,000   |
| 2013 Century Center Improvements<br>Interest rates: 4.0% to 5.63%<br>Original issue: \$4,655,000<br>Installments: \$155,000 to \$375,000 plus interest *<br>Maturity: May 1, 2028  | 3,175,000    |
| 2009 Morris Performing Arts Center Refunding<br>Interest rates 3.0% to 4.0%<br>Original issue: \$7,210,000<br>Installments of \$400,000 to \$515,000 plus interest<br>Maturity: February 1, 2017                               | 515,000      |
| 2011 Hall of Fame Refinancing<br>Interest rates: .8% to 3.65%<br>Original issue: \$7,580,000<br>Installments of \$550,000 to \$615,000 plus interest<br>Maturity: February 1, 2018   | 1,830,000    |
| 2011 Century Center Refinancing<br>Interest rates: 2.0% to 3.0%<br>Original issue: \$2,980,000<br>Installments of \$215,000 to \$260,000 plus interest<br>Maturity: February 1, 2018   | 720,000      |
| 2006 CEDIT Refinancing Bonds<br>Interest rates: 3.75% to 4.0%<br>Original issue: \$7,440,000<br>Installments of \$310,000 to \$430,000 plus interest<br>Maturity: February 1, 2017   | 430,000      |
| 2015 Redevelopment Authority Smart Streets Bonds (Bank of America/Merrill)<br>Interest rates: 3.0 - 4.0%<br>Original issue: \$25,000,000<br>Installments of \$460,000 to \$840,000 plus interest<br>Maturity: February 1, 2037 | 25,000,000   |
| 2015 EDIT/Parks Bonds (Bank of America)<br>Interest rates: 3.00 - 3.75%<br>Original issue: \$5,605,000<br>Installments of \$16,667 to \$65,000 plus interest<br>Maturity: August 1, 2035                                       | 5,405,000    |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 9 - Long-term Debt (Continued)

| Description  | Amount         |
|--|----------------|
| <b>Governmental Activities (Continued)</b>   |                |
| <u>Revenue Bonds (continued):</u>  |                |
| 2010 Stadium Recovery Zone - Taxable<br>Interest rates: 1.75% to 5.2%<br>Original issue: \$4,980,000<br>Installments of \$580,000 to \$670,000 plus interest<br>Maturity: January 5, 2019            | \$ 1,665,000   |
| Subtotal   | 96,836,508     |
| <u>Notes and Loans Payable:</u>  |                |
| Indiana Development Finance Authority (Bosch Project)<br>Interest rate: 3.034%<br>Original issue: \$1,040,000<br>Installments of \$18,003 per quarter, includes interest<br>Maturity: March 22, 2021 | 302,069        |
| 2014 Coveleski Stadium Synagogue Installment Purchase Agreement<br>Interest rate: none<br>Original issue: \$500,000<br>Installments of \$100,000 per year<br>Maturity: January 31, 2018              | 200,000        |
| 2015 Century Center Energy Conservation Bond<br>Interest rates: 3.5%<br>Original issue: \$4,167,897<br>Installments of \$22,585 to \$176,508 plus interest<br>Maturity: May 1, 2031                  | 4,145,312      |
| Subtotal   | 4,647,381      |
| Total governmental activity debt   | \$ 112,785,024 |

\* St. Joseph County has irrevocably pledged hotel-motel tax revenues to finance debt payments

### **Business-type Activities**

#### Mortgage Bonds:

|  |              |
|--|--------------|
| 2010 Public Works Service Center Refunding<br>Interest rates: 3.0% to 5.0%<br>Original issue: \$6,075,000, 12.3% Business-Type (\$747,225)<br>Installments of \$525,000 to \$615,000 plus interest<br>Maturity: February 1, 2021 | \$ 338,865   |
| 2013 Building Corp EMS Fire Station/Tower Bonds<br>Interest rates: 3.0% to 4.2%<br>Original issue: \$5,580,000<br>Installments \$215,000 to \$235,000 plus interest<br>Maturity: February 1, 2033                                | 5,145,000    |
| Subtotal   | \$ 5,483,865 |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 9 - Long-term Debt (Continued)

| Description   | Amount        |
|---|---------------|
| <b><u>Business-type Activities (Continued)</u></b>  |               |
| <b>Revenue Bonds:</b>   |               |
| 2016 Waterworks Refunding Bonds (City Securities)<br>Interest rates: 3.0%<br>Original issue: \$3,300,000<br>Installments of \$260,000 to \$440,000 plus interest<br>Maturity: January 1, 2027                   | \$ 3,300,000  |
| 2009 Water Works Improvement<br>Interest rates: 3.80% to 5.89%<br>Original issue: \$5,380,000<br>Installments of \$195,000 to \$455,000 plus interest<br>Maturity: January 1, 2030                              | 4,325,000     |
| 2012 Water Works Improvement<br>Interest rate: 2.0%<br>Original issue: \$5,975,000<br>Installments of \$335,000 to \$425,000 plus interest<br>Maturity: January 1, 2023   | 2,380,000     |
| 2012B Water Works Improvement<br>Interest rates: 2.0% to 3.7%<br>Original issue: \$8,300,000<br>Installments of \$340,000 to \$540,000 plus interest<br>Maturity: January 1, 2033                               | 6,925,000     |
| 2015 Sewage Works Refunding Bonds (Huntington Public Capital)<br>Interest rates: 2.0%<br>Original issue: \$27,440,000<br>Installments of \$2,475,000 to \$3,025,000 plus interest<br>Maturity: December 1, 2025 | \$ 24,965,000 |
| 2010 Sewage Works Revenue<br>Interest rates: 2.0% to 4.5%<br>Original issue: \$9,345,000<br>Installments of \$365,000 to \$665,000 plus interest<br>Maturity: December 1, 2030                                  | 7,145,000     |
| 2011 Sewage Works Revenue<br>Interest rates: 3.0% to 4.0%<br>Original issue: \$21,500,000<br>Installments of \$365,000 to \$665,000 plus interest<br>Maturity: December 1, 2031                                 | 17,295,000    |
| 2012 Sewage Works Revenue<br>Interest rates: 2.0% to 2.75%<br>Original issue: \$25,000,000<br>Installments of \$1,105,000 to \$1,650,000 plus interest<br>Maturity: December 1, 2032                            | 20,890,000    |
| 2013A Sewage Works Revenue<br>Interest rate: 1.94%<br>Original issue: \$14,765,000<br>Installments of \$1,065,000 to \$715,000 plus interest<br>Maturity: December 11, 2024                                     | 8,050,000     |
| Subtotal  | 95,275,000    |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 9 - Long-term Debt (Continued)

| Description  | Amount                |
|--|-----------------------|
| <b>Business-type Activities (Continued)</b>          |                       |
| <u>Notes and Loans Payable:</u>                      |                       |
| 2009 Water Works State Revolving Loan                |                       |
| Interest rate: 3.37%                                 |                       |
| Original issue: \$427,332                            |                       |
| Installments of \$17,719 to \$29,459 plus interest   |                       |
| Maturity: January 1, 2030                            | 332,562               |
| 2009 Sewage Works State Revolving Loan               |                       |
| Interest rate: 2.81%                                 |                       |
| Original issue: \$3,297,000                          |                       |
| Installments of \$130,201 to \$220,378 plus interest |                       |
| Maturity: December 1, 2028                           | <u>2,249,643</u>      |
| Subtotal   | <u>2,582,205</u>      |
| Total business-type activity debt                    | <u>\$ 103,341,070</u> |

Excluded from the governmental activities amounts outstanding are total unamortized premiums of \$790,415 and \$2,203,624 related to the mortgage bonds and revenue bonds, respectively.

Excluded from the business-type activities amounts outstanding are total unamortized premiums of \$73,000 and \$202,047 related to the mortgage bonds and revenue bonds, respectively.

|                                  | Beginning Balance     | Additions            | Reductions           | Ending Balance        | Due Within<br>One Year |
|----------------------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| <b>Governmental Activities</b>   |                       |                      |                      |                       |                        |
| Mortgage bonds                   | \$ 13,904,973         | \$ -                 | \$ 1,813,423         | \$ 12,091,550         | \$ 1,744,275           |
| Revenue bond                     | <u>107,815,890</u>    | <u>-</u>             | <u>8,775,758</u>     | <u>99,040,132</u>     | <u>11,962,653</u>      |
| Total bonds payable              | 121,720,863           | -                    | 10,589,181           | 111,131,682           | 13,706,928             |
| Notes and loans payable          | 4,831,752             | -                    | 184,371              | 4,647,381             | 210,266                |
| Capital leases                   | <u>8,491,407</u>      | <u>5,042,991</u>     | <u>2,605,323</u>     | <u>10,929,075</u>     | <u>2,858,050</u>       |
| Subtotal                         | 135,044,022           | 5,042,991            | 13,378,875           | 126,708,138           | 16,775,244             |
| Accumulated compensated absences | 4,604,779             | 4,756,341            | 4,604,779            | 4,756,341             | 4,756,341              |
| Net pension liability            | 191,240,248           | -                    | 10,525,952           | 180,714,296           | -                      |
| Net OPEB obligation              | <u>11,660,935</u>     | <u>1,624,309</u>     | <u>-</u>             | <u>13,285,244</u>     | <u>-</u>               |
| Total governmental activities    | <u>\$ 342,549,984</u> | <u>\$ 11,423,641</u> | <u>\$ 28,509,606</u> | <u>\$ 325,464,019</u> | <u>\$ 21,531,585</u>   |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 9 - Long-term Debt (Continued)

Compensated absences for governmental activities typically have been liquidated from the General Fund and special revenue funds. All of the December 31, 2016 business-type activities' compensated absences are due within one year. The net 1925 Police and 1937 Firefighters' pension liability will be liquidated from the pension trust funds. The Public Employees' Retirement Fund (PERF) liability will not be liquidated from the pension trust funds. The net OPEB obligation will be liquidated from the General Fund.

|                                 | Beginning Balance | Additions    | Reductions    | Ending Balance | Due Within One Year |
|---------------------------------|-------------------|--------------|---------------|----------------|---------------------|
| <b>Business-type Activities</b> |                   |              |               |                |                     |
| Mortgage bonds                  | \$ 5,851,565      | \$ -         | \$ 294,700    | \$ 5,556,865   | \$ 295,725          |
| Revenue bonds                   | 102,871,921       | 3,300,000    | 10,694,874    | 95,477,047     | 8,210,000           |
| Total bonds payable             | 108,723,486       | 3,300,000    | 10,989,574    | 101,033,912    | 8,505,725           |
| Capital leases payable          | 4,411,042         | 3,855,808    | 1,681,727     | 6,585,123      | 2,071,583           |
| Notes and loans payable         | 3,458,899         | -            | 876,694       | 2,582,205      | 183,384             |
| Total business-type activities  | \$ 116,593,427    | \$ 7,155,808 | \$ 13,547,995 | \$ 110,201,240 | \$ 10,760,692       |

Total interest expense for the year was \$8,353,046. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Year Ending<br>December 31 | Governmental Activities |               |                | Business-type Activities |               |                |
|----------------------------|-------------------------|---------------|----------------|--------------------------|---------------|----------------|
|                            | Principal               | Interest      | Total          | Principal                | Interest      | Total          |
| 2017                       | \$ 13,917,194           | \$ 3,761,808  | \$ 17,679,002  | \$ 8,689,109             | \$ 2,845,600  | \$ 11,534,709  |
| 2018                       | 9,205,743               | 3,649,345     | 12,855,088     | 8,876,840                | 3,531,265     | 12,408,105     |
| 2019                       | 8,310,564               | 3,316,579     | 11,627,143     | 7,729,722                | 2,538,876     | 10,268,598     |
| 2020                       | 8,262,967               | 3,002,940     | 11,265,907     | 7,733,376                | 2,346,547     | 10,079,923     |
| 2021                       | 8,245,632               | 2,692,179     | 10,937,811     | 7,910,986                | 2,149,442     | 10,060,428     |
| 2022-2026                  | 29,929,281              | 8,761,533     | 38,690,814     | 36,564,041               | 7,646,853     | 44,210,894     |
| 2027-2031                  | 20,846,096              | 4,376,374     | 25,222,470     | 22,816,996               | 2,858,582     | 25,675,578     |
| 2032-2036                  | 13,227,547              | 1,226,755     | 14,454,302     | 3,020,000                | 100,534       | 3,120,534      |
| 2037-2041                  | 840,000                 | 16,800        | 856,800        | -                        | -             | -              |
| Total                      | \$ 112,785,024          | \$ 30,804,313 | \$ 143,589,337 | \$ 103,341,070           | \$ 24,017,699 | \$ 127,358,769 |

**Current Refundings** - On December 27, 2016, the City of South Bend issued \$3,300,000 in Water Works Refunding revenue bonds with an average interest rate of 3.00 percent to currently refund the remainder of its 2006 Water Works Revenue Bonds and its 2000 Water Works State Revolving Loan to take advantage of favorable interest rates and lower future debt service payments. The net proceeds of \$3,245,142 (after payment of \$124,096 in issuance costs) were used to redeem \$3,788,431 in bonds and loans. In so doing, the City saved \$171,657 in debt service costs over the remaining life of the bonds.

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 9 - Long-term Debt (Continued)

**Revenue Bond** - The City has pledged future revenues, net of operating expenses, to repay water and wastewater utilities' bonds. Bond ordinances require monthly deposits of a portion of user fee revenues sufficient to meet requirements of the next principal, interest, and bank fiscal charge payment. Water and wastewater bond ordinances also require monthly deposits of user fee revenues over 60 months to produce a bond reserve equal to approximately the maximum annual debt service.

During 2016, the Water Utility paid \$1,781,109 in debt payments or approximately 16.8 percent of operating revenues. The Wastewater Utility paid \$9,953,645 in debt payments or approximately 25.4 percent of operating revenues.

The City has pledged tax incremental financing revenues to meet tax incremental financing and Redevelopment Authority debt requirements. The City has pledged economic development income taxes (EDIT) to meet the EDIT revenue bond debt requirements with payments of debt service of \$884,030 during 2016. The City has also pledged taxes in the Professional Sports and Convention Development (PSCD) Area to meet the PSCD revenue bonds with payments of debt service of \$838,050 during 2016.

### Note 10 - Restricted Assets

The balances of restricted assets in the enterprise funds are composed of the following:

|  |                      |
|--|----------------------|
| Cash, cash equivalents, and investments: |                      |
| Debt service fund                        | \$ 864,299           |
| Customer repair and deposit fund         | 3,294,355            |
| Cash with fiscal agent                   | 1,293,464            |
| Bond reserve fund                        | 5,504,372            |
| Operating reserve fund                   | 7,085,329            |
| Capital outlay accounts                  | 10,989,157           |
| Unspent bond proceeds                    | <u>2,932,875</u>     |
| Total restricted assets                  | <u>\$ 31,963,851</u> |

Cash with fiscal agent includes \$1,066,988 for capital asset purchases and \$226,476 for debt purchases.

### Note 11 - Property Held for Resale

The City's Redevelopment Commission has purchased properties in blighted areas for redevelopment and subsequent resale. At December 31, 2016, the market value of these properties was not known. These properties are recognized as assets in the funds that purchased the property.

### Note 12 - Service Concession Agreement

On July 1, 2013, the City entered into a Service Concession Agreement (SCA) with SMG, a civic center management company, with the purpose of obtaining high-quality professional management of the Century Center. The initial term of the contract extends through June 30, 2016, has been extended through December 31, 2019, and is renewable for an additional three-year period. SMG's compensation is a flat fee of \$135,000 for the first year and is then adjusted by the CPI for each successive year. There are also additional financial incentives based on various operational goals. SMG is responsible for all operations and financial reporting.

Additionally, SMG contributed a one-time capital infusion of \$575,000, to be used for capital improvement that will be amortized over seventy-two (72) months.

Both parties retain certain rights regarding operations and contract cessation.

### Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

**Liability Insurance** - The City has chosen to establish a risk financing fund for risks associated with job-related illnesses or injuries to employees, automobile liability, and comprehensive liability. The risk financing fund is accounted for in the Liability Insurance Premium Reserve Fund, an internal service fund, whereby assets are set aside for claim settlements. Excess policies through commercial insurance covers individual claims in excess of \$300,000 per claim for job-related illnesses or injuries to employees (workers' compensation) and \$100,000 per claim for damage to and destruction of assets (property damage). In recent years, claims resulting from property damage exceeded the property insurance self-retention amount. The first claim occurred during 2012 and the gross claim was \$424,021. In 2013, a second claim was incurred at a loss of \$248,094. No such claims occurred in 2014, 2015, or 2016. A premium is charged to each fund based on a study of paid claims and based on the number of employees and percent of the total budget. Provisions are also made for unexpected and unusual claims.



### Note 13 - Risk Management (Continued)

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts, and other economic and social factors. The entire insurance liability balance is reported as a current liability as the City has the intent to pay within one year.

**Group Health Insurance** - The City has chosen to establish a risk financing fund for risks associated with medical benefits of employees and their covered dependents. The risk financing fund is accounted for in the Self-Funded Employee Benefits Fund, an internal service fund, whereby assets are set aside for benefit costs. An excess policy through commercial insurance covers individual claims in excess of \$300,000 per year. Claims resulting from this risk exceeded the self-retention amount during 2014, 2015, and 2016 by \$724,350, \$398,000, and \$1,585,602, respectively. A premium is charged to each fund based on the number of employees and estimated costs exceeding the employees' contributions. Provisions are also made for unexpected and unusual claims.

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

Changes in the estimated liability for the past two fiscal years were as follows:

|   | Liability Insurance |              | Group Health |              |
|---|---------------------|--------------|--------------|--------------|
|   | 2016                | 2015         | 2016         | 2015         |
| Unpaid claims - Beginning of year                           | \$ 1,476,268        | \$ 1,671,438 | \$ 1,097,776 | \$ 1,085,259 |
| Incurred claims, including claims incurred but not reported | 653,732             | 1,354,057    | 12,074,811   | 13,321,524   |
| Claim payments  | (826,599)           | (1,549,227)  | (12,158,373) | (13,309,007) |
| Unpaid claims - End of year                                 | \$ 1,303,401        | \$ 1,476,268 | \$ 1,014,214 | \$ 1,097,776 |

### Note 14 - Subsequent Events

In April 2016, the City of South Bend has entered into Intergovernmental Agreements with the Pokagon Band of Potawatomi Indians for the development of the Pokagon Band's 166-acre site on the City's southwest side that is expected to be the home of a Tribal Village and a Four Winds Casino, pending approval from the Bureau of Indian Affairs. The City may receive certain revenue from this agreement, but the amount has yet to be determined.

### **Note 14 - Subsequent Events (Continued)**

On January 18 2017, the City paid off the 2005 Southside Tax Incremental Financing (TIF) revenue bonds' \$3,800,000 outstanding balance. This early debt payoff was paid from the TIF No. 3 - Southside Development fund, a nonmajor capital project fund. These bonds had a February 1, 2027 original maturity.

On January 23, 2017, the Common Council approved the Eddy Street Commons Phase 2 revenue bonds in an amount not to exceed \$25 million. These bonds are financing infrastructure public improvements.

On March 27, 2017, the Common Council approved a water rate increase of 22 percent in 2018 and a second increase of 22 percent in 2019 to fund the operating and capital needs of the Water Utility. These rate increases will be effective if approved by the Indiana Utility Regulatory Commission.

### **Note 15 - Conduit Debt Obligation**

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

As of December 31, 2016 there were several series of industrial revenue bonds outstanding. The City has been unable to obtain the total outstanding principal amount for the outstanding bonds. During 2016 the City approved no new industrial revenue bonds.

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 16 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

|                                     | General Fund         | Parks and Recreation | Public Safety LOIT | COIT                 | EDIT                 | Rainy Day            | River West TIF       | Nonmajor Funds       | Total                 |
|-------------------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| <b>Fund Balances</b>                |                      |                      |                    |                      |                      |                      |                      |                      |                       |
| <b>Nonspendable:</b>                |                      |                      |                    |                      |                      |                      |                      |                      |                       |
| Inventory                           | \$ -                 | \$ 27,113            | \$ -               | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 27,113             |
| Advances to other funds             | 494,730              | -                    | -                  | 1,351,598            | -                    | -                    | -                    | 4,468,117            | 6,314,445             |
| Property held for resale            | -                    | -                    | -                  | 174,999              | 270,001              | -                    | 9,583,608            | 3,689,943            | 13,718,551            |
| Noncurrent loans receivable         | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 4,000,888            | 4,000,888             |
| <b>Total</b>                        | <b>494,730</b>       | <b>27,113</b>        | <b>-</b>           | <b>1,526,597</b>     | <b>270,001</b>       | <b>-</b>             | <b>9,583,608</b>     | <b>12,158,948</b>    | <b>24,060,997</b>     |
| <b>Restricted:</b>                  |                      |                      |                    |                      |                      |                      |                      |                      |                       |
| Debt service                        | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 8,669,119            | 8,669,119             |
| General administration              | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 3,562,215            | 3,562,215             |
| Police and fire salaries            | -                    | -                    | 826,457            | -                    | -                    | -                    | -                    | -                    | 826,457               |
| Police and fire programs            | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 1,560,159            | 1,560,159             |
| Street maintenance                  | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 13,126,072           | 13,126,072            |
| Economic development projects       | -                    | -                    | -                  | -                    | -                    | -                    | 31,331,391           | 25,361,244           | 56,692,635            |
| Parks maintenance                   | -                    | 4,318,657            | -                  | -                    | -                    | -                    | -                    | 1,649,092            | 5,967,749             |
| Cultural capital projects           | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 4,814,810            | 4,814,810             |
| Street capital projects             | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 6,607,424            | 6,607,424             |
| <b>Total</b>                        | <b>-</b>             | <b>4,318,657</b>     | <b>826,457</b>     | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>31,331,391</b>    | <b>65,350,135</b>    | <b>101,826,640</b>    |
| <b>Committed:</b>                   |                      |                      |                    |                      |                      |                      |                      |                      |                       |
| General administration              | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 1,304,190            | 1,304,190             |
| Police and fire programs            | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 115,261              | 115,261               |
| Economic development projects       | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 410,750              | 410,750               |
| Cultural capital                    | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 868,493              | 868,493               |
| <b>Total</b>                        | <b>-</b>             | <b>-</b>             | <b>-</b>           | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>2,698,694</b>     | <b>2,698,694</b>      |
| <b>Assigned:</b>                    |                      |                      |                    |                      |                      |                      |                      |                      |                       |
| Cultural projects                   | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 140,759              | 140,759               |
| General administration              | 1,380,036            | -                    | -                  | 8,487,370            | 10,929,888           | 10,185,414           | -                    | -                    | 30,982,708            |
| Police and fire programs            | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 2,858                | 2,858                 |
| Street maintenance                  | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 910,414              | 910,414               |
| Economic development administration | -                    | -                    | -                  | -                    | -                    | -                    | -                    | 1,342,087            | 1,342,087             |
| <b>Total</b>                        | <b>1,380,036</b>     | <b>-</b>             | <b>-</b>           | <b>8,487,370</b>     | <b>10,929,888</b>    | <b>10,185,414</b>    | <b>-</b>             | <b>2,396,118</b>     | <b>33,378,826</b>     |
| <b>Unassigned</b>                   | <b>32,077,856</b>    | <b>-</b>             | <b>-</b>           | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>(2,301,793)</b>   | <b>29,776,063</b>     |
| <b>Total fund balance</b>           | <b>\$ 33,952,622</b> | <b>\$ 4,345,770</b>  | <b>\$ 826,457</b>  | <b>\$ 10,013,967</b> | <b>\$ 11,199,889</b> | <b>\$ 10,185,414</b> | <b>\$ 40,914,999</b> | <b>\$ 80,302,102</b> | <b>\$ 191,741,220</b> |

Public Safety LOIT funds are primarily restricted for payment of police and fire personnel. Parks and Recreation funds are restricted primarily for parks and recreation operating costs, including personnel. COIT and EDIT funds are assigned to general government primarily for debt service payments and operating expenses. River West TIF and Redevelopment Authority Debt Service are restricted for economic development projects and debt service.

The government-wide statement of net position reports restricted net position for debt service and capital outlay, which is restricted by enabling legislation.

### Note 17 - Other Postemployment Benefits

**Plan Description** - The City of South Bend Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City of South Bend, Department of Administration and Finance, through the City's self-insurance fund. The plan provides for medical insurance benefits to eligible retirees and their spouses. Indiana Code 5-10-8 gives the unit the authority to establish and amend the plan.

The City issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report is available by contacting the City Controller's office: 227 West Jefferson Blvd. Rm. 1200N, South Bend, IN 46601, Ph. (574) 235-9216.

**Funding Policy** - The contribution requirements of plan members for the City of South Bend Retiree Healthcare Plan are established and can be amended by the City's Common Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2016, the City contributed \$750,543 to the plan for current premiums. Police and fire members receiving benefits contributed approximately 30 percent of the total premiums through their required contribution of \$200 per month for retiree-only coverage and \$600 for retiree and spouse coverage. General employee members receiving benefits contributed approximately 100 percent of the total premiums through their required contribution of \$496 per month for retiree-only coverage and \$1,308 for retiree and spouse coverage.

**Funding Progress** - For the year ended December 31, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2015. The valuation computes an annual required contribution that represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

|   |               |
|---|---------------|
| Annual required contribution (recommended)          | \$ 2,501,114  |
| Interest on the prior year's net OPEB obligation    | 275,198       |
| Less adjustment to the annual required contribution | (401,460)     |
| Annual OPEB cost                                    | 2,374,852     |
| Amounts contributed:                                |               |
| Payments of current premiums                        | (750,543)     |
| Advance funding                                     | -             |
| Increase in net OPEB obligation                     | 1,624,309     |
| OPEB obligation - Beginning of year                 | 11,660,935    |
| OPEB obligation - End of year                       | \$ 13,285,244 |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 17 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB<br>Cost | Percentage<br>Contributed | Net OPEB<br>Obligation |
|-------------------|---------------------|---------------------------|------------------------|
| 12/31/13          | \$ 2,463,473        | 28.5 %                    | \$ 8,300,677           |
| 12/31/14          | 2,542,733           | 31.5                      | 10,043,305             |
| 12/31/15          | 2,336,489           | 30.8                      | 11,660,935             |

The funding progress of the plan as of the three most recent valuation dates is as follows:

| Actuarial Valuation Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded Ratio<br>(Percent)<br>(a/b) |
|--------------------------|--|--|---------------------------------|------------------------------------|
| 1/1/15                   | \$ -                                   | \$ 21,512,260                                  | \$ 21,512,260                   | - %                                |
| 1/1/14                   | -                                      | 21,493,998                                     | 21,493,998                      | -                                  |
| 1/1/13                   | -                                      | 21,493,998                                     | 21,493,998                      | -                                  |

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$21,512,260 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,512,260. The covered payroll was \$51,521,030, which as a percentage of the actuarial accrued liability was 239 percent.

### **Note 17 - Other Postemployment Benefits (Continued)**

In the January 1, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 29 years.

### **Note 18 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees' Retirement Fund**

**Plan Description** - The Public Employees' Retirement Fund (PERF) provides pensions for all full-time employees other than police officers and firefighters, who are covered under the 1977 Police Officers' and Firefighters' Pension and Disability Fund. The plan is a cost sharing multiple employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). The pension system issues a publicly available financial report that can be obtained at <http://www.inprs.in.gov>.

**Benefits Provided** - The plan provides retirement, disability and survivor benefits. The Indiana Code, Title 5, Articles 10.2 and 10.3, as amended only by the Indiana General Assembly, identifies the benefit provisions and establishes the authority under which members and employers are obligated to contribute to the plan.

Retirement benefits for employees are calculated as years of credible service times the average highest 20 quarters of salary times 1.1% plus the employee's Annuity Savings Account. Normal retirement age is 60 with early retirement at 50-59 with 15 years of service. Vesting period is 10 years. An employees who leaves service may withdraw his or her Annuity Savings Account contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are granted by the Indiana General Assembly on an ad hoc basis.

**Contributions** - Per Indiana Code, Title 5, Articles 10.2 and 10.3, contribution requirements of the active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary. Employees are required to contribute 3 percent of their annual pay. The City's contractually required contribution rate for the year ended December 31, 2016 was 11.2 percent of annual payroll. Contributions to the plan from the City were \$3,037,666 for the year ended December 31, 2016.

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 18 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees' Retirement Fund (Continued)

#### Net Pension Liability, Deferrals, and Pension Expense

At December 31, 2016, the City reported a liability of \$24,845,715 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's actuarially required contribution for the year ended December 31, 2016, relative to all other contributing employers. At June 30, 2016, the City's proportion was 0.54745 percent, which was a decrease of 0.00959 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$4,526,527. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience   | \$ 556,637                           | \$ 45,864                           |
| Changes in assumptions  | 5,464,713                            | 1,397,973                           |
| Net difference between projected and actual earnings<br>on pension plan investments                                 | 1,096,213                            | -                                   |
| City contributions made subsequent to the<br>measurement date   | 1,645,758                            | -                                   |
| Changes in proportion and differences between<br>employer contributions and proportionate share of<br>contributions | 191,708                              | 591,483                             |
| Total   | <u>\$ 8,955,029</u>                  | <u>\$ 2,035,320</u>                 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of employer contributions to the plan made subsequent to the measurement date (\$1,645,758), which will impact the net pension liability in fiscal year 2017, rather than pension expense. (No amounts available for 2021 and thereafter).

| Years Ending<br>June 30 | Amount       |
|-------------------------|--------------|
| 2017                    | \$ 1,895,361 |
| 2018                    | 1,152,720    |
| 2019                    | 1,564,611    |
| 2020                    | 661,259      |

### Note 18 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees' Retirement Fund (Continued)

**Actuarial Assumptions** - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.25%   |
| Salary increases          | 2.5%  |
|                           | 4.25% Average, including inflation                                |
| Investment rate of return | 6.75% Net of pension plan investment expense, including inflation |

Mortality rates were based on the RP 2014 (with MP-2014 improvement removed) Total Data Set mortality table 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 four years ended June 30, 2014. The study was performed in April 2015. As a result of the study, inflation decreased from 3.00 percent to 2.25 percent, future salary rates decreased from a table range of 3.25 percent to 4.50 percent to a table ranging from 2.50 percent to 4.25 percent. The mortality rates changed from the 2013 IRS Static Mortality projected five years with Scale AA to the process referenced above. Each of these assumption changes were made to more closely reflect actual experience.

**Discount Rate** - The discount rate used to measure the total pension liability was 6.75 percent. 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

#### **Projected Cash Flows**

Based on those assumptions, the pension plan'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.



### Note 18 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees' Retirement Fund (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of June 30, 2016 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 %                  | 5.70 %                                 |
| Private equity                       | 10                    | 6.20                                   |
| Fixed income - Ex inflation - Linked | 24                    | 2.70                                   |
| Fixed income - Inflation - Linked    | 7                     | 0.70                                   |
| Commodities                          | 8                     | 2.00                                   |
| Real estate                          | 7                     | 2.70                                   |
| Absolute return                      | 10                    | 4.00                                   |
| Risk parity                          | 12                    | 5.00                                   |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

|                       | 1 Percent<br>Decrease<br>(5.75%) | Current<br>Discount Rate<br>(6.75%) | 1 Percent<br>Increase<br>(7.75%) |
|-----------------------|----------------------------------|-------------------------------------|----------------------------------|
| Net pension liability | \$ 35,684,329                    | \$ 24,845,715                       | \$ 15,837,187                    |

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in a separately issued financial report available at <http://www.inprs.in.gov>. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### **Note 19 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - 1977 Police Officers' and Firefighters' Pension and Disability Fund**

**Plan Description** - The 1977 Police Officers' and Firefighters' Pension and Disability Fund provides pensions for all police officers and firefighters hired after April 30, 1977. The plan is a cost sharing multiple employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (INPRS). The pension system issues a publicly available financial report that can be obtained at <http://www.inprs.in.gov>.

**Benefits Provided** - The plan provides retirement, disability, and death benefits. Benefit terms are established and amended by State legislative action.

Annual retirement benefits for employees are calculated as 50 percent of first-class salary for 20 years of service. Normal retirement age is 52 with early retirement at 50. Employees are eligible for non duty disability benefits after five years of service and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal the benefit which would have been payable to a beneficiary if the member 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. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are determined by statute equal to the change in the Consumer Price Index but not in excess of a 3 percent increase.

**Contributions** - Per Indiana State statute (IC 36 8 8 and IC 36 8 8.5), contribution requirements of the active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary. Employees are required to contribute 6 percent of their annual pay. The City's contractually required contribution rate for the year ended December 31, 2016 was 19.7 percent of annual payroll. Contributions to the plan from the City were \$5,235,217 for the year ended December 31, 2016.

### Note 19 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - 1977 Police Officers' and Firefighters' Pension and Disability Fund (Continued)

#### Net Pension Liability, Deferrals, and Pension Expense

At December 31, 2016, the City reported a pension liability of \$3,121,765 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on the City's actuarially required contribution for the year ended December 31, 2016, relative to all other contributing employers. At December 31, 2016, the City's proportion was 3.5140 percent, which was a decrease of 0.08806 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$4,083,744. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience   | \$ 1,303,992                         | \$ 1,980,412                        |
| Changes in assumptions  | -                                    | 8,547,860                           |
| Net difference between projected and actual earnings<br>on pension plan investments                                 | 15,121,609                           | 3,601,053                           |
| City contributions made subsequent to the<br>measurement date   | 797,296                              | -                                   |
| Changes in proportion and differences between<br>employer contributions and proportionate share of<br>contributions | <u>107,674</u>                       | <u>141,747</u>                      |
| Total   | <u>\$ 17,330,571</u>                 | <u>\$ 14,271,072</u>                |

### Note 19 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - 1977 Police Officers' and Firefighters' Pension and Disability Fund (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of employer contributions to the plan made subsequent to the measurement date (\$797,296), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

| Years Ending<br>June 30 | Amount       |
|-------------------------|--------------|
| 2017                    | \$ 1,324,258 |
| 2018                    | 1,324,258    |
| 2019                    | 3,124,783    |
| 2020                    | 591,918      |
| 2021                    | (1,288,835)  |
| Thereafter              | (2,814,179)  |

**Actuarial Assumptions** - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.25 %   |
| Salary increases          | 2.50 % Average, including inflation                                |
| Investment rate of return | 6.75 % Net of pension plan investment expense, including inflation |

Mortality rates were based on the RP 2014 (with MP-2014 improvement removed) Blue Collar mortality table 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.

**Discount Rate** - The discount rate used to measure the total pension liability was 6.75 percent. 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

### Note 19 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - 1977 Police Officers' and Firefighters' Pension and Disability Fund (Continued)

#### Projected Cash Flows

Based on those assumptions, the pension plan'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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of June 30, 2016 for each major asset class are summarized in the following table.

| Asset Class                          | Target<br>Allocation (%) | Long-term<br>Expected Real<br>Rate of Return |
|--------------------------------------|--------------------------|--|
| Public equity                        | 22 %                     | 5.70 %                                       |
| Private equity                       | 10                       | 6.20   |
| Fixed income - Ex inflation - Linked | 24                       | 2.70   |
| Fixed income - Inflation - Linked    | 7                        | 0.70   |
| Commodities                          | 8                        | 2.00   |
| Real estate                          | 7                        | 2.70   |
| Absolute return                      | 10                       | 4.00   |
| Risk parity                          | 12                       | 5.00   |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension asset of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

|                               | 1 Percent<br>Decrease<br>(5.75%) | Current<br>Discount Rate<br>(6.75%) | 1 Percent<br>Increase<br>(7.75%) |
|-------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Net pension liability (asset) | \$ 31,878,746                    | \$ 3,121,765                        | \$ (20,081,893)                  |

### **Note 19 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - 1977 Police Officers' and Firefighters' Pension and Disability Fund (Continued)**

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in a separately issued financial report available at [www.in.gov/inprs/files/2016INPRSCAFRBook.pdf](http://www.in.gov/inprs/files/2016INPRSCAFRBook.pdf). The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### **Note 20 - Defined Benefit Pension Plan - 1925 Police Officers' Pension Plan**

#### **Pension Plan Description**

**Plan Description** - The City contributes to the 1925 Police Officers' Pension Plan, which is a single employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36 8 6).

The financial statements of the plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the pension board, which consists of nine members - the Mayor, City Controller, and Chief of Police plus six elected by plan member.

**Plan Membership** - At the December 31, 2016, pension plan membership consisted of the following:

|   |                   |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 210               |
| Active plan members   | <u>5</u>          |
| Total employees covered by the plan                                 | <u><u>215</u></u> |

The pension plan is closed to new entrants.

**Benefits Provided** - The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

### Note 20 - Defined Benefit Pension Plan - 1925 Police Officers' Pension Plan (Continued)

**Contributions** - Plan members are required by state statute (IC 36 8 6 4) to contribute an amount equal to six percent (6 percent) of the salary of a first class patrolman. The contribution requirements of plan members are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note. The net pension liability (NPL) is considered an obligation of the City and is reflected in the statement of net position. The State of Indiana is required by statute to reimburse the City for benefits paid and has contributed \$5,991,750 during 2016 on behalf of the City. The City has recognized these on behalf payments as intergovernmental revenue and public safety expenditures in the General Fund.

#### Pension Plan Investments - Policy and Rate of Return

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of December 31, 2016:

| <u>Asset Class</u>       | <u>Target Allocation</u> |
|--------------------------|--------------------------|
| Cash or cash equivalents | 24 %                     |
| Fixed income investments | 76                       |

**Rate of Return** - For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net Pension Liability of the City

City reports pension expense based on funding requirements, as directed by GASB Statement No. 68. The net pension liability of the City has been measured as of December 31, 2016 and is composed of the following:

|  |                      |
|--|----------------------|
| Total pension liability  | \$ 84,083,604        |
| Plan fiduciary net position  | <u>(793,858)</u>     |
| City's net pension liability   | <u>\$ 83,289,746</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 0.9 %                |

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 20 - Defined Benefit Pension Plan - 1925 Police Officers' Pension Plan (Continued)

Changes in the net pension liability during the measurement year were as follows:

| Changes in Net Pension Liability                   | Increase (Decrease)     |                   |                       |
|--|-------------------------|-------------------|-----------------------|
|  | Total Pension Liability | Plan Net Position | Net Pension Liability |
| <b>Balance at December 31, 2015</b>                | \$ 92,772,809           | \$ 1,157,433      | \$ 91,615,376         |
| Service cost                                       | 164,481                 | -                 | 164,481               |
| Interest   | 2,344,653               | -                 | 2,344,653             |
| Differences between expected and actual experience | 396,259                 | -                 | 396,259               |
| Changes in assumptions                             | (5,617,308)             | -                 | (5,617,308)           |
| Non-employer contributing entity contributions     |                         | 5,991,750         | (5,991,750)           |
| Net investment income                              | -                       | 6,713             | (6,713)               |
| Other revenue                                      | -                       | 15,749            | (15,749)              |
| Benefit payments, including refunds                | (5,977,290)             | (6,364,236)       | 386,946               |
| Administrative expenses                            | -                       | (13,551)          | 13,551                |
| Net changes  | <u>(8,689,205)</u>      | <u>(363,575)</u>  | <u>(8,325,630)</u>    |
| <b>Balance at December 31, 2016</b>                | <u>\$ 84,083,604</u>    | <u>\$ 793,858</u> | <u>\$ 83,289,746</u>  |

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the City recognized pension expense of \$6,377,787. At December 31, 2016, the City reported no deferred outflows of resources or deferred inflows of resources related to pensions.

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |        |   |
|---------------------------|--------|---|
| Inflation                 | 2.25 % |   |
| Salary increases          | 2.50 % | Average, including inflation                                |
| Investment rate of return | 3.23 % | Net of pension plan investment expense, including inflation |

Mortality rates were based on the RP 2014 Blue Collar Set Mortality Table with mortality improvement since 2006 using scale MP 2014 removed and 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.



### Note 20 - Defined Benefit Pension Plan - 1925 Police Officers' Pension Plan (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 3.23 percent. The discount rate increased from the 2.59 percent used for the December 31, 2016 calculation of the net pension liability. The projection of cash flows used to determine the discount rate considered the fact that on behalf contributions made by the State of Indiana are made as benefit payments become due for payment.

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.23 percent. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2016. The municipal bond rate was applied to the remaining periods.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

| <u>Asset Class</u>       | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|--------------------------|---|
| Cash or cash equivalents | 1.00 %  |
| Fixed income investments | 1.00  |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 3.23 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.23 percent) or 1 percentage point higher (4.23 percent) than the current rate:

|                                   | <u>1 Percent<br/>Decrease<br/>(2.23%)</u> | <u>Current<br/>Discount Rate<br/>(3.23%)</u> | <u>1 Percent<br/>Increase<br/>(4.23%)</u> |
|-----------------------------------|---|--|---|
| Net pension liability of the City | \$ 92,264,997                             | \$ 83,289,746                                | \$ 75,705,132                             |

### Note 20 - Defined Benefit Pension Plan - 1925 Police Officers' Pension Plan (Continued)

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### Note 21 - Defined Benefit Pension Plan - 1937 Firefighters' Pension Plan

#### Pension Plan Description

**Plan Description** - The City contributes to the 1937 Firefighters' Pension Plan, which is a single employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36 8 7).

The financial statements of the plan are included in these financial statements as a pension and other employee benefit trust fund.

Management of the plan is vested in the pension board.

**Plan Membership** - At the December 31, 2016, pension plan membership consisted of the following:

|   |                   |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 172               |
| Active plan members   | <u>6</u>          |
| Total employees covered by the plan                                 | <u><u>178</u></u> |

The pension plan is closed to new entrants.

**Benefits Provided** - The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

### Note 21 - Defined Benefit Pension Plan - 1937 Firefighters' Pension Plan (Continued)

**Contributions** - Plan members are required by state statute (IC 36 8 7 8) to contribute an amount equal to 6 percent of the salary of a first class firefighter. The contribution requirements of plan members are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note. The net pension liability (NPL) is considered an obligation of the City and is reflected in the statement of net position. The State of Indiana is required by statute to reimburse the City for benefits paid and has contributed \$4,866,271 during 2016 on behalf of the City. The City has recognized these on behalf payments as intergovernmental revenue and public safety expenditures in the General Fund.

#### **Pension Plan Investments - Policy and Rate of Return**

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of December 31, 2016:

| <u>Asset Class</u>           | <u>Target<br/>Allocation</u> |
|------------------------------|------------------------------|
| Cash or cash equivalents     | 24.0 %                       |
| Government agency securities | 76.0                         |

**Rate of Return** - For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 21 - Defined Benefit Pension Plan - 1937 Firefighters' Pension Plan (Continued)

#### Net Pension Liability of the City

The City reports pension expense based on funding requirements, as directed by GASB 68. The net pension liability of the City has been measured as of December 31, 2016 and is composed of the following:

|                              |                      |
|------------------------------|----------------------|
| Total pension liability      | \$ 69,624,264        |
| Plan fiduciary net position  | <u>(167,194)</u>     |
| City's net pension liability | <u>\$ 69,457,070</u> |

Plan fiduciary net position as a percentage of the total pension liability 0.2 %

Changes in the net pension liability during the measurement year were as follows:

| Changes in Net Pension Liability                   | Increase (Decrease)     |                   |                       |
|--|-------------------------|-------------------|-----------------------|
|  | Total Pension Liability | Plan Net Position | Net Pension Liability |
| <b>Balance at December 31, 2015</b>                | \$ 77,409,213           | \$ 472,035        | \$ 76,937,178         |
| Service cost                                       | 163,162                 | -                 | 163,162               |
| Interest   | 1,940,826               | -                 | 1,940,826             |
| Differences between expected and actual experience | (262,337)               | -                 | (262,337)             |
| Changes in assumptions                             | (4,645,609)             | -                 | (4,645,609)           |
| Non-employer contributing entity contributions     |                         | 4,866,271         | (4,866,271)           |
| Net investment income                              | -                       | 2,852             | (2,852)               |
| Other revenue                                      | -                       | 6,279             | (6,279)               |
| Benefit payments, including refunds                | (4,980,991)             | (5,165,758)       | 184,767               |
| Administrative expenses                            | <u>-</u>                | <u>(14,485)</u>   | <u>14,485</u>         |
| Net changes  | <u>(7,784,949)</u>      | <u>(304,841)</u>  | <u>(7,480,108)</u>    |
| <b>Balance at December 31, 2016</b>                | <u>\$ 69,624,264</u>    | <u>\$ 167,194</u> | <u>\$ 69,457,070</u>  |

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the City recognized pension expense of \$5,180,243. At December 31, 2016, the City reported no deferred outflows of resources or deferred inflows of resources related to pensions.

### Note 21 - Defined Benefit Pension Plan - 1937 Firefighters' Pension Plan (Continued)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |        |   |
|---------------------------|--------|---|
| Inflation                 | 2.25 % |   |
| Salary increases          | 2.50 % | Average, including inflation                                |
| Investment rate of return | 3.23 % | Net of pension plan investment expense, including inflation |

Mortality rates were based on the RP 2014 Blue Collar Set Mortality Table with mortality improvement since 2006 using scale MP 2014 removed and 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.

**Discount Rate** - The discount rate used to measure the total pension liability was 3.23 percent. The discount rate increased from the 2.59 percent used for the December 31, 2016 calculation of the net pension liability. The projection of cash flows used to determine the discount rate considered the fact that on behalf contributions made by the State of Indiana are made as benefit payments become due for payment.

#### **Projected Cash Flows**

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.23 percent. The source of that bond rate was the Barclay's 20 year Municipal Bond Index as of December 31, 2016. The municipal bond rate was applied to all remaining periods.

### Note 21 - Defined Benefit Pension Plan - 1937 Firefighters' Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

| <u>Asset Class</u>           | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|------------------------------|---|
| Cash or cash equivalents     | 1.00 %  |
| Government agency securities | 1.00 %  |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 3.23 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.23 percent) or 1 percentage point higher (4.23 percent) than the current rate:

|                                   | <u>1 Percent<br/>Decrease<br/>(2.23%)</u> | <u>Current<br/>Discount Rate<br/>(3.23%)</u> | <u>1 Percent<br/>Increase<br/>(4.23%)</u> |
|-----------------------------------|---|--|---|
| Net pension liability of the City | \$ 76,932,710                             | \$ 69,457,070                                | \$ 63,140,181                             |

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### Note 22 - Pension Trust Funds

The following are condensed financial statements for the individual pension plans:

|  | 1925 Police<br>Pension | 1937 Firefighters'<br>Pension |
|--|------------------------|-------------------------------|
| <b><u>Statement of Net Position</u></b>            |                        |                               |
| Cash and investments                               | \$ 791,162             | \$ 167,278                    |
| Other assets                                       | 2,788                  | 349                           |
| Liabilities  | <u>(92)</u>            | <u>(433)</u>                  |
| Net position                                       | <u>\$ 793,858</u>      | <u>\$ 167,194</u>             |
| <b><u>Statement of Changes in Net Position</u></b> |                        |                               |
| Investment income                                  | \$ 6,713               | \$ 2,852                      |
| Contributions                                      | 6,007,499              | 4,872,550                     |
| Benefit payments                                   | (6,364,236)            | (5,165,758)                   |
| Other deductions                                   | <u>(13,551)</u>        | <u>(14,485)</u>               |
| Net change in net position                         | <u>\$ (363,575)</u>    | <u>\$ (304,841)</u>           |

### Note 23 - Closure and Postclosure Care Cost

As of January 1, 2008, the City of South Bend's Biosolids Lagoon #4 site has been closed. The City is required to maintain the one-acre site by monitoring methane and groundwater and maintain the site (mowing, cover inspection, gas collection system inspection, cover repair, ditch maintenance, etc.). The closure and postclosure care costs are reported as operating expenses, as incurred. For the year ending December 31, 2016, the total expenses incurred were \$22,064. The remaining expected liability relating to postclosure costs is estimated at less than \$250,000 and due to the minimal nature of these expenditures, is not included in the financial statements.

### Note 24 - Tax Abatements

The City enters into property tax abatement agreements with local businesses and also for qualifying residential construction under the City's Municipal Code Chapter 2, Article 6, Tax Abatements, created by Ordinance 7267-83. Under this Article, the City may grant property tax abatements to a business located within or promising to relocate to the City for the purpose of attracting or retaining the business and also for the purpose of encouraging residential construction within economic development target areas.

For the fiscal year ended December 31, 2016, the City abated property taxes totaling \$677,479 under this program. Two industrial properties had property taxes abated that exceeded 10 percent of the total amount. For these two properties the taxes abated were \$106,405 and \$93,375.

### **Note 25 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to the City of South Bend Retiree Healthcare Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2018.



## **Required Supplemental Information**

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**City of South Bend, Indiana**

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**Required Supplemental Information  
1925 Police Officers' Pension Plan  
Schedule of Investment Returns  
Last Three Fiscal Years**

|   | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 1.0 %       | 0.8 %       | 0.6 %       |

# City of South Bend, Indiana

## Required Supplemental Information 192.5 Police Officers' Pension Plan Schedule of City Contributions Last Ten Fiscal Years

|  | 2016                | 2015                | 2014              | 2013              | 2012              | 2011              | 2010              | 2009                | 2008                | 2007                |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                  | \$ 6,133,389        | \$ 6,073,049        | \$ 6,432,800      | \$ 6,633,200      | \$ 6,986,200      | \$ 7,317,800      | \$ 6,673,100      | \$ 5,995,700        | \$ 6,421,500        | \$ 6,722,800        |
| Contributions in relation to the actuarially determined contribution | 6,364,236           | 6,323,645           | 6,116,195         | 5,837,216         | 6,776,614         | 6,512,842         | 5,805,597         | 6,355,442           | 5,072,985           | 4,773,188           |
| <b>Contribution (Excess) Deficiency</b>                              | <b>\$ (230,847)</b> | <b>\$ (250,596)</b> | <b>\$ 316,605</b> | <b>\$ 795,984</b> | <b>\$ 209,586</b> | <b>\$ 804,958</b> | <b>\$ 867,503</b> | <b>\$ (359,742)</b> | <b>\$ 1,348,515</b> | <b>\$ 1,949,612</b> |
| Covered Employee Payroll   | \$ -                | \$ 441,200          | \$ 441,200        | \$ 430,000        | \$ 421,800        | \$ 542,900        | \$ 569,500        | \$ 611,000          | \$ 652,000          | \$ 350,667          |
| Contributions as a Percentage of Covered Employee Payroll            | n/a                 | 1,433.3 %           | 1,386.3 %         | 1,357.5 %         | 1,606.6 %         | 1,199.6 %         | 1,019.4 %         | 1,040.2 %           | 778.1 %             | 1,361.2 %           |

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2016

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level percent of payroll                                     |
| Remaining amortization period | 30 years   |
| Asset valuation method        | Not applicable. Benefits are funded on a pay-as-you-go basis |
| Inflation                     | 2.25% per year   |
| Salary increases              | 2.50% per year   |
| Investment rate of return     | 3.23% per year   |

Retirement age Non-converted - any age with 20 or more years of creditable service  
Converted - age 52 with 20 or more years of creditable service and no longer active

Mortality RP-2014 Total Data Set Mortality Tables with mortality improvement since 2006 using scale MP-2014 removed and 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

Other information Cost of living increases of 2.50% per year in retirement for non-converted and 2.00% per year in retirement for converted

# City of South Bend, Indiana

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Last Three Fiscal Years

|   | 2016                 | 2015                 | 2014                 |
|---|----------------------|----------------------|----------------------|
| <b>Total Pension Liability</b>  |                      |                      |                      |
| Service cost  | \$ 164,481           | \$ 184,104           | \$ 157,965           |
| Interest  | 2,344,653            | 2,415,583            | 3,721,864            |
| Changes in benefit terms  | -                    | -                    | -                    |
| Differences between expected and actual experience                              | 396,259              | (2,973,249)          | -                    |
| Changes in assumptions  | (5,617,308)          | (294,402)            | 12,487,771           |
| Projected benefit payments  | (5,977,290)          | (6,061,589)          | (6,122,870)          |
| <b>Net Change in Total Pension Liability</b>                                    | (8,689,205)          | (6,729,553)          | 10,244,730           |
| <b>Total Pension Liability - Beginning of year</b>                              | 92,772,809           | 99,502,362           | 89,257,632           |
| <b>Total Pension Liability - End of year</b>                                    | <b>\$ 84,083,604</b> | <b>\$ 92,772,809</b> | <b>\$ 99,502,362</b> |
| <b>Plan Fiduciary Net Position</b>  |                      |                      |                      |
| Contributions - Other   | \$ 15,749            | \$ 62                | \$ 4,329             |
| Contributions - Non-employer Entity   | 5,991,750            | 6,378,359            | 6,111,865            |
| Net investment income   | 6,713                | 4,376                | 3,759                |
| Administrative expenses   | (13,551)             | (12,462)             | (10,957)             |
| Benefit payments, including refunds   | (6,364,236)          | (6,323,646)          | (6,705,815)          |
| Other   | -                    | -                    | -                    |
| <b>Net Change in Plan Fiduciary Net Position</b>                                | (363,575)            | 46,689               | (596,819)            |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                          | 1,157,433            | 1,110,743            | 1,707,562            |
| <b>Plan Fiduciary Net Position - End of year</b>                                | <b>\$ 793,858</b>    | <b>\$ 1,157,432</b>  | <b>\$ 1,110,743</b>  |
| <b>City's Net Pension Liability - Ending</b>                                    | <b>\$ 83,289,746</b> | <b>\$ 91,615,377</b> | <b>\$ 98,391,619</b> |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>   | 0.94 %               | 1.25 %               | 1.12 %               |
| <b>Covered Employee Payroll</b>   | \$ -                 | \$ 441,200           | \$ 441,200           |
| <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b> | n/a                  | 20,765.0 %           | 22,300.9 %           |

**City of South Bend, Indiana**

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**Required Supplemental Information  
1937 Firefighters' Pension Plan  
Schedule of Investment Returns  
Last Three Fiscal Years**

|   | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 1.0 %       | 0.8 %       | 0.6 %       |

# City of South Bend, Indiana

## Required Supplemental Information 1937 Firefighters' Pension Plan Schedule of City Contributions Last Ten Fiscal Years

|  | 2016               | 2015                | 2014              | 2013              | 2012              | 2011              | 2010              | 2009                | 2008                | 2007                  |
|--|--------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|
| Actuarially determined contribution                                  | \$ 5,152,192       | \$ 4,977,042        | \$ 5,436,400      | \$ 5,550,900      | \$ 5,787,300      | \$ 6,399,700      | \$ 5,811,400      | \$ 5,258,600        | \$ 4,436,200        | \$ 5,104,800          |
| Contributions in relation to the actuarially determined contribution | 5,165,758          | 5,197,158           | 5,130,581         | 5,051,319         | 5,208,570         | 5,503,742         | 5,172,146         | 5,416,358           | 4,702,372           | 6,738,336             |
| <b>Contribution (Excess) Deficiency</b>                              | <b>\$ (13,566)</b> | <b>\$ (220,116)</b> | <b>\$ 305,819</b> | <b>\$ 499,581</b> | <b>\$ 578,730</b> | <b>\$ 895,958</b> | <b>\$ 639,254</b> | <b>\$ (157,758)</b> | <b>\$ (266,172)</b> | <b>\$ (1,633,536)</b> |
| Covered Employee Payroll   | \$ -               | \$ 328,600          | \$ 328,600        | \$ 319,300        | \$ 365,500        | \$ 397,100        | \$ 429,500        | \$ 474,450          | \$ 519,400          | \$ 1,338,200          |
| Contributions as a Percentage of Covered Employee Payroll            | n/a                | 1,581.6 %           | 1,561.3 %         | 1,582.0 %         | 1,425.1 %         | 1,386.0 %         | 1,204.2 %         | 1,141.6 %           | 905.3 %             | 503.5 %               |

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2016

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level percent of payroll                                     |
| Remaining amortization period | 30 years   |
| Asset valuation method        | Not applicable. Benefits are funded on a pay-as-you-go basis |
| Inflation                     | 2.25% per year   |
| Salary increases              | 2.50% per year   |
| Investment rate of return     | 3.23% per year   |

Retirement age Non-converted - any age with 20 or more years of creditable service  
Converted - age 52 with 20 or more years of creditable service and no longer active

Mortality RP-2014 Total Data Set Mortality Tables with mortality improvement since 2006 using scale MP-2014 removed and 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

Other information Cost of living increases of 2.50% per year in retirement for non-converted and 2.00% per year in retirement for converted

# City of South Bend, Indiana

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Last Three Fiscal Years

|   | 2016                 | 2015                 | 2014                 |
|---|----------------------|----------------------|----------------------|
| <b>Total Pension Liability</b>  |                      |                      |                      |
| Service cost  | \$ 163,162           | \$ 155,487           | \$ 114,297           |
| Interest  | 1,940,826            | 2,020,796            | 3,155,669            |
| Changes in benefit terms  | -                    | -                    | -                    |
| Differences between expected and actual experience                              | (262,337)            | (2,816,692)          | -                    |
| Changes in assumptions  | (4,645,609)          | (245,887)            | 9,620,657            |
| Projected benefit payments  | (4,980,991)          | (5,094,762)          | (5,206,870)          |
| <b>Net Change in Total Pension Liability</b>                                    | (7,784,949)          | (5,981,058)          | 7,683,753            |
| <b>Total Pension Liability - Beginning of year</b>                              | 77,409,213           | 83,390,271           | 75,706,518           |
| <b>Total Pension Liability - End of year</b>                                    | <b>\$ 69,624,264</b> | <b>\$ 77,409,213</b> | <b>\$ 83,390,271</b> |
| <b>Plan Fiduciary Net Position</b>  |                      |                      |                      |
| Contributions - Other   | \$ 6,279             | \$ 2,667             | \$ 1,484             |
| Contributions - Non-employer Entity   | 4,866,271            | 5,039,025            | 5,129,098            |
| Net investment income   | 2,852                | 2,675                | 1,963                |
| Administrative expenses   | (14,485)             | (14,255)             | (10,920)             |
| Benefit payments, including refunds   | (5,165,757)          | (5,197,159)          | (5,407,429)          |
| Other   | -                    | -                    | -                    |
| <b>Net Change in Plan Fiduciary Net Position</b>                                | (304,840)            | (167,047)            | (285,804)            |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                          | 472,034              | 639,081              | 924,885              |
| <b>Plan Fiduciary Net Position - End of year</b>                                | <b>\$ 167,194</b>    | <b>\$ 472,034</b>    | <b>\$ 639,081</b>    |
| <b>City's Net Pension Liability - Ending</b>                                    | <b>\$ 69,457,070</b> | <b>\$ 76,937,179</b> | <b>\$ 82,751,190</b> |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>   | 0.24 %               | 0.61 %               | 0.77 %               |
| <b>Covered Employee Payroll</b>   | \$ -                 | \$ 328,600           | \$ 328,600           |
| <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b> | n/a                  | 23,413.6 %           | 25,183.0 %           |

# City of South Bend, Indiana

## Required Supplemental Information OPEB System Schedule Year Ended December 31, 2016

The schedule of funding progress is as follows:

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded Ratio<br>(Percent)<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll |
|-----------------------------|--|--|---------------------------------|------------------------------------|---------------------------|--|
| 1/1/11                      | \$ -                                   | \$ 17,641,023                                  | \$ 17,641,023                   | - %                                | \$ -                      | - %  |
| 1/1/12                      | -                                      | 17,641,023                                     | 17,641,023                      | -                                  | -                         | -  |
| 1/1/13                      | -                                      | 21,493,998                                     | 21,493,998                      | -                                  | -                         | -  |
| 1/1/14                      | -                                      | 21,493,998                                     | 21,493,998                      | -                                  | -                         | -  |
| 1/1/15                      | -                                      | 21,512,620                                     | 21,512,620                      | -                                  | 51,521,030                | 41.8   |
| 1/1/16                      | -                                      | 21,512,620                                     | 21,512,620                      | -                                  | 51,521,030                | 41.8   |

Information on covered payroll is not available prior to January 1, 2015.



# City of South Bend, Indiana

## Required Supplemental Information Public Employees' Retirement Fund Schedule of City Contributions Last Two Fiscal Years

|           | 2016             | 2015              |
|-----------|------------------|-------------------|
| \$        | 4,526,527        | \$ 3,650,212      |
|           | 2,933,996        | 2,982,234         |
| <b>\$</b> | <b>1,592,531</b> | <b>\$ 667,978</b> |
| \$        | 26,237,016       | \$ 26,681,229     |
|           | 11.2 %           | 11.2 %            |

Actuarially determined contribution  
Contributions in relation to the actuarially determined contribution

### Contribution Deficiency

### Covered Employee Payroll

### Contributions as a Percentage of Covered Employee Payroll

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2016

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level percent of payroll   |
| Remaining amortization period | 30 years   |
| Asset valuation method        | Not applicable. Benefits are funded on a pay-as-you-go basis   |
| Inflation                     | 2.25% per year   |
| Salary increases              | 2.50% to 4.25% per year  |
| Investment rate of return     | 6.75% per year   |
| Retirement age                | Normal retirement is age 62 with 10 years of service; early retirement is age 50 with 15 years of service (reduced benefit)  |
| Mortality                     | RP-2014 Total Data Set Mortality Tables with mortality improvement since 2006 using scale MP-2014 removed and 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 |
| Other information             | Cost of living increases of 2.00% per year in retirement   |

# City of South Bend, Indiana

## Required Supplemental Information Public Employees' Retirement Fund Schedule of the City's Proportionate Share of the Net Pension Liability Last Three Fiscal Years

|  | 2016          | 2015          | 2014          |
|--|---------------|---------------|---------------|
| City's proportion of the net pension liability (asset)   | 0.54700 %     | 0.55700 %     | 0.56300 %     |
| City's proportionate share of the net pension liability (asset)  | \$ 24,845,715 | \$ 22,687,694 | \$ 14,807,363 |
| City's covered employee payroll  | \$ 26,237,016 | \$ 26,681,229 | \$ 27,509,916 |
| <b>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b> | 94.7 %        | 85.0 %        | 53.8 %        |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>  | 75.3 %        | 77.3 %        | 84.3 %        |

# City of South Bend, Indiana

## Required Supplemental Information 1977 Police Officers' Pension and Disability Fund Schedule of City Contributions Last Two Fiscal Years

|    | 2016             | 2015                  |
|----|------------------|-----------------------|
| \$ | 2,029,937        | \$ 709,017            |
|    | 2,673,614        | 2,625,418             |
| \$ | <b>(643,677)</b> | <b>\$ (1,916,401)</b> |
| \$ | 13,571,531       | \$ 13,327,077         |
|    | 19.7 %           | 19.7 %                |

Actuarially determined contribution  
Contributions in relation to the actuarially determined contribution

### Contribution Deficiency (Excess)

### Covered Employee Payroll

### Contributions as a Percentage of Covered Employee Payroll

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

|  |  |
|--|--|
| Valuation date   | June 30, 2016  |
| Methods and assumptions used to determine contribution rates | Entry age normal   |
| Actuarial cost method  | Level percent of payroll   |
| Amortization method  | 30 years   |
| Remaining amortization period                                | Not applicable. Benefits are funded on a pay-as-you-go basis   |
| Asset valuation method                                       | 2.25% per year   |
| Inflation  | 2.50% per year   |
| Salary increases   | 6.75% per year   |
| Investment rate of return                                    | Normal retirement is age 52 with 20 years of service; early retirement is age 50 with 20 years of service (reduced benefit)  |
| Retirement age   | RP-2014 Total Data Set Mortality Tables with mortality improvement since 2006 using scale MP-2014 removed and 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 |
| Mortality  | Cost of living increases of 2.0% per year  |
| Other information  |  |

# City of South Bend, Indiana

## Required Supplemental Information 1977 Police Officers' Pension and Disability Fund Schedule of the City's Proportionate Share of the Net Pension Liability Last Three Fiscal Years

|  | 2016          | 2015           | 2014           |
|--|---------------|----------------|----------------|
| City's proportion of the net pension liability (asset)   | 1.75600 %     | 1.78700 %      | 1.82900 %      |
| City's proportionate share of the net pension liability (asset)  | \$ 1,559,932  | \$ (2,640,039) | \$ (932,236)   |
| City's covered employee payroll  | \$ 13,571,531 | \$ 13,327,077  | \$ 12,981,067  |
| <b>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b> | <b>11.5 %</b> | <b>(19.8)%</b> | <b>(7.2)%</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>  | <b>98.2 %</b> | <b>103.2 %</b> | <b>101.1 %</b> |

# City of South Bend, Indiana

## Required Supplemental Information 1977 Firefighters' Pension and Disability Fund Schedule of City Contributions Last Two Fiscal Years

|           | 2016             | 2015                  |
|-----------|------------------|-----------------------|
| \$        | 2,053,807        | \$ 743,238            |
|           | 2,673,917        | 2,666,116             |
| <b>\$</b> | <b>(620,110)</b> | <b>\$ (1,922,878)</b> |
| \$        | 13,588,032       | \$ 13,533,745         |
|           | 19.7 %           | 19.7 %                |

Actuarially determined contribution  
Contributions in relation to the actuarially determined contribution

### Contribution Deficiency (Excess)

### Covered Employee Payroll

### Contributions as a Percentage of Covered Employee Payroll

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

|   |  |
|---|--|
| Valuation date  | June 30, 2016  |
| Methods and assumptions used to determine contribution rates: |  |
| Actuarial cost method   | Entry age normal   |
| Amortization method   | Level percent of payroll   |
| Remaining amortization period                                 | 30 years   |
| Asset valuation method  | Not applicable. Benefits are funded on a pay-as-you-go basis   |
| Inflation   | 2.25% per year   |
| Salary increases  | 2.50% per year   |
| Investment rate of return                                     | 6.75% per year   |
| Retirement age  | Normal retirement is age 52 with 20 years of service; early retirement is age 50 with 20 years of service (reduced benefit)  |
| Mortality   | RP-2014 Total Data Set Mortality Tables with mortality improvement since 2006 using scale MP-2014 removed and 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 |
| Other information   | Cost of living increases of 2.0% per year  |

# City of South Bend, Indiana

## Required Supplemental Information 1977 Firefighters' Pension and Disability Fund Schedule of the City's Proportionate Share of the Net Pension Liability Last Three Fiscal Years

|  | 2016          | 2015           | 2014           |
|--|---------------|----------------|----------------|
| City's proportion of the net pension liability (asset)   | 1.75800 %     | 1.81500 %      | 1.79500 %      |
| City's proportionate share of the net pension liability (asset)  | \$ 1,561,833  | \$ (2,680,987) | \$ (915,265)   |
| City's covered employee payroll  | \$ 13,588,032 | \$ 13,533,745  | \$ 12,744,754  |
| <b>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b> | <b>11.5 %</b> | <b>(19.8)%</b> | <b>(7.2)%</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>  | <b>98.2 %</b> | <b>103.2 %</b> | <b>101.1 %</b> |

# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds Year Ended December 31, 2016

|                                 | General Fund      |                   |   | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|---------------------------------|-------------------|-------------------|---|--|
|                                 | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts |  |
|                                 | Original          | Final             |   |  |
| <b>Revenues:</b>                |                   |                   |   |  |
| Taxes - Property                | \$ 37,294,758     | \$ 39,362,140     | \$ 39,362,139                           | \$ (1)   |
| Licenses and permits            | 330,990           | 196,745           | 192,840                                 | (3,905)  |
| Intergovernmental               | 9,082,389         | 9,086,821         | 9,239,036                               | 152,215  |
| Charges for services            | 13,105            | 13,445            | 145                                     | (13,300)   |
| Fines and forfeits              | 25,920            | 26,060            | 14,712                                  | (11,348)   |
| Other                           | 3,276,961         | 3,970,628         | 3,837,390                               | (133,238)  |
| <b>Total revenues</b>           | <b>50,024,123</b> | <b>52,655,839</b> | <b>52,646,262</b>                       | <b>(9,577)</b>   |
| <b>Expenditures:</b>            |                   |                   |   |  |
| <b>Current:</b>                 |                   |                   |   |  |
| <b>General government:</b>      |                   |                   |   |  |
| <b>Mayor:</b>                   |                   |                   |   |  |
| Personnel services              | 685,492           | 685,492           | 627,628                                 | 57,864   |
| Supplies                        | 3,000             | 3,662             | 1,164                                   | 2,498  |
| Other services and charges      | 52,775            | 60,729            | 50,752                                  | 9,977  |
| <b>Mayor - 311 Call Center:</b> |                   |                   |   |  |
| Personnel services              | -                 | -                 | -                                       | -  |
| Supplies                        | -                 | 2,350             | 1,629                                   | 721  |
| Other services and charges      | -                 | 3,583             | 2,181                                   | 1,402  |
| Capital outlay                  | -                 | -                 | -                                       | -  |
| <b>City Clerk:</b>              |                   |                   |   |  |
| Personnel services              | 332,855           | 332,855           | 298,243                                 | 34,612   |
| Supplies                        | 6,800             | 7,582             | 6,702                                   | 880  |
| Other services and charges      | 91,918            | 103,038           | 100,096                                 | 2,942  |
| Capital outlay                  | -                 | -                 | -                                       | -  |
| <b>Common Council:</b>          |                   |                   |   |  |
| Personnel services              | 278,253           | 287,971           | 287,882                                 | 89   |
| Supplies                        | 4,500             | 8,936             | 6,759                                   | 2,177  |
| Other services and charges      | 206,297           | 234,128           | 228,921                                 | 5,207  |
| <b>WNIT Contract:</b>           |                   |                   |   |  |
| Other services and charges      | 43,000            | 43,000            | 43,000                                  | -  |
| <b>Administration/Finance:</b>  |                   |                   |   |  |
| Personnel services              | 1,978,924         | 1,938,924         | 1,785,784                               | 153,140  |
| Supplies                        | 41,207            | 42,034            | 23,853                                  | 18,181   |
| Other services and charges      | 132,956           | 246,530           | 238,969                                 | 7,561  |

# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds (Continued) Year Ended December 31, 2016

|                                     | General Fund      |                   |   |  |
|-------------------------------------|-------------------|-------------------|---|--|
|                                     | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|                                     | Original          | Final             |   |  |
| Expenditures (Continued):           |                   |                   |   |  |
| Current (Continued):                |                   |                   |   |  |
| General government (Continued):     |                   |                   |   |  |
| City Attorney:                      |                   |                   |   |  |
| Personnel services                  | \$ 984,630        | \$ 948,130        | \$ 937,856                              | \$ 10,274  |
| Supplies                            | 3,450             | 3,712             | 3,711                                   | 1  |
| Other services and charges          | 48,430            | 84,930            | 81,457                                  | 3,473  |
| Human Rights:                       |                   |                   |   |  |
| Personnel services                  | 298,643           | 298,643           | 283,311                                 | 15,332   |
| Supplies                            | 1,546             | 1,546             | 1,200                                   | 346  |
| Other services and charges          | 71,037            | 71,037            | 64,646                                  | 6,391  |
| Capital outlay                      | -                 | -                 | -                                       | -  |
| Neighborhood Code Enforcement:      |                   |                   |   |  |
| Supplies                            | -                 | -                 | -                                       | -  |
| Other services and charges          | -                 | -                 | -                                       | -  |
| Total General Government            | <u>5,265,713</u>  | <u>5,408,812</u>  | <u>5,075,744</u>                        | <u>333,068</u>   |
| Public Safety:                      |                   |                   |   |  |
| Police Department:                  |                   |                   |   |  |
| Personnel services                  | 23,573,968        | 22,663,968        | 22,356,815                              | 307,153  |
| Supplies                            | 273,227           | 1,256,456         | 1,196,917                               | 59,539   |
| Other services and charges          | 2,456,207         | 2,479,050         | 2,311,147                               | 167,903  |
| Communication Center:               |                   |                   |   |  |
| Personnel services                  | -                 | -                 | -                                       | -  |
| Other services and charges          | 1,479,012         | 1,479,012         | 1,479,012                               | -  |
| Fire Department:                    |                   |                   |   |  |
| Personnel services                  | 16,306,864        | 16,684,938        | 16,680,397                              | 4,541  |
| Supplies                            | 325,150           | 512,643           | 421,426                                 | 91,217   |
| Other services and charges          | 1,469,347         | 1,577,508         | 1,574,281                               | 3,227  |
| Total Public Safety                 | <u>45,883,775</u> | <u>46,653,575</u> | <u>46,019,995</u>                       | <u>633,580</u>   |
| Highways and Streets - Engineering: |                   |                   |   |  |
| Personnel services                  | 776,239           | 767,939           | 664,132                                 | 103,807  |
| Supplies                            | 40,500            | 66,447            | 56,121                                  | 10,326   |
| Other services and charges          | 303,595           | 390,751           | 370,484                                 | 20,267   |
| Total highways and streets          | <u>1,120,334</u>  | <u>1,225,137</u>  | <u>1,090,737</u>                        | <u>134,400</u>   |



# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds (Continued) Year Ended December 31, 2016

|   | General Fund                |                             |   |  |
|---|-----------------------------|-----------------------------|---|--|
|   | Budgeted Amounts            |                             | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|   | Original                    | Final                       |   |  |
| Expenditures (Continued):               |                             |                             |   |  |
| Current (Continued):                    |                             |                             |   |  |
| Culture and recreation:                 |                             |                             |   |  |
| Palais Royale Ballroom:                 |                             |                             |   |  |
| Personnel services                      | \$ 244,557                  | \$ 255,007                  | \$ 241,501                              | \$ 13,506  |
| Supplies                                | 28,350                      | 22,855                      | 14,369                                  | 8,486  |
| Other services and charges              | 199,389                     | 220,576                     | 195,581                                 | 24,995   |
| Capital outlay                          | -                           | -                           | -                                       | -  |
| Morris Performing Arts Center:          |                             |                             |   |  |
| Personnel services                      | 823,612                     | 797,212                     | 720,763                                 | 76,449   |
| Supplies                                | 22,201                      | 22,698                      | 17,965                                  | 4,733  |
| Other services and charges              | 264,437                     | 309,987                     | 283,151                                 | 26,836   |
| Total culture and recreation            | <u>1,582,546</u>            | <u>1,628,335</u>            | <u>1,473,330</u>                        | <u>155,005</u>   |
| Total expenditures                      | <u>53,852,368</u>           | <u>54,915,859</u>           | <u>53,659,806</u>                       | <u>1,256,053</u>   |
| Other financing sources - Transfers In  | <u>3,828,245</u>            | <u>3,828,245</u>            | <u>3,828,263</u>                        | <u>18</u>  |
| Other financing sources - Transfers Out | <u>-</u>                    | <u>(202,104)</u>            | <u>(202,504)</u>                        | <u>(400)</u>   |
| Net change in fund balances             | -                           | 1,366,121                   | 2,612,215                               | 1,246,094  |
| Fund balances - Beginning               | <u>30,486,009</u>           | <u>30,486,009</u>           | <u>30,486,009</u>                       | <u>-</u>   |
| Fund balances - Ending                  | <u><b>\$ 30,486,009</b></u> | <u><b>\$ 31,852,130</b></u> | <u><b>\$ 33,098,224</b></u>             | <u><b>\$ 1,246,094</b></u>                                 |

# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds (Continued) Year Ended December 31, 2016

|   | Parks and Recreation Fund  |                            |   | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|---|----------------------------|----------------------------|---|--|
|   | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts |  |
|   | Original                   | Final                      |   |  |
| Revenues:                               |                            |                            |   |  |
| Taxes - Property                        | \$ 7,487,000               | \$ 7,902,995               | \$ 7,902,995                            | \$ -   |
| Intergovernmental                       | 1,581,265                  | 1,581,265                  | 1,593,574                               | 12,309   |
| Charges for services                    | 1,903,640                  | 1,928,040                  | 1,653,404                               | (274,636)  |
| Fines and forfeits                      | 500                        | 500                        | -                                       | (500)  |
| Other                                   | 207,394                    | 228,225                    | 200,305                                 | (27,920)   |
| Total revenues                          | <u>11,179,799</u>          | <u>11,641,025</u>          | <u>11,350,278</u>                       | <u>(290,747)</u>   |
| Expenditures:                           |                            |                            |   |  |
| Current:                                |                            |                            |   |  |
| Culture and recreation:                 |                            |                            |   |  |
| Personnel services                      | 7,222,560                  | 7,276,810                  | 7,120,794                               | 156,016  |
| Supplies                                | 1,096,831                  | 1,094,754                  | 949,139                                 | 145,615  |
| Other services and charges              | 2,723,049                  | 2,907,694                  | 2,763,044                               | 144,650  |
| Capital outlay                          | 50,000                     | 27,312                     | 22,760                                  | 4,552  |
| Other Uses                              | -                          | -                          | -                                       | -  |
| Total expenditures                      | <u>11,092,440</u>          | <u>11,306,570</u>          | <u>10,855,737</u>                       | <u>450,833</u>   |
| Other financing sources - Transfers out | <u>(85,500)</u>            | <u>(56,889)</u>            | <u>-</u>                                | <u>56,889</u>  |
| Net change in fund balances             | 1,859                      | 277,566                    | 494,541                                 | 216,975  |
| Fund balances - Beginning               | <u>3,924,992</u>           | <u>3,924,992</u>           | <u>3,924,992</u>                        | <u>-</u>   |
| Fund balances - Ending                  | <u><b>\$ 3,926,851</b></u> | <u><b>\$ 4,202,558</b></u> | <u><b>\$ 4,419,533</b></u>              | <u><b>\$ 216,975</b></u>                                   |

# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds (Continued) Year Ended December 31, 2016

|                                   | Public Safety LOIT Fund  |                          |   | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|-----------------------------------|--------------------------|--------------------------|---|--|
|                                   | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts |  |
|                                   | Original                 | Final                    |   |  |
| Revenues:                         |                          |                          |   |  |
| Taxes - County option income tax  | \$ 6,791,160             | \$ 6,791,160             | \$ 6,791,160                            | \$ -   |
| Other                             | 6,000                    | 6,000                    | 6,989                                   | 989  |
| Total revenues                    | <u>6,797,160</u>         | <u>6,797,160</u>         | <u>6,798,149</u>                        | <u>989</u>   |
| Expenditures - Personnel services | <u>6,600,626</u>         | <u>6,600,626</u>         | <u>6,499,636</u>                        | <u>100,990</u>   |
| Net change in fund balances       | 196,534                  | 196,534                  | 298,513                                 | 101,979  |
| Fund balances - Beginning         | <u>642,770</u>           | <u>642,770</u>           | <u>642,770</u>                          | <u>-</u>   |
| Fund balances - Ending            | <u><b>\$ 839,304</b></u> | <u><b>\$ 839,304</b></u> | <u><b>\$ 941,283</b></u>                | <u><b>\$ 101,979</b></u>                                   |

# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds (Continued) Year Ended December 31, 2016

|                                      | COIT Fund                  |                            |   | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--------------------------------------|----------------------------|----------------------------|---|--|
|                                      | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts |  |
|                                      | Original                   | Final                      |   |  |
| Revenues:                            |                            |                            |   |  |
| Taxes - County option income         | \$ 9,454,023               | \$ 9,454,023               | \$ 9,454,023                            | \$ -   |
| Other                                | 878,961                    | 916,987                    | 976,977                                 | 59,990   |
| Total revenues                       | <u>10,332,984</u>          | <u>10,371,010</u>          | <u>10,431,000</u>                       | <u>59,990</u>  |
| Expenditures:                        |                            |                            |   |  |
| Current:                             |                            |                            |   |  |
| General Government:                  |                            |                            |   |  |
| Personnel Services                   | 419,439                    | 419,439                    | 403,691                                 | 15,748   |
| Supplies                             | 1,465,932                  | 1,251,271                  | 938,762                                 | 312,509  |
| Other services and charges           | 9,257,308                  | 12,091,368                 | 11,675,640                              | 415,728  |
| Capital outlay                       | 314,000                    | 579,370                    | 326,603                                 | 252,767  |
| Total expenditures                   | <u>11,456,679</u>          | <u>14,341,448</u>          | <u>13,344,697</u>                       | <u>996,751</u>   |
| Other financing uses - Transfers out | <u>(1,500,000)</u>         | <u>(1,500,000)</u>         | <u>(1,500,000)</u>                      | <u>-</u>   |
| Net change in fund balances          | (2,623,695)                | (5,470,438)                | (4,413,697)                             | 1,056,741  |
| Fund balances - Beginning            | <u>12,100,667</u>          | <u>12,100,667</u>          | <u>12,100,667</u>                       | <u>-</u>   |
| Fund balances - Ending               | <u><b>\$ 9,476,972</b></u> | <u><b>\$ 6,630,229</b></u> | <u><b>\$ 7,686,970</b></u>              | <u><b>\$ 1,056,741</b></u>                                 |

# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds (Continued) Year Ended December 31, 2016

|  | EDIT Fund                  |                            |   | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|---|--|
|  | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts |  |
|  | Original                   | Final                      |   |  |
| Revenues:                                      |                            |                            |   |  |
| Taxes - County economic development income tax | \$ 9,594,602               | \$ 9,594,602               | \$ 9,594,602                            | \$ -   |
| Other  | 564,660                    | 602,494                    | 600,514                                 | (1,980)  |
| Total revenues                                 | <u>10,159,262</u>          | <u>10,197,096</u>          | <u>10,195,116</u>                       | <u>(1,980)</u>   |
| Expenditures:                                  |                            |                            |   |  |
| General Government:                            |                            |                            |   |  |
| Personnel services                             | -                          | -                          | -                                       | -  |
| Supplies                                       | -                          | 2,250                      | 1,801                                   | 449  |
| Other services and charges                     | 3,768,902                  | 3,966,649                  | 3,092,256                               | 874,393  |
| Capital outlay                                 | 197,500                    | 267,500                    | -                                       | 267,500  |
| Total expenditures                             | <u>3,966,402</u>           | <u>4,236,399</u>           | <u>3,094,056</u>                        | <u>1,142,343</u>   |
| Other financing uses - Transfers out           | <u>(6,483,782)</u>         | <u>(6,323,782)</u>         | <u>(6,323,782)</u>                      | <u>-</u>   |
| Net change in fund balances                    | (290,922)                  | (363,085)                  | 777,278                                 | 1,140,363  |
| Fund balances - Beginning                      | <u>9,886,898</u>           | <u>9,886,898</u>           | <u>9,886,898</u>                        | <u>-</u>   |
| Fund balances - Ending                         | <u><b>\$ 9,595,976</b></u> | <u><b>\$ 9,523,813</b></u> | <u><b>\$ 10,664,176</b></u>             | <u><b>\$ 1,140,363</b></u>                                 |

# City of South Bend, Indiana

## Required Supplemental Information Budgetary Comparison Schedules General Fund and Major Special Revenue Funds (Continued) Year Ended December 31, 2016

|                           | Rainy Day Fund             |                             |   |  |
|---------------------------|----------------------------|-----------------------------|---|--|
|                           | Budgeted Amounts           |                             | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|                           | Original                   | Final                       |   |  |
| Revenues - Other          | \$ 40,000                  | \$ 1,475,850                | \$ 1,492,266                            | \$ 16,416  |
| Fund balances - Beginning | <u>8,703,422</u>           | <u>8,703,422</u>            | <u>8,703,422</u>                        | -  |
| Fund balances - Ending    | <u><b>\$ 8,743,422</b></u> | <u><b>\$ 10,179,272</b></u> | <u><b>\$ 10,195,688</b></u>             | <u><b>\$ 16,416</b></u>                                    |

# City of South Bend, Indiana

## Required Supplemental Information Budget/GAAP Reconciliation General Fund and Major Special Revenue Funds Year Ended December 31, 2016

The major differences between budgetary (Non-GAAP) basis and GAAP basis are as follows:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
- c. Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.

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

|   | General             | Parks and<br>Recreation | Public Safety<br>LOIT | COIT                  | EDIT              | Rainy Day           |
|---|---------------------|-------------------------|-----------------------|-----------------------|-------------------|---------------------|
| Net change in fund balances (budgetary basis) | \$ 2,612,215        | \$ 494,541              | \$ 298,513            | \$ (4,413,697)        | \$ 777,278        | \$ 1,492,266        |
| Adjustments:                                  |                     |                         |                       |                       |                   |                     |
| To adjust revenues for accruals               | 10,634,279          | 10,639                  | 44                    | (114,917)             | 444               | 449                 |
| To adjust expenditures for accruals           | (11,295,964)        | (56,750)                | (25,367)              | 241,785               | (310,518)         | -                   |
| To adjust expenditures for encumbrances       | 1,380,036           | 76,858                  | -                     | 1,241,186             | 503,462           | -                   |
| Net change in fund balances (GAAP basis)      | <u>\$ 3,330,566</u> | <u>\$ 525,288</u>       | <u>\$ 273,190</u>     | <u>\$ (3,045,643)</u> | <u>\$ 970,666</u> | <u>\$ 1,492,715</u> |

# City of South Bend, Indiana

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## Notes to Required Supplemental Information

### Note I - Budgets and Budgetary Accounting

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

- A. After conferring with the Common Council President and several department heads, the City Controller submits to the Common Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Prior to adoption, the City advertises the budget and the Common Council holds public hearings to obtain taxpayer comments. The Common Council may reduce, but not increase, the budget from the advertised amounts.
- C. No later than November 1 of each year, the budget for the next year is approved by the Common Council through the passage of an ordinance.
- D. Copies of the budget ordinance and advertisements for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance for their review and approval. The budget becomes legally enacted after the City Controller receives approval from the Indiana Department of Local Government Finance. This approval is required by Indiana statute and ad valorem property tax rates are to be set by February 15 of the year budgeted. The budget ordinance as approved by the Indiana Department of Local Government Finance becomes the City's expenditures budget. The City's maximum tax levy is restricted by Indiana law, with certain adjustments and exceptions. If the advertised budget, for funds for which property taxes are levied or for which highway use taxes are received, exceeds the spending and tax limits of the state control laws, an excess levy can be granted by the Indiana Department of Local Government Finance, upon appeal by the City.
- E. The legal level of budgetary control (the level at which expenditures may not exceed appropriations without the governing body's approval) is by object classification for all funds except for the General Fund, which is by object classification within each department. The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. Any revisions that alter the total appropriations for any fund or any department of the General Fund must be approved by the Common Council and, in some instances, by the Indiana Department of Local Government Finance. Formal budgetary integration is required by state statute and is employed as a management control method.
- F. Formal budgetary integration is required by State statute and is employed as a management control device. An annual budget was legally adopted for the following funds:

Major funds:

- General Fund
- Special revenue funds - parks and recreation, public safety local option income tax (LOIT), county option income tax (COIT), economic development income tax (EDIT), rainy day
- Capital projects fund - River West TIF



# City of South Bend, Indiana

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## Notes to Required Supplemental Information (Continued)

Nonmajor governmental funds:

- Special revenue funds - motor vehicle highway, recreation non-reverting, Studebaker Oliver revitalization grants, economic development State grants, DCI operating, community investment grants, police state seizure, juvenile positive assistance, unsafe building, law enforcement continuing education, landlord registration, loss recovery, emergency telephone system, local road and street, excess welfare distribution, LOIT 2016 special distribution, human rights-federal, East Race waterway, Morris and Palais marketing, police block grants, economic development commission, hazmat, Indiana river rescue, COPS block grant II, regional police academy, COPS MORE grant, federal drug enforcement, gift, urban development action grant, leaf collection and removal, police K-9 unit, excess levy
  - Debt service fund - College Football Hall of Fame debt service, redevelopment bond - airport taxable, Coveleski bond debt service reserve, redevelopment bond - Palais Royale, Century Center Energy Conservation Debt Service
  - Capital projects funds - professional sports development, Coveleski stadium capital, zoo endowment, park non-reverting capital, cumulative capital development, cumulative capital improvement, Morris Performing Arts Center capital, TIF Leighton Plaza, TIF - West Washington, redevelopment general, community revitalization enhancement district, TIF No. 1 - Southside development, TIF No. 3 - Southside development, Football Hall of Fame capital, Major Moves, TIF – river east development, TIF Douglas road, TIF river east residential, certified technology park, Palais Royale historic preservation, airport urban enterprise zone
- G The City's budgetary process is based upon cash outflows, which is a non-GAAP basis. Appropriations lapse with the expiration of the budgetary period unless encumbered by a purchase order or contract. Encumbered appropriations are carried over and added to the subsequent year's budget.
- H. Budgeted amounts are as originally adopted, or as amended by the Common Council and approved by the Indiana Department of Local Government Finance in the regular legal manner. The net effect of individual amendments to the budget increased the original appropriations by \$20,013,977 in 2016 for the funds listed above.
- I. Expenditures did not exceed appropriations for any funds or any departments within the General Fund which required legally approved budgets.

## **Other Supplemental Information**

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# City of South Bend, Indiana

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## Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

### Special Revenue Funds

**Motor Vehicle Highway** - To account for street construction and the operations of the street maintenance department. Financing is provided by state motor vehicle highway distributions.

**Recreation Non-Reverting** - To account for fees and related expenses from park department activities.

**Studebaker/Oliver Revitalization Grants** - To account for expenditures related to the Studebaker and Oliver revitalization projects. Financing is provided by federal and state grants and loans from other organizations.

**Economic Development State Grants** - To account for expenditures related to projects promoting economic development. Financing is provided by state grants and loan payments. Expenditures include grants and related expenses.

**DCI Operating** - To account for the operating expenditures related to the South Bend Department of Community Investment. Financing will be provided by revenues received from charges for services, other revenue sources, and from fund transfers.

**Community Investment Grants** - To account for revenues received from the U.S. Department of Housing and Urban Development related to community improvement projects.

**Police State Seizure** - To account for law enforcement expenditures financed by the authorized state or local agencies' sale of confiscated property.

**Juvenile Positive Assistance** - To account for monies received from penalties paid for curfew violations. Expenditures include Drug Abuse Resistance Education and Juvenile Aid Bureau.

**Unsafe Building** - To account for expenditures related to board ups and other services related to unsafe buildings. Financing will be provided by fines and fees related to the Unsafe Building law.

**Law Enforcement Continuing Education** - To account for police fees collected to finance police officers' continuing education, training, and supplies and equipment.

**Landlord Registration** - To account for costs related to the South Bend Landlord Registration program. Financing is provided by a registration fee paid by landlords.

**Loss Recovery Fund** - To account for compensatory or exemplary damage payments from third parties arising from loss or damage to City tangible or intangible property.

**Emergency Telephone System** - To account for 9-1-1 revenues from the county as well as state grants.

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

# City of South Bend, Indiana

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## Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

**Excess Welfare Distribution** - To account for a special distribution from the County that can only be spent on public safety expenditures.

**LOIT 2016 Special Distribution** - To account for a special distribution from the State that can only be spent on road projects.

**Human Rights Federal** - To account for expenditures to prevent discrimination and to promote human rights. Financing is provided by federal grants.

**East Race Waterway** - To account for donations for the promotion and development of the East Race Waterway.

**Morris and Palais Marketing** - To account for marketing and promotion expenditures financed by sponsorship solicitations and donations.

**Police Block Grants** - To account for federal grants which provide financing for police activities.

**Economic Development Commission** - To account for administrative expenditures of the Economic Development Commission. Financing is provided by fees from businesses applying for Economic Development Revenue Bonds.

**Hazmat** - To account for monies generated by the South Bend Fire Department's response to hazardous materials incidents. Funds are used to purchase, repair, or replace hazmat equipment, or for training and supplies.

**Indiana River Rescue** - To account for expenditures related to river rescue training. Financing is provided by registration fees.

**COPS Block Grant II** - To account for federal grants which provide financing for police activities.

**Regional Police Academy** - To account for revenues (tuition) and expenditures (seminars, travel, lectures, and career days) related to the advancement of present and future police officers.

**COPS MORE Grant** - To account for a COPS MORE grant which provides financing for police activities.

**Federal Drug Enforcement** - To account for expenditures for drug enforcement. Financing is provided by distributions from the authorized federal agencies' confiscated property sale.

**Gift** - To account for donations, gifts, or bequeaths for purposes designated by the donor.

**Urban Development Action Grant** - To account for economic development expenditures which are financed by federal grants and loan repayments.

# City of South Bend, Indiana

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## Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

**Leaf Collection and Removal** - To account for the expenditures of a program to remove leaves from the City each fall. Financing is provided by a monthly service fee charged to all City residents.

**Police K-9 Unit** - To account for donations for development and maintenance of the K-9 unit.

**Excess Levy** - To account for monies collected from property taxes that exceed the City's maximum property tax levy as determined by the Indiana Department of Local Government Finance (DLGF). Proceeds in this statutory fund are used to offset future property tax levy amounts as determined by the DLGF during the budget approval process.

**Industrial Revolving** - To account for the revenue and expenditures of providing special loans to qualifying local firms. Financing was originally provided by a \$5,000,000 Economic Adjustment Assistance Grant from the U.S. Department of Commerce.

### Debt Service Funds

**College Football Hall of Fame Debt Service** - To accumulate monies for the payment of Redevelopment Authority bonds issued to refinance bonds issued for construction of the College Football Hall of Fame. Financing is to be provided by an annual property tax levy.

**Redevelopment Bond - Airport Taxable** - To accumulate monies as a reserve for the payment of Redevelopment Authority bonds for the airport taxable project.

**Coveleski Bond Debt Service Reserve** - To accumulate monies as a reserve for the payment of the Coveleski Stadium recovery zone economic development bonds. Financing for debt payments is to be provided by professional sports and convention development area taxes (PSCDA) and county option income tax revenues if PSCDA revenues are insufficient.

**Redevelopment Bond - Palais Royale** - To accumulate monies as a reserve for the payment of Redevelopment Authority bonds for the Palais Royale project.

**South Bend Building Corporation Debt Service** - To account for debt retirement of the Building Corporation's Mortgage Bonds. Funding is provided by transfers from other City funds.

**TIF Erskine Village Debt Service** - To account for Erskine Village project debt retirement of the south side tax incremental financing (TIF) district. Financing is provided by transfers from the TIF South Side Development Fund.

**Smart Streets Debt Service** - To account for debt retirement of 2015 Redevelopment Authority bonds for smart streets/"two-way streets" conversion. Funding is provided by transfers from other City funds.

**Parks Bonds Debt Service Fund** - To account for debt retirement of the 2015 Building Corporation/EDIT bond for park improvements. Funding is provided by transfers from other City funds.

# City of South Bend, Indiana

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## Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

**Century Center Energy Conservation Debt Service** - To account for debt retirement of a 2015 qualified energy conservation bond for improvements at Century Center. Funding is provided by hotel/motel tax revenue, interest rebates, and transfers from other City funds.

**Redevelopment Authority Debt Service** - To accumulate monies for the payment of Redevelopment Authority bonds issued to refinance bonds issued for construction of a parking garage facility, bonds issued for central development area land acquisition and construction of public improvements, bonds issued to purchase the Palais Royale, bonds issued to refinance bonds issued for construction of Century Center improvements, and bonds issued to refinance bonds issued for renovations to the Morris Performing Art Center.

### Capital Projects Funds

**Professional Sports Development** - To account for Professional Sports Development Tax revenues dedicated towards debt service and improvements at Four Winds Field baseball stadium (formerly known as Coveleski Stadium).

**Coveleski Stadium Capital** - To account for expenditures related to the maintenance and improvement of the baseball stadium. Financing is provided by a rental paid by the semi-pro baseball team.

**Zoo Endowment** - To account for construction projects at the City's zoo. Financing is provided by gifts and donations.

**Park Non-Reverting Capital** - To account for specific revenues used to finance capital improvements at the City parks.

**Cumulative Capital Development** - To account for expenditures relating to the purchase or lease of capital improvements in the City. Financing is provided by a specific property tax levy.

**Cumulative Capital Improvement** - To account for state cigarette tax distributions used for improvement projects.

**Morris Performing Art Center Capital** - To accumulate monies for major repairs and capital improvements to the Morris Civic Auditorium. Financing is provided by a surcharge on ticket sales for events held at the auditorium.

**Tax Incremental Financing (TIF) - Leighton Plaza** - To account for expenditures for public improvement projects in the Leighton Plaza tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.

**Tax Incremental Financing (TIF) - West Washington** - To account for expenditures for public improvement projects in the West Washington Economic Development Area. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.

# City of South Bend, Indiana

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## Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

**Redevelopment General** - To account for eligible redevelopment activities in the Studebaker Corridor financed by proceeds from land sales or leases.

**Community Revitalization Enhancement District** - To account for public improvements in the Studebaker/Oliver Community Revitalization Enhancement District. Financing is provided by income tax and gross retail tax increments in the district.

**Tax Incremental Financing (TIF) No. 1 - Southside Development** - To account for expenditures for improvements in the Southside Development Tax incremental district No. 1. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.

**Tax Incremental Financing (TIF) No. 3 - Southside Development** - To account for expenditures for improvements in the Southside Development tax incremental district No. 3. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.

**Football Hall of Fame Capital** - To account for capital expenditures for the College Football Hall of Fame. Financing was provided by a transfer from the City's Professional Sports Development Fund. This fund also accounts for the advance from the General Fund which may be repaid from future operating surpluses.

**Major Moves** - To account for state distributions used for road construction and other uses authorized by Indiana statute.

**Tax Incremental Financing (TIF) - River East Development** - To account for expenditures for improvements in the northeast development tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment. During TIF consolidation in 2015, this fund was renamed. It was formerly known as the TIF Northeast Development Fund.

**Tax Incremental Financing (TIF) - Douglas Road** - To account for expenditures for improvements in the Douglas Road development tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.

**Tax Incremental Financing (TIF) - River East Residential** - To account for expenditures for improvements in the Northeast Neighborhood Residential development tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment. During TIF consolidation in 2015, this fund was renamed. It was formerly known as the TIF Northeast Residential Fund.

## City of South Bend, Indiana

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### **Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)**

**Certified Technology Park** - To account for expenditures related to acquisition, improvements, construction and maintenance of public facilities, debt service, and other permitted uses under Indiana Code 36-7-32-23 in connection with a certified technology park. Financing is provided by property tax proceeds, state gross retail and uses taxes, and other revenues.

**Palais Royale Historic Preservation** - To account for expenditures financed by a 2 percent fee charged for all Palais Royale services.

**Airport Urban Enterprise Zone** - To account for expenditures for improvements in the Zone area, financed by property taxes on qualifying properties in the Zone.

**Equipment Leasing** - To account for proceeds from capital lease-purchase agreements used to finance major equipment needs of the City.

**Century Center Energy Conservation Bond** - To account for capital expenditures at Century Center funded by a qualified energy conservation bond (QECCB) and other sources.

**Smart Streets Bond Capital Projects Fund** - To account for capital expenditures in connection with the conversion of one-way streets to two-way streets in the downtown area. Funding is provided by a Redevelopment Authority bond.

**Parks Bond Capital Projects Fund** - To account for capital expenditures in the City parks with funding provided by a Building Corporation bond.



# City of South Bend, Indiana

|  | Special Revenue Funds    |                            |                                    |                             |                     |
|--|--------------------------|----------------------------|------------------------------------|-----------------------------|---------------------|
|  | Motor Vehicle<br>Highway | Recreation<br>Nonreverting | Studebaker                         | Economic                    | DCI Operating       |
|  |                          |                            | Oliver<br>Revitalization<br>Grants | Development<br>State Grants |                     |
| <b>Assets</b>                              |                          |                            |                                    |                             |                     |
| Cash and cash equivalents                  | \$ 1,365,518             | \$ 180,363                 | \$ 190,377                         | \$ 78,146                   | \$ 303,359          |
| Investments                                | 4,756,989                | 628,327                    | 663,207                            | 272,233                     | 1,056,798           |
| Receivables:                               |                          |                            |                                    |                             |                     |
| Taxes                                      | -                        | -                          | -                                  | -                           | -                   |
| Accounts                                   | 45,096                   | 8,909                      | -                                  | -                           | 6,044               |
| Interest                                   | 11,448                   | 1,505                      | 1,588                              | 648                         | 2,542               |
| Intergovernmental                          | 609,803                  | -                          | -                                  | -                           | -                   |
| Loans                                      | -                        | -                          | -                                  | 302,069                     | -                   |
| Due from other funds                       | -                        | 30,048                     | -                                  | -                           | -                   |
| Advances to other funds                    | -                        | -                          | 400,000                            | -                           | -                   |
| Property held for resale                   | -                        | -                          | 1                                  | -                           | -                   |
| <b>Total assets</b>                        | <b>\$ 6,788,854</b>      | <b>\$ 849,152</b>          | <b>\$ 1,255,173</b>                | <b>\$ 653,096</b>           | <b>\$ 1,368,743</b> |
| <b>Liabilities</b>                         |                          |                            |                                    |                             |                     |
| Accounts payable                           | \$ 317,141               | \$ 11,049                  | \$ 37,304                          | \$ -                        | \$ 4,059            |
| Due to other funds                         | 601                      | -                          | -                                  | -                           | -                   |
| Advances from other funds                  | -                        | -                          | -                                  | -                           | -                   |
| Performance deposits payable               | -                        | -                          | -                                  | -                           | -                   |
| Accrued liabilities and other -            |                          |                            |                                    |                             |                     |
| Accrued payroll payable                    | 72,656                   | 6,879                      | -                                  | -                           | 31,051              |
| Other current payables                     | -                        | -                          | -                                  | -                           | -                   |
| <b>Total liabilities</b>                   | <b>390,398</b>           | <b>17,928</b>              | <b>37,304</b>                      | <b>-</b>                    | <b>35,110</b>       |
| <b>Fund Balances</b>                       |                          |                            |                                    |                             |                     |
| Nonspendable                               | -                        | -                          | 400,001                            | 238,409                     | -                   |
| Restricted                                 | 6,398,456                | 831,224                    | 817,868                            | 414,687                     | -                   |
| Committed                                  | -                        | -                          | -                                  | -                           | -                   |
| Assigned                                   | -                        | -                          | -                                  | -                           | 1,333,633           |
| Unassigned                                 | -                        | -                          | -                                  | -                           | -                   |
| <b>Total fund balances</b>                 | <b>6,398,456</b>         | <b>831,224</b>             | <b>1,217,869</b>                   | <b>653,096</b>              | <b>1,333,633</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 6,788,854</b>      | <b>\$ 849,152</b>          | <b>\$ 1,255,173</b>                | <b>\$ 653,096</b>           | <b>\$ 1,368,743</b> |

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

| Special Revenue Funds             |                         |                                    |                   |   |                          |                       |                                  |
|-----------------------------------|-------------------------|------------------------------------|-------------------|---|--------------------------|-----------------------|----------------------------------|
| Community<br>Investment<br>Grants | Police State<br>Seizure | Juvenile<br>Positive<br>Assistance | Unsafe Building   | Law<br>Enforcement<br>Continuing<br>Education | Landlord<br>Registration | Loss Recovery<br>Fund | Emergency<br>Telephone<br>System |
| \$ 241,313                        | \$ 48,448               | \$ 2,797                           | \$ 371,735        | \$ 186,486                                    | \$ 1,225                 | \$ 216,088            | \$ 33,671                        |
| -                                 | 168,776                 | 9,744                              | -                 | 649,651                                       | -                        | 752,774               | -                                |
| -                                 | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| -                                 | 10,113                  | -                                  | 10,286            | 26,651  | 1,605                    | -                     | -                                |
| -                                 | 404                     | 23                                 | -                 | 1,556   | -                        | 1,804                 | -                                |
| -                                 | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| 230,341                           | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| -                                 | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| -                                 | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| 3,155,452                         | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| <b>\$ 3,627,106</b>               | <b>\$ 227,741</b>       | <b>\$ 12,564</b>                   | <b>\$ 382,021</b> | <b>\$ 864,344</b>                             | <b>\$ 2,830</b>          | <b>\$ 970,666</b>     | <b>\$ 33,671</b>                 |
| \$ 445,804                        | \$ -                    | \$ -                               | \$ 14,139         | \$ 60,221                                     | \$ -                     | \$ 1,867              | \$ -                             |
| 28,680                            | -                       | -                                  | 27,965            | -   | -                        | -                     | -                                |
| -                                 | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| -                                 | -                       | -                                  | 2,500             | -   | -                        | -                     | -                                |
| -                                 | -                       | -                                  | 4,856             | -   | -                        | -                     | -                                |
| 3,659                             | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| 478,143                           | -                       | -                                  | 49,460            | 60,221  | -                        | 1,867                 | -                                |
| 3,335,118                         | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| -                                 | 227,741                 | -                                  | -                 | 804,123                                       | -                        | -                     | 33,671                           |
| -                                 | -                       | 12,564                             | 332,561           | -   | 2,830                    | 968,799               | -                                |
| -                                 | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| (186,155)                         | -                       | -                                  | -                 | -   | -                        | -                     | -                                |
| 3,148,963                         | 227,741                 | 12,564                             | 332,561           | 804,123                                       | 2,830                    | 968,799               | 33,671                           |
| <b>\$ 3,627,106</b>               | <b>\$ 227,741</b>       | <b>\$ 12,564</b>                   | <b>\$ 382,021</b> | <b>\$ 864,344</b>                             | <b>\$ 2,830</b>          | <b>\$ 970,666</b>     | <b>\$ 33,671</b>                 |

# City of South Bend, Indiana

|  | Special Revenue Funds    |                                |                         |                         |                       |
|--|--------------------------|--------------------------------|-------------------------|-------------------------|-----------------------|
|  | Local Road and<br>Street | Excess Welfare<br>Distribution | LOIT 2016               | Human Rights<br>Federal | East Race<br>Waterway |
|  |                          |                                | Special<br>Distribution |                         |                       |
| <b>Assets</b>                              |                          |                                |                         |                         |                       |
| Cash and cash equivalents                  | \$ 630,081               | \$ 8                           | \$ 4,025,066            | \$ 98,716               | \$ 300                |
| Investments                                | 2,194,983                | -                              | -                       | 380,643                 | 1,045                 |
| Receivables:                               |                          |                                |                         |                         |                       |
| Taxes                                      | -                        | -                              | -                       | -                       | -                     |
| Accounts                                   | 274                      | -                              | -                       | -                       | -                     |
| Interest                                   | 5,265                    | -                              | -                       | 745                     | 3                     |
| Intergovernmental                          | 104,668                  | -                              | -                       | 91,200                  | -                     |
| Loans                                      | -                        | -                              | -                       | -                       | -                     |
| Due from other funds                       | -                        | -                              | -                       | -                       | -                     |
| Advances to other funds                    | -                        | -                              | -                       | -                       | -                     |
| Property held for resale                   | -                        | -                              | -                       | -                       | -                     |
| <b>Total assets</b>                        | <b>\$ 2,935,271</b>      | <b>\$ 8</b>                    | <b>\$ 4,025,066</b>     | <b>\$ 571,304</b>       | <b>\$ 1,348</b>       |
| <b>Liabilities</b>                         |                          |                                |                         |                         |                       |
| Accounts payable                           | \$ 209,999               | \$ -                           | \$ 22,722               | \$ 7,184                | \$ -                  |
| Due to other funds                         | -                        | -                              | -                       | -                       | -                     |
| Advances from other funds                  | -                        | -                              | -                       | -                       | -                     |
| Performance deposits payable               | -                        | -                              | -                       | -                       | -                     |
| Accrued liabilities and other -            |                          |                                |                         |                         |                       |
| Accrued payroll payable                    | -                        | -                              | -                       | 4,339                   | -                     |
| Other current payables                     | -                        | -                              | -                       | -                       | -                     |
| <b>Total liabilities</b>                   | <b>209,999</b>           | <b>-</b>                       | <b>22,722</b>           | <b>11,523</b>           | <b>-</b>              |
| <b>Fund Balances</b>                       |                          |                                |                         |                         |                       |
| Nonspendable                               | -                        | -                              | -                       | -                       | -                     |
| Restricted                                 | 2,725,272                | 8                              | 4,002,344               | 559,781                 | -                     |
| Committed                                  | -                        | -                              | -                       | -                       | 1,348                 |
| Assigned                                   | -                        | -                              | -                       | -                       | -                     |
| Unassigned                                 | -                        | -                              | -                       | -                       | -                     |
| <b>Total fund balances</b>                 | <b>2,725,272</b>         | <b>8</b>                       | <b>4,002,344</b>        | <b>559,781</b>          | <b>1,348</b>          |
| <b>Total liabilities and fund balances</b> | <b>\$ 2,935,271</b>      | <b>\$ 8</b>                    | <b>\$ 4,025,066</b>     | <b>\$ 571,304</b>       | <b>\$ 1,348</b>       |

**Other Supplemental Information  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2016**

| Special Revenue Funds             |                        |                                       |               |                         |                        |                            |                    |  |
|-----------------------------------|------------------------|---------------------------------------|---------------|-------------------------|------------------------|----------------------------|--------------------|--|
| Morris and<br>Palais<br>Marketing | Police Block<br>Grants | Economic<br>Development<br>Commission | Hazmat        | Indiana River<br>Rescue | COPS Block<br>Grant II | Regional Police<br>Academy | COPS MORE<br>Grant |  |
| \$ 10,484                         | \$ 865                 | \$ 6,148                              | \$ 5,961      | \$ 31,620               | \$ 76,628              | \$ 16,937                  | \$ 52,860          |  |
| 36,521                            | 3,014                  | 21,416                                | 20,766        | 110,152                 | -                      | 59,004                     | 184,147            |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | 200                |  |
| 87                                | 7                      | 51                                    | 50            | 265                     | -                      | 141                        | 439                |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| <b>47,092</b>                     | <b>3,886</b>           | <b>27,615</b>                         | <b>26,777</b> | <b>142,037</b>          | <b>76,628</b>          | <b>76,082</b>              | <b>237,646</b>     |  |
| \$ 2,798                          | \$ -                   | \$ -                                  | \$ -          | \$ 1,212                | \$ 2,796               | \$ 162                     | \$ 13,276          |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | 66                      | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| 2,798                             | -                      | -                                     | -             | 1,278                   | 2,796                  | 162                        | 13,276             |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| -                                 | 3,886                  | -                                     | -             | -                       | 73,832                 | -                          | 224,370            |  |
| 44,294                            | -                      | 27,615                                | 26,777        | -                       | -                      | 75,920                     | -                  |  |
| -                                 | -                      | -                                     | -             | 140,759                 | -                      | -                          | -                  |  |
| -                                 | -                      | -                                     | -             | -                       | -                      | -                          | -                  |  |
| 44,294                            | 3,886                  | 27,615                                | 26,777        | 140,759                 | 73,832                 | 75,920                     | 224,370            |  |
| <b>47,092</b>                     | <b>3,886</b>           | <b>27,615</b>                         | <b>26,777</b> | <b>142,037</b>          | <b>76,628</b>          | <b>76,082</b>              | <b>237,646</b>     |  |

# City of South Bend, Indiana

|  | Special Revenue Funds    |                   |                                |                             |                 |
|--|--------------------------|-------------------|--------------------------------|-----------------------------|-----------------|
|  | Federal Drug Enforcement | Gift              | Urban Development Action Grant | Leaf Collection and Removal | Police K-9 Unit |
| <b>Assets</b>                              |                          |                   |                                |                             |                 |
| Cash and cash equivalents                  | \$ 226,058               | \$ 25,999         | \$ 131,910                     | \$ 194,389                  | \$ 636          |
| Investments                                | -                        | 90,570            | 459,527                        | 677,184                     | 2,217           |
| Receivables:                               |                          |                   |                                |                             |                 |
| Taxes                                      | -                        | -                 | -                              | -                           | -               |
| Accounts                                   | -                        | 25,035            | -                              | 37,220                      | -               |
| Interest                                   | 149                      | 216               | 1,101                          | 1,621                       | 5               |
| Intergovernmental                          | -                        | -                 | -                              | -                           | -               |
| Loans                                      | -                        | -                 | 543,909                        | -                           | -               |
| Due from other funds                       | -                        | -                 | -                              | -                           | -               |
| Advances to other funds                    | -                        | -                 | -                              | -                           | -               |
| Property held for resale                   | -                        | -                 | -                              | -                           | -               |
| <b>Total assets</b>                        | <b>\$ 226,207</b>        | <b>\$ 141,820</b> | <b>\$ 1,136,447</b>            | <b>\$ 910,414</b>           | <b>\$ 2,858</b> |
| <b>Liabilities</b>                         |                          |                   |                                |                             |                 |
| Accounts payable                           | \$ -                     | \$ 72,900         | \$ -                           | \$ -                        | \$ -            |
| Due to other funds                         | -                        | -                 | -                              | -                           | -               |
| Advances from other funds                  | -                        | -                 | 1,351,598                      | -                           | -               |
| Performance deposits payable               | -                        | -                 | -                              | -                           | -               |
| Accrued liabilities and other -            |                          |                   |                                |                             |                 |
| Accrued payroll payable                    | -                        | -                 | -                              | -                           | -               |
| Other current payables                     | -                        | -                 | -                              | -                           | -               |
| <b>Total liabilities</b>                   | <b>-</b>                 | <b>72,900</b>     | <b>1,351,598</b>               | <b>-</b>                    | <b>-</b>        |
| <b>Fund Balances</b>                       |                          |                   |                                |                             |                 |
| Nonspendable                               | -                        | -                 | 416,655                        | -                           | -               |
| Restricted                                 | 226,207                  | 68,920            | -                              | -                           | -               |
| Committed                                  | -                        | -                 | -                              | -                           | -               |
| Assigned                                   | -                        | -                 | -                              | 910,414                     | 2,858           |
| Unassigned                                 | -                        | -                 | (631,806)                      | -                           | -               |
| <b>Total fund balances</b>                 | <b>226,207</b>           | <b>68,920</b>     | <b>(215,151)</b>               | <b>910,414</b>              | <b>2,858</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 226,207</b>        | <b>\$ 141,820</b> | <b>\$ 1,136,447</b>            | <b>\$ 910,414</b>           | <b>\$ 2,858</b> |

**Other Supplemental Information  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2016**

| Special Revenue Funds |                                 |                      | Debt Service Funds                       |                           |                         |                         |   |
|-----------------------|---------------------------------|----------------------|--|---------------------------|-------------------------|-------------------------|---|
| Excess Levy           | Industrial<br>Revolving<br>Fund | Total                | College                                  | Redevelopment             | Coveleski Bond          | Redevelopment           | South Bend                              |
|                       |                                 |                      | Football Hall of<br>Fame Debt<br>Service | Bond - Airport<br>Taxable | Debt Service<br>Reserve | Bond - Palais<br>Royale | Building<br>Corporation<br>Debt Service |
| \$ -                  | \$ 2,405,340                    | \$ 11,159,532        | \$ 80,272                                | \$ 231,260                | \$ 114,096              | \$ 386,398              | \$ 567,788                              |
| -                     | 233,866                         | 13,433,554           | 212,042                                  | 805,629                   | 397,471                 | 1,346,075               | -                                       |
| -                     | -                               | -                    | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 171,433              | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 31,663               | 480                                      | 1,930                     | 952                     | 3,225                   | -                                       |
| -                     | -                               | 805,671              | -  | -                         | -                       | -                       | -                                       |
| -                     | 4,059,177                       | 5,135,496            | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 30,048               | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 400,000              | -  | -                         | -                       | -                       | -                                       |
| -                     | 97,800                          | 3,253,253            | -  | -                         | -                       | -                       | -                                       |
| <b>\$ -</b>           | <b>\$ 6,796,183</b>             | <b>\$ 34,420,650</b> | <b>\$ 292,794</b>                        | <b>\$ 1,038,819</b>       | <b>\$ 512,519</b>       | <b>\$ 1,735,698</b>     | <b>\$ 567,788</b>                       |
| \$ -                  | \$ -                            | \$ 1,224,633         | \$ -                                     | \$ -                      | \$ -                    | \$ -                    | \$ -                                    |
| -                     | -                               | 57,246               | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 1,351,598            | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 2,500                | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 119,847              | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 3,659                | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 2,759,483            | -  | -                         | -                       | -                       | -                                       |
| -                     | 3,263,958                       | 7,654,141            | -  | -                         | -                       | -                       | -                                       |
| -                     | 3,532,225                       | 20,944,615           | 292,794                                  | 1,038,819                 | 512,519                 | 1,735,698               | 567,788                                 |
| -                     | -                               | 1,492,708            | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | 2,387,664            | -  | -                         | -                       | -                       | -                                       |
| -                     | -                               | (817,961)            | -  | -                         | -                       | -                       | -                                       |
| -                     | 6,796,183                       | 31,661,167           | 292,794                                  | 1,038,819                 | 512,519                 | 1,735,698               | 567,788                                 |
| <b>\$ -</b>           | <b>\$ 6,796,183</b>             | <b>\$ 34,420,650</b> | <b>\$ 292,794</b>                        | <b>\$ 1,038,819</b>       | <b>\$ 512,519</b>       | <b>\$ 1,735,698</b>     | <b>\$ 567,788</b>                       |

# City of South Bend, Indiana

|                                     | Debt Service Funds |                     |                   |                  |                     |
|-------------------------------------|--------------------|---------------------|-------------------|------------------|---------------------|
|                                     | TIF Erskine        | Smart Streets       | Parks Bond        | Century          | Redevelopment       |
|                                     | Village Debt       | Debt Service        | Debt Service      | Center Energy    | Authority Debt      |
|                                     | Service            | Debt Service        | Fund              | Conservation     | Service             |
|                                     |                    |                     |                   | Debt Service     |                     |
| <b>Assets</b>                       |                    |                     |                   |                  |                     |
| Cash and cash equivalents           | \$ 561,117         | \$ 2,108,440        | \$ 561,943        | \$ 51,659        | \$ 1,232,769        |
| Investments                         | -                  | -                   | -                 | 5,493            | -                   |
| Receivables:                        |                    |                     |                   |                  |                     |
| Taxes                               | -                  | -                   | -                 | -                | -                   |
| Accounts                            | -                  | -                   | -                 | -                | -                   |
| Interest                            | -                  | 179                 | -                 | 12               | -                   |
| Intergovernmental                   | -                  | -                   | -                 | -                | -                   |
| Loans                               | -                  | -                   | -                 | -                | -                   |
| Due from other funds                | -                  | -                   | -                 | -                | -                   |
| Advances to other funds             | -                  | -                   | -                 | -                | -                   |
| Property held for resale            | -                  | -                   | -                 | -                | -                   |
|                                     | <u>\$ 561,117</u>  | <u>\$ 2,108,619</u> | <u>\$ 561,943</u> | <u>\$ 57,164</u> | <u>\$ 1,232,769</u> |
| Total assets                        |                    |                     |                   |                  |                     |
| <b>Liabilities</b>                  |                    |                     |                   |                  |                     |
| Accounts payable                    | \$ -               | \$ -                | \$ -              | \$ 111           | \$ -                |
| Due to other funds                  | -                  | -                   | -                 | -                | -                   |
| Advances from other funds           | -                  | -                   | -                 | -                | -                   |
| Performance deposits payable        | -                  | -                   | -                 | -                | -                   |
| Accrued liabilities and other -     |                    |                     |                   |                  |                     |
| Accrued payroll payable             | -                  | -                   | -                 | -                | -                   |
| Other current payables              | -                  | -                   | -                 | -                | -                   |
|                                     | <u>-</u>           | <u>-</u>            | <u>-</u>          | <u>111</u>       | <u>-</u>            |
| Total liabilities                   |                    |                     |                   |                  |                     |
| <b>Fund Balances</b>                |                    |                     |                   |                  |                     |
| Nonspendable                        | -                  | -                   | -                 | -                | -                   |
| Restricted                          | 561,117            | 2,108,619           | 561,943           | 57,053           | 1,232,769           |
| Committed                           | -                  | -                   | -                 | -                | -                   |
| Assigned                            | -                  | -                   | -                 | -                | -                   |
| Unassigned                          | -                  | -                   | -                 | -                | -                   |
|                                     | <u>561,117</u>     | <u>2,108,619</u>    | <u>561,943</u>    | <u>57,053</u>    | <u>1,232,769</u>    |
| Total fund balances                 |                    |                     |                   |                  |                     |
| Total liabilities and fund balances | <u>\$ 561,117</u>  | <u>\$ 2,108,619</u> | <u>\$ 561,943</u> | <u>\$ 57,164</u> | <u>\$ 1,232,769</u> |

**Other Supplemental Information  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2016**

| Debt Service<br>Funds | Capital Projects Funds                |                                 |                  |                                 |                                      |                                      |  |
|-----------------------|---------------------------------------|---------------------------------|------------------|---------------------------------|--------------------------------------|--------------------------------------|--|
| Total                 | Professional<br>Sports<br>Development | Coveleski<br>Stadium<br>Capital | Zoo<br>Endowment | Park<br>Nonreverting<br>Capital | Cumulative<br>Capital<br>Development | Cumulative<br>Capital<br>Improvement | Morris<br>Performing<br>Arts Center<br>Capital |
| \$ 5,895,742          | \$ 88,450                             | \$ 20,157                       | \$ 11,109        | \$ 69,177                       | \$ 129,202                           | \$ 84,213                            | \$ 131,321                                     |
| 2,766,710             | 308,130                               | 70,219                          | 38,701           | 240,987                         | 450,094                              | 293,368                              | 457,476  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| 6,778                 | 735                                   | 168                             | 93               | 573                             | 1,064                                | 700                                  | 1,095  |
| -                     | 62,404                                | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| <b>\$ 8,669,230</b>   | <b>\$ 459,719</b>                     | <b>\$ 90,544</b>                | <b>\$ 49,903</b> | <b>\$ 310,737</b>               | <b>\$ 580,360</b>                    | <b>\$ 378,281</b>                    | <b>\$ 589,892</b>                              |
| \$ 111                | -                                     | -                               | -                | 18,674                          | -                                    | -                                    | 408  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| 111                   | -                                     | -                               | -                | 18,674                          | -                                    | -                                    | 408  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| 8,669,119             | 459,719                               | -                               | -                | 292,063                         | 580,360                              | 378,281                              | -  |
| -                     | -                                     | 90,544                          | 49,903           | -                               | -                                    | -                                    | 589,484  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| -                     | -                                     | -                               | -                | -                               | -                                    | -                                    | -  |
| 8,669,119             | 459,719                               | 90,544                          | 49,903           | 292,063                         | 580,360                              | 378,281                              | 589,484  |
| <b>\$ 8,669,230</b>   | <b>\$ 459,719</b>                     | <b>\$ 90,544</b>                | <b>\$ 49,903</b> | <b>\$ 310,737</b>               | <b>\$ 580,360</b>                    | <b>\$ 378,281</b>                    | <b>\$ 589,892</b>                              |



# City of South Bend, Indiana

|  | Capital Projects Funds |                          |                          |  |   |
|--|------------------------|--------------------------|--------------------------|--|---|
|  | TIF Leighton<br>Plaza  | TIF - West<br>Washington | Redevelopment<br>General | Community<br>Revitalization<br>Enhancement<br>District | TIF No. 1 -<br>Southside<br>Development |
| <b>Assets</b>                              |                        |                          |                          |  |   |
| Cash and cash equivalents                  | \$ 62,681              | \$ 436,612               | \$ 1,882                 | \$ -   | \$ 1,029,021                            |
| Investments                                | 129,038                | 1,521,003                | 6,556                    | -  | 3,584,751                               |
| Receivables:                               |                        |                          |                          |  |   |
| Taxes                                      | -                      | 36,860                   | -                        | -  | -                                       |
| Accounts                                   | 2,192                  | -                        | -                        | -  | -                                       |
| Interest                                   | 309                    | 3,633                    | 16                       | -  | 8,522                                   |
| Intergovernmental                          | -                      | -                        | -                        | -  | -                                       |
| Loans                                      | -                      | -                        | -                        | -  | -                                       |
| Due from other funds                       | -                      | -                        | -                        | -  | -                                       |
| Advances to other funds                    | -                      | -                        | -                        | -  | -                                       |
| Property held for resale                   | -                      | 436,690                  | -                        | -  | -                                       |
| <b>Total assets</b>                        | <b>\$ 194,220</b>      | <b>\$ 2,434,798</b>      | <b>\$ 8,454</b>          | <b>\$ -</b>  | <b>\$ 4,622,294</b>                     |
| <b>Liabilities</b>                         |                        |                          |                          |  |   |
| Accounts payable                           | \$ 6,112               | \$ -                     | \$ -                     | \$ -   | \$ 296,774                              |
| Due to other funds                         | -                      | -                        | -                        | -  | -                                       |
| Advances from other funds                  | -                      | -                        | -                        | -  | -                                       |
| Performance deposits payable               | 4,996                  | -                        | -                        | -  | -                                       |
| Accrued liabilities and other -            |                        |                          |                          |  |   |
| Accrued payroll payable                    | -                      | -                        | -                        | -  | -                                       |
| Other current payables                     | -                      | -                        | -                        | -  | -                                       |
| <b>Total liabilities</b>                   | <b>11,108</b>          | <b>-</b>                 | <b>-</b>                 | <b>-</b>   | <b>296,774</b>                          |
| <b>Fund Balances</b>                       |                        |                          |                          |  |   |
| Nonspendable                               | -                      | 436,690                  | -                        | -  | -                                       |
| Restricted                                 | 183,112                | 1,998,108                | -                        | -  | 4,325,520                               |
| Committed                                  | -                      | -                        | -                        | -  | -                                       |
| Assigned                                   | -                      | -                        | 8,454                    | -  | -                                       |
| Unassigned                                 | -                      | -                        | -                        | -  | -                                       |
| <b>Total fund balances</b>                 | <b>183,112</b>         | <b>2,434,798</b>         | <b>8,454</b>             | <b>-</b>   | <b>4,325,520</b>                        |
| <b>Total liabilities and fund balances</b> | <b>\$ 194,220</b>      | <b>\$ 2,434,798</b>      | <b>\$ 8,454</b>          | <b>\$ -</b>  | <b>\$ 4,622,294</b>                     |

**Other Supplemental Information  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2016**

| Capital Projects Funds                  |                                  |                         |                               |                      |                                 |                                 |   |
|---|----------------------------------|-------------------------|-------------------------------|----------------------|---------------------------------|---------------------------------|---|
| TIF No. 3 -<br>Southside<br>Development | Football Hall of<br>Fame Capital | Major Moves             | TIF River East<br>Development | TIF Douglas<br>Road  | TIF - River East<br>Residential | Certified<br>Technology<br>Park | Palais Royale<br>Historic<br>Preservation |
| \$ 1,081,649<br>3,768,085               | \$ 110,305<br>384,265            | \$ 526,344<br>1,833,596 | \$ 1,753,442<br>6,108,380     | \$ 34,895<br>121,563 | \$ 533,526<br>1,858,619         | \$ 478,772<br>1,667,875         | \$ 20,686<br>72,061                       |
| -                                       | -                                | -                       | 108,630                       | -                    | -                               | -                               | -   |
| 9,028                                   | 921                              | 4,392                   | 14,573                        | 284                  | 4,207                           | 3,995                           | 173                                       |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | -   |
| -                                       | -                                | 4,068,117               | -                             | -                    | -                               | -                               | -   |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | -   |
| <b>\$ 4,858,762</b>                     | <b>\$ 495,491</b>                | <b>\$ 6,432,449</b>     | <b>\$ 7,985,025</b>           | <b>\$ 156,742</b>    | <b>\$ 2,396,352</b>             | <b>\$ 2,150,642</b>             | <b>\$ 92,920</b>                          |
| \$ -                                    | \$ -                             | \$ 543                  | \$ 86,837                     | \$ -                 | \$ -                            | \$ -                            | \$ -                                      |
| -                                       | 761                              | -                       | -                             | -                    | -                               | -                               | -   |
| -                                       | 494,730                          | -                       | -                             | 323,005              | 3,713,921                       | -                               | -   |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | -   |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | -   |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | -   |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | -   |
| -                                       | 495,491                          | 543                     | 86,837                        | 323,005              | 3,713,921                       | -                               | -   |
| -                                       | -                                | 4,068,117               | -                             | -                    | -                               | -                               | -   |
| 4,858,762                               | -                                | 2,363,789               | 7,898,188                     | -                    | -                               | 2,150,642                       | -   |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | 92,920                                    |
| -                                       | -                                | -                       | -                             | -                    | -                               | -                               | -   |
| -                                       | -                                | -                       | -                             | (166,263)            | (1,317,569)                     | -                               | -   |
| 4,858,762                               | -                                | 6,431,906               | 7,898,188                     | (166,263)            | (1,317,569)                     | 2,150,642                       | 92,920                                    |
| <b>\$ 4,858,762</b>                     | <b>\$ 495,491</b>                | <b>\$ 6,432,449</b>     | <b>\$ 7,985,025</b>           | <b>\$ 156,742</b>    | <b>\$ 2,396,352</b>             | <b>\$ 2,150,642</b>             | <b>\$ 92,920</b>                          |

# City of South Bend, Indiana

|  | Capital Projects Funds        |                     |   |  |                                  |
|--|-------------------------------|---------------------|---|--|----------------------------------|
|  | Airport Urban Enterprise Zone | Equipment Leasing   | Century Center Energy Conservation Bond | Smart Streets Bond Capital Projects Fund | Parks Bond Capital Projects Fund |
| <b>Assets</b>                              |                               |                     |   |  |                                  |
| Cash and cash equivalents                  | \$ 85,293                     | \$ 2,109,805        | \$ -                                    | \$ 5,929,453                             | \$ 4,337,199                     |
| Investments                                | 297,130                       | -                   | -                                       | -  | -                                |
| Receivables:                               |                               |                     |   |  |                                  |
| Taxes                                      | -                             | -                   | -                                       | -  | -                                |
| Accounts                                   | -                             | -                   | -                                       | -  | -                                |
| Interest                                   | 712                           | -                   | -                                       | 604                                      | -                                |
| Intergovernmental                          | -                             | -                   | -                                       | -  | -                                |
| Loans                                      | -                             | -                   | -                                       | -  | -                                |
| Due from other funds                       | -                             | -                   | -                                       | -  | -                                |
| Advances to other funds                    | -                             | -                   | -                                       | -  | -                                |
| Property held for resale                   | -                             | -                   | -                                       | -  | -                                |
| <b>Total assets</b>                        | <b>\$ 383,135</b>             | <b>\$ 2,109,805</b> | <b>\$ -</b>                             | <b>\$ 5,930,057</b>                      | <b>\$ 4,337,199</b>              |
| <b>Liabilities</b>                         |                               |                     |   |  |                                  |
| Accounts payable                           | \$ -                          | \$ 168,611          | \$ -                                    | \$ 1,686,422                             | \$ 274,171                       |
| Due to other funds                         | -                             | -                   | -                                       | -  | -                                |
| Advances from other funds                  | -                             | -                   | -                                       | -  | -                                |
| Performance deposits payable               | -                             | -                   | -                                       | -  | -                                |
| Accrued liabilities and other -            |                               |                     |   |  |                                  |
| Accrued payroll payable                    | -                             | -                   | -                                       | -  | -                                |
| Other current payables                     | -                             | -                   | -                                       | -  | -                                |
| <b>Total liabilities</b>                   | <b>-</b>                      | <b>168,611</b>      | <b>-</b>                                | <b>1,686,422</b>                         | <b>274,171</b>                   |
| <b>Fund Balances</b>                       |                               |                     |   |  |                                  |
| Nonspendable                               | -                             | -                   | -                                       | -  | -                                |
| Restricted                                 | -                             | 1,941,194           | -                                       | 4,243,635                                | 4,063,028                        |
| Committed                                  | 383,135                       | -                   | -                                       | -  | -                                |
| Assigned                                   | -                             | -                   | -                                       | -  | -                                |
| Unassigned                                 | -                             | -                   | -                                       | -  | -                                |
| <b>Total fund balances</b>                 | <b>383,135</b>                | <b>1,941,194</b>    | <b>-</b>                                | <b>4,243,635</b>                         | <b>4,063,028</b>                 |
| <b>Total liabilities and fund balances</b> | <b>\$ 383,135</b>             | <b>\$ 2,109,805</b> | <b>\$ -</b>                             | <b>\$ 5,930,057</b>                      | <b>\$ 4,337,199</b>              |

**Other Supplemental Information  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2016**

| <u>Capital Projects<br/>Funds</u> |                  |   |  |
|-----------------------------------|------------------|---|--|
| <u>Total</u>                      |                  | Total Nonmajor<br>Governmental<br>Funds |  |
| \$ 19,065,194                     | \$               | 36,120,468                              |  |
| 23,211,897                        |                  | 39,412,161                              |  |
| 145,490                           |                  | 145,490                                 |  |
| 2,192                             |                  | 173,625                                 |  |
| 55,797                            |                  | 94,238                                  |  |
| 62,404                            |                  | 868,075                                 |  |
| -                                 |                  | 5,135,496                               |  |
| -                                 |                  | 30,048                                  |  |
| 4,068,117                         |                  | 4,468,117                               |  |
| 436,690                           |                  | 3,689,943                               |  |
| <b><u>\$ 47,047,781</u></b>       | <b><u>\$</u></b> | <b><u>90,137,661</u></b>                |  |
| <br>                              |                  |   |  |
| \$ 2,538,552                      | \$               | 3,763,296                               |  |
| 761                               |                  | 58,007                                  |  |
| 4,531,656                         |                  | 5,883,254                               |  |
| 4,996                             |                  | 7,496                                   |  |
| -                                 |                  | 119,847                                 |  |
| -                                 |                  | 3,659                                   |  |
| <u>7,075,965</u>                  |                  | <u>9,835,559</u>                        |  |
| <br>                              |                  |   |  |
| 4,504,807                         |                  | 12,158,948                              |  |
| 35,736,401                        |                  | 65,350,135                              |  |
| 1,205,986                         |                  | 2,698,694                               |  |
| 8,454                             |                  | 2,396,118                               |  |
| (1,483,832)                       |                  | (2,301,793)                             |  |
| <u>39,971,816</u>                 |                  | <u>80,302,102</u>                       |  |
| <b><u>\$ 47,047,781</u></b>       | <b><u>\$</u></b> | <b><u>90,137,661</u></b>                |  |

# City of South Bend, Indiana

|  | Special Revenue Funds    |                            |  |   |                     |
|--|--------------------------|----------------------------|--|---|---------------------|
|  | Motor Vehicle<br>Highway | Recreation<br>Nonreverting | Studebaker<br>Oliver<br>Revitalization<br>Grants | Economic<br>Development<br>State Grants | DCI Operating       |
| <b>Revenue</b>   |                          |                            |  |   |                     |
| Property taxes   | \$ -                     | \$ -                       | \$ -   | \$ -                                    | \$ -                |
| Income taxes   | -                        | -                          | -  | -                                       | -                   |
| Professional sports development taxes                  | -                        | -                          | -  | -                                       | -                   |
| Intergovernmental                                      | 5,428,206                | -                          | 172,817  | 167,546                                 | 497,592             |
| Charges for services                                   | 255,318                  | 968,579                    | -  | -                                       | 279,536             |
| Fines and forfeitures                                  | -                        | -                          | -  | -                                       | -                   |
| Investment income                                      | 55,308                   | 8,119                      | 10,096   | 14,105                                  | 12,307              |
| Rental income  | -                        | -                          | -  | -                                       | -                   |
| Other revenue  | 20,553                   | 2,045                      | -  | 3,378                                   | 2,769               |
| <b>Total revenue</b>                                   | <b>5,759,385</b>         | <b>978,743</b>             | <b>182,913</b>                                   | <b>185,029</b>                          | <b>792,204</b>      |
| <b>Expenditures</b>                                    |                          |                            |  |   |                     |
| Current:   |                          |                            |  |   |                     |
| General government                                     | -                        | -                          | -  | -                                       | -                   |
| Public safety  | -                        | -                          | -  | -                                       | -                   |
| Highways and streets                                   | 8,321,148                | -                          | -  | -                                       | -                   |
| Community and economic development                     | -                        | -                          | 549,090  | 170,744                                 | 2,389,051           |
| Culture and recreation                                 | -                        | 957,938                    | -  | -                                       | -                   |
| Capital outlay   | -                        | -                          | -  | -                                       | -                   |
| Debt service:  |                          |                            |  |   |                     |
| Principal  | 484,535                  | -                          | -  | 61,786                                  | -                   |
| Interest on long-term debt                             | 24,017                   | -                          | -  | 10,225                                  | -                   |
| <b>Total expenditures</b>                              | <b>8,829,700</b>         | <b>957,938</b>             | <b>549,090</b>                                   | <b>242,755</b>                          | <b>2,389,051</b>    |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | <b>(3,070,315)</b>       | <b>20,805</b>              | <b>(366,177)</b>                                 | <b>(57,726)</b>                         | <b>(1,596,847)</b>  |
| <b>Other Financing Sources (Uses)</b>                  |                          |                            |  |   |                     |
| Issuance of debt                                       | -                        | -                          | -  | -                                       | -                   |
| Proceeds from sale of capital assets                   | 19,090                   | -                          | -  | -                                       | -                   |
| Transfers in   | 3,703,000                | -                          | -  | -                                       | 1,808,139           |
| Transfers out  | -                        | -                          | -  | -                                       | -                   |
| <b>Total other financing sources<br/>(uses)</b>        | <b>3,722,090</b>         | <b>-</b>                   | <b>-</b>   | <b>-</b>                                | <b>1,808,139</b>    |
| <b>Net Change in Fund Balances</b>                     | <b>651,775</b>           | <b>20,805</b>              | <b>(366,177)</b>                                 | <b>(57,726)</b>                         | <b>211,292</b>      |
| <b>Fund Balances - Beginning of year</b>               | <b>5,746,681</b>         | <b>810,419</b>             | <b>1,584,046</b>                                 | <b>710,822</b>                          | <b>1,122,341</b>    |
| <b>Fund Balances - End of year</b>                     | <b>\$ 6,398,456</b>      | <b>\$ 831,224</b>          | <b>\$ 1,217,869</b>                              | <b>\$ 653,096</b>                       | <b>\$ 1,333,633</b> |

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

| Special Revenue Funds             |                         |                                 |                   |   |                          |                       |
|-----------------------------------|-------------------------|---------------------------------|-------------------|---|--------------------------|-----------------------|
| Community<br>Investment<br>Grants | Police State<br>Seizure | Juvenile Positive<br>Assistance | Unsafe Building   | Law<br>Enforcement<br>Continuing<br>Education | Landlord<br>Registration | Loss Recovery<br>Fund |
| \$ -                              | \$ -                    | \$ -                            | \$ -              | \$ -  | \$ -                     | \$ -                  |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| 3,117,168                         | -                       | -                               | -                 | -   | -                        | -                     |
| -                                 | -                       | -                               | 94,978            | 154,776                                       | 2,830                    | -                     |
| -                                 | -                       | 213                             | 300,100           | 91,092  | -                        | -                     |
| 1,424                             | 1,992                   | 113                             | -                 | 8,007   | -                        | 8,983                 |
| 7,387                             | -                       | -                               | -                 | -   | -                        | -                     |
| 310                               | 27,024                  | -                               | 1                 | 18,924  | -                        | -                     |
| <u>3,126,289</u>                  | <u>29,016</u>           | <u>326</u>                      | <u>395,079</u>    | <u>272,799</u>                                | <u>2,830</u>             | <u>8,983</u>          |
| -                                 | -                       | -                               | -                 | -   | -                        | 23,827                |
| -                                 | 16,110                  | -                               | 817,698           | 382,372                                       | -                        | 6,467                 |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| 3,601,871                         | -                       | -                               | -                 | -   | -                        | -                     |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| <u>3,601,871</u>                  | <u>16,110</u>           | <u>-</u>                        | <u>817,698</u>    | <u>382,372</u>                                | <u>-</u>                 | <u>30,294</u>         |
| (475,582)                         | 12,906                  | 326                             | (422,619)         | (109,573)                                     | 2,830                    | (21,311)              |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| -                                 | -                       | -                               | -                 | -   | -                        | -                     |
| -                                 | -                       | -                               | 755,180           | -   | -                        | -                     |
| (500)                             | -                       | -                               | -                 | -   | -                        | -                     |
| <u>(500)</u>                      | <u>-</u>                | <u>-</u>                        | <u>755,180</u>    | <u>-</u>                                      | <u>-</u>                 | <u>-</u>              |
| (476,082)                         | 12,906                  | 326                             | 332,561           | (109,573)                                     | 2,830                    | (21,311)              |
| 3,625,045                         | 214,835                 | 12,238                          | -                 | 913,696                                       | -                        | 990,110               |
| <u>\$ 3,148,963</u>               | <u>\$ 227,741</u>       | <u>\$ 12,564</u>                | <u>\$ 332,561</u> | <u>\$ 804,123</u>                             | <u>\$ 2,830</u>          | <u>\$ 968,799</u>     |

# City of South Bend, Indiana

|  | Special Revenue Funds      |                       |                             |                                |                      |
|--|----------------------------|-----------------------|-----------------------------|--------------------------------|----------------------|
|  | Emergency Telephone System | Local Road and Street | Excess Welfare Distribution | LOIT 2016 Special Distribution | Human Rights Federal |
| <b>Revenue</b>                                     |                            |                       |                             |                                |                      |
| Property taxes                                     | \$ -                       | \$ -                  | \$ -                        | \$ -                           | \$ -                 |
| Income taxes                                       | -                          | -                     | -                           | 4,217,549                      | -                    |
| Professional sports development taxes              | -                          | -                     | -                           | -                              | -                    |
| Intergovernmental                                  | -                          | 1,228,257             | -                           | -                              | 164,550              |
| Charges for services                               | -                          | -                     | -                           | -                              | -                    |
| Fines and forfeitures                              | -                          | -                     | -                           | -                              | -                    |
| Investment income                                  | -                          | 27,450                | -                           | -                              | 4,091                |
| Rental income                                      | -                          | -                     | -                           | -                              | -                    |
| Other revenue                                      | -                          | 164,473               | -                           | 130,394                        | 91,933               |
| <b>Total revenue</b>                               | -                          | 1,420,180             | -                           | 4,347,943                      | 260,574              |
| <b>Expenditures</b>                                |                            |                       |                             |                                |                      |
| Current:   |                            |                       |                             |                                |                      |
| General government                                 | -                          | -                     | -                           | -                              | 194,837              |
| Public safety                                      | -                          | -                     | -                           | -                              | -                    |
| Highways and streets                               | -                          | 1,638,114             | -                           | 345,599                        | -                    |
| Community and economic development                 | -                          | -                     | -                           | -                              | -                    |
| Culture and recreation                             | -                          | -                     | -                           | -                              | -                    |
| Capital outlay                                     | -                          | -                     | -                           | -                              | -                    |
| Debt service:                                      |                            |                       |                             |                                |                      |
| Principal  | -                          | -                     | -                           | -                              | -                    |
| Interest on long-term debt                         | -                          | -                     | -                           | -                              | -                    |
| <b>Total expenditures</b>                          | -                          | 1,638,114             | -                           | 345,599                        | 194,837              |
| <b>Excess of Revenue Over (Under) Expenditures</b> | -                          | (217,934)             | -                           | 4,002,344                      | 65,737               |
| <b>Other Financing Sources (Uses)</b>              |                            |                       |                             |                                |                      |
| Issuance of debt                                   | -                          | -                     | -                           | -                              | -                    |
| Proceeds from sale of capital assets               | -                          | -                     | -                           | -                              | -                    |
| Transfers in                                       | -                          | -                     | -                           | -                              | -                    |
| Transfers out                                      | -                          | -                     | -                           | -                              | -                    |
| <b>Total other financing sources (uses)</b>        | -                          | -                     | -                           | -                              | -                    |
| <b>Net Change in Fund Balances</b>                 | -                          | (217,934)             | -                           | 4,002,344                      | 65,737               |
| <b>Fund Balances - Beginning of year</b>           | 33,671                     | 2,943,206             | 8                           | -                              | 494,044              |
| <b>Fund Balances - End of year</b>                 | <b>\$ 33,671</b>           | <b>\$ 2,725,272</b>   | <b>\$ 8</b>                 | <b>\$ 4,002,344</b>            | <b>\$ 559,781</b>    |

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

| Special Revenue Funds |                                |                        |                                       |                  |                         |                        |
|-----------------------|--------------------------------|------------------------|---------------------------------------|------------------|-------------------------|------------------------|
| East Race<br>Waterway | Morris and<br>Palais Marketing | Police Block<br>Grants | Economic<br>Development<br>Commission | Hazmat           | Indiana River<br>Rescue | COPS Block<br>Grant II |
| \$ -                  | \$ -                           | \$ -                   | \$ -                                  | \$ -             | \$ -                    | \$ -                   |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | 3,410            | 110,700                 | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| 13                    | 326                            | 36                     | 252                                   | 264              | 1,232                   | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | 20,424                         | -                      | -                                     | -                | -                       | -                      |
| 13                    | 20,750                         | 36                     | 252                                   | 3,674            | 111,932                 | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | 8,961            | 64,777                  | 40,651                 |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | 7,010                          | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | 7,010                          | -                      | -                                     | 8,961            | 64,777                  | 40,651                 |
| 13                    | 13,740                         | 36                     | 252                                   | (5,287)          | 47,155                  | (40,651)               |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| -                     | -                              | -                      | -                                     | -                | -                       | -                      |
| 13                    | 13,740                         | 36                     | 252                                   | (5,287)          | 47,155                  | (40,651)               |
| 1,335                 | 30,554                         | 3,850                  | 27,363                                | 32,064           | 93,604                  | 114,483                |
| <b>\$ 1,348</b>       | <b>\$ 44,294</b>               | <b>\$ 3,886</b>        | <b>\$ 27,615</b>                      | <b>\$ 26,777</b> | <b>\$ 140,759</b>       | <b>\$ 73,832</b>       |



# City of South Bend, Indiana

|  | Special Revenue Funds   |                   |                          |                  |                                |
|--|-------------------------|-------------------|--------------------------|------------------|--------------------------------|
|  | Regional Police Academy | COPS MORE Grant   | Federal Drug Enforcement | Gift             | Urban Development Action Grant |
| <b>Revenue</b>                                     |                         |                   |                          |                  |                                |
| Property taxes                                     | \$ -                    | \$ -              | \$ -                     | \$ -             | \$ -                           |
| Income taxes                                       | -                       | -                 | -                        | -                | -                              |
| Professional sports development taxes              | -                       | -                 | -                        | -                | -                              |
| Intergovernmental                                  | -                       | 167,187           | -                        | -                | -                              |
| Charges for services                               | 19,700                  | -                 | -                        | -                | -                              |
| Fines and forfeitures                              | -                       | -                 | -                        | -                | -                              |
| Investment income                                  | 745                     | 1,182             | 1,453                    | 710              | 4,759                          |
| Rental income                                      | -                       | -                 | -                        | -                | -                              |
| Other revenue                                      | -                       | 133,481           | 10,786                   | 173,232          | -                              |
| <b>Total revenue</b>                               | <b>20,445</b>           | <b>301,850</b>    | <b>12,239</b>            | <b>173,942</b>   | <b>4,759</b>                   |
| <b>Expenditures</b>                                |                         |                   |                          |                  |                                |
| Current:   |                         |                   |                          |                  |                                |
| General government                                 | -                       | -                 | -                        | 169,900          | -                              |
| Public safety                                      | 16,448                  | 206,227           | 53,414                   | -                | -                              |
| Highways and streets                               | -                       | -                 | -                        | -                | -                              |
| Community and economic development                 | -                       | -                 | -                        | -                | -                              |
| Culture and recreation                             | -                       | -                 | -                        | -                | -                              |
| Capital outlay                                     | -                       | -                 | -                        | -                | -                              |
| Debt service:                                      |                         |                   |                          |                  |                                |
| Principal  | -                       | -                 | -                        | -                | -                              |
| Interest on long-term debt                         | -                       | -                 | -                        | -                | -                              |
| <b>Total expenditures</b>                          | <b>16,448</b>           | <b>206,227</b>    | <b>53,414</b>            | <b>169,900</b>   | <b>-</b>                       |
| <b>Excess of Revenue Over (Under) Expenditures</b> | <b>3,997</b>            | <b>95,623</b>     | <b>(41,175)</b>          | <b>4,042</b>     | <b>4,759</b>                   |
| <b>Other Financing Sources (Uses)</b>              |                         |                   |                          |                  |                                |
| Issuance of debt                                   | -                       | -                 | -                        | -                | -                              |
| Proceeds from sale of capital assets               | -                       | -                 | 14,536                   | -                | -                              |
| Transfers in                                       | -                       | -                 | -                        | -                | -                              |
| Transfers out                                      | -                       | -                 | -                        | -                | -                              |
| <b>Total other financing sources (uses)</b>        | <b>-</b>                | <b>-</b>          | <b>14,536</b>            | <b>-</b>         | <b>-</b>                       |
| <b>Net Change in Fund Balances</b>                 | <b>3,997</b>            | <b>95,623</b>     | <b>(26,639)</b>          | <b>4,042</b>     | <b>4,759</b>                   |
| <b>Fund Balances - Beginning of year</b>           | <b>71,923</b>           | <b>128,747</b>    | <b>252,846</b>           | <b>64,878</b>    | <b>(219,910)</b>               |
| <b>Fund Balances - End of year</b>                 | <b>\$ 75,920</b>        | <b>\$ 224,370</b> | <b>\$ 226,207</b>        | <b>\$ 68,920</b> | <b>\$ (215,151)</b>            |

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

| Special Revenue Funds          |                 |             |                              |                      | Debt Service Funds                               |  |  |
|--------------------------------|-----------------|-------------|------------------------------|----------------------|--|--|--|
| Leaf Collection<br>and Removal | Police K-9 Unit | Excess Levy | Industrial<br>Revolving Fund | Total                | College Football<br>Hall of Fame<br>Debt Service | Redevelopment<br>Bond - Airport<br>Taxable |  |
| \$ -                           | \$ -            | \$ -        | \$ -                         | \$ -                 | \$ 1,361,512                                     | \$ -                                       |  |
| -                              | -               | -           | -                            | 4,217,549            | -  | -  |  |
| -                              | -               | -           | -                            | -                    | -  | -  |  |
| -                              | -               | -           | -                            | 10,943,323           | 70,548   | -  |  |
| 440,649                        | -               | -           | 27,360                       | 2,357,836            | -  | -  |  |
| -                              | -               | -           | -                            | 391,405              | -  | -  |  |
| 7,843                          | 33              | 8           | 160,912                      | 331,763              | 65   | 9,507                                      |  |
| -                              | -               | -           | -                            | 7,387                | -  | -  |  |
| -                              | -               | -           | 4,614                        | 804,341              | -  | -  |  |
| 448,492                        | 33              | 8           | 192,886                      | 19,053,604           | 1,432,125  | 9,507                                      |  |
| 74,976                         | -               | -           | -                            | 463,540              | -  | -  |  |
| -                              | 1,044           | -           | -                            | 1,614,169            | -  | -  |  |
| -                              | -               | -           | -                            | 10,304,861           | -  | -  |  |
| -                              | -               | -           | 417,865                      | 7,128,621            | -  | -  |  |
| -                              | -               | -           | -                            | 964,948              | -  | -  |  |
| -                              | -               | -           | -                            | -                    | -  | -  |  |
| 69,615                         | -               | -           | -                            | 615,936              | 1,180,000  | -  |  |
| 2,603                          | -               | -           | -                            | 36,845               | 88,029   | -  |  |
| 147,194                        | 1,044           | -           | 417,865                      | 21,128,920           | 1,268,029  | -  |  |
| 301,298                        | (1,011)         | 8           | (224,979)                    | (2,075,316)          | 164,096  | 9,507                                      |  |
| -                              | -               | -           | -                            | -                    | -  | -  |  |
| -                              | -               | -           | -                            | 33,626               | -  | -  |  |
| -                              | -               | -           | -                            | 6,266,319            | 112,116  | -  |  |
| (350,000)                      | -               | (3,673)     | -                            | (354,173)            | -  | (8,311)                                    |  |
| (350,000)                      | -               | (3,673)     | -                            | 5,945,772            | 112,116  | (8,311)                                    |  |
| (48,702)                       | (1,011)         | (3,665)     | (224,979)                    | 3,870,456            | 276,212  | 1,196                                      |  |
| 959,116                        | 3,869           | 3,665       | 7,021,162                    | 27,790,711           | 16,582   | 1,037,623                                  |  |
| <b>\$ 910,414</b>              | <b>\$ 2,858</b> | <b>\$ -</b> | <b>\$ 6,796,183</b>          | <b>\$ 31,661,167</b> | <b>\$ 292,794</b>                                | <b>\$ 1,038,819</b>                        |  |

# City of South Bend, Indiana

|  | Debt Service Funds                        |  |   |  |                               |
|--|---|--|---|--|-------------------------------|
|  | Coveleski Bond<br>Debt Service<br>Reserve | Redevelopment<br>Bond - Palais<br>Royale | South Bend<br>Building<br>Corporation<br>Debt Service | TIF Erskine<br>Village Debt<br>Service | Smart Streets<br>Debt Service |
| <b>Revenue</b>   |   |  |   |  |                               |
| Property taxes   | \$ -                                      | \$ -                                     | \$ -  | \$ -                                   | \$ -                          |
| Income taxes   | -   | -  | -   | -                                      | -                             |
| Professional sports development taxes                  | -   | -  | -   | -                                      | -                             |
| Intergovernmental                                      | -   | -  | -   | -                                      | -                             |
| Charges for services                                   | -   | -  | -   | -                                      | -                             |
| Fines and forfeitures                                  | -   | -  | -   | -                                      | -                             |
| Investment income                                      | 4,666                                     | 15,882                                   | 279   | 2                                      | 2,352                         |
| Rental income  | -   | -  | -   | -                                      | -                             |
| Other revenue  | -   | -  | -   | -                                      | -                             |
| <b>Total revenue</b>                                   | <b>4,666</b>                              | <b>15,882</b>                            | <b>279</b>  | <b>2</b>                               | <b>2,352</b>                  |
| <b>Expenditures</b>                                    |   |  |   |  |                               |
| Current:   |   |  |   |  |                               |
| General government                                     | -   | -  | -   | -                                      | -                             |
| Public safety  | -   | -  | -   | -                                      | -                             |
| Highways and streets                                   | -   | -  | -   | -                                      | -                             |
| Community and economic development                     | -   | -  | -   | -                                      | -                             |
| Culture and recreation                                 | -   | -  | -   | -                                      | -                             |
| Capital outlay   | -   | -  | -   | -                                      | -                             |
| Debt service:  |   |  |   |  |                               |
| Principal  | -   | -  | 1,691,120   | 235,000                                | -                             |
| Interest on long-term debt                             | -   | -  | 468,372   | 254,503                                | 790,759                       |
| <b>Total expenditures</b>                              | <b>-</b>                                  | <b>-</b>                                 | <b>2,159,492</b>                                      | <b>489,503</b>                         | <b>790,759</b>                |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | <b>4,666</b>                              | <b>15,882</b>                            | <b>(2,159,213)</b>                                    | <b>(489,501)</b>                       | <b>(788,407)</b>              |
| <b>Other Financing Sources (Uses)</b>                  |   |  |   |  |                               |
| Issuance of debt                                       | -   | -  | -   | -                                      | -                             |
| Proceeds from sale of capital assets                   | -   | -  | -   | -                                      | -                             |
| Transfers in   | -   | -  | 2,165,291   | 489,503                                | 1,190                         |
| Transfers out  | -   | (13,886)                                 | -   | -                                      | -                             |
| <b>Total other financing sources<br/>(uses)</b>        | <b>-</b>                                  | <b>(13,886)</b>                          | <b>2,165,291</b>                                      | <b>489,503</b>                         | <b>1,190</b>                  |
| <b>Net Change in Fund Balances</b>                     | <b>4,666</b>                              | <b>1,996</b>                             | <b>6,078</b>  | <b>2</b>                               | <b>(787,217)</b>              |
| <b>Fund Balances - Beginning of year</b>               | <b>507,853</b>                            | <b>1,733,702</b>                         | <b>561,710</b>  | <b>561,115</b>                         | <b>2,895,836</b>              |
| <b>Fund Balances - End of year</b>                     | <b>\$ 512,519</b>                         | <b>\$ 1,735,698</b>                      | <b>\$ 567,788</b>                                     | <b>\$ 561,117</b>                      | <b>\$ 2,108,619</b>           |

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

| Debt Service Funds                 |  |  |                     | Capital Projects Funds                |                              |                  |
|------------------------------------|--|--|---------------------|---------------------------------------|------------------------------|------------------|
| Parks Bond<br>Debt Service<br>Fund | Century Center<br>Energy<br>Conservation<br>Debt Service | Redevelopment<br>Authority Debt<br>Service | Total               | Professional<br>Sports<br>Development | Coveleski<br>Stadium Capital | Zoo<br>Endowment |
| \$ -                               | \$ -   | \$ -                                       | \$ 1,361,512        | \$ -                                  | \$ -                         | \$ -             |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| -                                  | -  | -  | -                   | 673,787                               | -                            | -                |
| -                                  | -  | -  | 70,548              | -                                     | -                            | -                |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| 574                                | 163,588  | 1,625                                      | 198,540             | 2,592                                 | 670                          | 454              |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| -                                  | -  | -  | -                   | 44,980                                | 40,789                       | -                |
| 574                                | 163,588  | 1,625                                      | 1,630,600           | 721,359                               | 41,459                       | 454              |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| -                                  | 111  | -  | 111                 | -                                     | -                            | -                |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| -                                  | -  | -  | -                   | -                                     | 11,474                       | -                |
| 200,000                            | 22,585   | 3,120,000                                  | 6,448,705           | 730,000                               | -                            | -                |
| 180,105                            | 213,547  | 1,275,768                                  | 3,271,083           | 108,050                               | -                            | -                |
| 380,105                            | 236,243  | 4,395,768                                  | 9,719,899           | 838,050                               | 11,474                       | -                |
| (379,531)                          | (72,655)   | (4,394,143)                                | (8,089,299)         | (116,691)                             | 29,985                       | 454              |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| -                                  | -  | -  | -                   | -                                     | -                            | -                |
| 385,787                            | 79,676   | 4,409,500                                  | 7,643,063           | -                                     | -                            | -                |
| -                                  | -  | -  | (22,197)            | -                                     | -                            | -                |
| 385,787                            | 79,676   | 4,409,500                                  | 7,620,866           | -                                     | -                            | -                |
| 6,256                              | 7,021  | 15,357                                     | (468,433)           | (116,691)                             | 29,985                       | 454              |
| 555,687                            | 50,032   | 1,217,412                                  | 9,137,552           | 576,410                               | 60,559                       | 49,449           |
| <b>\$ 561,943</b>                  | <b>\$ 57,053</b>   | <b>\$ 1,232,769</b>                        | <b>\$ 8,669,119</b> | <b>\$ 459,719</b>                     | <b>\$ 90,544</b>             | <b>\$ 49,903</b> |

# City of South Bend, Indiana

|  | Capital Projects Funds          |                                      |                                      |   |                       |
|--|---------------------------------|--------------------------------------|--------------------------------------|---|-----------------------|
|  | Park<br>Nonreverting<br>Capital | Cumulative<br>Capital<br>Development | Cumulative<br>Capital<br>Improvement | Morris<br>Performing Arts<br>Center Capital | TIF Leighton<br>Plaza |
| <b>Revenue</b>                                     |                                 |                                      |                                      |   |                       |
| Property taxes                                     | \$ -                            | \$ 440,887                           | \$ -                                 | \$ -  | \$ -                  |
| Income taxes                                       | -                               | -                                    | -                                    | -   | -                     |
| Professional sports development taxes              | -                               | -                                    | -                                    | -   | -                     |
| Intergovernmental                                  | -                               | 37,227                               | 407,727                              | -   | -                     |
| Charges for services                               | 5,167                           | -                                    | -                                    | 101,781                                     | 21,336                |
| Fines and forfeitures                              | -                               | -                                    | -                                    | -   | -                     |
| Investment income                                  | 3,347                           | 3,950                                | 2,554                                | 4,880                                       | 1,517                 |
| Rental income                                      | -                               | -                                    | 25,000                               | -   | 105,312               |
| Other revenue                                      | -                               | -                                    | -                                    | -   | 6,503                 |
| <b>Total revenue</b>                               | <b>8,514</b>                    | <b>482,064</b>                       | <b>435,281</b>                       | <b>106,661</b>                              | <b>134,668</b>        |
| <b>Expenditures</b>                                |                                 |                                      |                                      |   |                       |
| Current:   |                                 |                                      |                                      |   |                       |
| General government                                 | -                               | -                                    | -                                    | -   | -                     |
| Public safety                                      | -                               | -                                    | -                                    | -   | -                     |
| Highways and streets                               | -                               | -                                    | -                                    | -   | -                     |
| Community and economic development                 | -                               | -                                    | -                                    | -   | -                     |
| Culture and recreation                             | -                               | -                                    | -                                    | -   | -                     |
| Capital outlay                                     | 186,202                         | -                                    | -                                    | 23,992                                      | 158,134               |
| Debt service:                                      |                                 |                                      |                                      |   |                       |
| Principal  | -                               | 512,847                              | -                                    | -   | -                     |
| Interest on long-term debt                         | -                               | 13,890                               | -                                    | -   | -                     |
| <b>Total expenditures</b>                          | <b>186,202</b>                  | <b>526,737</b>                       | <b>-</b>                             | <b>23,992</b>                               | <b>158,134</b>        |
| <b>Excess of Revenue Over (Under) Expenditures</b> | <b>(177,688)</b>                | <b>(44,673)</b>                      | <b>435,281</b>                       | <b>82,669</b>                               | <b>(23,466)</b>       |
| <b>Other Financing Sources (Uses)</b>              |                                 |                                      |                                      |   |                       |
| Issuance of debt                                   | -                               | -                                    | -                                    | -   | -                     |
| Proceeds from sale of capital assets               | -                               | -                                    | -                                    | -   | -                     |
| Transfers in                                       | -                               | 53,040                               | -                                    | -   | -                     |
| Transfers out                                      | -                               | -                                    | (368,250)                            | -   | -                     |
| <b>Total other financing sources (uses)</b>        | <b>-</b>                        | <b>53,040</b>                        | <b>(368,250)</b>                     | <b>-</b>                                    | <b>-</b>              |
| <b>Net Change in Fund Balances</b>                 | <b>(177,688)</b>                | <b>8,367</b>                         | <b>67,031</b>                        | <b>82,669</b>                               | <b>(23,466)</b>       |
| <b>Fund Balances - Beginning of year</b>           | <b>469,751</b>                  | <b>571,993</b>                       | <b>311,250</b>                       | <b>506,815</b>                              | <b>206,578</b>        |
| <b>Fund Balances - End of year</b>                 | <b>\$ 292,063</b>               | <b>\$ 580,360</b>                    | <b>\$ 378,281</b>                    | <b>\$ 589,484</b>                           | <b>\$ 183,112</b>     |

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

| Capital Projects Funds   |                          |  |   |   |                                  |                     |
|--------------------------|--------------------------|--|---|---|----------------------------------|---------------------|
| TIF - West<br>Washington | Redevelopment<br>General | Community<br>Revitalization<br>Enhancement<br>District | TIF No. 1 -<br>Southside<br>Development | TIF No. 3 -<br>Southside<br>Development | Football Hall of<br>Fame Capital | Major Moves         |
| \$ 406,002               | \$ -                     | \$ -   | \$ 2,227,804                            | \$ -                                    | \$ -                             | \$ -                |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| 14,904                   | 80                       | 590  | 50,178                                  | 45,511                                  | 4,623                            | 21,618              |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | -                                | 121,009             |
| 420,906                  | 80                       | 590  | 2,277,982                               | 45,511                                  | 4,623                            | 142,627             |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | 50,267                           | -                   |
| 10,717                   | 329                      | -  | 4,068,202                               | -                                       | -                                | 809,666             |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| 10,717                   | 329                      | -  | 4,068,202                               | -                                       | 50,267                           | 809,666             |
| 410,189                  | (249)                    | 590  | (1,790,220)                             | 45,511                                  | (45,644)                         | (667,039)           |
| -                        | -                        | -  | -                                       | -                                       | -                                | -                   |
| -                        | -                        | -  | -                                       | -                                       | 48,709                           | -                   |
| -                        | -                        | (3,039)  | -                                       | (489,505)                               | (3,065)                          | -                   |
| -                        | -                        | (3,039)  | -                                       | (489,505)                               | 45,644                           | -                   |
| 410,189                  | (249)                    | (2,449)  | (1,790,220)                             | (443,994)                               | -                                | (667,039)           |
| 2,024,609                | 8,703                    | 2,449  | 6,115,740                               | 5,302,756                               | -                                | 7,098,945           |
| <b>\$ 2,434,798</b>      | <b>\$ 8,454</b>          | <b>\$ -</b>  | <b>\$ 4,325,520</b>                     | <b>\$ 4,858,762</b>                     | <b>\$ -</b>                      | <b>\$ 6,431,906</b> |

# City of South Bend, Indiana

|  | Capital Projects Funds        |                     |                                 |                                 |   |
|--|-------------------------------|---------------------|---------------------------------|---------------------------------|---|
|  | TIF River East<br>Development | TIF Douglas<br>Road | TIF - River East<br>Residential | Certified<br>Technology<br>Park | Palais Royale<br>Historic<br>Preservation |
| <b>Revenue</b>   |                               |                     |                                 |                                 |   |
| Property taxes   | \$ 2,271,917                  | \$ 304,526          | \$ 3,932,947                    | \$ -                            | \$ -                                      |
| Income taxes   | -                             | -                   | -                               | -                               | -   |
| Professional sports development taxes                  | -                             | -                   | -                               | -                               | -   |
| Intergovernmental                                      | -                             | -                   | -                               | -                               | -   |
| Charges for services                                   | 1,400                         | -                   | 210,999                         | -                               | -   |
| Fines and forfeitures                                  | -                             | -                   | -                               | -                               | -   |
| Investment income                                      | 69,674                        | 1,096               | 1,666                           | 20,088                          | 748                                       |
| Rental income  | -                             | -                   | -                               | -                               | -   |
| Other revenue  | 68,401                        | -                   | -                               | -                               | 15,754                                    |
| <b>Total revenue</b>                                   | <b>2,411,392</b>              | <b>305,622</b>      | <b>4,145,612</b>                | <b>20,088</b>                   | <b>16,502</b>                             |
| <b>Expenditures</b>                                    |                               |                     |                                 |                                 |   |
| Current:   |                               |                     |                                 |                                 |   |
| General government                                     | -                             | -                   | -                               | -                               | -   |
| Public safety  | -                             | -                   | -                               | -                               | -   |
| Highways and streets                                   | -                             | -                   | -                               | -                               | -   |
| Community and economic development                     | -                             | -                   | -                               | -                               | -   |
| Culture and recreation                                 | -                             | -                   | -                               | -                               | -   |
| Capital outlay   | 2,174,610                     | -                   | 1,100                           | 142,913                         | -   |
| Debt service:  |                               |                     |                                 |                                 |   |
| Principal  | -                             | -                   | -                               | -                               | -   |
| Interest on long-term debt                             | -                             | 28,774              | 171,906                         | -                               | -   |
| <b>Total expenditures</b>                              | <b>2,174,610</b>              | <b>28,774</b>       | <b>173,006</b>                  | <b>142,913</b>                  | <b>-</b>                                  |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | <b>236,782</b>                | <b>276,848</b>      | <b>3,972,606</b>                | <b>(122,825)</b>                | <b>16,502</b>                             |
| <b>Other Financing Sources (Uses)</b>                  |                               |                     |                                 |                                 |   |
| Issuance of debt                                       | -                             | -                   | -                               | -                               | -   |
| Proceeds from sale of capital assets                   | -                             | -                   | -                               | -                               | -   |
| Transfers in   | -                             | -                   | -                               | -                               | -   |
| Transfers out  | -                             | -                   | (2,474,000)                     | -                               | -   |
| <b>Total other financing sources<br/>(uses)</b>        | <b>-</b>                      | <b>-</b>            | <b>(2,474,000)</b>              | <b>-</b>                        | <b>-</b>                                  |
| <b>Net Change in Fund Balances</b>                     | <b>236,782</b>                | <b>276,848</b>      | <b>1,498,606</b>                | <b>(122,825)</b>                | <b>16,502</b>                             |
| <b>Fund Balances - Beginning of year</b>               | <b>7,661,406</b>              | <b>(443,111)</b>    | <b>(2,816,175)</b>              | <b>2,273,467</b>                | <b>76,418</b>                             |
| <b>Fund Balances - End of year</b>                     | <b>\$ 7,898,188</b>           | <b>\$ (166,263)</b> | <b>\$ (1,317,569)</b>           | <b>\$ 2,150,642</b>             | <b>\$ 92,920</b>                          |

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

| Capital Projects Funds           |                      |  |  |  |                      |   |  |
|----------------------------------|----------------------|--|--|--|----------------------|---|--|
| Airport Urban<br>Enterprise Zone | Equipment<br>Leasing | Century Center<br>Energy<br>Conservation<br>Bond | Smart Streets<br>Bond Capital<br>Projects Fund | Parks Bond<br>Capital Projects<br>Fund | Total                | Total Nonmajor<br>Governmental<br>Funds |  |
| \$ -                             | \$ -                 | \$ -   | \$ -   | \$ -                                   | \$ 9,584,083         | \$ 10,945,595                           |  |
| -                                | -                    | -  | -  | -                                      | -                    | 4,217,549                               |  |
| -                                | -                    | -  | -  | -                                      | 673,787              | 673,787                                 |  |
| -                                | -                    | -  | -  | -                                      | 444,954              | 11,458,825                              |  |
| -                                | -                    | -  | -  | -                                      | 340,683              | 2,698,519                               |  |
| -                                | -                    | -  | -  | -                                      | -                    | 391,405                                 |  |
| 3,488                            | 3,492                | -  | 15,016   | 4,485                                  | 277,221              | 807,524                                 |  |
| -                                | -                    | -  | -  | -                                      | 130,312              | 137,699                                 |  |
| -                                | 3,800                | -  | -  | -                                      | 301,236              | 1,105,577                               |  |
| 3,488                            | 7,292                | -  | 15,016   | 4,485                                  | 11,752,276           | 32,436,480                              |  |
| -                                | -                    | -  | -  | -                                      | -                    | 463,540                                 |  |
| -                                | -                    | -  | -  | -                                      | -                    | 1,614,169                               |  |
| -                                | -                    | -  | -  | -                                      | -                    | 10,304,861                              |  |
| -                                | -                    | -  | -  | -                                      | -                    | 7,128,732                               |  |
| -                                | -                    | -  | -  | -                                      | 50,267               | 1,015,215                               |  |
| -                                | 3,439,812            | 343,478  | 14,793,978                                     | 891,688                                | 27,056,295           | 27,056,295                              |  |
| -                                | -                    | -  | -  | -                                      | 1,242,847            | 8,307,488                               |  |
| -                                | -                    | -  | -  | -                                      | 322,620              | 3,630,548                               |  |
| -                                | 3,439,812            | 343,478  | 14,793,978                                     | 891,688                                | 28,672,029           | 59,520,848                              |  |
| 3,488                            | (3,432,520)          | (343,478)  | (14,778,962)                                   | (887,203)                              | (16,919,753)         | (27,084,368)                            |  |
| -                                | 4,950,881            | -  | -  | -                                      | 4,950,881            | 4,950,881                               |  |
| -                                | -                    | -  | -  | -                                      | 48,709               | 82,335                                  |  |
| -                                | -                    | -  | -  | -                                      | 53,040               | 13,962,422                              |  |
| -                                | -                    | -  | (1,190)  | -                                      | (3,339,049)          | (3,715,419)                             |  |
| -                                | 4,950,881            | -  | (1,190)  | -                                      | 1,713,581            | 15,280,219                              |  |
| 3,488                            | 1,518,361            | (343,478)  | (14,780,152)                                   | (887,203)                              | (15,206,172)         | (11,804,149)                            |  |
| 379,647                          | 422,833              | 343,478  | 19,023,787                                     | 4,950,231                              | 55,177,988           | 92,106,251                              |  |
| <b>\$ 383,135</b>                | <b>\$ 1,941,194</b>  | <b>\$ -</b>                                      | <b>\$ 4,243,635</b>                            | <b>\$ 4,063,028</b>                    | <b>\$ 39,971,816</b> | <b>\$ 80,302,102</b>                    |  |



# City of South Bend, Indiana

## Schedules of Revenue, Expenditures, and Changes in Fund Balances Budget and Actual - Major Governmental Funds Capital Projects Funds - River West TIF Year Ended December 31, 2016

|  | Budgeted Amounts            |                            | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-----------------------------|----------------------------|---|--|
|  | Original                    | Final                      |   |  |
| <b>Revenues:</b>                         |                             |                            |   |  |
| Property taxes                           | \$ 16,723,300               | \$ 18,159,311              | \$ 18,159,311                           | \$ -   |
| Other                                    | 2,151,014                   | 2,022,911                  | 1,790,675                               | (232,236)  |
| Total revenues                           | <u>18,874,314</u>           | <u>20,182,222</u>          | <u>19,949,986</u>                       | <u>(232,236)</u>   |
| <b>Expenditures:</b>                     |                             |                            |   |  |
| Current:                                 |                             |                            |   |  |
| Economic Development:                    |                             |                            |   |  |
| Other services and charges               | 6,112,101                   | 13,180,948                 | 9,703,874                               | 3,477,074  |
| Capital outlay                           | <u>13,587,899</u>           | <u>31,321,129</u>          | <u>18,105,471</u>                       | <u>13,215,658</u>  |
| Total expenditures                       | <u>19,700,000</u>           | <u>44,502,077</u>          | <u>27,809,345</u>                       | <u>16,692,732</u>  |
| Other financing sources - Transfers in   | <u>11,000</u>               | <u>43,000</u>              | <u>22,199</u>                           | <u>(20,801)</u>  |
| Net change in fund balances              | (814,686)                   | (24,276,855)               | (7,837,160)                             | 16,439,695   |
| Fund balances - Beginning                | <u>32,771,001</u>           | <u>32,771,001</u>          | <u>32,771,001</u>                       | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 31,956,315</b></u> | <u><b>\$ 8,494,146</b></u> | <u><b>\$ 24,933,841</b></u>             | <u><b>\$ 16,439,695</b></u>                                |
| <b>Budget/GAAP Reconciliation</b>        |                             |                            |   |  |
| Net change in fund balance, budget basis |                             |                            | \$ (7,837,160)                          |  |
| To adjust revenues for accruals          |                             |                            | (818,017)                               |  |
| To adjust expenditures for accruals      |                             |                            | 208,144                                 |  |
| To adjust expenditures for encumbrances  |                             |                            | <u>7,618,884</u>                        |  |
| Net change in fund balance, GAAP basis   |                             |                            | <u><b>\$ (828,149)</b></u>              |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Motor Vehicle Highway Year Ended December 31, 2016

|   | Budgeted Amounts    |                     | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---|--|
|   | Original            | Final               |   |  |
| <b>Revenues:</b>                              |                     |                     |   |  |
| Intergovernmental                             | \$ 5,100,000        | \$ 5,690,562        | \$ 5,647,108                            | \$ (43,454)  |
| Charges for services                          | 281,433             | 281,433             | 216,632                                 | (64,801)   |
| Other   | 97,450              | 166,007             | 96,839                                  | (69,168)   |
| <b>Total revenues</b>                         | <b>5,478,883</b>    | <b>6,138,002</b>    | <b>5,960,579</b>                        | <b>(177,423)</b>   |
| <b>Expenditures:</b>                          |                     |                     |   |  |
| Current:                                      |                     |                     |   |  |
| Highways and streets:                         |                     |                     |   |  |
| Personnel services                            | 4,411,058           | 4,411,058           | 3,859,792                               | 551,266  |
| Supplies                                      | 2,258,181           | 2,628,660           | 2,043,415                               | 585,245  |
| Other services and charges                    | 3,624,651           | 3,848,233           | 3,549,933                               | 298,300  |
| Capital outlay                                | 50,000              | 89,458              | 39,458                                  | 50,000   |
| <b>Total expenditures</b>                     | <b>10,343,890</b>   | <b>10,977,409</b>   | <b>9,492,598</b>                        | <b>1,484,811</b>   |
| Other financing sources - Transfers in        | 4,550,000           | 3,703,000           | 3,703,000                               | -  |
| <b>Net change in fund balances</b>            | <b>(315,007)</b>    | <b>(1,136,407)</b>  | <b>170,981</b>                          | <b>1,307,388</b>   |
| Fund balances - Beginning                     | 5,225,686           | 5,225,686           | 5,225,686                               | -  |
| <b>Fund balances - Ending</b>                 | <b>\$ 4,910,679</b> | <b>\$ 4,089,279</b> | <b>\$ 5,396,667</b>                     | <b>\$ 1,307,388</b>  |
| <b>Budget/GAAP Reconciliation</b>             |                     |                     |   |  |
| Net change in fund balance, budget basis      |                     |                     | \$ 170,981                              |  |
| To adjust revenues for accruals               |                     |                     | (182,105)                               |  |
| To adjust expenditures for accruals           |                     |                     | (158,499)                               |  |
| To adjust expenditures for encumbrances       |                     |                     | 821,398                                 |  |
| <b>Net change in fund balance, GAAP basis</b> |                     |                     | <b>\$ 651,775</b>                       |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Recreation Nonreverting Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues:                                      |                   |                   |   |  |
| Charges for services                           | \$ 1,432,565      | \$ 1,432,565      | \$ 935,249                              | \$ (497,316)   |
| Other  | 16,000            | 16,000            | 8,153                                   | (7,847)  |
| Total revenues                                 | <u>1,448,565</u>  | <u>1,448,565</u>  | <u>943,402</u>                          | <u>(505,163)</u>   |
| Expenditures:                                  |                   |                   |   |  |
| Current:                                       |                   |                   |   |  |
| Culture and recreation:                        |                   |                   |   |  |
| Personnel services                             | 655,619           | 565,619           | 383,854                                 | 181,765  |
| Supplies                                       | 305,332           | 284,568           | 169,345                                 | 115,223  |
| Other services and charges                     | 487,253           | 567,267           | 373,577                                 | 193,690  |
| Capital outlay                                 | -                 | 42,300            | 41,299                                  | 1,001  |
| Total expenditures                             | <u>1,448,204</u>  | <u>1,459,754</u>  | <u>968,075</u>                          | <u>491,679</u>   |
| Other financing sources (uses) - Transfers out | -                 | -                 | -                                       | -  |
| Net change in fund balances                    | 361               | (11,189)          | (24,673)                                | (13,484)   |
| Fund balances - Beginning                      | <u>823,964</u>    | <u>823,964</u>    | <u>823,964</u>                          | <u>-</u>   |
| Fund balances - Ending                         | <u>\$ 824,325</u> | <u>\$ 812,775</u> | <u>\$ 799,291</u>                       | <u>\$ (13,484)</u>   |
| <u>Budget/GAAP Reconciliation</u>              |                   |                   |   |  |
| Net change in fund balance, budget basis       |                   |                   | \$ (24,673)                             |  |
| To adjust revenues for accruals                |                   |                   | 35,341                                  |  |
| To adjust expenditures for accruals            |                   |                   | (2,943)                                 |  |
| To adjust expenditures for encumbrances        |                   |                   | <u>13,080</u>                           |  |
| Net change in fund balance, GAAP basis         |                   |                   | <u>\$ 20,805</u>                        |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Studebaker Oliver Revitalization Grants Year Ended December 31, 2016

|  | Budgeted Amounts        |                         | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------------|-------------------------|---|--|
|  | Original                | Final                   |   |  |
| Revenues - Other                         | \$ 104,000              | \$ 593,500              | \$ 282,902                              | \$ (310,598)   |
| Expenditures:                            |                         |                         |   |  |
| Current:                                 |                         |                         |   |  |
| Economic Development                     |                         |                         |   |  |
| Other Services and Charges               | 1,200,000               | 1,683,250               | 974,411                                 | 708,839  |
| Capital Outlay                           | -                       | -                       | -                                       | -  |
| Total expenditures                       | <u>1,200,000</u>        | <u>1,683,250</u>        | <u>974,411</u>                          | <u>708,839</u>   |
| Net change in fund balances              | (1,096,000)             | (1,089,750)             | (691,509)                               | 398,241  |
| Fund balances - Beginning                | <u>1,108,642</u>        | <u>1,108,642</u>        | <u>1,108,642</u>                        | -  |
| Fund balances - Ending                   | <u><b>\$ 12,642</b></u> | <u><b>\$ 18,892</b></u> | <u><b>\$ 417,133</b></u>                | <u><b>\$ 398,241</b></u>                                   |
| <b>Budget/GAAP Reconciliation</b>        |                         |                         |   |  |
| Net change in fund balance, budget basis |                         |                         | \$ (691,509)                            |  |
| To adjust revenues for accruals          |                         |                         | (99,989)                                |  |
| To adjust expenditures for accruals      |                         |                         | (14,072)                                |  |
| To adjust expenditures for encumbrances  |                         |                         | <u>439,393</u>                          |  |
| Net change in fund balance, GAAP basis   |                         |                         | <u><b>\$ (366,177)</b></u>              |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Economic Development State Grants Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues - Other                         | \$ 73,511                | \$ 2,719,053             | \$ 1,895,885                            | \$ (823,168)   |
| Expenditures:                            |                          |                          |   |  |
| Current:                                 |                          |                          |   |  |
| Economic Development                     |                          |                          |   |  |
| Other services and charges               | 72,011                   | 1,322,519                | 942,991                                 | 379,528  |
| Capital Outlay                           | -                        | 1,200,000                | 1,200,000                               | -  |
| Total expenditures                       | <u>72,011</u>            | <u>2,522,519</u>         | <u>2,142,991</u>                        | <u>379,528</u>   |
| Net change in fund balances              | 1,500                    | 196,534                  | (247,106)                               | (443,640)  |
| Fund balances - Beginning                | <u>160,361</u>           | <u>160,361</u>           | <u>160,361</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 161,861</b></u> | <u><b>\$ 356,895</b></u> | <u><b>\$ (86,745)</b></u>               | <u><b>\$ (443,640)</b></u>                                 |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ (247,106)                            |  |
| To adjust revenues for accruals          |                          |                          | (1,710,857)                             |  |
| To adjust expenditures for accruals      |                          |                          | 1,462,492                               |  |
| To adjust expenditures for encumbrances  |                          |                          | <u>437,745</u>                          |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ (57,726)</b></u>               |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - DCI Operating Year Ended December 31, 2016

|  | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|---|--|
|  | Original                   | Final                      |   |  |
| Revenues:                                |                            |                            |   |  |
| Intergovernmental                        | \$ 419,287                 | \$ 499,287                 | \$ 497,592                              | \$ (1,695)   |
| Other                                    | 261,000                    | 327,500                    | 318,147                                 | (9,353)  |
| Total revenues                           | <u>680,287</u>             | <u>826,787</u>             | <u>815,739</u>                          | <u>(11,048)</u>  |
| Expenditures:                            |                            |                            |   |  |
| Current:                                 |                            |                            |   |  |
| Economic Development:                    |                            |                            |   |  |
| Personnel services                       | 2,161,561                  | 2,113,461                  | 1,902,605                               | 210,856  |
| Supplies                                 | 24,627                     | 25,318                     | 15,245                                  | 10,073   |
| Other services and charges               | 424,512                    | 511,534                    | 485,059                                 | 26,475   |
| Capital Outlay                           | 37,000                     | 37,000                     | 35,157                                  | 1,843  |
| Other uses                               | -                          | -                          | -                                       | -  |
| Total expenditures                       | <u>2,647,700</u>           | <u>2,687,313</u>           | <u>2,438,066</u>                        | <u>249,247</u>   |
| Other financing sources - Transfers in   | <u>1,967,638</u>           | <u>1,808,138</u>           | <u>1,808,138</u>                        | <u>-</u>   |
| Net change in fund balances              | 225                        | (52,388)                   | 185,811                                 | 238,199  |
| Fund balances - Beginning                | <u>1,123,753</u>           | <u>1,123,753</u>           | <u>1,123,753</u>                        | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 1,123,978</b></u> | <u><b>\$ 1,071,365</b></u> | <u><b>\$ 1,309,564</b></u>              | <u><b>\$ 238,199</b></u>                                   |
| <u>Budget/GAAP Reconciliation</u>        |                            |                            |   |  |
| Net change in fund balance, budget basis |                            |                            | \$ 185,811                              |  |
| To adjust revenues for accruals          |                            |                            | (23,535)                                |  |
| To adjust expenditures for accruals      |                            |                            | (5,426)                                 |  |
| To adjust expenditures for encumbrances  |                            |                            | <u>54,442</u>                           |  |
| Net change in fund balance, GAAP basis   |                            |                            | <u><b>\$ 211,292</b></u>                |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Community Investment Grants Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues:                                      |                   |                   |   |  |
| Intergovernmental                              | \$ 3,028,252      | \$ 6,528,252      | \$ 3,117,168                            | \$ (3,411,084)   |
| Other  | 771,748           | 919,148           | 25,887                                  | (893,261)  |
| Total revenues                                 | <u>3,800,000</u>  | <u>7,447,400</u>  | <u>3,143,055</u>                        | <u>(4,304,345)</u>   |
| Expenditures:                                  |                   |                   |   |  |
| Current:                                       |                   |                   |   |  |
| Economic development -                         |                   |                   |   |  |
| Other services and charges                     | <u>3,800,000</u>  | <u>7,356,963</u>  | <u>5,656,026</u>                        | <u>1,700,937</u>   |
| Total expenditures                             | <u>3,800,000</u>  | <u>7,356,963</u>  | <u>5,656,026</u>                        | <u>1,700,937</u>   |
| Other financing sources (uses) - Transfers out | -                 | (500)             | (500)                                   | -  |
| Net change in fund balances                    | -                 | 89,937            | (2,513,471)                             | (2,603,408)  |
| Fund balances - Beginning                      | <u>553,875</u>    | <u>553,875</u>    | <u>553,875</u>                          | -  |
| Fund balances - Ending                         | <u>\$ 553,875</u> | <u>\$ 643,812</u> | <u>\$ (1,959,596)</u>                   | <u>\$ (2,603,408)</u>                                      |
| <u>Budget/GAAP Reconciliation</u>              |                   |                   |   |  |
| Net change in fund balance, budget basis       |                   |                   | \$ (2,513,471)                          |  |
| To adjust revenues for accruals                |                   |                   | (16,766)                                |  |
| To adjust expenditures for accruals            |                   |                   | (147,684)                               |  |
| To adjust expenditures for encumbrances        |                   |                   | <u>2,201,839</u>                        |  |
| Net change in fund balance, GAAP basis         |                   |                   | <u>\$ (476,082)</u>                     |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Police State Seizure Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues - Other                         | \$ 36,000         | \$ 36,636         | \$ 33,978                               | \$ (2,658)   |
| Expenditures:                            |                   |                   |   |  |
| Current:                                 |                   |                   |   |  |
| Public Safety:                           |                   |                   |   |  |
| Other services and charges               | 36,000            | 36,000            | 16,110                                  | 19,890   |
| Net change in fund balances              | -                 | 636               | 17,868                                  | 17,232   |
| Fund balances - Beginning                | 199,998           | 199,998           | 199,998                                 | -  |
| Fund balances - Ending                   | <u>\$ 199,998</u> | <u>\$ 200,634</u> | <u>\$ 217,866</u>                       | <u>\$ 17,232</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ 17,868                               |  |
| To adjust revenues for accruals          |                   |                   | (4,962)                                 |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ 12,906</u>                        |  |



# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Juvenile Positive Assistance Year Ended December 31, 2016

|  | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|--|
|  | Original         | Final            |   |  |
| Revenues:  |                  |                  |   |  |
| Fines and fees                                       | \$ 900           | \$ 900           | \$ 213                                  | \$ (687)   |
| Other  | 100              | 100              | 113                                     | 13   |
| Total revenues                                       | 1,000            | 1,000            | 326                                     | (674)  |
| Expenditures:  |                  |                  |   |  |
| Current - Public safety - Other services and charges | 1,000            | 1,000            | -                                       | 1,000  |
| Net change in fund balances                          | -                | -                | 326                                     | 326  |
| Fund balances - Beginning                            | 12,254           | 12,254           | 12,254                                  | -  |
| Fund balances - Ending                               | <u>\$ 12,254</u> | <u>\$ 12,254</u> | <u>\$ 12,580</u>                        | <u>\$ 326</u>  |
| <u>Budget/GAAP Reconciliation</u>                    |                  |                  |   |  |
| Net change in fund balance, budget basis             |                  |                  | \$ 326                                  |  |
| To adjust revenues for accruals                      |                  |                  | -                                       |  |
| Net change in fund balance, GAAP basis               |                  |                  | <u>\$ 326</u>                           |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Unsafe Building Year Ended December 31, 2016

|  | Budgeted Amounts |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|-------------------|---|--|
|  | Original         | Final             |   |  |
| <b>Revenues:</b>                         |                  |                   |   |  |
| Charges for services                     | \$ -             | \$ 247,100        | \$ 237,962                              | \$ (9,138)   |
| Fines and forfeits                       | -                | 228,800           | 146,830                                 | (81,970)   |
| Total revenues                           | -                | 475,900           | 384,792                                 | (91,108)   |
| <b>Expenditures:</b>                     |                  |                   |   |  |
| Current:                                 |                  |                   |   |  |
| Culture and recreation:                  |                  |                   |   |  |
| Personnel services                       | -                | 260,769           | 258,263                                 | 2,506  |
| Supplies                                 | -                | 41,149            | 16,547                                  | 24,602   |
| Other services and charges               | -                | 649,579           | 503,917                                 | 145,662  |
| Total expenditures                       | -                | 951,497           | 778,727                                 | 172,770  |
| Other financing sources - Transfers In   | -                | 755,240           | 755,180                                 | (60)   |
| Net change in fund balances              | -                | 279,643           | 361,245                                 | 81,602   |
| Fund balances - Beginning                | -                | -                 | -                                       | -  |
| Fund balances - Ending                   | <u>\$ -</u>      | <u>\$ 279,643</u> | <u>\$ 361,245</u>                       | <u>\$ 81,602</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                  |                   |   |  |
| Net change in fund balance, budget basis |                  |                   | \$ 361,245                              |  |
| To adjust revenues for accruals          |                  |                   | 10,288                                  |  |
| To adjust expenditures for accruals      |                  |                   | (46,961)                                |  |
| To adjust expenditures for encumbrances  |                  |                   | 7,989                                   |  |
| Net change in fund balance, GAAP basis   |                  |                   | <u>\$ 332,561</u>                       |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds – Law Enforcement Continuing Education Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues:                                |                   |                   |   |  |
| Intergovernmental                        | \$ -              | \$ -              | \$ -                                    | \$ -   |
| Charges for services                     | 115,000           | 115,000           | 139,265                                 | 24,265   |
| Fines and fees                           | 85,000            | 86,225            | 93,069                                  | 6,844  |
| Other                                    | 18,000            | 35,600            | 41,599                                  | 5,999  |
| Total revenues                           | <u>218,000</u>    | <u>236,825</u>    | <u>273,933</u>                          | <u>37,108</u>  |
| Expenditures:                            |                   |                   |   |  |
| Current:                                 |                   |                   |   |  |
| Public safety:                           |                   |                   |   |  |
| Supplies                                 | 275,500           | 285,508           | 231,493                                 | 54,015   |
| Other services and charges               | 458,000           | 458,000           | 195,314                                 | 262,686  |
| Capital outlay                           | -                 | -                 | -                                       | -  |
| Total expenditures                       | <u>733,500</u>    | <u>743,508</u>    | <u>426,807</u>                          | <u>316,701</u>   |
| Net change in fund balances              | (515,500)         | (506,683)         | (152,874)                               | 353,809  |
| Fund balances - Beginning                | <u>912,111</u>    | <u>912,111</u>    | <u>912,111</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u>\$ 396,611</u> | <u>\$ 405,428</u> | <u>\$ 759,237</u>                       | <u>\$ 353,809</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ (152,874)                            |  |
| To adjust revenues for accruals          |                   |                   | (1,135)                                 |  |
| To adjust expenditures for accruals      |                   |                   | (10,486)                                |  |
| To adjust expenditures for encumbrances  |                   |                   | <u>54,922</u>                           |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ (109,573)</u>                     |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds – Landlord Registration Year Ended December 31, 2016

|   | Budgeted Amounts |               | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|---|------------------|---------------|---|--|
|   | Original         | Final         |   |  |
| <b>Revenues:</b>                              |                  |               |   |  |
| Charges for services                          | \$ -             | \$ -          | \$ -                                    | \$ -   |
| Fines and forfeits                            | -                | 500           | 1,225                                   | 725  |
| <b>Total revenues</b>                         | <b>-</b>         | <b>500</b>    | <b>1,225</b>                            | <b>725</b>   |
| <b>Expenditures:</b>                          |                  |               |   |  |
| Current:                                      |                  |               |   |  |
| Culture and recreation:                       |                  |               |   |  |
| Personnel services                            | -                | -             | -                                       | -  |
| Supplies                                      | -                | -             | -                                       | -  |
| Other services and charges                    | -                | -             | -                                       | -  |
| <b>Total expenditures</b>                     | <b>-</b>         | <b>-</b>      | <b>-</b>                                | <b>-</b>   |
| Other financing sources - Transfers In        | -                | -             | -                                       | -  |
| <b>Net change in fund balances</b>            | <b>-</b>         | <b>500</b>    | <b>1,225</b>                            | <b>725</b>   |
| Fund balances - Beginning                     | -                | -             | -                                       | -  |
| <b>Fund balances - Ending</b>                 | <b>\$ -</b>      | <b>\$ 500</b> | <b>\$ 1,225</b>                         | <b>\$ 725</b>  |
| <b>Budget/GAAP Reconciliation</b>             |                  |               |   |  |
| Net change in fund balance, budget basis      |                  |               | \$ 1,225                                |  |
| To adjust revenues for accruals               |                  |               | 1,605                                   |  |
| To adjust expenditures for accruals           |                  |               | -                                       |  |
| To adjust expenditures for encumbrances       |                  |               | -                                       |  |
| <b>Net change in fund balance, GAAP basis</b> |                  |               | <b>\$ 2,830</b>                         |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Loss Recovery Fund Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues - Other                         | \$ 1,410          | \$ 7,660          | \$ 8,952                                | \$ 1,292   |
| Expenditures:                            |                   |                   |   |  |
| Current:                                 |                   |                   |   |  |
| General government:                      |                   |                   |   |  |
| Supplies                                 | -                 | -                 | -                                       | -  |
| Other services and charges               | 350,000           | 422,302           | 72,302                                  | 350,000  |
| Capital outlay                           | -                 | 58,009            | 58,009                                  | -  |
| Total expenditures                       | 350,000           | 480,311           | 130,311                                 | 350,000  |
| Net change in fund balances              | (348,590)         | (472,651)         | (121,359)                               | 351,292  |
| Fund balances - Beginning                | 994,542           | 994,542           | 994,542                                 | -  |
| Fund balances - Ending                   | <u>\$ 645,952</u> | <u>\$ 521,891</u> | <u>\$ 873,183</u>                       | <u>\$ 351,292</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ (121,359)                            |  |
| To adjust revenues for accruals          |                   |                   | 31                                      |  |
| To adjust expenditures for accruals      |                   |                   | 1,342                                   |  |
| To adjust expenditures for encumbrances  |                   |                   | 98,675                                  |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ (21,311)</u>                      |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Emergency Telephone System Year Ended December 31, 2016

|  | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|--|
|  | Original         | Final            |   |  |
| Revenues - Intergovernmental             | \$ -             | \$ -             | \$ -                                    | \$ -   |
| Other                                    | -                | -                | -                                       | -  |
| Total revenues                           | -                | -                | -                                       | -  |
| Net change in fund balances              | -                | -                | -                                       | -  |
| Fund balances - Beginning                | 33,671           | 33,671           | 33,671                                  | -  |
| Fund balances - Ending                   | <u>\$ 33,671</u> | <u>\$ 33,671</u> | <u>\$ 33,671</u>                        | <u>\$ -</u>  |
| <b>Budget/GAAP Reconciliation</b>        |                  |                  |   |  |
| Net change in fund balance, budget basis |                  |                  | \$ -                                    |  |
| To adjust revenues for accruals          |                  |                  | -                                       |  |
| Net change in fund balance, GAAP basis   |                  |                  | <u>\$ -</u>                             |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Local Road and Street Year Ended December 31, 2016

|  | Budgeted Amounts    |                     | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---|--|
|  | Original            | Final               |   |  |
| <b>Revenues:</b>                         |                     |                     |   |  |
| Intergovernmental                        | \$ 1,068,000        | \$ 1,313,600        | \$ 1,209,101                            | \$ (104,499)   |
| Other                                    | 201,000             | 616,500             | 433,047                                 | (183,453)  |
| Total revenues                           | <u>1,269,000</u>    | <u>1,930,100</u>    | <u>1,642,148</u>                        | <u>(287,952)</u>   |
| <b>Expenditures:</b>                     |                     |                     |   |  |
| Current:                                 |                     |                     |   |  |
| Highways and streets:                    |                     |                     |   |  |
| Supplies                                 | 450,000             | 469,668             | 469,500                                 | 168  |
| Other services and charges               | 193,000             | 437,369             | 397,645                                 | 39,724   |
| Capital outlay                           | <u>588,000</u>      | <u>1,360,907</u>    | <u>1,268,886</u>                        | <u>92,021</u>  |
| Total expenditures                       | <u>1,231,000</u>    | <u>2,267,944</u>    | <u>2,136,031</u>                        | <u>131,913</u>   |
| Net change in fund balances              | 38,000              | (337,844)           | (493,883)                               | (156,039)  |
| Fund balances - Beginning                | <u>2,730,925</u>    | <u>2,730,925</u>    | <u>2,730,925</u>                        | <u>-</u>   |
| Fund balances - Ending                   | <u>\$ 2,768,925</u> | <u>\$ 2,393,081</u> | <u>\$ 2,237,042</u>                     | <u>\$ (156,039)</u>  |
| <b>Budget/GAAP Reconciliation</b>        |                     |                     |   |  |
| Net change in fund balance, budget basis |                     |                     | \$ (493,883)                            |  |
| To adjust revenues for accruals          |                     |                     | (221,968)                               |  |
| To adjust expenditures for accruals      |                     |                     | (98,627)                                |  |
| To adjust expenditures for encumbrances  |                     |                     | <u>596,544</u>                          |  |
| Net change in fund balance, GAAP basis   |                     |                     | <u>\$ (217,934)</u>                     |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Excess Welfare Distribution Year Ended December 31, 2016

|  | Budgeted Amounts |             | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|-------------|---|--|
|  | Original         | Final       |   |  |
| Revenues - Other                         | \$ -             | \$ -        | \$ -                                    | \$ -   |
| Expenditures:                            |                  |             |   |  |
| Current - Public safety - Supplies       | -                | -           | -                                       | -  |
| Net change in fund balances              | -                | -           | -                                       | -  |
| Fund balances - Beginning                | 8                | 8           | 8                                       | -  |
| Fund balances - Ending                   | <u>\$ 8</u>      | <u>\$ 8</u> | <u>\$ 8</u>                             | <u>\$ -</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                  |             |   |  |
| Net change in fund balance, budget basis |                  |             | \$ -                                    |  |
| To adjust revenues for accruals          |                  |             | -                                       |  |
| Net change in fund balance, GAAP basis   |                  |             | <u>\$ -</u>                             |  |



# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - LOIT 2016 Special Distribution Year Ended December 31, 2016

|  | Budgeted Amounts |              | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|--------------|---|--|
|  | Original         | Final        |   |  |
| <b>Revenues:</b>                         |                  |              |   |  |
| Intergovernmental                        | \$ -             | \$ 4,867,549 | \$ 4,217,549                            | \$ (650,000)   |
| Other                                    | -                | 131,000      | 130,394                                 | (606)  |
| Total revenues                           | -                | 4,998,549    | 4,347,943                               | (650,606)  |
| <b>Expenditures:</b>                     |                  |              |   |  |
| Current:                                 |                  |              |   |  |
| Culture and recreation:                  |                  |              |   |  |
| Other services and charges               | -                | 150,000      | 138,100                                 | 11,900   |
| Capital outlay                           | -                | 850,000      | 812,233                                 | 37,767   |
| Other Uses                               | -                | -            | -                                       | -  |
| Total expenditures                       | -                | 1,000,000    | 950,333                                 | 49,667   |
| Other financing sources - Transfers In   | -                | -            | -                                       | -  |
| Net change in fund balances              | -                | 3,998,549    | 3,397,610                               | (600,939)  |
| Fund balances - Beginning                | -                | -            | -                                       | -  |
| Fund balances - Ending                   | \$ -             | \$ 3,998,549 | \$ 3,397,610                            | \$ (600,939)   |
| <b>Budget/GAAP Reconciliation</b>        |                  |              |   |  |
| Net change in fund balance, budget basis |                  |              | \$ 3,397,610                            |  |
| To adjust revenues for accruals          |                  |              | (1)                                     |  |
| To adjust expenditures for accruals      |                  |              | (22,722)                                |  |
| To adjust expenditures for encumbrances  |                  |              | 627,457                                 |  |
| Net change in fund balance, GAAP basis   |                  |              | \$ 4,002,344                            |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Human Rights Federal Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| <b>Revenues:</b>                         |                          |                          |   |  |
| Intergovernmental                        | \$ 145,000               | \$ 196,000               | \$ 209,350                              | \$ 13,350  |
| Other                                    | 20,040                   | 22,105                   | 31,008                                  | 8,903  |
| Total revenues                           | <u>165,040</u>           | <u>218,105</u>           | <u>240,358</u>                          | <u>22,253</u>  |
| <b>Expenditures:</b>                     |                          |                          |   |  |
| Current:                                 |                          |                          |   |  |
| General government                       |                          |                          |   |  |
| Personnel services                       | 122,817                  | 122,817                  | 120,507                                 | 2,310  |
| Supplies                                 | 2,300                    | 7,500                    | 6,894                                   | 606  |
| Other services and charges               | 96,721                   | 91,521                   | 64,665                                  | 26,856   |
| Total expenditures                       | <u>221,838</u>           | <u>221,838</u>           | <u>192,066</u>                          | <u>29,772</u>  |
| Net change in fund balances              | (56,798)                 | (3,733)                  | 48,292                                  | 52,025   |
| Fund balances - Beginning                | <u>425,850</u>           | <u>425,850</u>           | <u>425,850</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 369,052</b></u> | <u><b>\$ 422,117</b></u> | <u><b>\$ 474,142</b></u>                | <u><b>\$ 52,025</b></u>                                    |
| <b>Budget/GAAP Reconciliation</b>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ 48,292                               |  |
| To adjust revenues for accruals          |                          |                          | 20,215                                  |  |
| To adjust expenditures for accruals      |                          |                          | (9,147)                                 |  |
| To adjust expenditures for encumbrances  |                          |                          | 6,377                                   |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ 65,737</b></u>                 |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - East Race Waterway Year Ended December 31, 2016

|   | Budgeted Amounts |                 | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|---|------------------|-----------------|---|--|
|   | Original         | Final           |   |  |
| Revenues - Other                            | \$ 30            | \$ 30           | \$ 12                                   | \$ (18)  |
| Expenditures:                               |                  |                 |   |  |
| Current - Culture and recreation - Supplies | -                | -               | -                                       | -  |
| Total expenditures                          | -                | -               | -                                       | -  |
| Net change in fund balances                 | 30               | 30              | 12                                      | (18)   |
| Fund balances - Beginning                   | 1,337            | 1,337           | 1,337                                   | -  |
| Fund balances - Ending                      | <u>\$ 1,367</u>  | <u>\$ 1,367</u> | <u>\$ 1,349</u>                         | <u>\$ (18)</u>   |
| <u>Budget/GAAP Reconciliation</u>           |                  |                 |   |  |
| Net change in fund balance, budget basis    |                  |                 | \$ 12                                   |  |
| To adjust revenues for accruals             |                  |                 | <u>1</u>                                |  |
| Net change in fund balance, GAAP basis      |                  |                 | <u>\$ 13</u>                            |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Morris and Palais Marketing Year Ended December 31, 2016

|  | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|--|
|  | Original         | Final            |   |  |
| Revenues - Other   | \$ 18,150        | \$ 20,956        | \$ 20,947                               | \$ (9)   |
| Expenditures:  |                  |                  |   |  |
| Current - Culture and recreation -<br>Other services and charges | 18,000           | 18,878           | 7,887                                   | 10,991   |
| Net change in fund balances                                      | 150              | 2,078            | 13,060                                  | 10,982   |
| Fund balances - Beginning  | 30,391           | 30,391           | 30,391                                  | -  |
| Fund balances - Ending   | <u>\$ 30,541</u> | <u>\$ 32,469</u> | <u>\$ 43,451</u>                        | <u>\$ 10,982</u>   |
| <u>Budget/GAAP Reconciliation</u>                                |                  |                  |   |  |
| Net change in fund balance, budget basis                         |                  |                  | \$ 13,060                               |  |
| To adjust revenue for accruals                                   |                  |                  | (198)                                   |  |
| To adjust expenditures for accruals                              |                  |                  | (2,797)                                 |  |
| To adjust expenditures for encumbrances                          |                  |                  | 3,675                                   |  |
| Net change in fund balance, GAAP basis                           |                  |                  | <u>\$ 13,740</u>                        |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Police Block Grants Year Ended December 31, 2016

|  | Budgeted Amounts |                 | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|-----------------|---|--|
|  | Original         | Final           |   |  |
| Revenues - Other                         | \$ -             | \$ 20           | \$ 35                                   | \$ 15  |
| Net change in fund balances              | -                | 20              | 35                                      | 15   |
| Fund balances - Beginning                | 3,855            | 3,855           | 3,855                                   | -  |
| Fund balances - Ending                   | <u>\$ 3,855</u>  | <u>\$ 3,875</u> | <u>\$ 3,890</u>                         | <u>\$ 15</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                  |                 |   |  |
| Net change in fund balance, budget basis |                  |                 | \$ 35                                   |  |
| To adjust revenues for accruals          |                  |                 | <u>1</u>                                |  |
| Net change in fund balance, GAAP basis   |                  |                 | <u>\$ 36</u>                            |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Economic Development Commission Year Ended December 31, 2016

|  | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|--|
|  | Original         | Final            |   |  |
| Revenues - Other                         | \$ 150           | \$ 150           | \$ 250                                  | \$ 100   |
| Fund balances - Beginning                | 27,398           | 27,398           | 27,398                                  | -  |
| Fund balances - Ending                   | <u>\$ 27,548</u> | <u>\$ 27,548</u> | <u>\$ 27,648</u>                        | <u>\$ 100</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                  |                  |   |  |
| Net change in fund balance, budget basis |                  |                  | \$ 250                                  |  |
| To adjust revenues for accruals          |                  |                  | <u>2</u>                                |  |
| Net change in fund balance, GAAP basis   |                  |                  | <u>\$ 252</u>                           |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Hazmat Year Ended December 31, 2016

|  | Budgeted Amounts        |                         | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------------|-------------------------|---|--|
|  | Original                | Final                   |   |  |
| Revenues:                                |                         |                         |   |  |
| Charges for services                     | \$ 10,000               | \$ 10,000               | \$ 3,410                                | \$ (6,590)   |
| Other                                    | -                       | 320                     | 264                                     | (56)   |
| Total revenues                           | <u>10,000</u>           | <u>10,320</u>           | <u>3,674</u>                            | <u>(6,646)</u>   |
| Expenditures:                            |                         |                         |   |  |
| Current:                                 |                         |                         |   |  |
| Public safety - Supplies                 | <u>10,000</u>           | <u>10,000</u>           | <u>9,393</u>                            | <u>607</u>   |
| Net change in fund balances              | -                       | 320                     | (5,719)                                 | (6,039)  |
| Fund balances - Beginning                | <u>32,104</u>           | <u>32,104</u>           | <u>32,104</u>                           | <u>-</u>   |
| Fund balances - Ending                   | <u><u>\$ 32,104</u></u> | <u><u>\$ 32,424</u></u> | <u><u>\$ 26,385</u></u>                 | <u><u>\$ (6,039)</u></u>                                   |
| <u>Budget/GAAP Reconciliation</u>        |                         |                         |   |  |
| Net change in fund balance, budget basis |                         |                         | \$ (5,719)                              |  |
| To adjust revenues for accruals          |                         |                         | -                                       |  |
| To adjust expenditures for accruals      |                         |                         | 1                                       |  |
| To adjust expenditures for encumbrances  |                         |                         | <u>431</u>                              |  |
| Net change in fund balance, GAAP basis   |                         |                         | <u><u>\$ (5,287)</u></u>                |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Indiana River Rescue Year Ended December 31, 2016

|  | Budgeted Amounts |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|-------------------|---|--|
|  | Original         | Final             |   |  |
| Revenues:                                |                  |                   |   |  |
| Charges for services                     | \$ 45,000        | \$ 110,700        | \$ 110,700                              | \$ -   |
| Intergovernmental                        | -                | -                 | -                                       | -  |
| Other                                    | 200              | 1,278             | 1,222                                   | (56)   |
| Total revenues                           | 45,200           | 111,978           | 111,922                                 | (56)   |
| Expenditures:                            |                  |                   |   |  |
| Current:                                 |                  |                   |   |  |
| Public safety:                           |                  |                   |   |  |
| Personnel services                       | 15,500           | 25,500            | 23,000                                  | 2,500  |
| Supplies                                 | 10,800           | 10,800            | 7,231                                   | 3,569  |
| Other services and charges               | 69,000           | 69,000            | 36,164                                  | 32,836   |
| Capital outlay                           | -                | -                 | -                                       | -  |
| Total expenditures                       | 95,300           | 105,300           | 66,395                                  | 38,905   |
| Net change in fund balances              | (50,100)         | 6,678             | 45,527                                  | 38,849   |
| Fund balances - Beginning                | 95,569           | 95,569            | 95,569                                  | -  |
| Fund balances - Ending                   | <u>\$ 45,469</u> | <u>\$ 102,247</u> | <u>\$ 141,096</u>                       | <u>\$ 38,849</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                  |                   |   |  |
| Net change in fund balance, budget basis |                  |                   | \$ 45,527                               |  |
| To adjust revenues for accruals          |                  |                   | 10                                      |  |
| To adjust expenditures for accruals      |                  |                   | 569                                     |  |
| To adjust expenditures for encumbrances  |                  |                   | 1,049                                   |  |
| Net change in fund balance, GAAP basis   |                  |                   | <u>\$ 47,155</u>                        |  |



# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - COPS Block Grant II Year Ended December 31, 2016

|  | Budgeted Amounts  |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|------------------|---|--|
|  | Original          | Final            |   |  |
| Revenues - Intergovernmental             | \$ -              | \$ -             | \$ -                                    | \$ -   |
| Expenditures:                            |                   |                  |   |  |
| Current:                                 |                   |                  |   |  |
| Public safety:                           |                   |                  |   |  |
| Supplies                                 | -                 | -                | -                                       | -  |
| Other services and charges               | -                 | 55,373           | 55,373                                  | -  |
| Capital outlay                           | -                 | -                | -                                       | -  |
| Total expenditures                       | -                 | 55,373           | 55,373                                  | -  |
| Net change in fund balances              | -                 | (55,373)         | (55,373)                                | -  |
| Fund balances - Beginning                | 121,196           | 121,196          | 121,196                                 | -  |
| Fund balances - Ending                   | <u>\$ 121,196</u> | <u>\$ 65,823</u> | <u>\$ 65,823</u>                        | <u>\$ -</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                   |                  |   |  |
| Net change in fund balance, budget basis |                   |                  | \$ (55,373)                             |  |
| To adjust expenditures for accruals      |                   |                  | 3,917                                   |  |
| To adjust expenditures for encumbrances  |                   |                  | 10,805                                  |  |
| Net change in fund balance, GAAP basis   |                   |                  | <u>\$ (40,651)</u>                      |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Regional Police Academy Year Ended December 31, 2016

|  | Budgeted Amounts |           | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|-----------|---|--|
|  | Original         | Final     |   |  |
| Revenues:                                |                  |           |   |  |
| Charges for services                     | \$ 20,000        | \$ 20,000 | \$ 21,650                               | \$ 1,650   |
| Other                                    | 2,500            | 2,500     | 743                                     | (1,757)  |
| Total revenues                           | 22,500           | 22,500    | 22,393                                  | (107)  |
| Expenditures:                            |                  |           |   |  |
| Current:                                 |                  |           |   |  |
| Public safety:                           |                  |           |   |  |
| Supplies                                 | 1,500            | 1,500     | -                                       | 1,500  |
| Other services and charges               | 21,000           | 21,000    | 16,535                                  | 4,465  |
| Total expenditures                       | 22,500           | 22,500    | 16,535                                  | 5,965  |
| Net change in fund balances              | -                | -         | 5,858                                   | 5,858  |
| Fund balances - Beginning                | 70,310           | 70,310    | 70,310                                  | -  |
| Fund balances - Ending                   | \$ 70,310        | \$ 70,310 | \$ 76,168                               | \$ 5,858   |
| <u>Budget/GAAP Reconciliation</u>        |                  |           |   |  |
| Net change in fund balance, budget basis |                  |           | \$ 5,858                                |  |
| To adjust revenues for accruals          |                  |           | (1,948)                                 |  |
| To adjust expenditures for accruals      |                  |           | 87                                      |  |
| Net change in fund balance, GAAP basis   |                  |           | \$ 3,997                                |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - COPS MORE Grant Year Ended December 31, 2016

|  | Budgeted Amounts  |                    | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|--------------------|---|--|
|  | Original          | Final              |   |  |
| Revenues:                                |                   |                    |   |  |
| Intergovernmental                        | \$ 53,750         | \$ 61,069          | \$ 174,506                              | \$ 113,437   |
| Other                                    | 38,250            | 40,475             | 134,719                                 | 94,244   |
| Total Revenues                           | 92,000            | 101,544            | 309,225                                 | 207,681  |
| Expenditures:                            |                   |                    |   |  |
| Current:                                 |                   |                    |   |  |
| Public safety:                           |                   |                    |   |  |
| Supplies                                 | 47,000            | 269,787            | 216,996                                 | 52,791   |
| Other services and charges               | 45,000            | 45,000             | 39,829                                  | 5,171  |
| Capital outlay                           | -                 | -                  | -                                       | -  |
| Total expenditures                       | 92,000            | 314,787            | 256,825                                 | 57,962   |
| Other Financing (uses)                   |                   |                    |   |  |
| Transfers IN                             | -                 | -                  | -                                       | \$ -   |
| Net change in fund balances              | -                 | (213,243)          | 52,400                                  | 265,643  |
| Fund balances - Beginning                | 121,715           | 121,715            | 121,715                                 | -  |
| Fund balances - Ending                   | <u>\$ 121,715</u> | <u>\$ (91,528)</u> | <u>\$ 174,115</u>                       | <u>\$ 265,643</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                   |                    |   |  |
| Net change in fund balance, budget basis |                   |                    | \$ 52,400                               |  |
| To adjust revenues for accruals          |                   |                    | (7,375)                                 |  |
| To adjust expenditures for accruals      |                   |                    | (12,869)                                |  |
| To adjust expenditures for encumbrances  |                   |                    | 63,467                                  |  |
| Net change in fund balance, GAAP basis   |                   |                    | <u>\$ 95,623</u>                        |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Federal Drug Enforcement Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues:                                |                   |                   |   |  |
| Intergovernmental                        | \$ 160,000        | \$ 160,000        | \$ 10,786                               | \$ (149,214)   |
| Other                                    | 2,000             | 2,000             | 15,933                                  | 13,933   |
| Total revenues                           | <u>162,000</u>    | <u>162,000</u>    | <u>26,719</u>                           | <u>(135,281)</u>   |
| Expenditures:                            |                   |                   |   |  |
| Current:                                 |                   |                   |   |  |
| Public safety:                           |                   |                   |   |  |
| Supplies                                 | 55,000            | 61,965            | 55,673                                  | 6,292  |
| Other services and charges               | 62,000            | 62,000            | 1,290                                   | 60,710   |
| Capital outlay                           | 45,000            | 45,000            | 30,787                                  | 14,213   |
| Total expenditures                       | <u>162,000</u>    | <u>168,965</u>    | <u>87,750</u>                           | <u>81,215</u>  |
| Net change in fund balances              | -                 | (6,965)           | (61,031)                                | (54,066)   |
| Fund balances - Beginning                | <u>252,752</u>    | <u>252,752</u>    | <u>252,752</u>                          | -  |
| Fund balances - Ending                   | <u>\$ 252,752</u> | <u>\$ 245,787</u> | <u>\$ 191,721</u>                       | <u>\$ (54,066)</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ (61,031)                             |  |
| To adjust revenues for accruals          |                   |                   | 55                                      |  |
| To adjust expenditures for accruals      |                   |                   | -                                       |  |
| To adjust expenditures for encumbrances  |                   |                   | <u>34,337</u>                           |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ (26,639)</u>                      |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Gift Year Ended December 31, 2016

|  | Budgeted Amounts           |                         | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------------------|-------------------------|---|--|
|  | Original                   | Final                   |   |  |
| Revenues - Other                         | \$ 185,800                 | \$ 360,800              | \$ 148,900                              | \$ (211,900)   |
| Expenditures:                            |                            |                         |   |  |
| Supplies                                 | 12,500                     | 12,500                  | -                                       | 12,500   |
| Other services and charges               | 350,000                    | 350,000                 | 97,000                                  | 253,000  |
| Capital Outlay                           | -                          | -                       | -                                       | -  |
| Total expenditures                       | <u>362,500</u>             | <u>362,500</u>          | <u>97,000</u>                           | <u>265,500</u>   |
| Net change in fund balances              | (176,700)                  | (1,700)                 | 51,900                                  | 53,600   |
| Fund balances - Beginning                | <u>64,958</u>              | <u>64,958</u>           | <u>64,958</u>                           | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ (111,742)</b></u> | <u><b>\$ 63,258</b></u> | <u><b>\$ 116,858</b></u>                | <u><b>\$ 53,600</b></u>                                    |
| <u>Budget/GAAP Reconciliation</u>        |                            |                         |   |  |
| Net change in fund balance, budget basis |                            |                         | \$ 51,900                               |  |
| To adjust revenues for accruals          |                            |                         | 25,042                                  |  |
| To adjust expenditures for accruals      |                            |                         | <u>(72,900)</u>                         |  |
| Net change in fund balance, GAAP basis   |                            |                         | <u><b>\$ 4,042</b></u>                  |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Urban Development Action Grant Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues - Other                         | \$ 169,827               | \$ 201,627               | \$ 200,250                              | \$ (1,377)   |
| Expenditures:                            |                          |                          |   |  |
| Current:                                 |                          |                          |   |  |
| Economic Development                     |                          |                          |   |  |
| Other services and charges               | <u>238,173</u>           | <u>238,173</u>           | <u>238,173</u>                          | <u>-</u>   |
| Net change in fund balances              | (68,346)                 | (36,546)                 | (37,923)                                | (1,377)  |
| Fund balances - Beginning                | <u>631,221</u>           | <u>631,221</u>           | <u>631,221</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 562,875</b></u> | <u><b>\$ 594,675</b></u> | <u><b>\$ 593,298</b></u>                | <u><b>\$ (1,377)</b></u>                                   |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ (37,923)                             |  |
| To adjust revenues for accruals          |                          |                          | (195,491)                               |  |
| To adjust expenditures for accruals      |                          |                          | <u>238,173</u>                          |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ 4,759</b></u>                  |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Leaf Collection and Removal Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues:                                |                          |                          |   |  |
| Charges for services                     | \$ 433,290               | \$ 440,650               | \$ 440,649                              | \$ (1)   |
| Other                                    | 4,000                    | 7,978                    | 7,817                                   | (161)  |
| Total revenues                           | <u>437,290</u>           | <u>448,628</u>           | <u>448,466</u>                          | <u>(162)</u>   |
| Expenditures:                            |                          |                          |   |  |
| Current:                                 |                          |                          |   |  |
| General government:                      |                          |                          |   |  |
| Personnel services                       | 56,649                   | 56,649                   | 27,792                                  | 28,857   |
| Supplies                                 | 3,145                    | 3,145                    | 1,754                                   | 1,391  |
| Other services and charges               | 112,564                  | 112,564                  | 112,192                                 | 372  |
| Other uses                               | 6,000                    | 6,000                    | 5,456                                   | 544  |
| Total expenditures                       | <u>178,358</u>           | <u>178,358</u>           | <u>147,194</u>                          | <u>31,164</u>  |
| Other financing uses -                   |                          |                          |   |  |
| Transfers out                            | <u>(350,000)</u>         | <u>(350,000)</u>         | <u>(350,000)</u>                        | <u>-</u>   |
| Net change in fund balances              | (91,068)                 | (79,730)                 | (48,728)                                | 31,002   |
| Fund balances - Beginning                | <u>923,440</u>           | <u>923,440</u>           | <u>923,440</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 832,372</b></u> | <u><b>\$ 843,710</b></u> | <u><b>\$ 874,712</b></u>                | <u><b>\$ 31,002</b></u>                                    |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ (48,728)                             |  |
| To adjust revenues for accruals          |                          |                          | 26                                      |  |
| To adjust expenditures for accruals      |                          |                          | -                                       |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ (48,702)</b></u>               |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Police K-9 Unit Year Ended December 31, 2016

|  | Budgeted Amounts       |                        | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------------|------------------------|---|--|
|  | Original               | Final                  |   |  |
| Revenues - Other                         | \$ 2,020               | \$ 2,020               | \$ 33                                   | \$ (1,987)   |
| Expenditures:                            |                        |                        |   |  |
| Current - Public safety -                |                        |                        |   |  |
| Other services and charges               | <u>2,020</u>           | <u>2,020</u>           | <u>1,044</u>                            | <u>976</u>   |
| Net change in fund balances              | -                      | -                      | (1,011)                                 | (1,011)  |
| Fund balances - Beginning                | <u>3,874</u>           | <u>3,874</u>           | <u>3,874</u>                            | -  |
| Fund balances - Ending                   | <u><b>\$ 3,874</b></u> | <u><b>\$ 3,874</b></u> | <u><b>\$ 2,863</b></u>                  | <u><b>\$ (1,011)</b></u>                                   |
| <b>Budget/GAAP Reconciliation</b>        |                        |                        |   |  |
| Net change in fund balance, budget basis |                        |                        | \$ (1,011)                              |  |
| To adjust expenditures for accruals      |                        |                        | <u>-</u>                                |  |
| Net change in fund balance, GAAP basis   |                        |                        | <u><b>\$ (1,011)</b></u>                |  |



# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Special Revenue Funds - Excess Levy Year Ended December 31, 2016

|  | Budgeted Amounts |              | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|--------------|---|--|
|  | Original         | Final        |   |  |
| Revenues - Other                         | \$ 20            | \$ 20        | \$ 7                                    | \$ (13)  |
| Other financing uses - Transfers out     | (3,688)          | (3,688)      | (3,673)                                 | 15   |
| Net change in fund balances              | (3,668)          | (3,668)      | (3,666)                                 | 2  |
| Fund balances - Beginning                | <u>3,670</u>     | <u>3,670</u> | <u>3,670</u>                            | <u>-</u>   |
| Fund balances - Ending                   | <u>\$ 2</u>      | <u>\$ 2</u>  | <u>\$ 4</u>                             | <u>\$ 2</u>  |
| <b>Budget/GAAP Reconciliation</b>        |                  |              |   |  |
| Net change in fund balance, budget basis |                  |              | \$ (3,666)                              |  |
| To adjust revenues for accruals          |                  |              | <u>1</u>                                |  |
| Net change in fund balance, GAAP basis   |                  |              | <u>\$ (3,665)</u>                       |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Debt Service Funds - College Football Hall of Fame Debt Service Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues:                                |                   |                   |   |  |
| Taxes:                                   |                   |                   |   |  |
| Property                                 | \$ 1,200,000      | \$ 1,361,512      | \$ 1,361,512                            | \$ -   |
| Intergovernmental                        | 183,112           | 183,112           | 70,548                                  | (112,564)  |
| Other                                    | 100               | 100               | 112,066                                 | 111,966  |
| Total revenues                           | <u>1,383,212</u>  | <u>1,544,724</u>  | <u>1,544,126</u>                        | <u>(598)</u>   |
| Expenditures:                            |                   |                   |   |  |
| Debt service:                            |                   |                   |   |  |
| Principal                                | 1,180,000         | 1,180,000         | 1,180,000                               | -  |
| Interest and fiscal agent fees           | <u>88,015</u>     | <u>91,000</u>     | <u>91,000</u>                           | <u>-</u>   |
| Total expenditures                       | <u>1,268,015</u>  | <u>1,271,000</u>  | <u>1,271,000</u>                        | <u>-</u>   |
| Net change in fund balances              | 115,197           | 273,724           | 273,126                                 | (598)  |
| Fund balances - Beginning                | <u>11,396</u>     | <u>11,396</u>     | <u>11,396</u>                           | <u>-</u>   |
| Fund balances - Ending                   | <u>\$ 126,593</u> | <u>\$ 285,120</u> | <u>\$ 284,522</u>                       | <u>\$ (598)</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ 273,126                              |  |
| To adjust revenues for accruals          |                   |                   | 114                                     |  |
| To adjust expenditures for accruals      |                   |                   | <u>2,972</u>                            |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ 276,212</u>                       |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Debt Service Funds - Redevelopment Bond - Airport Taxable Year Ended December 31, 2016

|  | Budgeted Amounts    |                     | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---|--|
|  | Original            | Final               |   |  |
| Revenues - Other                         | \$ 5,000            | \$ 14,000           | \$ 9,471                                | \$ (4,529)   |
| Other financing uses - Transfers out     | (5,000)             | (14,000)            | (8,312)                                 | 5,688  |
| Net change in fund balances              | -                   | -                   | 1,159                                   | 1,159  |
| Fund balances - Beginning                | 1,038,904           | 1,038,904           | 1,038,904                               | -  |
| Fund balances - Ending                   | <b>\$ 1,038,904</b> | <b>\$ 1,038,904</b> | <b>\$ 1,040,063</b>                     | <b>\$ 1,159</b>  |
| <b>Budget/GAAP Reconciliation</b>        |                     |                     |   |  |
| Net change in fund balance, budget basis |                     |                     | \$ 1,159                                |  |
| To adjust revenues for accruals          |                     |                     | 36                                      |  |
| To adjust expenditures for accruals      |                     |                     | 1                                       |  |
| Net change in fund balance, GAAP basis   |                     |                     | <b>\$ 1,196</b>                         |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Debt Service Funds - Coveleski Bond Debt Service Reserve Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues - Other                         | \$ 1,800          | \$ 5,300          | \$ 4,647                                | \$ (653)   |
| Net change in fund balances              | 1,800             | 5,300             | 4,647                                   | (653)  |
| Fund balances - Beginning                | 508,480           | 508,480           | 508,480                                 | -  |
| Fund balances - Ending                   | <u>\$ 510,280</u> | <u>\$ 513,780</u> | <u>\$ 513,127</u>                       | <u>\$ (653)</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ 4,647                                |  |
| To adjust revenues for accruals          |                   |                   | <u>19</u>                               |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ 4,666</u>                         |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Debt Service Funds - Redevelopment Bond - Palais Royale Year Ended December 31, 2016

|  | Budgeted Amounts    |                     | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---|--|
|  | Original            | Final               |   |  |
| Revenues - Other                         | \$ 6,000            | \$ 15,000           | \$ 15,824                               | \$ 824   |
| Other financing uses - Transfers out     | (6,000)             | (15,000)            | (13,888)                                | 1,112  |
| Net change in fund balances              | -                   | -                   | 1,936                                   | 1,936  |
| Fund balances - Beginning                | 1,735,840           | 1,735,840           | 1,735,840                               | -  |
| Fund balances - Ending                   | <u>\$ 1,735,840</u> | <u>\$ 1,735,840</u> | <u>\$ 1,737,776</u>                     | <u>\$ 1,936</u>  |
| <b><u>Budget/GAAP Reconciliation</u></b> |                     |                     |   |  |
| Net change in fund balance, budget basis |                     |                     | \$ 1,936                                |  |
| To adjust revenues for accruals          |                     |                     | 59                                      |  |
| To adjust expenditures for accruals      |                     |                     | <u>1</u>                                |  |
| Net change in fund balance, GAAP basis   |                     |                     | <u>\$ 1,996</u>                         |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Debt Service Funds - Century Center Energy Conservation Debt Service Year Ended December 31, 2016

|  | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|--|
|  | Original         | Final            |   |  |
| Revenues - Other                         | \$ 157,742       | \$ 157,742       | \$ 163,588                              | \$ 5,846   |
| Expenditures:                            |                  |                  |   |  |
| Other services and charges               | 237,132          | 237,132          | 236,243                                 | 889  |
| Other financing sources - Transfers in   | 79,390           | 79,676           | 79,676                                  | -  |
| Net change in fund balances              | -                | 286              | 7,021                                   | 6,735  |
| Fund balances - Beginning                | 50,032           | 50,032           | 50,032                                  | -  |
| Fund balances - Ending                   | <b>\$ 50,032</b> | <b>\$ 50,318</b> | <b>\$ 57,053</b>                        | <b>\$ 6,735</b>  |
| <u>Budget/GAAP Reconciliation</u>        |                  |                  |   |  |
| Net change in fund balance, budget basis |                  |                  | \$ 7,021                                |  |
| To adjust expenditures for accruals      |                  |                  | -                                       |  |
| Net change in fund balance, GAAP basis   |                  |                  | <b>\$ 7,021</b>                         |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Professional Sports Development Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues:                                |                   |                   |   |  |
| Intergovernmental                        | \$ 660,000        | \$ 760,390        | \$ 760,390                              | \$ -   |
| Other                                    | 49,718            | 51,518            | 47,565                                  | (3,953)  |
| Total revenues                           | <u>709,718</u>    | <u>811,908</u>    | <u>807,955</u>                          | <u>(3,953)</u>   |
| Expenditures:                            |                   |                   |   |  |
| Culture and recreation:                  |                   |                   |   |  |
| Other services and charges               | 838,052           | 838,052           | 838,051                                 | 1  |
| Other uses                               | -                 | -                 | -                                       | -  |
| Total expenditures                       | <u>838,052</u>    | <u>838,052</u>    | <u>838,051</u>                          | <u>1</u>   |
| Net change in fund balances              | (128,334)         | (26,144)          | (30,096)                                | (3,952)  |
| Fund balances - Beginning                | <u>427,931</u>    | <u>427,931</u>    | <u>427,931</u>                          | -  |
| Fund balances - Ending                   | <u>\$ 299,597</u> | <u>\$ 401,787</u> | <u>\$ 397,835</u>                       | <u>\$ (3,952)</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ (30,096)                             |  |
| To adjust revenues for accruals          |                   |                   | <u>(86,595)</u>                         |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ (116,691)</u>                     |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Coveleski Stadium Capital Year Ended December 31, 2016

|  | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|--|
|  | Original         | Final            |   |  |
| Revenues - Other                         | \$ 15,200        | \$ 15,500        | \$ 41,455                               | \$ 25,955  |
| Expenditures:                            |                  |                  |   |  |
| Culture and recreation:                  |                  |                  |   |  |
| Supplies                                 | -                | -                | -                                       | -  |
| Other services and charges               | -                | 36,000           | 33,475                                  | 2,525  |
| Capital outlay                           | -                | -                | -                                       | -  |
| Total expenditures                       | -                | 36,000           | 33,475                                  | 2,525  |
| Net change in fund balances              | 15,200           | (20,500)         | 7,980                                   | 28,480   |
| Fund balances - Beginning                | 82,661           | 82,661           | 82,661                                  | -  |
| Fund balances - Ending                   | <u>\$ 97,861</u> | <u>\$ 62,161</u> | <u>\$ 90,641</u>                        | <u>\$ 28,480</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                  |                  |   |  |
| Net change in fund balance, budget basis |                  |                  | \$ 7,980                                |  |
| To adjust revenues for accruals          |                  |                  | 5                                       |  |
| To adjust expenditures for accruals      |                  |                  | 22,000                                  |  |
| Net change in fund balance, GAAP basis   |                  |                  | <u>\$ 29,985</u>                        |  |



# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Zoo Endowment Year Ended December 31, 2016

|  | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|--|
|  | Original         | Final            |   |  |
| Revenues - Other                         | \$ 200           | \$ 359           | \$ 453                                  | \$ 94  |
| Expenditures:                            |                  |                  |   |  |
| Capital                                  | -                | -                | -                                       | -  |
| Net change in fund balances              | 200              | 359              | 453                                     | 94   |
| Fund balances - Beginning                | 49,510           | 49,510           | 49,510                                  | -  |
| Fund balances - Ending                   | <u>\$ 49,710</u> | <u>\$ 49,869</u> | <u>\$ 49,963</u>                        | <u>\$ 94</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                  |                  |   |  |
| Net change in fund balance, budget basis |                  |                  | \$ 453                                  |  |
| To adjust revenues for accruals          |                  |                  | <u>1</u>                                |  |
| Net change in fund balance, GAAP basis   |                  |                  | <u>\$ 454</u>                           |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Park Nonreverting Capital Year Ended December 31, 2016

|  | Budgeted Amounts  |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|------------------|---|--|
|  | Original          | Final            |   |  |
| <b>Revenues:</b>                         |                   |                  |   |  |
| Charges for services                     | \$ 34,000         | \$ 34,000        | \$ 5,167                                | \$ (28,833)  |
| Other                                    | 28,000            | 28,000           | 3,347                                   | (24,653)   |
| Total revenues                           | 62,000            | 62,000           | 8,514                                   | (53,486)   |
| <b>Expenditures:</b>                     |                   |                  |   |  |
| Culture and recreation:                  |                   |                  |   |  |
| Supplies                                 | 58,000            | 96,546           | 79,292                                  | 17,254   |
| Other services and charges               | -                 | 162,487          | 90,671                                  | 71,816   |
| Capital outlay                           | 131,000           | 224,062          | 80,591                                  | 143,471  |
| Total expenditures                       | 189,000           | 483,095          | 250,554                                 | 232,541  |
| Other financing sources - Transfers in   | -                 | -                | -                                       | -  |
| Net change in fund balances              | (127,000)         | (421,095)        | (242,040)                               | 179,055  |
| Fund balances - Beginning                | 470,335           | 470,335          | 470,335                                 | -  |
| Fund balances - Ending                   | <b>\$ 343,335</b> | <b>\$ 49,240</b> | <b>\$ 228,295</b>                       | <b>\$ 179,055</b>  |
| <b>Budget/GAAP Reconciliation</b>        |                   |                  |   |  |
| Net change in fund balance, budget basis |                   |                  | \$ (242,040)                            |  |
| To adjust revenues for accruals          |                   |                  | 1                                       |  |
| To adjust expenditures for encumbrances  |                   |                  | (18,673)                                |  |
| To adjust expenditures for encumbrances  |                   |                  | 83,024                                  |  |
| Net change in fund balance, GAAP basis   |                   |                  | <b>\$ (177,688)</b>                     |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Cumulative Capital Development Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues:                                |                          |                          |   |  |
| Taxes - Property                         | \$ 433,000               | \$ 440,887               | \$ 440,887                              | \$ -   |
| Intergovernmental                        | 90,737                   | 90,737                   | 90,267                                  | (470)  |
| Other                                    | 3,000                    | 3,000                    | 3,937                                   | 937  |
| Total revenues                           | <u>526,737</u>           | <u>534,624</u>           | <u>535,091</u>                          | <u>467</u>   |
| Expenditures:                            |                          |                          |   |  |
| General government -                     |                          |                          |   |  |
| Other services and charges               | 526,737                  | 526,737                  | 526,737                                 | -  |
| Net change in fund balances              | -                        | 7,887                    | 8,354                                   | 467  |
| Fund balances - Beginning                | <u>572,704</u>           | <u>572,704</u>           | <u>572,704</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 572,704</b></u> | <u><b>\$ 580,591</b></u> | <u><b>\$ 581,058</b></u>                | <u><b>\$ 467</b></u>                                       |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ 8,354                                |  |
| To adjust revenues for accruals          |                          |                          | <u>13</u>                               |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ 8,367</b></u>                  |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Cumulative Capital Improvement Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues:                                |                          |                          |   |  |
| Intergovernmental                        | \$ 410,000               | \$ 410,000               | \$ 407,727                              | \$ (2,273)   |
| Other                                    | 25,700                   | 27,352                   | 27,537                                  | 185  |
| Total revenues                           | <u>435,700</u>           | <u>437,352</u>           | <u>435,264</u>                          | <u>(2,088)</u>   |
| Expenditures - General government -      |                          |                          |   |  |
| Other services and charges               | <u>365,907</u>           | <u>368,250</u>           | <u>368,250</u>                          | -  |
| Net change in fund balances              | 69,793                   | 69,102                   | 67,014                                  | (2,088)  |
| Fund balances - Beginning                | <u>311,637</u>           | <u>311,637</u>           | <u>311,637</u>                          | -  |
| Fund balances - Ending                   | <u><b>\$ 381,430</b></u> | <u><b>\$ 380,739</b></u> | <u><b>\$ 378,651</b></u>                | <u><b>\$ (2,088)</b></u>                                   |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ 67,014                               |  |
| To adjust revenues for accruals          |                          |                          | <u>17</u>                               |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ 67,031</b></u>                 |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Morris Performing Arts Center Capital Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| <b>Revenues:</b>                         |                          |                          |   |  |
| Charges for services                     | \$ 100,000               | \$ 101,781               | \$ 101,781                              | \$ -   |
| Other                                    | 2,000                    | 4,965                    | 4,856                                   | (109)  |
| Total revenues                           | <u>102,000</u>           | <u>106,746</u>           | <u>106,637</u>                          | <u>(109)</u>   |
| <b>Expenditures:</b>                     |                          |                          |   |  |
| Culture and recreation:                  |                          |                          |   |  |
| Supplies                                 | 25,000                   | 30,000                   | 10,492                                  | 19,508   |
| Other services and charges               | <u>39,000</u>            | <u>48,923</u>            | <u>31,682</u>                           | <u>17,241</u>  |
| Total expenditures                       | <u>64,000</u>            | <u>78,923</u>            | <u>42,174</u>                           | <u>36,749</u>  |
| Net change in fund balances              | 38,000                   | 27,823                   | 64,463                                  | 36,640   |
| Fund balances - Beginning                | <u>517,398</u>           | <u>517,398</u>           | <u>517,398</u>                          | -  |
| Fund balances - Ending                   | <u><b>\$ 555,398</b></u> | <u><b>\$ 545,221</b></u> | <u><b>\$ 581,861</b></u>                | <u><b>\$ 36,640</b></u>                                    |
| <b>Budget/GAAP Reconciliation</b>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ 64,463                               |  |
| To adjust revenues for accruals          |                          |                          | 24                                      |  |
| To adjust expenditures for accruals      |                          |                          | 9,538                                   |  |
| To adjust expenditures for encumbrances  |                          |                          | <u>8,644</u>                            |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ 82,669</b></u>                 |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - TIF Leighton Plaza Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues - Other                         | \$ 172,003               | \$ 172,703               | \$ 135,468                              | \$ (37,235)  |
| Expenditures:                            |                          |                          |   |  |
| Economic Development:                    |                          |                          |   |  |
| Supplies                                 | 8,742                    | 7,692                    | 4,035                                   | 3,657  |
| Other services and charges               | 151,664                  | 118,862                  | 112,588                                 | 6,274  |
| Capital outlay                           | -                        | 43,852                   | 40,850                                  | 3,002  |
| Total expenditures                       | <u>160,406</u>           | <u>170,406</u>           | <u>157,473</u>                          | <u>12,933</u>  |
| Net change in fund balances              | 11,597                   | 2,297                    | (22,005)                                | (24,302)   |
| Fund balances - Beginning                | <u>209,031</u>           | <u>209,031</u>           | <u>209,031</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 220,628</b></u> | <u><b>\$ 211,328</b></u> | <u><b>\$ 187,026</b></u>                | <u><b>\$ (24,302)</b></u>                                  |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ (22,005)                             |  |
| To adjust revenues for accruals          |                          |                          | (802)                                   |  |
| To adjust expenditures for accruals      |                          |                          | <u>(659)</u>                            |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ (23,466)</b></u>               |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - TIF - West Washington Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues:                                |                          |                          |   |  |
| Taxes                                    | \$ 420,000               | \$ 453,503               | \$ 453,503                              | \$ -   |
| Other                                    | 4,000                    | 15,500                   | 14,814                                  | (686)  |
| Total revenues                           | <u>424,000</u>           | <u>469,003</u>           | <u>468,317</u>                          | <u>(686)</u>   |
| Expenditures:                            |                          |                          |   |  |
| Economic Development:                    |                          |                          |   |  |
| Other services and charges               | 26,000                   | 43,166                   | 17,374                                  | 25,792   |
| Capital outlay                           | <u>1,074,000</u>         | <u>1,360,200</u>         | <u>300,000</u>                          | <u>1,060,200</u>   |
| Total expenditures                       | <u>1,100,000</u>         | <u>1,403,366</u>         | <u>317,374</u>                          | <u>1,085,992</u>   |
| Net change in fund balances              | (676,000)                | (934,363)                | 150,943                                 | 1,085,306  |
| Fund balances - Beginning                | <u>1,508,786</u>         | <u>1,508,786</u>         | <u>1,508,786</u>                        | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 832,786</b></u> | <u><b>\$ 574,423</b></u> | <u><b>\$ 1,659,729</b></u>              | <u><b>\$ 1,085,306</b></u>                                 |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ 150,943                              |  |
| To adjust revenues for accruals          |                          |                          | (47,412)                                |  |
| To adjust expenditures for accruals      |                          |                          | 3,366                                   |  |
| To adjust expenditures for encumbrances  |                          |                          | <u>303,292</u>                          |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ 410,189</b></u>                |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Redevelopment General Year Ended December 31, 2016

|  | Budgeted Amounts |                 | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|-----------------|---|--|
|  | Original         | Final           |   |  |
| Revenues - Other                         | \$ 152           | \$ 152          | \$ 80                                   | \$ (72)  |
| Expenditures:                            |                  |                 |   |  |
| Economic Development -                   |                  |                 |   |  |
| Other services and charges               | 4,500            | 4,500           | 329                                     | 4,171  |
| Net change in fund balances              | (4,348)          | (4,348)         | (249)                                   | 4,099  |
| Fund balances - Beginning                | 8,713            | 8,713           | 8,713                                   | -  |
| Fund balances - Ending                   | <u>\$ 4,365</u>  | <u>\$ 4,365</u> | <u>\$ 8,464</u>                         | <u>\$ 4,099</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                  |                 |   |  |
| Net change in fund balance, budget basis |                  |                 | \$ (249)                                |  |
| To adjust expenditures for accruals      |                  |                 | -                                       |  |
| Net change in fund balance, GAAP basis   |                  |                 | <u>\$ (249)</u>                         |  |



# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Community Revitalization Enhancement District Year Ended December 31, 2016

|  | Budgeted Amounts |                 | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|-----------------|---|--|
|  | Original         | Final           |   |  |
| <b>Revenues:</b>                         |                  |                 |   |  |
| Intergovernmental                        | \$ -             | \$ -            | \$ -                                    | \$ -   |
| Other                                    | -                | 690             | 635                                     | (55)   |
| Total revenues                           | -                | 690             | 635                                     | (55)   |
| <b>Expenditures:</b>                     |                  |                 |   |  |
| Economic Development -                   |                  |                 |   |  |
| Other services and charges               | -                | 3,200           | 3,039                                   | 161  |
| Net change in fund balances              | -                | (2,510)         | (2,404)                                 | 106  |
| Fund balances - Beginning                | 2,404            | 2,404           | 2,404                                   | -  |
| Fund balances - Ending                   | <b>\$ 2,404</b>  | <b>\$ (106)</b> | <b>\$ -</b>                             | <b>\$ 106</b>  |
| <b><u>Budget/GAAP Reconciliation</u></b> |                  |                 |   |  |
| Net change in fund balance, budget basis |                  |                 | \$ (2,404)                              |  |
| To adjust revenues for accruals          |                  |                 | (45)                                    |  |
| To adjust expenditures for accruals      |                  |                 | -                                       |  |
| Net change in fund balance, GAAP basis   |                  |                 | <b>\$ (2,449)</b>                       |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - TIF No. 1 - Southside Development Year Ended December 31, 2016

|  | Budgeted Amounts    |                     | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---|--|
|  | Original            | Final               |   |  |
| Revenues:                                |                     |                     |   |  |
| Taxes                                    | \$ 2,400,000        | \$ 2,401,252        | \$ 2,401,252                            | \$ -   |
| Other                                    | 10,000              | 52,000              | 50,157                                  | (1,843)  |
| Total revenues                           | <u>2,410,000</u>    | <u>2,453,252</u>    | <u>2,451,409</u>                        | <u>(1,843)</u>   |
| Expenditures:                            |                     |                     |   |  |
| Economic Development:                    |                     |                     |   |  |
| Other services and charges               | 240,000             | 563,905             | 325,134                                 | 238,771  |
| Capital outlay                           | <u>5,860,000</u>    | <u>6,847,910</u>    | <u>4,517,189</u>                        | <u>2,330,721</u>   |
| Total expenditures                       | <u>6,100,000</u>    | <u>7,411,815</u>    | <u>4,842,323</u>                        | <u>2,569,492</u>   |
| Other financing sources - Transfers in   | -                   | -                   | -                                       | -  |
| Net change in fund balances              | (3,690,000)         | (4,958,563)         | (2,390,914)                             | 2,567,649  |
| Fund balances - Beginning                | <u>6,103,313</u>    | <u>6,103,313</u>    | <u>6,103,313</u>                        | -  |
| Fund balances - Ending                   | <u>\$ 2,413,313</u> | <u>\$ 1,144,750</u> | <u>\$ 3,712,399</u>                     | <u>\$ 2,567,649</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                     |                     |   |  |
| Net change in fund balance, budget basis |                     |                     | \$ (2,390,914)                          |  |
| To adjust revenues for accruals          |                     |                     | (173,426)                               |  |
| To adjust expenditures for accruals      |                     |                     | (143,304)                               |  |
| To adjust expenditures for encumbrances  |                     |                     | <u>917,424</u>                          |  |
| Net change in fund balance, GAAP basis   |                     |                     | <u>\$ (1,790,220)</u>                   |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - TIF No. 3 - Southside Development Year Ended December 31, 2016

|  | Budgeted Amounts    |                     | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---|--|
|  | Original            | Final               |   |  |
| Revenues:                                |                     |                     |   |  |
| Taxes                                    | \$ -                | \$ -                | \$ -                                    | \$ -   |
| Other                                    | 25,000              | 52,700              | 45,372                                  | (7,328)  |
| Total revenues                           | 25,000              | 52,700              | 45,372                                  | (7,328)  |
| Expenditures:                            |                     |                     |   |  |
| Economic Development -                   |                     |                     |   |  |
| Other services and charges               | 490,503             | 490,503             | 489,503                                 | 1,000  |
| Net change in fund balances              | (465,503)           | (437,803)           | (444,131)                               | (6,328)  |
| Fund balances - Beginning                | 5,309,298           | 5,309,298           | 5,309,298                               | -  |
| Fund balances - Ending                   | <u>\$ 4,843,795</u> | <u>\$ 4,871,495</u> | <u>\$ 4,865,167</u>                     | <u>\$ (6,328)</u>  |
| <u>Budget/GAAP Reconciliation</u>        |                     |                     |   |  |
| Net change in fund balance, budget basis |                     |                     | \$ (444,131)                            |  |
| To adjust revenues for accruals          |                     |                     | 137                                     |  |
| Net change in fund balance, GAAP basis   |                     |                     | <u>\$ (443,994)</u>                     |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Football Hall of Fame Capital Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues - Other                         | \$ 2,000          | \$ 53,809         | \$ 53,316                               | \$ (493)   |
| Expenditures:                            |                   |                   |   |  |
| Culture and Recreation:                  |                   |                   |   |  |
| Supplies                                 | 1,000             | 1,000             | -                                       | 1,000  |
| Other services and charges               | 83,801            | 83,801            | 61,842                                  | 21,959   |
| Total expenditures                       | 84,801            | 84,801            | 61,842                                  | 22,959   |
| Other financing sources - Transfers in   | -                 | -                 | -                                       | -  |
| Net change in fund balances              | (82,801)          | (30,992)          | (8,526)                                 | 22,466   |
| Fund balances - Beginning                | 503,531           | 503,531           | 503,531                                 | -  |
| Fund balances - Ending                   | <u>\$ 420,730</u> | <u>\$ 472,539</u> | <u>\$ 495,005</u>                       | <u>\$ 22,466</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ (8,526)                              |  |
| To adjust revenues for accruals          |                   |                   | 16                                      |  |
| To adjust expenditures for accruals      |                   |                   | 7,420                                   |  |
| To adjust expenditures for encumbrances  |                   |                   | 1,090                                   |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ -</u>                             |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Major Moves Year Ended December 31, 2016

|  | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|---|--|
|  | Original                   | Final                      |   |  |
| Revenues - Other                         | \$ 1,509,366               | \$ 1,491,633               | \$ 1,376,899                            | \$ (114,734)   |
| Expenditures:                            |                            |                            |   |  |
| Major Moves Construction:                |                            |                            |   |  |
| Other Services and Charges               | 750,000                    | 750,000                    | 749,999                                 | 1  |
| Capital                                  | <u>840,000</u>             | <u>1,698,588</u>           | <u>1,390,506</u>                        | <u>308,082</u>   |
| Total Expenditures                       | <u>1,590,000</u>           | <u>2,448,588</u>           | <u>2,140,505</u>                        | <u>308,083</u>   |
| Net change in fund balances              | (80,634)                   | (956,955)                  | (763,606)                               | 193,349  |
| Fund balances - Beginning                | <u>2,159,797</u>           | <u>2,159,797</u>           | <u>2,159,797</u>                        | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 2,079,163</b></u> | <u><b>\$ 1,202,842</b></u> | <u><b>\$ 1,396,191</b></u>              | <u><b>\$ 193,349</b></u>                                   |
| <b>Budget/GAAP Reconciliation</b>        |                            |                            |   |  |
| Net change in fund balance, budget basis |                            |                            | \$ (763,606)                            |  |
| To adjust revenues for accruals          |                            |                            | (1,234,272)                             |  |
| To adjust expenditures for accruals      |                            |                            | 360,132                                 |  |
| To adjust expenditures for encumbrances  |                            |                            | <u>970,707</u>                          |  |
| Net change in fund balance, GAAP basis   |                            |                            | <u><b>\$ (667,039)</b></u>              |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - TIF - River East Development Year Ended December 31, 2016

|  | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|---|--|
|  | Original                   | Final                      |   |  |
| Revenues:                                |                            |                            |   |  |
| Taxes                                    | \$ 2,750,000               | \$ 2,750,000               | \$ 2,348,608                            | \$ (401,392)   |
| Other                                    | 7,000                      | 162,500                    | 139,242                                 | (23,258)   |
| Total revenues                           | <u>2,757,000</u>           | <u>2,912,500</u>           | <u>2,487,850</u>                        | <u>(424,650)</u>   |
| Expenditures:                            |                            |                            |   |  |
| Economic Development:                    |                            |                            |   |  |
| Other services and charges               | 570,000                    | 439,431                    | 419,730                                 | 19,701   |
| Capital outlay                           | <u>3,230,000</u>           | <u>7,895,728</u>           | <u>4,556,299</u>                        | <u>3,339,429</u>   |
| Total expenditures                       | <u>3,800,000</u>           | <u>8,335,159</u>           | <u>4,976,029</u>                        | <u>3,359,130</u>   |
| Other Financing Sources (uses):          |                            |                            |   |  |
| Transfers In                             | -                          | -                          | -                                       | -  |
| Net change in fund balances              | (1,043,000)                | (5,422,659)                | (2,488,179)                             | 2,934,480  |
| Fund balances - Beginning                | <u>7,570,974</u>           | <u>7,570,974</u>           | <u>7,570,974</u>                        | -  |
| Fund balances - Ending                   | <u><b>\$ 6,527,974</b></u> | <u><b>\$ 2,148,315</b></u> | <u><b>\$ 5,082,795</b></u>              | <u><b>\$ 2,934,480</b></u>                                 |
| <u>Budget/GAAP Reconciliation</u>        |                            |                            |   |  |
| Net change in fund balance, budget basis |                            |                            | \$ (2,488,179)                          |  |
| To adjust revenues for accruals          |                            |                            | (76,457)                                |  |
| To adjust expenditures for accruals      |                            |                            | (1,277)                                 |  |
| To adjust expenditures for encumbrances  |                            |                            | <u>2,802,695</u>                        |  |
| Net change in fund balance, GAAP basis   |                            |                            | <u><b>\$ 236,782</b></u>                |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - TIF - Douglas Road Year Ended December 31, 2016

|  | Budgeted Amounts         |                          | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|--------------------------|--------------------------|---|--|
|  | Original                 | Final                    |   |  |
| Revenues:                                |                          |                          |   |  |
| Taxes                                    | \$ 320,000               | \$ 345,262               | \$ 345,262                              | \$ -   |
| Other                                    | 750                      | 1,350                    | 1,094                                   | (256)  |
| Total revenues                           | <u>320,750</u>           | <u>346,612</u>           | <u>346,356</u>                          | <u>(256)</u>   |
| Expenditures:                            |                          |                          |   |  |
| Economic Development:                    |                          |                          |   |  |
| Other services and charges               | <u>350,000</u>           | <u>354,200</u>           | <u>345,504</u>                          | <u>8,696</u>   |
| Net change in fund balances              | (29,250)                 | (7,588)                  | 852                                     | 8,440  |
| Fund balances - Beginning                | <u>151,863</u>           | <u>151,863</u>           | <u>151,863</u>                          | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 122,613</b></u> | <u><b>\$ 144,275</b></u> | <u><b>\$ 152,715</b></u>                | <u><b>\$ 8,440</b></u>                                     |
| <u>Budget/GAAP Reconciliation</u>        |                          |                          |   |  |
| Net change in fund balance, budget basis |                          |                          | \$ 852                                  |  |
| To adjust revenues for accruals          |                          |                          | (40,735)                                |  |
| To adjust expenditures for accruals      |                          |                          | 312,515                                 |  |
| To adjust expenditures for encumbrances  |                          |                          | <u>4,216</u>                            |  |
| Net change in fund balance, GAAP basis   |                          |                          | <u><b>\$ 276,848</b></u>                |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - TIF - River East Residential Year Ended December 31, 2016

|  | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|---|--|
|  | Original                   | Final                      |   |  |
| Revenues:                                |                            |                            |   |  |
| Taxes                                    | \$ 2,948,923               | \$ 3,932,948               | \$ 3,932,947                            | \$ (1)   |
| Other                                    | 213,499                    | 213,500                    | 212,665                                 | (835)  |
| Total revenues                           | <u>3,162,422</u>           | <u>4,146,448</u>           | <u>4,145,612</u>                        | <u>(836)</u>   |
| Expenditures:                            |                            |                            |   |  |
| Economic Development:                    |                            |                            |   |  |
| Other services and charges               | <u>3,430,000</u>           | <u>3,430,000</u>           | <u>3,369,509</u>                        | <u>60,491</u>  |
| Net change in fund balances              | (267,578)                  | 716,448                    | 776,103                                 | 59,655   |
| Fund balances - Beginning                | <u>1,622,127</u>           | <u>1,622,127</u>           | <u>1,622,127</u>                        | <u>-</u>   |
| Fund balances - Ending                   | <u><b>\$ 1,354,549</b></u> | <u><b>\$ 2,338,575</b></u> | <u><b>\$ 2,398,230</b></u>              | <u><b>\$ 59,655</b></u>                                    |
| <u>Budget/GAAP Reconciliation</u>        |                            |                            |   |  |
| Net change in fund balance, budget basis |                            |                            | \$ 776,103                              |  |
| To adjust revenues for accruals          |                            |                            | -                                       |  |
| To adjust expenditures for accruals      |                            |                            | 722,272                                 |  |
| To adjust expenditures for encumbrances  |                            |                            | <u>231</u>                              |  |
| Net change in fund balance, GAAP basis   |                            |                            | <u><b>\$ 1,498,606</b></u>              |  |



# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Certified Technology Park Year Ended December 31, 2016

|  | Budgeted Amounts           |                            | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------------------|----------------------------|---|--|
|  | Original                   | Final                      |   |  |
| Revenues - Other                         | \$ 14,637                  | \$ 23,037                  | \$ 20,029                               | \$ (3,008)   |
| Expenditures -                           |                            |                            |   |  |
| Economic Development - Capital outlay    | <u>2,550,000</u>           | <u>2,692,913</u>           | <u>142,913</u>                          | <u>2,550,000</u>   |
| Net change in fund balances              | (2,535,363)                | (2,669,876)                | (122,884)                               | 2,546,992  |
| Fund balances - Beginning                | <u>2,276,266</u>           | <u>2,276,266</u>           | <u>2,276,266</u>                        | -  |
| Fund balances - Ending                   | <u><b>\$ (259,097)</b></u> | <u><b>\$ (393,610)</b></u> | <u><b>\$ 2,153,382</b></u>              | <u><b>\$ 2,546,992</b></u>                                 |
| <b>Budget/GAAP Reconciliation</b>        |                            |                            |   |  |
| Net change in fund balance, budget basis |                            |                            | \$ (122,884)                            |  |
| To adjust revenues for accruals          |                            |                            | 59                                      |  |
| To adjust expenditures for encumbrances  |                            |                            | -                                       |  |
| Net change in fund balance, GAAP basis   |                            |                            | <u><b>\$ (122,825)</b></u>              |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Palais Royale Historic Preservation Year Ended December 31, 2016

|   | Budgeted Amounts |                  | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|---|--|
|   | Original         | Final            |   |  |
| Revenues - Other  | \$ 17,300        | \$ 17,761        | \$ 16,496                               | \$ (1,265)   |
| Expenditures - Culture and Recreation -<br>Other services and charges | -                | -                | -                                       | -  |
| Net change in fund balances   | 17,300           | 17,761           | 16,496                                  | (1,265)  |
| Fund balances - Beginning   | 76,513           | 76,513           | 76,513                                  | -  |
| Fund balances - Ending  | <u>\$ 93,813</u> | <u>\$ 94,274</u> | <u>\$ 93,009</u>                        | <u>\$ (1,265)</u>  |
| <u>Budget/GAAP Reconciliation</u>                                     |                  |                  |   |  |
| Net change in fund balance, budget basis                              |                  |                  | \$ 16,496                               |  |
| To adjust revenues for accruals                                       |                  |                  | 6                                       |  |
| Net change in fund balance, GAAP basis                                |                  |                  | <u>\$ 16,502</u>                        |  |

# City of South Bend, Indiana

## Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Nonmajor Governmental Funds Capital Projects Funds - Airport Urban Enterprise Zone Year Ended December 31, 2016

|  | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|--|
|  | Original          | Final             |   |  |
| Revenues - Other                         | \$ 1,500          | \$ 3,900          | \$ 3,474                                | \$ (426)   |
| Expenditures:                            |                   |                   |   |  |
| Economic Development                     |                   |                   |   |  |
| Other services and charges               | 50,000            | 50,000            | -                                       | 50,000   |
| Net change in fund balances              | (48,500)          | (46,100)          | 3,474                                   | 49,574   |
| Fund balances - Beginning                | 380,115           | 380,115           | 380,115                                 | -  |
| Fund balances - Ending                   | <u>\$ 331,615</u> | <u>\$ 334,015</u> | <u>\$ 383,589</u>                       | <u>\$ 49,574</u>   |
| <u>Budget/GAAP Reconciliation</u>        |                   |                   |   |  |
| Net change in fund balance, budget basis |                   |                   | \$ 3,474                                |  |
| To adjust revenues for accruals          |                   |                   | 14                                      |  |
| Net change in fund balance, GAAP basis   |                   |                   | <u>\$ 3,488</u>                         |  |

# City of South Bend, Indiana

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## Other Supplementary Information Nonmajor Enterprise Funds Fund Descriptions

**Consolidated Building** - The consolidated building fund accounts for the operation of the consolidated St. Joseph County/South Bend Building Department and the South Bend Code Enforcement and Animal Care and Control Department.

**Parking Garage** - The parking garage fund accounts for the operation and maintenance of the City's parking garages.

**Solid Waste** - The solid waste fund accounts for the provision of solid waste services to residents and businesses.

**Emergency Medical Services** - To account for the operations and purchases of necessary equipment for the Fire Department and Emergency Medical Services Department. Financing is provided by ambulance fees.

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Net Position Nonmajor Enterprise Funds December 31, 2016

|  | Consolidated |                |              | Emergency        | Total         |
|--|--------------|----------------|--------------|------------------|---------------|
|  | Building     | Parking Garage | Solid Waste  | Medical Services |               |
| <b>Assets</b>                          |              |                |              |                  |               |
| Current assets:                        |              |                |              |                  |               |
| Cash and cash equivalents              | \$ 583,210   | \$ 216,013     | \$ 43,046    | \$ 1,199,627     | \$ 2,041,896  |
| Investments                            | 2,030,579    | 752,515        | 149,958      | 4,185,455        | 7,118,507     |
| Receivables:                           |              |                |              |                  |               |
| Accounts                               | 9,750        | 453            | 451,144      | 4,088,693        | 4,550,040     |
| Interest                               | 4,867        | 1,797          | 985          | 10,043           | 17,692        |
| Due from other funds                   | 1,200        | -              | -            | -                | 1,200         |
| Total current assets                   | 2,629,606    | 970,778        | 645,133      | 9,483,818        | 13,729,335    |
| Noncurrent assets:                     |              |                |              |                  |               |
| Restricted assets                      | 71,066       | -              | 680,849      | 481,506          | 1,233,421     |
| Capital assets:                        |              |                |              |                  |               |
| Assets not subject to depreciation     | 27,400       | 1,132,020      | -            | -                | 1,159,420     |
| Assets subject to depreciation         | 1,813,858    | 3,309,922      | 3,527,752    | 5,332,900        | 13,984,432    |
| Total noncurrent assets                | 1,912,324    | 4,441,942      | 4,208,601    | 5,814,406        | 16,377,273    |
| Total assets                           | 4,541,930    | 5,412,720      | 4,853,734    | 15,298,224       | 30,106,608    |
| <b>Liabilities</b>                     |              |                |              |                  |               |
| Current liabilities:                   |              |                |              |                  |               |
| Accounts payable                       | 21,040       | 97,318         | 266,170      | 89,556           | 474,084       |
| Due to other governmental units        | -            | -              | -            | 101,142          | 101,142       |
| Due to other funds                     | 1,065        | -              | -            | 1,371            | 2,436         |
| Performance deposits payable           | 5,000        | -              | -            | -                | 5,000         |
| Accrued liabilities and other:         |              |                |              |                  |               |
| Accrued payroll payable                | 43,214       | -              | 51,002       | 81,504           | 175,720       |
| Accrued interest payable               | 1,495        | -              | 16,727       | 75,997           | 94,219        |
| Compensated absences                   | 103,199      | -              | 36,952       | 98,783           | 238,934       |
| Mortgage bonds payable                 | -            | -              | -            | 225,000          | 225,000       |
| Capital leases                         | 54,621       | -              | 1,033,475    | 176,729          | 1,264,825     |
| Total current liabilities              | 229,634      | 97,318         | 1,404,326    | 850,082          | 2,581,360     |
| Noncurrent liabilities:                |              |                |              |                  |               |
| Advances from other funds              | -            | 31,191         | -            | -                | 31,191        |
| Mortgage bonds payable                 | -            | -              | -            | 4,990,402        | 4,990,402     |
| Capital leases                         | 172,747      | -              | 1,917,957    | 438,965          | 2,529,669     |
| Total noncurrent liabilities           | 172,747      | 31,191         | 1,917,957    | 5,429,367        | 7,551,262     |
| Total liabilities                      | 402,381      | 128,509        | 3,322,283    | 6,279,449        | 10,132,622    |
| <b>Deferred Inflows of Resources -</b> |              |                |              |                  |               |
| Unamortized gain on sale/leaseback     | -            | 3,356          | -            | -                | 3,356         |
| <b>Net Position</b>                    |              |                |              |                  |               |
| Net investment in capital assets       | 1,684,956    | 4,441,942      | 921,312      | (133,517)        | 6,914,693     |
| Cash with fiscal agent                 | 71,066       | -              | 344,992      | 481,506          | 897,564       |
| Capital outlay fund                    | -            | -              | 335,857      | -                | 335,857       |
| Unrestricted                           | 2,383,527    | 838,913        | (70,710)     | 8,670,786        | 11,822,516    |
| Total net position                     | \$ 4,139,549 | \$ 5,280,855   | \$ 1,531,451 | \$ 9,018,775     | \$ 19,970,630 |

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Revenue, Expenses, and Changes in Net Position Nonmajor Enterprise Funds Year Ended December 31, 2016

|   | Consolidated<br>Building | Parking Garage      | Solid Waste         | Emergency<br>Medical<br>Services | Total                |
|---|--------------------------|---------------------|---------------------|----------------------------------|----------------------|
| <b>Operating Revenue</b>                |                          |                     |                     |                                  |                      |
| Licenses and permits                    | \$ 1,752,497             | \$ -                | \$ -                | \$ -                             | \$ 1,752,497         |
| Parking fees                            | -                        | 993,845             | -                   | -                                | 993,845              |
| Solid waste fees                        | -                        | -                   | 5,511,281           | -                                | 5,511,281            |
| Charges for sales and services          | -                        | -                   | -                   | 7,822,894                        | 7,822,894            |
| Other                                   | 10,637                   | 2,352               | 27,862              | 98,278                           | 139,129              |
| Total operating revenue                 | 1,763,134                | 996,197             | 5,539,143           | 7,921,172                        | 16,219,646           |
| <b>Operating Expenses</b>               |                          |                     |                     |                                  |                      |
| Other operation and maintenance         | 2,950,039                | -                   | 4,839,592           | 6,746,038                        | 14,535,669           |
| Billing and administrative costs        | 135,024                  | 693,788             | 313,488             | -                                | 1,142,300            |
| Depreciation                            | 152,174                  | 216,069             | 597,745             | 504,835                          | 1,470,823            |
| Total operating expenses                | 3,237,237                | 909,857             | 5,750,825           | 7,250,873                        | 17,148,792           |
| <b>Operating (Loss) Gain</b>            | (1,474,103)              | 86,340              | (211,682)           | 670,299                          | (929,146)            |
| <b>Nonoperating Revenue (Expenses)</b>  |                          |                     |                     |                                  |                      |
| Investment income                       | 19,923                   | 6,829               | 4,300               | 49,728                           | 80,780               |
| Interest expense                        | (2,935)                  | -                   | (44,088)            | (186,476)                        | (233,499)            |
| Gain (loss) on sale of assets           | -                        | -                   | (102,141)           | (43,477)                         | (145,618)            |
| Other nonoperating general revenue      | 966                      | -                   | 300,000             | -                                | 300,966              |
| Total nonoperating revenue (expense)    | 17,954                   | 6,829               | 158,071             | (180,225)                        | 2,629                |
| <b>Loss - Before contributions</b>      | (1,456,149)              | 93,169              | (53,611)            | 490,074                          | (926,517)            |
| <b>Capital Contributions</b>            |                          |                     |                     |                                  |                      |
| Other capital contributions             | 30,608                   | -                   | -                   | -                                | 30,608               |
| <b>Transfers In</b>                     | 2,110,468                | -                   | -                   | -                                | 2,110,468            |
| <b>Change in Net Position</b>           | 684,927                  | 93,169              | (53,611)            | 490,074                          | 1,214,559            |
| <b>Net Position - Beginning of year</b> | 3,454,622                | 5,187,686           | 1,585,062           | 8,528,701                        | 18,756,071           |
| <b>Net Position - End of year</b>       | <u>\$ 4,139,549</u>      | <u>\$ 5,280,855</u> | <u>\$ 1,531,451</u> | <u>\$ 9,018,775</u>              | <u>\$ 19,970,630</u> |

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended December 31, 2016

|   | Consolidated      |                   |                   | Emergency           | Total               |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|
|   | Building          | Parking Garage    | Solid Waste       | Medical Services    |                     |
| <b>Cash Flows from Operating Activities</b>                             |                   |                   |                   |                     |                     |
| Receipts from customers   | \$ 1,812,877      | \$ 993,819        | \$ 5,497,744      | \$ 8,087,508        | \$ 16,391,948       |
| Receipts from interfund services and reimbursements                     | 1,170             | -                 | -                 | -                   | 1,170               |
| Payments to suppliers   | (551,256)         | (635,257)         | (2,504,816)       | (1,633,813)         | (5,325,142)         |
| Payments to employees   | (2,367,194)       | -                 | (1,539,899)       | (4,982,394)         | (8,889,487)         |
| Internal activity - Payments to other funds                             | (231,520)         | (66,924)          | (629,733)         | (7,612)             | (935,789)           |
| Net cash (used in) provided by operating activities                     | (1,335,923)       | 291,638           | 823,296           | 1,463,689           | 1,242,700           |
| <b>Cash Flows from Noncapital Financing Activities</b>                  |                   |                   |                   |                     |                     |
| Transfers from other funds  | 2,110,468         | -                 | -                 | -                   | 2,110,468           |
| Loans received from other funds   | -                 | 31,191            | -                 | -                   | 31,191              |
| Other nonoperating revenue  | 966               | -                 | 300,000           | -                   | 300,966             |
| Net cash provided by (used in) noncapital financing activities          | 2,111,434         | 31,191            | 300,000           | -                   | 2,442,625           |
| <b>Cash Flows from Capital and Related Financing Activities</b>         |                   |                   |                   |                     |                     |
| Proceeds from capital debt issued for future capital purchase           | 139,941           | -                 | 1,453,477         | 107,464             | 1,700,882           |
| Proceeds from sales of capital assets                                   | -                 | -                 | 22,816            | -                   | 22,816              |
| Purchase of capital assets  | (146,039)         | -                 | (1,855,452)       | (655,386)           | (2,656,877)         |
| Principal paid on capital debt  | (31,421)          | -                 | (850,494)         | (373,815)           | (1,255,730)         |
| Interest paid on capital debt   | (2,020)           | -                 | (38,586)          | (194,021)           | (234,627)           |
| Net cash (used in) provided by capital and related financing activities | (39,539)          | -                 | (1,268,239)       | (1,115,758)         | (2,423,536)         |
| <b>Cash Flows from Investing Activities</b>                             |                   |                   |                   |                     |                     |
| Interest received on investments  | 18,074            | 6,057             | 3,826             | 47,300              | 75,257              |
| Proceeds from sale and maturities of investment securities              | (523,388)         | (242,629)         | 104,612           | (375,853)           | (1,037,258)         |
| Net cash (used in) provided by investing activities                     | (505,314)         | (236,572)         | 108,438           | (328,553)           | (962,001)           |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>             | \$ 230,658        | \$ 86,257         | \$ (36,505)       | \$ 19,378           | \$ 299,788          |
| <b>Cash and Cash Equivalents - Beginning of year</b>                    | 423,618           | 129,756           | 760,400           | 1,661,755           | 2,975,529           |
| <b>Cash and Cash Equivalents - End of year</b>                          | <b>\$ 654,276</b> | <b>\$ 216,013</b> | <b>\$ 723,895</b> | <b>\$ 1,681,133</b> | <b>\$ 3,275,317</b> |
| <b>Balance Sheet Classification of Cash and Cash Equivalents</b>        |                   |                   |                   |                     |                     |
| Cash and investments  | \$ 2,613,789      | \$ 968,528        | \$ 193,004        | \$ 5,385,082        | \$ 9,160,403        |
| Restricted cash and investments   | 71,066            | -                 | 680,849           | 481,506             | 1,233,421           |
| Less amounts classified as investments                                  | (2,030,579)       | (752,515)         | (149,958)         | (4,185,455)         | (7,118,507)         |
| Total cash and cash equivalents   | <b>\$ 654,276</b> | <b>\$ 216,013</b> | <b>\$ 723,895</b> | <b>\$ 1,681,133</b> | <b>\$ 3,275,317</b> |

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Cash Flows (Continued) Nonmajor Enterprise Funds Year Ended December 31, 2016

|   | Consolidated          |                   |                   | Emergency<br>Medical<br>Services | Total               |
|---|-----------------------|-------------------|-------------------|----------------------------------|---------------------|
|   | Building              | Parking Garage    | Solid Waste       |                                  |                     |
| <b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>           |                       |                   |                   |                                  |                     |
| Operating income (loss)   | \$ (1,474,103)        | \$ 86,340         | \$ (211,682)      | \$ 670,299                       | \$ (929,146)        |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: |                       |                   |                   |                                  |                     |
| Depreciation and amortization   | 152,174               | 216,069           | 597,745           | 504,835                          | 1,470,823           |
| Lease proceeds used for noncapital expenses   | -                     | -                 | 299,885           | -                                | 299,885             |
| Changes in assets and liabilities:  |                       |                   |                   |                                  |                     |
| Receivables   | 50,943                | (2,377)           | (41,401)          | 166,336                          | 173,501             |
| Due from others   | (30)                  | -                 | -                 | -                                | (30)                |
| Accounts payable  | (30,609)              | (8,394)           | 151,498           | 52,931                           | 165,426             |
| Due to other governments  | -                     | -                 | -                 | (58,956)                         | (58,956)            |
| Performance deposit   | (32,437)              | -                 | -                 | -                                | (32,437)            |
| Due to other funds  | (9,020)               | -                 | -                 | 713                              | (8,307)             |
| Accrued payroll payable   | 14,868                | -                 | 28,663            | 28,748                           | 72,279              |
| Compensated absences payable  | (7,709)               | -                 | (1,412)           | 98,783                           | 89,662              |
| Net cash (used in) provided by operating activities                                     | <u>\$ (1,335,923)</u> | <u>\$ 291,638</u> | <u>\$ 823,296</u> | <u>\$ 1,463,689</u>              | <u>\$ 1,242,700</u> |
| <b>Noncash Investing, Capital, and Financing Activities</b>                             |                       |                   |                   |                                  |                     |
| Capital assets disposed (at cost)   | \$ -                  | \$ -              | \$ 1,726,743      | \$ 93,165                        | \$ 1,819,908        |
| Capital assets contributed  | 30,608                | -                 | -                 | -                                | 30,608              |
| Accumulated depreciation on disposals of capital assets                                 | -                     | -                 | (1,601,786)       | (49,688)                         | (1,651,474)         |



# City of South Bend, Indiana

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## Other Supplementary Information Internal Service Funds Fund Descriptions

**Liability Insurance Premium Reserve** - The Liability Insurance Premium Reserve fund accounts for expenses related to maintaining the City's self-funded liability insurance including administrative costs, claims, and premiums. Funding is provided by assessments to certain other City funds.

**Self-Funded Employee Benefits** - To account for employer and employees' contributions for a medical insurance plan.

**Central Services** - To account for expenses related to fuel, vehicle repairs, and various supplies provided to City departments on a cost-reimbursement basis.

**Police Take Home Vehicle** - To account for expenses associated with claims arising from use of program vehicles occurring while officers are not on duty. Funding is provided by officers participating in the program.

**311 Call Center** - To account for expenses of the City's innovation and technology department. Funding is provided by allocations and fees from various City departments.

**Unemployment Compensation Insurance** - To account for payment of unemployment claims to the Indiana Department of Workforce Development. Financing is provided by allocating costs to user departments to cover the estimated costs of claims.

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Net Position Internal Service Funds December 31, 2016

|   | Liability           |                     |                     |                   |               |                   |                      |
|---|---------------------|---------------------|---------------------|-------------------|---------------|-------------------|----------------------|
|   | Insurance           | Self-Funded         |                     | Police Take       | 311 Call      | Unemployment      |                      |
|   | Premium             | Employee            | Central             | Home Vehicle      | Center        | Compensation      | Total                |
|   | Reserve             | Benefits            | Services            |                   |               | Insurance         |                      |
| <b>Assets</b>                                   |                     |                     |                     |                   |               |                   |                      |
| Current assets:                                 |                     |                     |                     |                   |               |                   |                      |
| Cash and cash equivalents                       | \$ 1,025,772        | \$ 1,520,029        | \$ 341,546          | \$ 167,616        | \$ -          | \$ 63,798         | \$ 3,118,761         |
| Investments                                     | 3,573,433           | 5,199,017           | 1,189,826           | 583,914           | -             | 222,251           | 10,768,441           |
| Receivables:                                    |                     |                     |                     |                   |               |                   |                      |
| Accounts  | 1,988               | 3,616               | 59,885              | -                 | -             | -                 | 65,489               |
| Interest  | 8,570               | 12,520              | 2,795               | 1,398             | -             | 533               | 25,816               |
| Due from other funds                            | -                   | -                   | 9,911               | -                 | 68,833        | -                 | 78,744               |
| Inventory                                       | -                   | -                   | 879,736             | -                 | -             | -                 | 879,736              |
| Prepaid expenses                                | 195,538             | -                   | 7,178               | -                 | -             | -                 | 202,716              |
| <b>Total current assets</b>                     | <b>4,805,301</b>    | <b>6,735,182</b>    | <b>2,490,877</b>    | <b>752,928</b>    | <b>68,833</b> | <b>286,582</b>    | <b>15,139,703</b>    |
| Noncurrent assets:                              |                     |                     |                     |                   |               |                   |                      |
| Restricted assets                               | -                   | -                   | 1,100               | -                 | -             | -                 | 1,100                |
| Capital assets - Assets subject to depreciation | 6,357               | -                   | 1,401,705           | -                 | -             | -                 | 1,408,062            |
| <b>Total noncurrent assets</b>                  | <b>6,357</b>        | <b>-</b>            | <b>1,402,805</b>    | <b>-</b>          | <b>-</b>      | <b>-</b>          | <b>1,409,162</b>     |
| <b>Total assets</b>                             | <b>4,811,658</b>    | <b>6,735,182</b>    | <b>3,893,682</b>    | <b>752,928</b>    | <b>68,833</b> | <b>286,582</b>    | <b>16,548,865</b>    |
| <b>Liabilities</b>                              |                     |                     |                     |                   |               |                   |                      |
| Current liabilities:                            |                     |                     |                     |                   |               |                   |                      |
| Accounts payable                                | 47,544              | 54,716              | 593,477             | -                 | 18            | 11,261            | 707,016              |
| Due to other funds                              | -                   | 2,083               | 1,005               | -                 | 1,200         | -                 | 4,288                |
| Accrued liabilities and other:                  |                     |                     |                     |                   |               |                   |                      |
| Accrued payroll payable                         | 4,067               | -                   | 52,368              | -                 | 8,555         | -                 | 64,990               |
| Accrued interest payable                        | -                   | -                   | 83                  | -                 | -             | -                 | 83                   |
| Compensated absences                            | 8,987               | -                   | 111,510             | -                 | 59,060        | -                 | 179,557              |
| Claims payable                                  | 1,303,401           | 1,014,214           | -                   | -                 | -             | -                 | 2,317,615            |
| Capital leases                                  | -                   | -                   | 13,577              | -                 | -             | -                 | 13,577               |
| <b>Total current liabilities</b>                | <b>1,363,999</b>    | <b>1,071,013</b>    | <b>772,020</b>      | <b>-</b>          | <b>68,833</b> | <b>11,261</b>     | <b>3,287,126</b>     |
| Noncurrent liabilities - Capital leases         | -                   | -                   | 45,579              | -                 | -             | -                 | 45,579               |
| <b>Total liabilities</b>                        | <b>1,363,999</b>    | <b>1,071,013</b>    | <b>817,599</b>      | <b>-</b>          | <b>68,833</b> | <b>11,261</b>     | <b>3,332,705</b>     |
| <b>Deferred Inflows of Resources</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>          | <b>-</b>      | <b>-</b>          | <b>-</b>             |
| <b>Net Position</b>                             |                     |                     |                     |                   |               |                   |                      |
| Net investment in capital assets                | 6,357               | -                   | 1,342,549           | -                 | -             | -                 | 1,348,906            |
| Unrestricted                                    | 3,441,302           | 5,664,169           | 1,733,534           | 752,928           | -             | 275,321           | 11,867,254           |
| <b>Total net position</b>                       | <b>\$ 3,447,659</b> | <b>\$ 5,664,169</b> | <b>\$ 3,076,083</b> | <b>\$ 752,928</b> | <b>\$ -</b>   | <b>\$ 275,321</b> | <b>\$ 13,216,160</b> |

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended December 31, 2016

|   | Liability<br>Insurance<br>Premium<br>Reserve | Self-Funded<br>Employee<br>Benefits | Central<br>Services | Police Take<br>Home<br>Vehicle | 311 Call<br>Center | Unemployment<br>Compensation<br>Insurance | Total               |
|---|--|-------------------------------------|---------------------|--------------------------------|--------------------|---|---------------------|
| <b>Operating Revenue</b>                |  |                                     |                     |                                |                    |   |                     |
| Employee/employer contributions         | \$ 2,223,480                                 | \$ 18,139,945                       | \$ -                | \$ 112,200                     | \$ 556,730         | \$ 89,142                                 | \$ 21,121,497       |
| Charges for sales and services          | -  | -                                   | 7,371,837           | -                              | -                  | -   | 7,371,837           |
| Other                                   | 14,187                                       | 3,159                               | 98,506              | -                              | -                  | -   | 115,852             |
| Total operating revenue                 | 2,237,667                                    | 18,143,104                          | 7,470,343           | 112,200                        | 556,730            | 89,142                                    | 28,609,186          |
| <b>Operating Expenses</b>               |  |                                     |                     |                                |                    |   |                     |
| Other operation and maintenance         | -  | 1,241,978                           | 7,195,576           | 7,033                          | 556,730            | 70,312                                    | 9,071,629           |
| Administration                          | 820,000                                      | 212,044                             | 133,584             | -                              | -                  | 7,284                                     | 1,172,912           |
| Insurance claims and premiums           | 1,239,909                                    | 14,345,262                          | -                   | -                              | -                  | -   | 15,585,171          |
| Depreciation                            | 4,845  | -                                   | 144,181             | -                              | -                  | -   | 149,026             |
| Total operating expenses                | 2,064,754                                    | 15,799,284                          | 7,473,341           | 7,033                          | 556,730            | 77,596                                    | 25,978,738          |
| <b>Operating (Loss) Income</b>          | 172,913                                      | 2,343,820                           | (2,998)             | 105,167                        | -                  | 11,546                                    | 2,630,448           |
| <b>Nonoperating Revenue (Expenses)</b>  |  |                                     |                     |                                |                    |   |                     |
| Investment income                       | 42,319                                       | 50,068                              | 11,014              | 6,298                          | -                  | 2,575                                     | 112,274             |
| Loss on sale of assets                  | (4,330)                                      | -                                   | -                   | -                              | -                  | -   | (4,330)             |
| Debt service charge                     | -  | -                                   | (272)               | -                              | -                  | -   | (272)               |
| Total nonoperating revenue (expenses)   | 37,989                                       | 50,068                              | 10,742              | 6,298                          | -                  | 2,575                                     | 107,672             |
| <b>Change in Net Position</b>           | 210,902                                      | 2,393,888                           | 7,744               | 111,465                        | -                  | 14,121                                    | 2,738,120           |
| <b>Net Position - Beginning of year</b> | 3,236,757                                    | 3,270,281                           | 3,068,339           | 641,463                        | -                  | 261,200                                   | 10,478,040          |
| <b>Net Position - End of year</b>       | <b>\$ 3,447,659</b>                          | <b>\$ 5,664,169</b>                 | <b>\$ 3,076,083</b> | <b>\$ 752,928</b>              | <b>\$ -</b>        | <b>\$ 275,321</b>                         | <b>\$13,216,160</b> |

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2016

|  | Liability<br>Insurance<br>Premium<br>Reserve | Self-Funded<br>Employee<br>Benefits | Central<br>Services | Police Take<br>Home Vehicle | 311 Call<br>Center | Unemployment<br>Compensation<br>Insurance | Total               |
|--|--|-------------------------------------|---------------------|-----------------------------|--------------------|---|---------------------|
| <b>Cash Flow from Operating Activities</b>                       |  |                                     |                     |                             |                    |   |                     |
| Receipts from customers and users                                | \$ 14,188                                    | \$ 5,071,383                        | \$ 55,553           | \$ 112,200                  | \$ -               | \$ -                                      | \$ 5,253,324        |
| Receipts from interfund services and reimbursements              | 2,221,491                                    | 13,071,164                          | 7,390,469           | -                           | 487,897            | 89,142                                    | 23,260,163          |
| Payments to suppliers  | (1,945,898)                                  | (15,830,459)                        | (4,452,060)         | (7,086)                     | (29,858)           | (67,152)                                  | (22,332,513)        |
| Payments to employees  | (212,766)                                    | -                                   | (2,604,598)         | -                           | (457,343)          | -   | (3,274,707)         |
| Internal activity - Payments to other funds                      | (38,040)                                     | -                                   | (133,039)           | -                           | (696)              | (7,284)                                   | (179,059)           |
| Net cash (used in) provided by operating activities              | 38,975                                       | 2,312,088                           | 256,325             | 105,114                     | -                  | 14,706                                    | 2,727,208           |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |  |                                     |                     |                             |                    |   |                     |
| Purchase of capital assets                                       | -  | -                                   | (241,192)           | -                           | -                  | -   | (241,192)           |
| Principal paid on capital debt                                   | -  | -                                   | (10,487)            | -                           | -                  | -   | (10,487)            |
| Interest paid on capital debt                                    | -  | -                                   | (313)               | -                           | -                  | -   | (313)               |
| Net cash used in capital and related financing activities        | -  | -                                   | (251,992)           | -                           | -                  | -   | (251,992)           |
| <b>Cash Flows from Investment Activities</b>                     |  |                                     |                     |                             |                    |   |                     |
| Interest received on investments                                 | 40,948                                       | 44,498                              | 10,611              | 5,919                       | -                  | 2,470                                     | 104,446             |
| Proceeds from sale and maturities of investment securities       | 29,078                                       | (1,742,336)                         | 18,983              | (73,347)                    | -                  | (7,921)                                   | (1,775,543)         |
| Net cash provided by (used in) investing activities              | 70,026                                       | (1,697,838)                         | 29,594              | (67,428)                    | -                  | (5,451)                                   | (1,671,097)         |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>      | 109,001                                      | 614,250                             | 33,927              | 37,686                      | -                  | 9,255                                     | 804,119             |
| <b>Cash and Cash Equivalents - Beginning of year</b>             | 916,771                                      | 905,779                             | 308,719             | 129,930                     | -                  | 54,543                                    | 2,315,742           |
| <b>Cash and Cash Equivalents - End of year</b>                   | <b>\$ 1,025,772</b>                          | <b>\$ 1,520,029</b>                 | <b>\$ 342,646</b>   | <b>\$ 167,616</b>           | <b>\$ -</b>        | <b>\$ 63,798</b>                          | <b>\$ 3,119,861</b> |
| <b>Balance Sheet Classification of Cash and Cash Equivalents</b> |  |                                     |                     |                             |                    |   |                     |
| Cash and investments   | \$ 4,599,205                                 | \$ 6,719,046                        | \$ 1,531,372        | \$ 751,530                  | \$ -               | \$ 286,049                                | \$ 13,887,202       |
| Restricted cash  | -  | -                                   | 1,100               | -                           | -                  | -   | 1,100               |
| Less amounts classified as investments                           | (3,573,433)                                  | (5,199,017)                         | (1,189,826)         | (583,914)                   | -                  | (222,251)                                 | (10,768,441)        |
| <b>Total cash and cash equivalents</b>                           | <b>\$ 1,025,772</b>                          | <b>\$ 1,520,029</b>                 | <b>\$ 342,646</b>   | <b>\$ 167,616</b>           | <b>\$ -</b>        | <b>\$ 63,798</b>                          | <b>\$ 3,119,861</b> |

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Cash Flows (Continued) Internal Service Funds Year Ended December 31, 2016

|  | Liability<br>Insurance<br>Premium<br>Reserve | Self-Funded<br>Employee<br>Benefits | Central<br>Services | Police Take<br>Home Vehicle | 311 Call<br>Center | Unemployment<br>Compensation<br>Insurance | Total               |
|--|--|-------------------------------------|---------------------|-----------------------------|--------------------|---|---------------------|
| <b>Reconciliation of Operating (Loss)<br/>Income to Net Cash from Operating<br/>Activities</b> |  |                                     |                     |                             |                    |   |                     |
| Operating (loss) income  | \$ 172,913                                   | \$ 2,343,820                        | \$ (2,998)          | \$ 105,167                  | \$ -               | \$ 11,546                                 | \$ 2,630,448        |
| Adjustments to reconcile operating<br>(loss) income to net cash from<br>operating activities:  |  |                                     |                     |                             |                    |   |                     |
| Depreciation and<br>amortization   | 4,845  | -                                   | 144,181             | -                           | -                  | -   | 149,026             |
| Lease proceeds used for<br>noncapital expenses   | -  | -                                   | 43,938              | -                           | -                  | -   | 43,938              |
| Changes in assets and<br>liabilities:  |  |                                     |                     |                             |                    |   |                     |
| Receivables  | (1,989)                                      | (556)                               | (18,582)            | -                           | -                  | -   | (21,127)            |
| Due from other<br>funds  | -  | -                                   | (5,739)             | -                           | (68,833)           | -   | (74,572)            |
| Inventory  | -  | -                                   | (28,250)            | -                           | -                  | -   | (28,250)            |
| Prepaid expenses and<br>other assets   | 7,949  | -                                   | (1,012)             | -                           | -                  | -   | 6,937               |
| Accounts payable   | 27,485                                       | 54,716                              | 104,443             | (53)                        | 18                 | 3,160                                     | 189,769             |
| Due to other funds   | -  | (2,330)                             | 545                 | -                           | 1,200              | -   | (585)               |
| Accrued payroll<br>payable   | 1,641  | -                                   | 21,535              | -                           | 8,556              | -   | 31,732              |
| Compensated<br>absences payable  | (1,002)                                      | -                                   | (1,736)             | -                           | 59,059             | -   | 56,321              |
| Estimate of unfilled<br>claims   | (172,867)                                    | (83,562)                            | -                   | -                           | -                  | -   | (256,429)           |
| Net cash (used in)<br>provided by<br>operating<br>activities                                   | <u>\$ 38,975</u>                             | <u>\$ 2,312,088</u>                 | <u>\$ 256,325</u>   | <u>\$ 105,114</u>           | <u>\$ -</u>        | <u>\$ 14,706</u>                          | <u>\$ 2,727,208</u> |
| <b>Noncash Investing, Capital, and<br/>Financing Activities</b>                                |  |                                     |                     |                             |                    |   |                     |
| Capital assets disposed (at cost)  | \$ 21,650                                    | -                                   | \$ 23,653           | -                           | -                  | -   | \$ 45,303           |
| Accumulated depreciation on<br>disposal of capital assets                                      | (17,320)                                     | -                                   | (23,653)            | -                           | -                  | -   | (40,973)            |

# City of South Bend, Indiana

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## Other Supplementary Information Fiduciary Funds Fund Descriptions

### Pension Trust Funds

**1925 Police Pension** - To account for the provision of retirement and disability benefits to police officers hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members and state pension relief distributions.

**1937 Firefighters' Pension** - To account for the provision of retirement and disability benefits to firefighters hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members and state pension relief distributions.

### Agency Funds

**Payroll** - To account for the payroll of City employees and pension benefits of the Police and Firefighters' Pension Funds. Gross payroll and pension benefits are treated as expenditures in other City funds and transferred into this fund, which serves as a clearing account.

**Morris Palais Royale Box Office** - To account for Morris Performing Arts Center and Palais Royale event advance deposits and related expenses.

**Police Distributions Payable** - To account for monies collected by the South Bend Police Department from asset seizures and other sources. Proceeds may be used to pay other governmental agencies for monies collected on their behalf or for related expenses.

# City of South Bend, Indiana

## Other Supplementary Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2016

|                               | Pension Trust Funds |                       |                           | Agency Funds      |                      |                   |                     | Total Agency Funds |
|-------------------------------|---------------------|-----------------------|---------------------------|-------------------|----------------------|-------------------|---------------------|--------------------|
|                               | 1937                |                       |                           | Morris Palais     |                      | Police            |                     |                    |
|                               | 1925 Police Pension | Firefighters' Pension | Total Pension Trust Funds | Royale Box Office | Distribution Payable |                   |                     |                    |
| <b>Assets</b>                 |                     |                       |                           |                   |                      |                   |                     |                    |
| Cash and cash equivalents     | \$ 176,455          | \$ 37,308             | \$ 213,763                | \$ 420,885        | \$ 817,116           | \$ 817,116        | \$ 2,930,775        |                    |
| Investments                   | 614,707             | 129,970               | 744,677                   | -                 | -                    | -                 | -                   |                    |
| Receivables - Interest        | 1,521               | 349                   | 1,870                     | -                 | -                    | -                 | -                   |                    |
| Other receivables             | 1,267               | -                     | 1,267                     | -                 | -                    | -                 | -                   |                    |
| Total assets                  | <b>\$ 793,950</b>   | <b>\$ 167,627</b>     | <b>\$ 961,577</b>         | <b>\$ 420,885</b> | <b>\$ 1,692,774</b>  | <b>\$ 817,116</b> | <b>\$ 2,930,775</b> |                    |
| <b>Liabilities</b>            |                     |                       |                           |                   |                      |                   |                     |                    |
| Accounts payable              | \$ 92               | \$ 78                 | \$ 170                    | \$ -              | \$ -                 | \$ -              | \$ -                |                    |
| Accrued liabilities and other | -                   | 355                   | 355                       | 420,885           | -                    | -                 | 420,885             |                    |
| Customer deposits payable     | -                   | -                     | -                         | -                 | 1,692,774            | -                 | 1,692,774           |                    |
| Police distribution payable   | -                   | -                     | -                         | -                 | -                    | 817,116           | 817,116             |                    |
| Total liabilities             | <b>\$ 92</b>        | <b>\$ 433</b>         | <b>\$ 525</b>             | <b>\$ 420,885</b> | <b>\$ 1,692,774</b>  | <b>\$ 817,116</b> | <b>\$ 2,930,775</b> |                    |
| <b>Net Position</b>           | <b>\$ 793,858</b>   | <b>\$ 167,194</b>     | <b>\$ 961,052</b>         |                   |                      |                   |                     |                    |

# City of South Bend, Indiana

## Other Supplementary Information Combining Statement of Changes in Fiduciary Net Position Pension Trust Funds Year Ended December 31, 2016

|  | 1925 Police<br>Pension   | 1937<br>Firefighters'<br>Pension | Total                    |
|--|--------------------------|----------------------------------|--------------------------|
| <b>Additions</b>   |                          |                                  |                          |
| Investment income - Interest and dividends                   | \$ 6,713                 | \$ 2,852                         | \$ 9,565                 |
| Contributions:   |                          |                                  |                          |
| On behalf  | 5,991,750                | 4,866,271                        | 10,858,021               |
| Other  | 15,749                   | 6,279                            | 22,028                   |
| Net contributions  | <u>6,007,499</u>         | <u>4,872,550</u>                 | <u>10,880,049</u>        |
| Total additions  | 6,014,212                | 4,875,402                        | 10,889,614               |
| <b>Deductions</b>  |                          |                                  |                          |
| Benefit payments   | 6,364,237                | 5,165,758                        | 11,529,995               |
| Administrative expenses                                      | 13,550                   | 14,485                           | 28,035                   |
| Total deductions   | <u>6,377,787</u>         | <u>5,180,243</u>                 | <u>11,558,030</u>        |
| <b>Net Increase (Decrease) in Net Position Held in Trust</b> | (363,575)                | (304,841)                        | (668,416)                |
| <b>Net Position - Beginning of year</b>                      | <u>1,157,433</u>         | <u>472,035</u>                   | <u>1,629,468</u>         |
| <b>Net Position - End of year</b>                            | <u><u>\$ 793,858</u></u> | <u><u>\$ 167,194</u></u>         | <u><u>\$ 961,052</u></u> |



# City of South Bend, Indiana

## Other Supplementary Information Statement of Changes in Assets and Liabilities Agency Funds Year Ended December 31, 2016

|  | Balance at<br>January 1, 2016 | Additions      | Reductions       | Balance at<br>December 31,<br>2016 |
|--|-------------------------------|----------------|------------------|------------------------------------|
| <b><u>Payroll</u></b>                              |                               |                |                  |                                    |
| <b>Assets</b> - Cash and investments               | \$ 412,690                    | \$ 104,634,503 | \$ (104,626,308) | \$ 420,885                         |
| <b>Liabilities</b> - Accrued liabilities and other | \$ 412,690                    | \$ 104,634,503 | \$ (104,626,308) | \$ 420,885                         |
| <br>   |                               |                |                  |                                    |
|  | Balance at<br>January 1, 2016 | Additions      | Reductions       | Balance at<br>December 31,<br>2016 |
| <b><u>Morris Palais Royale Box Office</u></b>      |                               |                |                  |                                    |
| <b>Assets</b> - Cash and cash equivalents          | \$ 1,504,458                  | \$ 3,305,191   | \$ (3,116,875)   | \$ 1,692,774                       |
| <b>Liabilities</b> - Customer deposits payable     | \$ 1,504,458                  | \$ 3,305,191   | \$ (3,116,875)   | \$ 1,692,774                       |
| <br>   |                               |                |                  |                                    |
|  | Balance at<br>January 1, 2016 | Additions      | Reductions       | Balance at<br>December 31,<br>2016 |
| <b><u>Police Distribution Payable</u></b>          |                               |                |                  |                                    |
| <b>Assets</b> - Cash and cash equivalents          | \$ 835,108                    | \$ 23,924      | \$ (41,916)      | \$ 817,116                         |
| <b>Liabilities</b> - Police distribution payable   | \$ 835,108                    | \$ 23,924      | \$ (41,916)      | \$ 817,116                         |

**APPENDIX D**  
**ORDINANCE NO. 10576-18**

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ORDINANCE No. 10576-18

*Passed by the Common Council of the City of South Bend, Indiana* \_\_\_\_\_

\_\_\_\_\_ January 22, \_\_\_\_\_ 20 18

Attest:  City Clerk

Attest:  President of Common Council

*Presented by me to the Mayor of the City of South Bend, Indiana* \_\_\_\_\_

\_\_\_\_\_ January 22, \_\_\_\_\_ 20 18

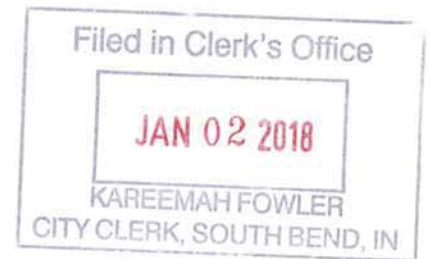
 City Clerk

Approved and signed by me January 24 \_\_\_\_\_ 20 18

 Mayor

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CITY OF SOUTH BEND    PETE BUTTIGIEG, MAYOR

## DEPARTMENT OF ADMINISTRATION AND FINANCE

January 2, 2018

Mr. Tim Scott  
President, South Bend Common Council  
227 W. Jefferson Blvd., Suite 400 S  
South Bend, Indiana 46601

RE:    AN ORDINANCE OF THE COMMON COUNCIL OF THE CITY OF SOUTH BEND, INDIANA, AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS FOR THE PURPOSE OF PROVIDING FUNDS TO PAY FOR CERTAIN CAPITAL PROJECTS AND INCIDENTAL EXPENSES IN CONNECTION THEREWITH AND ON ACCOUNT OF THE ISSUANCE OF THE BONDS, AND ALL MATTERS RELATED THERETO

Dear Council President Scott:

Attached for filing, please find the above-referenced ordinance to be considered by the Common Council for first reading at its January 8, 2018 meeting, and for public hearing on January 22, 2018.

This ordinance authorizes the issuance of general obligation bonds for the purpose of providing the payment of costs and expenses for the construction of a new Fire Station 9 at the corner of Mishawaka Avenue and 21st Street, and the construction of an additional classroom building on the grounds of the Luther J. Taylor Sr. Fire Training Center.

Randy Rompola of Barnes & Thornburg LLP and Herschel Frierson of Crowe Horwath LLP will be presenting this ordinance to the Common Council, and I will be in attendance along with representatives of the South Bend Fire Department. Your favorable consideration is requested. Please do not hesitate to contact me if you need additional information.

Sincerely,

Jennifer Hockenull, Controller  
Department of Administration and Finance

**BILL NO. 02-18**

**ORDINANCE NO. 10576-18**

**AN ORDINANCE OF THE COMMON COUNCIL OF THE CITY OF SOUTH BEND, INDIANA, AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS FOR THE PURPOSE OF PROVIDING FUNDS TO PAY FOR CERTAIN CAPITAL PROJECTS AND INCIDENTAL EXPENSES IN CONNECTION THEREWITH AND ON ACCOUNT OF THE ISSUANCE OF THE BONDS, AND ALL MATTERS RELATED THERETO**

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**STATEMENT OF PURPOSE AND INTENT**

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The Common Council (the "Council") of the City of South Bend, Indiana (the "City"), has considered undertaking (i) replacement of current Fire Station 9 with a newly constructed station at the corner of Mishawaka Avenue and 21st Street in the City which new station would be approximately 10,000 square feet and would house Engine 9, Medic 9, and Boat 2 and accommodate up to 7 assigned firefighters per day and (ii) construction of an additional classroom building on the grounds of the Luther J. Taylor Sr. Fire Training Center which proposed building would be an approximately 3,000 square foot building and would house a rugged, divisible classroom with capacity for 100 personnel and additional training props and storage areas (collectively, the "Projects") in the City. It would be of public utility and benefit and in the best interests of the City and its citizens to pay the costs of all or a portion of the Projects through the issuance of general obligation bonds of the City payable from a tax levied upon all of the taxable property of the City, as described herein, to the extent other revenues of the City are not available for such purpose, as more fully described herein.

The Council now deems it advisable to issue, pursuant to Ind. Code §36-4-6-19, Ind. Code § 6-1.1-20-1, *et. seq.*, and other applicable provisions of the Indiana Code (collectively, the "Act"), the "City of South Bend, Indiana, General Obligation Bonds, Series 2018" (the "Bonds"), in one (1) or more series (with an appropriate series designation for each such series), in the original principal amount of not to exceed Five Million Four Hundred Thirty Thousand Dollars (\$5,430,000) (the "Authorized Amount") for the purpose of providing for the funding of (i) all or a portion of the costs of the Projects, (ii) preliminary expenses related thereto and all incidental expenses incurred in connection therewith (all of which are deemed to be a part of the Projects), (iii) the costs of selling and issuing the Bonds, and (iv) a debt service reserve fund for the Bonds as provided herein. The original principal amount of the Bonds, together with the outstanding principal amount of previously issued bonds or other obligations which constitute a debt of the City, is no more than two percent (2%) of one-third (1/3) of the total net assessed valuation of the City. The amount of proceeds of the Bonds allocated to pay costs of the Projects, together with estimated investment earnings thereon, does not exceed the cost of the Projects as estimated by the Council.

The Council now finds that all conditions precedent to the adoption of an Ordinance authorizing the issuance of the Bonds have been complied with in accordance with the Act.

**NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF SOUTH BEND, INDIANA, AS FOLLOWS:**

**SECTION I. Authorization for Bonds.** In order to provide financing for the Projects and incidental expenses incurred in connection therewith and on account of the issuance of the Bonds, the City shall borrow money and issue the Bonds as herein authorized.

**SECTION II. General Terms of Bonds.** In order to procure said loan for such purposes, the Controller is hereby authorized and directed to have prepared and to issue and sell negotiable general obligation bonds of the City, in one or more series, in an amount not to exceed the Authorized Amount, to be designated "City of South Bend, Indiana, General Obligation Bonds, Series 2018" (with an appropriate additional series designation, if applicable) for the purpose of providing financing for the Projects and incidental expenses, such expenses to include without limitation all expenses of every kind incurred preliminarily to the funding of the Projects, and the costs of selling and issuing the Bonds. The final principal amount of the Bonds (not exceeding the Authorized Amount) shall be determined by the Controller of the City prior to the sale of the Bonds.

The Bonds shall be signed in the name of the City by the manual or facsimile signature of the Mayor of the City and attested by the manual or facsimile signature of the Clerk of the City, who shall affix the seal of the City to each of the Bonds manually or shall have the seal imprinted or impressed thereon by facsimile or other means. In case any Officer whose signature or facsimile signature appears on the Bonds shall cease to be such Officer before the delivery of the Bonds, such signature shall nevertheless be valid and sufficient for all purposes as if such Officer had remained in office until delivery thereof. The Bonds shall also be authenticated by the manual signature of the Registrar (as hereinafter defined). Subject to the provisions of this Ordinance regarding the registration of the Bonds, the Bonds shall be fully negotiable instruments under the applicable laws of the State of Indiana.

The Bonds are, as to all the principal thereof and interest due thereon, general obligations of the City, payable from *ad valorem* property taxes on all taxable property within the City, to the extent other revenues of the City are not sufficient for such purpose as described in Section VIII hereof.

The Bonds shall be issued in fully registered form in denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof (or such different denominations as the Controller shall determine prior to the sale of the Bonds), shall be numbered consecutively from 2018R-1 upward, and shall be originally dated as of their date of issuance. The Bonds shall bear interest payable semiannually on January 15 and July 15 of each year, beginning not earlier than July 15, 2018, at a rate or rates not exceeding six percent (6.00%) per annum (the exact rate or rates to be determined by bidding pursuant to Section 6 of this Ordinance). Interest shall be calculated on the basis of a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds shall mature serially on January 15 and July 15 of each year, beginning on July 15, 2018, and ending not later than January 15, 2038, in such amounts as the Controller, with the advice of the City's municipal advisor, shall determine prior to the sale of the Bonds.

All payments of interest on the Bonds shall be paid by check mailed one (1) business day prior to the interest payment date to the registered owners thereof as of the last day of the month preceding such month in which such interest payment date occurs at the addresses as they appear on the registration books kept by the Registrar (the "Registration Record"), or at such other address as is provided to the Paying Agent (as hereafter defined) in writing by such registered owner. All principal payments on the Bonds shall be made upon surrender thereof at the principal office of the Paying Agent, in any coin or currency of the United States of America which on the date of such payment shall be legal tender for the payment of public and private debts.

Interest on Bonds shall be payable from the interest payment date to which interest has been paid next preceding the authentication date thereof unless such Bonds are authenticated after the last day of the month preceding the month in which such interest payment date occurs and on or before such interest payment date in which case they shall bear interest from such interest payment date, or unless authenticated on or before the last day of the month preceding the month in which the first interest payment date occurs, in which case they shall bear interest from the original date, until the principal shall be fully paid.

Each Bond shall be transferable or exchangeable only upon the Registration Record by the registered owner thereof in person, or by his attorney duly authorized in writing, upon surrender of such Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount, and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or the registered owner, as the case may be, in exchange therefor. The costs of such transfer or exchange shall be borne by the City, except for any tax or governmental charge required to be paid in connection therewith, which shall be payable by the person requesting such transfer or exchange. The City, the Registrar and the Paying Agent may treat and consider the persons in whose names such Bonds are registered as the absolute owners thereof for all purposes including for the purpose of receiving payment of, or on account of, the principal thereof and interest due thereon.

In the event any Bond is mutilated, lost, stolen or destroyed, the City may execute and the Registrar may authenticate a new Bond of like date, maturity and denomination as that mutilated, lost, stolen or destroyed, which new bond shall be marked in a manner to distinguish it from the Bond for which it was issued, provided that, in the case of any mutilated bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any lost, stolen or destroyed bond there shall be first furnished to the Registrar evidence of such loss, theft or destruction satisfactory to the City and the Registrar, together with indemnity satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the City and the Registrar may, upon receiving indemnity satisfactory to them, pay the same without surrender thereof. The City and the Registrar may charge the owner of such Bond with their reasonable fees and expenses in this connection. Any Bond issued pursuant to this paragraph shall be deemed an original, substitute contractual obligation of the City, whether or not the lost, stolen or destroyed Bond shall be found at any time, and shall be entitled to all the benefits of this Ordinance, equally and proportionately with any and all other Bonds issued hereunder.

**SECTION III. Terms of Redemption.** The Controller, upon consultation with the City's municipal advisor, may designate maturities of Bonds (or portion thereof in authorized

denominations) that shall be subject to optional redemption and/or mandatory sinking fund redemption, and the corresponding redemption dates, amounts and prices (including premium, if any). Except as otherwise set forth in this Ordinance, the Controller, upon consultation with the City's municipal advisor, is hereby authorized and directed to determine the terms governing any such redemption.

Notice of redemption shall be mailed by first-class mail or by registered or certified mail to the address of each registered owner of a Bond to be redeemed as shown on the Registration Record not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption except to the extent such redemption notice is waived by owners of Bonds redeemed, provided, however, that failure to give such notice by mailing, or any defect therein, with respect to any Bond shall not affect the validity of any proceedings for the redemption of any other Bonds. The notice shall specify the date and place of redemption, the redemption price and the CUSIP numbers (if any) of the Bonds called for redemption. The place of redemption may be determined by the City. Interest on the Bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the place of redemption to pay the redemption price on the date so named, and thereafter, such Bonds shall no longer be protected by this Ordinance and shall not be deemed to be outstanding hereunder, and the holders thereof shall have the right only to receive the redemption price.

All Bonds which have been redeemed shall be canceled and shall not be reissued; provided, however, that one (1) or more new registered Bonds shall be issued for the unredeemed portion of any Bond without charge to the holder thereof.

No later than the date fixed for redemption, funds shall be deposited with the Paying Agent or another paying agent to pay, and such agent is hereby authorized and directed to apply such funds to the payment of, the Bonds or portions thereof called for redemption, including accrued interest thereon to the redemption date. No payment shall be made upon any Bond or portion thereof called for redemption until such Bond shall have been delivered for payment or cancellation or the Registrar shall have received the items required by this Ordinance with respect to any mutilated, lost, stolen or destroyed bond.

**SECTION IV. Appointment of Registrar and Paying Agent.** The Controller is hereby authorized to serve as, or to appoint a qualified financial institution to serve as, Registrar and Paying Agent for the Bonds (the "Registrar" or "Paying Agent"). The Registrar is hereby charged with the responsibility of authenticating the Bonds, and shall keep and maintain at its principal office or corporate trust office books for the registration and transfer of the Bonds. The Mayor and the Clerk are hereby authorized to enter into such agreements or understandings with such institution as will enable the institution to perform the services required of the Registrar and Paying Agent. The Controller is authorized to pay such fees as the institution may charge for the services it provides as Registrar and Paying Agent.

The Registrar and Paying Agent may, at any time, resign as Registrar and Paying Agent by giving thirty (30) days written notice to the Controller and to each registered owner of the Bonds then outstanding, and such resignation will take effect at the end of such thirty (30) days or upon the earlier appointment of a successor Registrar and Paying Agent by the Controller. Such notice to the may be served personally or be sent by first-class or registered mail. The Registrar and Paying Agent may be removed at any time as Registrar and Paying Agent by the



Controller, in which event the Controller may appoint a successor Registrar and Paying Agent. The Controller shall notify each registered owner of the Bonds then outstanding of the removal of the Registrar and Paying Agent. Notices to registered owners of the Bonds shall be deemed to be given when mailed by first-class mail to the addresses of such registered owners as they appear on the bond register. Any predecessor Registrar and Paying Agent shall deliver all the Bonds, cash and investments in its possession and the bond register to the successor Registrar and Paying Agent. At all times, the same entity shall serve as Registrar and as Paying Agent.

**SECTION V. Form of Bonds.** (a) The form and tenor of the Bonds shall be substantially as follows, all blanks to be filled in properly and all necessary additions and deletions to be made prior to delivery thereof:

2018R-  
UNITED STATES OF AMERICA

STATE OF INDIANA

COUNTY OF ST. JOSEPH

CITY OF SOUTH BEND, INDIANA  
GENERAL OBLIGATION BOND, SERIES 2018

|                  |                  |                  |                        |         |
|------------------|------------------|------------------|------------------------|---------|
| Interest<br>Rate | Maturity<br>Date | Original<br>Date | Authentication<br>Date | [CUSIP] |
|------------------|------------------|------------------|------------------------|---------|

REGISTERED OWNER:

PRINCIPAL SUM: DOLLARS (\$\_\_\_\_\_)

The City of South Bend, Indiana (the "City") for value received, hereby promises to pay to the Registered Owner set forth above, the Principal Sum set forth above on the Maturity Date set forth above, and to pay interest thereon until the Principal Sum shall be fully paid, at the Interest Rate per annum specified above from the interest payment date to which interest has been paid next preceding the Authentication Date of this bond unless this bond is authenticated after the last day of the month preceding the month in which such interest payment date occurs and on or before such interest payment date in which case it shall bear interest from such interest payment date, or unless this bond is authenticated on or before June 30, 2018, in which case it shall bear interest from the Original Date, which interest is payable semiannually on January 15 and July 15 of each year, beginning on July 15, 2018. Interest shall be calculated on the basis of a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

The principal of this bond is payable at \_\_\_\_\_ (the "Registrar" or "Paying Agent"), in \_\_\_\_\_, Indiana. All payments of interest on this bond shall be paid by check mailed one (1) business day prior to the interest payment date to the registered owner hereof as of the first day of the month in which such interest payment date occurs at the address as it appears on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by the Registered Owner. All payments of principal of and premium, if any, on this Bond shall be made upon surrender thereof at the principal [corporate trust] office of the Paying Agent in any coin or currency of the United States of America which on the dates of such payment shall be legal tender for the payment of public and private debts.

This Bond is one (1) of an authorized issue of negotiable bonds of the City, of like original date, tenor and effect, except as to denomination, numbering, interest rates, and dates of maturity, in the total amount of \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_), numbered consecutively from 2018R-1 upward, issued for the purpose of providing funds to pay for all or a portion of the costs of construction of certain capital projects, and the costs of the issuance of bonds therefor, as authorized by Ordinance No. \_\_\_\_\_ adopted by the Common Council of the City on the \_\_\_ day of \_\_\_\_\_, 2018, entitled "AN ORDINANCE OF THE CITY OF SOUTH BEND, INDIANA, AUTHORIZING THE ISSUANCE OF

GENERAL OBLIGATION BONDS FOR THE PURPOSE OF PROVIDING FUNDS TO PAY FOR CERTAIN CAPITAL PROJECTS AND INCIDENTAL EXPENSES IN CONNECTION THEREWITH AND ON ACCOUNT OF THE ISSUANCE OF THE BONDS, AND ALL MATTERS RELATED THERETO" (the "Ordinance"), and in accordance with I.C. § 36-4-6-19 and other applicable provisions of the Indiana Code, as amended (collectively, the "Act"). The owner of this Bond, by the acceptance hereof, agrees to all the terms and provisions contained in the Ordinance and the Act.

PURSUANT TO THE PROVISIONS OF THE ACT AND THE ORDINANCE, THE PRINCIPAL OF THIS BOND AND ALL OTHER BONDS OF SAID ISSUE AND THE INTEREST DUE THEREON ARE PAYABLE AS A GENERAL OBLIGATION OF THE CITY, FROM AN *AD VALOREM* PROPERTY TAX TO BE LEVIED ON ALL TAXABLE PROPERTY WITHIN THE CITY TO THE EXTENT OTHER REVNEUES OF THE CITY ARE NOT SUFFICIENT FOR SUCH PURPOSE.

[INSERT REDEMPTION TERMS]

Notice of such redemption shall be mailed by first-class mail or by registered or certified mail not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption to the address of the registered owner of each Bond to be redeemed as shown on the registration record of the City except to the extent such redemption notice is waived by owners of the Bond or Bonds redeemed; provided, however, that failure to give such notice by mailing, or any defect therein with respect to any bond shall not affect the validity of any proceedings for the redemption of any other Bonds. The notice shall specify the date and place of redemption, the redemption price and the CUSIP numbers, if any, of the Bonds called for redemption. The place of redemption may be determined by the City. Interest on the Bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the place of redemption to pay the redemption price on the date so named, and thereafter, such Bonds shall no longer be protected by the Ordinance, and shall not be deemed to be outstanding thereunder.

This Bond is subject to defeasance prior to payment as provided in the Ordinance.

If this Bond shall not be presented for payment on the date fixed therefor, the City may deposit in trust with the Paying Agent, or another paying agent, an amount sufficient to pay such Bond, and thereafter the Registered Owner shall look only to the funds so deposited in trust for payment and the City shall have no further obligation or liability in respect thereto.

This Bond is transferable or exchangeable only upon the books of the City kept for that purpose at the office of the Registrar by the Registered Owner in person, or by his attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the Registered Owner or his attorney duly authorized in writing, and thereupon a new fully registered bond or bonds in the same aggregate principal amount, and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or the Registered Owner, as the case may be, in exchange therefor. The City, any Registrar and any Paying Agent for this Bond may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for all purposes including for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon.

The bonds maturing in any one (1) year are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof.

[A Continuing Disclosure Contract from the City to each registered owner or holder of any bond, dated as of the date of initial issuance of the Bonds (the "Contract"), has been executed by the City, a copy of which is available from the City and the terms of which are incorporated herein by this reference. The Contract contains certain promises of the City to each registered owner or holder of any Bond, including a promise to provide certain continuing disclosure. By its payment for and acceptance of this bond, the registered owner or holder of this bond assents to the Contract and to the exchange of such payment and acceptance for such promises.]

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the execution, issuance and delivery of this Bond have been done and performed in regular and due form as provided by law.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been executed by an authorized representative of the Registrar.

IN WITNESS WHEREOF, the City of South Bend, Indiana, has caused this Bond to be executed in its corporate name by the manual or facsimile signatures of its duly elected, qualified and acting Mayor, countersigned by its duly appointed, qualified and acting Controller, and its corporate seal to be hereunto affixed, imprinted or impressed by any means and attested manually or by facsimile by the Clerk of the City.

CITY OF SOUTH BEND, INDIANA

By: [Signature]  
Mayor  
Countersigned: [Signature]  
Controller

(SEAL)

ATTEST:  
[Signature]  
Clerk

It is hereby certified that this Bond is one (1) of the Bonds described in the within-mentioned Ordinance duly authenticated by the Registrar.

\_\_\_\_\_, as Registrar

By: \_\_\_\_\_  
Authorized Representative

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN. COM. as tenants in common
- TEN. ENT. as tenants by the entireties
- JT. TEN. as joint tenants with right of survivorship and not as tenants in common
- UNIF. TRANS. \_\_\_\_\_ Custodian \_\_\_\_\_
- MIN. ACT (Cust.) (Minor)

under Uniform Transfers to Minors Act of  
\_\_\_\_\_  
(State)

Additional abbreviations may also be used, although not contained in the above list.

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Please Print or Typewrite Name and Address) \$ \_\_\_\_\_ principal amount (must be a multiple of \$5,000) of the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney to transfer the within bond on the books kept for the registration thereof with full power of substitution in the premises.

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NOTICE: The signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

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NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guarantee program.

(End of Form of Bonds)

(b) The Bonds may, in compliance with all applicable laws, initially be issued and held in book-entry form on the books of the central depository system, The Depository Trust Company, its successors, or any successor central depository system appointed by the City from time to time (the "Clearing Agency"), without physical distribution of bonds to the purchasers. The following provisions of this section apply in such event.

One (1) definitive Bond of each maturity shall be delivered to the Clearing Agency (or its agent) and held in its custody. The City and the Registrar and Paying Agent may, in connection therewith, do or perform or cause to be done or performed any acts or things not adverse to the rights of the holders of the Bonds as are necessary or appropriate to accomplish or recognize such book-entry form Bonds.

During any time that the Bonds remain and are held in book-entry form on the books of a Clearing Agency, (1) any such Bond may be registered upon the books kept by the Registrar in the name of such Clearing Agency, or any nominee thereof, including Cede & Co., as nominee of The Depository Trust Company; (2) the Clearing Agency in whose name such Bond is so registered shall be, and the City and the Registrar and Paying Agent may deem and treat such Clearing Agency as, the absolute owner and holder of such Bond for all purposes of this Ordinance, including, without limitation, the receiving of payment of the principal of and interest on such Bond, the receiving of notice and giving of consent; (3) neither the City nor the Registrar or Paying Agent shall have any responsibility or obligation hereunder to any direct or indirect participant, within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended, of such Clearing Agency, or any person on behalf of which, or otherwise in respect of which, any such participant holds any interest in any Bond, including, without limitation, any responsibility or obligation hereunder to maintain accurate records of any interest in any Bond or any responsibility or obligation hereunder with respect to the receiving of payment of principal of or interest or premium, if any, on any Bond, the receiving of notice or the giving of consent; and (4) the Clearing Agency is not required to present any Bond called for partial redemption prior to receiving payment so long as the Registrar and Paying Agent and the Clearing Agency have agreed to the method for noting such partial redemption.

If either the City receives notice from the Clearing Agency which is currently the

registered owner of the Bonds to the effect that such Clearing Agency is unable or unwilling to discharge its responsibility as a Clearing Agency for the Bonds, or the City elects to discontinue its use of such Clearing Agency as a Clearing Agency for the Bonds, then the City and Registrar and Paying Agent each shall do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to discontinue use of such Clearing Agency as a Clearing Agency for the Bonds and to transfer the ownership of each of the Bonds to such person or persons, including any other Clearing Agency, as the holders of the Bonds may direct in accordance with this Ordinance. Any expenses of such discontinuance and transfer, including expenses of printing new certificates to evidence the Bonds, shall be paid by the City.

During any time that the Bonds are held in book-entry form on the books of a Clearing Agency, the Registrar shall be entitled to request and rely upon a certificate or other written representation from the Clearing Agency or any participant or indirect participant with respect to the identity of any beneficial owner of Bonds as of a record date selected by the Registrar. For purposes of determining whether the consent, advice, direction or demand of a registered owner of a Bond has been obtained, the Registrar shall be entitled to treat the beneficial owners of the Bonds as the bondholders, and any consent, request, direction, approval, objection or other instrument of such beneficial owner may be obtained in the fashion described in this Ordinance.

During any time that the Bonds are held in book-entry form on the books of a Clearing Agency, the Mayor, the Controller and/or the Registrar are authorized to execute and deliver a Letter of Representations agreement with the Clearing Agency, or a Blanket Issuer Letter of Representations, and the provisions of any such Letter of Representations or any successor agreement shall control on the matters set forth therein. The Registrar, by accepting the duties of Registrar under this Ordinance, agrees that it will (i) undertake the duties of agent required thereby and that those duties to be undertaken by either the agent or the issuer shall be the responsibility of the Registrar, and (ii) comply with all requirements of the Clearing Agency, including without limitation same day funds settlement payment procedures. Further, during any time that the Bonds are held in book-entry form, the provisions of Section 5 of this Ordinance shall control over conflicting provisions in any other section of this Ordinance.

**SECTION VI. Sale of Bonds.** The Bonds shall be sold in a competitive sale. The Controller shall cause to be published a notice of sale once each week for two (2) consecutive weeks in accordance with I.C. § 5-3-1-2. The date fixed for the sale shall not be earlier than fifteen (15) days after the first of such publications and not earlier than three (3) days after the second of such publications. Said bond sale notice shall state the time and place of sale, the purpose for which the Bonds are being issued, the total amount thereof, the amount and date of each maturity, the maximum rate or rates of interest thereon, their denominations, the time and place of payment, that specifications and information concerning the Bonds are on file in the office of the Controller and are available on request, the terms and conditions upon which bids will be received and the sale made and such other information as is required by law or as the Controller shall deem necessary, including any terms and conditions of sale which provide an exclusion or exemption from the applicability of all or a portion of the provisions of Rule 15c2-12 of the U.S. Securities and Exchange Commission, as amended (the "SEC Rule") in which case the Controller may set the minimum authorized denomination of the Bonds at One Hundred Thousand Dollars (\$100,000) and integral multiples of \$5,000 in excess thereof as contemplated by the SEC Rule.

As an alternative to the publication of a notice of sale, the Controller may sell the Bonds through the publication of a notice of intent to sell the Bonds and compliance with related procedures pursuant to I.C. § 5-1-11-2(b).

All bids for the Bonds shall be sealed and shall be presented to the Controller in accord with the terms set forth in the Bond sale notice. Bidders for the Bonds shall be required to name the rate or rates of interest which the Bonds are to bear, which shall be the same for all Bonds maturing on the same date, and the interest rate bid on any maturity of Bonds must be no less than the interest rate bid on any and all prior maturities, not exceeding six percent (6.00%) per annum, and such interest rate or rates shall be in multiples of one-eighth (1/8) or one-hundredth (1/100) of one per cent. The Controller shall award the Bonds to the bidder who offers the lowest interest cost, to be determined by computing the total interest on all the Bonds to their maturities and deducting therefrom the premium bid, if any, or adding thereto the amount of the discount, if any. No bid for less than ninety-eight percent (98.0%) of the par value of the Bonds (or such higher percentage as the Controller shall determine, with the advice of the City's municipal advisor, prior to the sale of the Bonds) and accrued interest, if any, shall be considered. The Controller may require that the successful bidder provide to the City a good faith deposit in the form of cash, certified or cashier's checks payable to the order of the City, or wire transfer (as instructed by the City) (the "Deposit"), in an amount not to exceed one percent (1%) of the aggregate principal amount of the Bonds as a guaranty of the performance of said bid. The successful bidder shall be required to submit to the City the Deposit not later than 3:30 p.m. (local time) on the next business day following the award. In the event the successful bidder shall fail or refuse to accept delivery of the Bonds and pay for the same as soon as the Bonds are ready for delivery or at the time fixed in the notice of sale, then such Deposit and the proceeds thereof shall be the property of the City and shall be considered as its liquidated damages on account of such default. In the event no satisfactory bids are received on the day named in the sale notice, the sale may be continued from day to day thereafter for a period of thirty (30) days without readvertisement; provided, however, that if said sale be continued, no bid shall be accepted which offers an interest cost which is equal to or higher than the best bid received at the time fixed for sale in the bond sale notice. The Controller shall have full right to reject any and all bids.

After the Bonds have been properly sold and executed, the Controller shall receive from the purchaser's payment for the Bonds and shall provide for delivery of the Bonds to said purchaser.

The Controller is hereby authorized and directed to obtain a legal opinion as to the validity of the Bonds from Barnes & Thornburg LLP, and to furnish such opinion to the purchasers of the Bonds or to cause a copy of said legal opinion to be printed on each Bond. The cost of such opinion shall be paid out of the proceeds of the Bonds.

## **SECTION VII.**

(a) Use of Bond Proceeds. A portion of the proceeds received from the sale of the Bonds shall be deposited into a fund created and designated as the "City of South Bend, Indiana, 2018 Bond Project Fund" (the "Project Fund"). The proceeds deposited into the Project Fund shall be expended only for the purpose of paying expenses incurred in connection with the Projects, together with the expenses incidental thereto and on account of the issuance of the Bonds. Any balance remaining in the Project Fund after

the completion of the Projects that is not required to meet unpaid obligations incurred in connection therewith and on account of the issuance of the Bonds may be used to pay debt service on the Bonds or otherwise used as permitted by law.

(b) Bond Fund. There is hereby created a separate fund, designated as the "City of South Bend, Indiana 2018 Bond Fund" (the "Bond Fund"), which shall be applied to the payment of the principal of and interest on the Bonds. As taxes attributable to the debt service levy for the Bonds are collected, subject to Section VIII hereof, they shall be accumulated in an account of the Bond Fund hereby created and designated as the "City of South Bend, Indiana 2018 Bond Tax Account" (the "Tax Account"). The Bond Fund shall also have a separate account designated the Revenues Account as described in Section VIII hereof.

(c) Reserve Fund. At the time of the sale of the Bonds, the Controller, with the advice of the City's municipal advisor, may determine to establish a debt service reserve fund for the Bonds (the "Reserve Fund"), which shall be funded with a portion of the proceeds of the Bonds in an amount determined by the municipal advisor to be required to adequately secure the Bonds (the "Debt Service Reserve Requirement"). All money in the Reserve Fund shall be used and withdrawn by the City solely for the purpose of making deposits into the Bond Fund, in the event of any deficiency at any time in such fund, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is lawfully available therefor. Any amount in the Reserve Fund in excess of the Debt Service Reserve Requirement shall be withdrawn from the Reserve Fund and deposited in the Bond Fund. Money in the Reserve Fund shall also be available to make the final payments of interest and principal on the Bonds. Notwithstanding the foregoing, the Controller, with the advice of the City's municipal advisor, may enable the City to satisfy all or any part of its obligation to maintain an amount in the Reserve Fund equal to the Debt Service Reserve Requirement by depositing a Reserve Fund Credit Facility in the Reserve Fund, provided that such deposit does not adversely affect any then existing rating on the Bonds. A Reserve Fund Credit Facility is hereby defined as a letter of credit, liquidity facility, insurance policy or comparable instrument furnished by a bank, insurance company, municipal institution or other entity pursuant to a reimbursement agreement or similar instrument between such entity and the City for the purpose of satisfying in whole or in part the City's obligation to maintain the Reserve Requirement. In the event the amount on deposit in the Reserve Fund is ever less than the Debt Service Reserve Requirement, the City shall deposit from available revenues an amount sufficient to increase the amount on deposit to equal the Debt Service Reserve Requirement.

**SECTION VIII. Reduction of Tax Levy and Pledge of Certain Other Revenues.** The amount of the tax levy each year applicable to making payments on the Bonds as set forth in the budget of the City (the "Tax Levy") shall be reduced by available revenues of the City to the extent such revenues have been set aside and designated by the City for such purpose in the account of the City's Debt Service Fund hereby created and designated as the "City of South Bend, Indiana 2018 General Obligation Bond Revenues Account" (the "Revenues Account"). The City hereby covenants to levy the Tax Levy each year payments are due with respect to the

Bonds to the extent the revenues of the City described herein are not sufficient to timely pay the principal of and interest on the Bonds.

The amounts available and so deposited in the Revenues Account of the Bond Fund shall be determined at the time the budget and tax levy for a given year is finally fixed, and such amounts shall be used for no purpose except as contemplated above and are hereby pledged by the City to the payment of the Bonds, such pledge being effective as set forth in I.C. § 5-1-14-4 without the necessity of filing or recording this Ordinance or any other instrument except in the records of the City.

The City hereby finds and determines that it reasonably expects to pay debt service on the Bonds from a combination of EMS Revenues, Local Income Tax Revenues and tax increment finance revenues from the River East Development Area with such revenues being deposited into the Revenues Account, and not from the Tax Levy, and that therefore the Project is not a "controlled project" for purposes of I.C. § 6-1.1-20-1.1

**SECTION IX. Defeasance.** If, when the Bonds or any portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or any portion thereof for redemption have been given, and the whole amount of the principal and the interest so due and payable upon such Bonds or any portion thereof then outstanding shall be paid, or (i) cash, or (ii) direct non-callable obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, the principal of and the interest on which when due without reinvestment will provide sufficient money, or (iii) any combination of the foregoing, shall be held irrevocably in trust for such purpose, and provision shall also be made for paying all fees and expenses for the payment, then and in that case the Bonds or such designated portion thereof shall no longer be deemed outstanding or secured by this Ordinance.

**SECTION X. Amendments.** Subject to the terms and provisions contained in this Section, and not otherwise, the owners of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of such Ordinance or Ordinances supplemental hereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding in any particular any of the terms or provisions contained in this Ordinance, or in any supplemental ordinance; provided, however, that nothing herein contained shall permit or be construed as permitting:

(a) An extension of the maturity of the principal of or interest on any Bond, without the consent of the holder of each Bond so affected; or

(b) A reduction in the principal amount of any Bond or the rate of interest thereon, or a change in the monetary medium in which such amounts are payable, without the consent of the holder of each Bond so affected; or



(c) A preference or priority of any Bond over any other Bond, without the consent of the holders of all Bonds then outstanding; or

(d) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance, without the consent of the holders of all Bonds then outstanding.

If the City shall seek to obtain any such consent, it shall cause the Registrar to mail a notice, postage prepaid, to the addresses appearing on the registration books held by the Registrar. Such notice shall briefly set forth the nature of the proposed supplemental Ordinance and shall state that a copy thereof is on file at the office of the Registrar for inspection by all owners of the Bonds. The Registrar shall not, however, be subject to any liability to any owners of the Bonds by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplemental ordinance when consented to and approved as herein provided.

Whenever at any time within one (1) year after the date of the mailing of such notice, the City shall receive any instrument or instruments purporting to be executed by the owners of the Bonds of not less than sixty-six and two-thirds per cent (66-2/3%) in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed supplemental ordinance described in such notice, and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice as on file with the Registrar, thereupon, but not otherwise, the City may adopt such supplemental ordinance in substantially such form, without liability or responsibility to any owners of the Bonds, whether or not such owners shall have consented thereto.

No owner of any Bond shall have any right to object to the adoption of such supplemental Ordinance or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the City or its Officers from adopting the same, or from taking any action pursuant to the provisions thereof. Upon the adoption of any supplemental Ordinance pursuant to the provisions of this section, this Ordinance shall be, and shall be deemed, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Ordinance of the City and all owners of Bonds then outstanding, shall thereafter be determined, exercised and enforced in accordance with this Ordinance, subject in all respects to such modifications and amendments.

Notwithstanding anything contained in the foregoing provisions of this Ordinance, the rights and obligations of the City and of the owners of the Bonds, and the terms and provisions of the Bonds and this Ordinance, or any supplemental Ordinance, may be modified or altered in any respect with the consent of the City and the consent of the owners of all the Bonds then outstanding.

Without notice to or consent of the owners of the Bonds, the City may, from time to time and at any time, adopt such ordinances supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental ordinances shall thereafter form a part hereof),

(e) To cure any ambiguity or formal defect or omission in this Ordinance or in any supplemental Ordinance; or

(f) To grant to or confer upon the owners of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the owners of the Bonds; or

(g) To procure a rating on the Bonds from a nationally recognized securities rating agency designated in such supplemental ordinance, if such supplemental ordinance will not adversely affect the owners of the Bonds; or

(h) To obtain or maintain bond insurance with respect to the Bonds; or

(i) To provide for the refunding or advance refunding of the Bonds; or

(j) To make any other change which, in the determination of the Council in its sole discretion, is not to the prejudice of the owners of the Bonds.

**SECTION XI. Continuing Disclosure.** The Mayor and the Clerk are hereby authorized to execute and deliver on behalf of the City a Continuing Disclosure Contract upon delivery of the Bonds, with such terms therein as approved by such officers, the execution of such document by such officers to be evidence of such approval. Notwithstanding any other provision of this Ordinance, failure of the City to comply with the Continuing Disclosure Contract shall not be considered an event of default under the Bonds or this Ordinance.

**SECTION XII. Approval of Official Statement.** If legally required as part of a public offering of the Bonds, the Controller is hereby authorized to deem final an official statement with respect to the Bonds, as of its date, in accordance with the provisions the SEC Rule, subject to completion as permitted by the SEC Rule, and this Common Council further authorizes the distribution of the deemed final official statement, and the execution, delivery and distribution of such document as further modified and amended with the approval of the Controller in the form of a final official statement.

**SECTION XIII. Other Action.** The appropriate Officers of the City are hereby authorized to take all actions to obtain a rating, bond insurance or any other form of credit enhancement for the Bonds if economically feasible and desirable and with the favorable recommendation of the municipal advisor to the City. In addition, the appropriate Officers of the City are hereby authorized and directed to take any other action deemed necessary or advisable in order to effectuate the acquisition, construction and equipping of the Projects, the issuance of the Bonds, or any other purposes of this Ordinance.

**SECTION XIV. No Conflict.** All Ordinances, Resolutions, and Orders or parts thereof in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed. After the issuance of the Bonds and so long as any of the Bonds or interest thereon remains unpaid, except as expressly provided herein, this Ordinance shall not be repealed or amended in any respect that will adversely affect the rights of the holders of the Bonds, nor shall the City adopt any Law, Ordinance or Resolution that in any way adversely affects the rights of such holders.


**SECTION XV. Severability; Interpretation.** If any section, paragraph or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or

unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Ordinance. Unless the context or laws clearly require otherwise, references herein to statutes or other laws include the same as modified, supplemented or superseded from time to time.

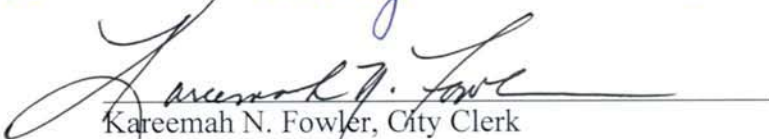
**SECTION XVI. Holidays, Etc.** If the date of making any payment or the last date for performance of any act or the exercising of any right, as provided in this Ordinance, shall be a legal holiday or a day on which banking institutions in the City or the city in which the Registrar or Paying Agent is located are typically closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are typically closed, with the same force and effect as if done on the nominal date provided in this Ordinance, and no interest shall accrue for the period after such nominal date.

**SECTION XVII. Effectiveness.** This Ordinance shall be in full force and effect from and after its adoption and the procedures required by applicable law. Upon payment in full of the principal and interest respecting the Bonds authorized hereby or upon deposit of an amount sufficient to pay when due such amounts in accord with the defeasance provisions herein, all pledges, covenants and other rights granted by this Ordinance shall cease.


  
\_\_\_\_\_  
Tim Scott, Council President  
Member of the Common Council

Attest:  
  
\_\_\_\_\_  
Kareemah N. Fowler, City Clerk  
Office of the City Clerk

Presented by me, the undersigned Clerk of the City of South Bend, to the Mayor of the City of South Bend, Indiana on the 22 day of January, 2018, at 2 o'clock p.m.

  
\_\_\_\_\_  
Kareemah N. Fowler, City Clerk  
Office of the City Clerk

a.m. Approved and signed by me on the 24 day of January, 2018, at 11 o'clock

  
\_\_\_\_\_  
Pete Buttigieg, Mayor  
City of South Bend, Indiana

**CERTIFICATE OF POSTING OF NOTICE  
TO TAXPAYERS REGARDING DECISION TO ISSUE GENERAL OBLIGATION  
BONDS OF THE CITY OF SOUTH BEND, INDIANA**

The undersigned, on behalf of the City of South Bend, Indiana, hereby certifies that I caused to be posted the attached "NOTICE TO TAXPAYERS REGARDING DECISION TO ISSUE GENERAL OBLIGATION BONDS OF THE CITY OF SOUTH BEND, INDIANA," in the following three public places in the City of South Bend, Indiana, by not later than January 26, 2018:

1. St. Joseph County Bulletin board in the County-City Bldg.
2. South City Clerk's Office 227 W. Jefferson Blvd.
3. St. Joseph County Library 304 S. Main St. South Bend, IN 46601

In witness whereof, I have executed this certificate this 24 day of January, 2018.



Kareemah N. Fowler

Kareemah N. Fowler  
Printed

**NOTICE TO TAXPAYERS REGARDING DECISION TO ISSUE GENERAL  
OBLIGATION BONDS OF THE CITY OF SOUTH BEND, INDIANA**

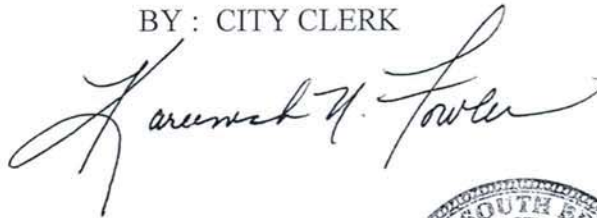
The taxpayers of the City of South Bend, Indiana (the "City"), are hereby given notice that the Common Council of the City (the "Common Council"), at its meeting held January 22, 2018, determined to issue general obligation bonds pursuant to Indiana Code 36-4-6-19 in an original aggregate principal amount not to exceed \$5,430,000 (the "Bonds"). The proceeds of the Bonds will be used to finance the (i) replacement of current Fire Station 9 with a newly constructed station at the corner of Mishawaka Avenue and 21st Street in the City which new station would be approximately 10,000 square feet and would house Engine 9, Medic 9, and Boat 2 and accommodate up to 7 assigned firefighters per day and (ii) construction of an additional classroom building on the grounds of the Luther J. Taylor Sr. Fire Training Center which proposed building would be an approximately 3,000 square foot building and would house a rugged, divisible classroom with capacity for 100 personnel and additional training props and storage areas and to pay related and incidental expenses to be incurred in connection therewith and on account of the issuance of the Bonds.

The proposed Bonds will have a final maturity date not later than January 15, 2038, and will bear interest at a rate or rates not exceeding 6.00% per annum. The Common Council anticipates that sufficient funds will be available to the City to make the payments of the principal of and interest on the Bonds with such funds being derived from EMS revenues, local income tax revenues and tax increment finance revenues from the River East Development Area (collectively, the "Revenues") without such Revenues being formally pledged; however, if such funds, including the Revenues, are insufficient for such purpose, the Bonds will be payable from *ad valorem* property taxes levied and collected upon all taxable property of the City.

Dated this 26th day of January, 2018.

CITY OF SOUTH BEND, INDIANA

BY : CITY CLERK



**APPENDIX E**  
**BOOK-ENTRY-ONLY SYSTEM**

## BOOK-ONLY-ENTRY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the "DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's rating "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Agreement. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

#### Discontinuation of Book-Entry System

In the event that the book-entry system for the Bonds is discontinued, the Registrar would provide for the registration of the Bonds in the name of the Beneficial Owners thereof. The Issuer and the Registrar would treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purposes of making and receiving payment of the principal thereof and interest thereon, and for all other purposes, and the Issuer would not be bound by any notice or knowledge to the contrary.

Each Bond would be transferable or exchangeable only upon the presentation and surrender thereof at the corporate trust office of the Registrar, duly endorsed for transfer or exchange, or accompanied by a written assignment duly executed by the owner or its authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bonds for transfer or exchange, the Registrar would authenticate and deliver in exchange therefor, within a reasonable time after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees (in the case of a transfer), or the owner (in the case of an exchange), in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented. The City or the Registrar would require the owner of any Bonds to pay a sum sufficient to cover any tax, fee or other governmental charge required to be paid in connection with the transfer or exchange of such Bonds.



**APPENDIX F**  
**FORM OF BOND COUNSEL OPINION**

## FORM OF OPINION OF BOND COUNSEL

*Upon delivery of the Bonds in definitive form, Barnes & Thornburg LLP, South Bend, Indiana, Bond Counsel, proposes to render the following opinion with respect to the Bonds in substantially the following form.*

March \_\_\_\_, 2018

City of South Bend, Indiana  
South Bend, Indiana

Re: City of South Bend, Indiana,  
General Obligation Bonds, Series 2018

Ladies and Gentlemen:

We have acted as bond counsel to the City of South Bend, Indiana (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation Bonds, Series 2018, dated March \_\_\_\_, 2018 (the "Bonds"), in the aggregate principal amount of \$\_\_\_\_\_, pursuant to Indiana Code 36-4-6-19, as amended, and Ordinance No. 10576-18 adopted by the Common Council of the Issuer on January 22, 2018 (the "Ordinance"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer contained in the Ordinance, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer and others, including, without limitation, certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of the Corporation Counsel of the Issuer, dated the date hereof, as to the matters stated therein.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized, executed and delivered by the Issuer and, as and to the extent paid for, are valid and binding general obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable from ad valorem taxes to be levied and collected on all taxable property in the territory of the Issuer to the extent other revenues of the City are not sufficient for such purpose.

2. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), the interest on the Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to become included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

3. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years that began prior to January 1, 2018.

4. The interest on the Bonds is exempt from income taxation in the State of Indiana (the "State") for all purposes, except the State financial institutions tax.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated \_\_\_\_\_, 2018, or any other offering material relating to the Bonds, and we express no opinion relating thereto.

We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) the enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that, in our opinion, the unenforceability of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

This opinion is given only as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**APPENDIX G**

**FORM OF CONTINUING DISCLOSURE CONTRACT**

## CONTINUING DISCLOSURE CONTRACT

This Continuing Disclosure Contract (this "Contract") is made this \_\_\_\_ day of March, 2018, from the City of South Bend, Indiana, (the "Issuer" or the "Promisor"), to each registered owner or holder of any Bond (as hereinafter defined) (each, a "Promisee");

WITNESSETH THAT:

WHEREAS, the Issuer is, on the date hereof, issuing its General Obligation Bonds, Series 2018 (collectively, the "Bonds"), pursuant to an ordinance adopted by the Common Council of the Issuer on January 22, 2018 (the "Ordinance"); and

WHEREAS, \_\_\_\_\_ (the "Underwriter") is, in connection with an offering of the Bonds directly or indirectly by or on behalf of the Issuer, purchasing the Bonds from the Issuer and selling the Bonds to certain purchasers; and

WHEREAS, Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Act"), provides that, except as otherwise provided in the Rule, a participating underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an offering (as defined in the Rule) unless the participating underwriter has reasonably determined that an issuer of municipal securities (as defined in the Rule) or an obligated person (as defined in the Rule) for whom financial or operating data is presented in the final official statement (as defined in the Rule) has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide certain information; and

WHEREAS, the Promisor seeks to enter into this Contract in order to assist the Underwriter in complying with subsection (b)(5) of the Rule; and

WHEREAS, any registered owner or holder of any Bond shall, by its payment for and acceptance of such Bond, accept and assent to this Contract and the exchange of (i) such payment and acceptance for (ii) the promises of the Promisor contained herein;

NOW, THEREFORE, in consideration of the Underwriter's and any Promisee's payment for and acceptance of any Bonds, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Promisor hereby promises to each Promisee as follows:

Section 1. Definitions. The terms defined herein, including the terms defined above and in this Section 1, shall have the meanings herein specified unless the context or use clearly indicates another or different meaning or intent. Any terms defined in the Rule, but not otherwise defined herein, shall have the meanings specified in the Rule unless the context or use clearly indicates another or different meaning or intent.

- (a) "Bond" shall mean any or all of the Bonds.
- (b) "Bondholder" shall mean any registered or beneficial owner or holder of any Bond.
- (c) "Final Official Statement" shall mean the Official Statement, dated \_\_\_\_\_, 2018, relating to the Bonds, including any document included therein by specific reference which is available to the public on the MSRB's Internet Web site or filed with the Commission.
- (d) "Fiscal Year" of any person shall mean any period from time to time adopted by such person as its fiscal year for accounting purposes.
- (e) "MSRB" shall mean the Municipal Securities Rulemaking Board.

- (f) “Obligated Person” shall mean any person who is either generally or through an enterprise, fund or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Bonds (other than any providers of municipal bond insurance, letters of credit or liquidity facilities), for whom financial information or operating data is presented in the Final Official Statement.
- (g) “State” shall mean the State of Indiana.

Section 2. Term. The term of this Agreement shall commence on the date of delivery of the Bonds by the Issuer to the Underwriter and shall expire on the earlier of (a) the date of payment in full of principal of and premium, if any, and interest on the Bonds, whether upon scheduled maturity, redemption, acceleration or otherwise, or (b) the date of defeasance of the Bonds in accordance with the terms of the Ordinance.

Section 3. Obligated Person(s). The Promisor hereby represents and warrants that, as of the date hereof:

- (a) The only Obligated Person with respect to the Bonds is the Promisor; and
- (b) Except as set forth in the Final Official Statement, there have been no instances in the previous five (5) years in which the Obligated Person failed to comply, in all material respects, with one (1) or more of its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Section 4. Undertaking to Provide Information.

- (a) The Promisor hereby undertakes to provide the following to the MSRB in an electronic format as prescribed by the MSRB, either directly or indirectly through a Registrar or designated agent, for the Promisor:
  - (i) Annual Financial Information. No later than June 30, as long as the Fiscal Year of such Obligated Person ends on December 31, or within six (6) months after the close of each Fiscal Year of such Obligated Person, if the Fiscal Year ends on a date other than December 31 of each year, beginning with the Fiscal Year ending in the year in which the Bonds are issued, the unaudited financial statements of such Obligated Person for such Fiscal Year (except to the extent the audited financial statements for such Fiscal Year are available) and financial information and operating data of the Obligated Person of the type provided under the following headings in Appendix B (CITY DEBT AND TAXATION) of the Final Official Statement, as applicable:
    - (A) Total City Tax Rates
    - (B) Certified Net Assessed Valuation
    - (C) Property Taxes Levied and Collected
    - (D) Ten Largest Taxpayers
 (the financial information and operating data set forth in Section 4(a)(i) hereof, collectively, the “Annual Financial Information”);
  - (ii) If not submitted as part of the Annual Financial Information, then when and if available, audited financial statements for such Obligated Person;

- (iii) The Obligor undertakes to provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
    - (A) Principal and interest payment delinquencies;
    - (B) Non-payment related defaults, if material;
    - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
    - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
    - (E) Substitution of credit or liquidity providers, or their failure to perform;
    - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
    - (G) Modifications to rights of security holders, if material;
    - (H) Bond calls, if material, and tender offers;
    - (I) Defeasances;
    - (J) Release, substitution or sale of property securing repayment of the securities, if material;
    - (K) Rating changes;
    - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
    - (M) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
    - (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
  - (iv) In a timely manner, notice of a failure of such Obligated Person to provide required Annual Financial Information or audited financial statements, on or before the date specified in this Contract.
- (b) Any financial statements of any Obligated Person provided pursuant to subsection (a)(i) of this Section 4 shall be prepared in accordance with any accounting principles mandated by the laws of the State, as in effect from time to

time, or any other consistent accounting principles that enable market participants to evaluate results and perform year to year comparisons, but need not be audited.

- (c) Any Annual Financial Information or audited financial statements may be set forth in a document or set of documents, or may be included by specific reference to be available to the public on the MRSB's Internet Web site or filed with the Commission.
- (d) If any Annual Financial Information otherwise required by subsection (a)(i) of this Section 4 no longer can be generated because the operations to which it relates have been materially changed or discontinued, a statement to that effect shall be deemed to satisfy the requirements of such subsection.
- (e) All documents provided to the MSRB under this Contract shall be accompanied by identifying information as prescribed by the MSRB.

Section 5. Termination of Obligation. The obligation to provide Annual Financial Information, audited financial statements and notices of events under Section 4(a) hereof shall terminate with respect to any Obligated Person, if and when such Obligated Person no longer remains an obligated person (as defined in the Rule) with respect to the Bonds.

Section 6. Bondholders. Each Bondholder is an intended Beneficiary of the obligations of the Promisor under this Contract, such obligations create a duty in the Promisor to each Bondholder to perform such obligations, and each Bondholder shall have the right to enforce such duty.

Section 7. Limitation of Rights. Nothing expressed or implied in this Contract is intended to give, or shall give, to the Issuer, the Underwriter, the Board or any Obligated Person, or any underwriters, brokers or dealers, or any other person, other than the Promisor, each Promisee and each Bondholder, any legal or equitable right, remedy or claim under or with respect to this Contract or any rights or obligations hereunder. This Contract and the rights and obligations hereunder are intended to be, and shall be, for the sole and exclusive benefit of the Promisor, each Promisee and each Bondholder.

Section 8. Remedies.

- (a) The sole and exclusive remedy for any breach or violation by the Promisor of any obligation of the Promisor under this Contract shall be the remedy of specific performance by the Promisor of such obligation. Neither any Promisee nor any Bondholder shall have any right to monetary damages or any other remedy for any breach or violation by the Promisor of any obligation of the Promisor under this Contract, except the remedy of specific performance by the Promisor of such obligation.
- (b) No breach or violation by the Promisor of any obligation of the Promisor under this Contract shall constitute a breach or violation of or default under the Bonds or the Ordinance.
- (c) Any action, suit or other proceeding for any breach or violation by the Promisor of any obligation of the Promisor under this Contract shall be instituted, prosecuted and maintained only in a court of competent jurisdiction in St. Joseph County, Indiana.
- (d) No action, suit or other proceeding for any breach or violation by the Promisor of any obligation of the Promisor under this Contract shall be instituted, prosecuted or maintained by any Promisee or any Bondholder unless, prior to instituting such action, suit or other proceeding: (i) such Promisee or such Bondholder has given the Promisor notice of such breach or violation and demand for performance; and



(ii) the Promisor has failed to cure such breach or violation within sixty (60) days after such notice.

Section 9. Waiver. Any failure by any Promisee or any Bondholder to institute any suit, action or other proceeding for any breach or violation by the Promisor of any obligation of the Promisor under this Contract, within three hundred sixty (360) days after the date such Promisee or such Bondholder first has knowledge of such breach or violation, shall constitute a waiver by such Promisee or such Bondholder of such breach or violation and, after such waiver, no remedy shall be available to such Promisee or such Bondholder for such breach or violation.

Section 10. Annual Appropriations. This Contract and the obligations of the Promisor hereunder are subject to annual appropriation by the fiscal body of the Promisor.

Section 11. Limitation of Liability. The obligations of the Promisor under this Contract are special and limited obligations of the Promisor, payable solely from funds on deposit in the Promisor's General Fund. The obligations of the Promisor under this Contract are not and shall never constitute a general obligation, debt or liability of the Promisor or the State, or any political subdivision thereof, within the meaning of any constitutional limitation or provision, or a pledge of the faith, credit or taxing power of the Promisor or the State, or any political subdivision thereof, and do not and shall never constitute or give rise to any pecuniary liability or charge against the general credit or taxing power of the Promisor or the State, or any political subdivision thereof.

Section 12. Immunity of Officers, Directors, Members, Employees and Agents. No recourse shall be had for any claim based upon any obligation in this Contract against any past, present or future Officer, Director, Member, Employee or Agent of the Promisor, as such, either directly or through the Promisor, under any rule of law or equity, statute or Constitution.

Section 13. Amendment of Obligations. The Promisor may, from time to time, amend any obligation of the Promisor under this Contract, without notice to or consent from any Promisee or any Bondholder, if: (a)(i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of any Obligated Person, or type of business conducted, (ii) this Contract, after giving effect to such amendment, would have complied with the requirements of the Rule on the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interests of any Bondholders, as determined either by (A) any person selected by the Promisor that is unaffiliated with the Promisor, the Issuer or any Obligated Person (such as any trustee under the Ordinance) or (B) an approving vote of the Bondholders pursuant to the terms of the Ordinance at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Section 14. Assignment and Delegation. Neither any Promisee nor any Bondholder may, without the prior written consent of the Promisor, assign any of its rights under this Contract to any other person. The Promisor may not assign any of its rights or delegate any of its obligations under this Contract to any other person, except that the Promisor may assign any of its rights or delegate any of such obligations to any entity (a) into which the Promisor merges, with which the Promisor consolidates or to which the Promisor transfers all or substantially all of its assets or (b) which agrees in writing for the benefit of Bondholders to assume such rights or obligations.

Section 15. Communications. Any information, datum, statement, notice, certificate or other communication required or permitted to be provided, delivered or otherwise given hereunder by any person to any other person shall be in writing and, if such other person is the Promisor, shall be provided, delivered or otherwise given to the Promisor at the following address:

City of South Bend, Indiana  
c/o City Controller  
227 West Jefferson Boulevard  
Suite 1200N  
South Bend, Indiana 46601

(or at such other address as the Promisor may, by notice to the MSRB, provide), or, if such other person is not the Promisor, shall be provided, delivered or otherwise given to such other person at any address that the person providing, delivering or otherwise giving such information, datum, statement, notice, certificate or other communication believes, in good faith but without any investigation, to be an address for receipt by such other person of such information, datum, statement, notice, certificate or other communication. For purposes of this Contract, any such information, datum, statement, notice, certificate or other communication shall be deemed to be provided, delivered or otherwise given on the date that such information, datum, notice, certificate or other communication is (a) delivered by hand to such other person, (b) deposited with the United States Postal Service for mailing by registered or certified mail, (c) deposited with Express Mail, Federal Express or any other courier service for delivery on the following business day, or (d) sent by facsimile transmission, telecopy or telegram.

Section 16. Knowledge. For purposes of this Contract, each Promisee and each Bondholder shall be deemed to have knowledge of the provision and content of any information, datum, statement or notice provided by the Promisor to the MSRB on the date such information, datum, statement or notice is so provided, regardless of whether such Promisee or such Bondholder was a registered or beneficial owner or holder of any Bond at the time such information, datum, statement or notice was so provided.

Section 17. Performance Due on other than Business Days. If the last day for taking any action under this Contract is a day other than a business day, such action may be taken on the next succeeding business day and, if so taken, shall have the same effect as if taken on the day required by this Contract.

Section 18. Waiver of Assent. Notice of acceptance of or other assent to this Contract is hereby waived.

Section 19. Governing Law. This Contract and the rights and obligations hereunder shall be governed by and construed and enforced in accordance with the internal laws of the State, without reference to any choice of law principles.

Section 20. Severability. If any portion of this Contract is held or deemed to be, or is, invalid, illegal, inoperable or unenforceable, the validity, legality, operability and enforceability of the remaining portions of this Contract shall not be affected, and this Contract shall be construed as if it did not contain such invalid, illegal, inoperable or unenforceable portion.

Section 21. Rule. This Contract is intended to be an agreement or contract in which the Promisor has undertaken to provide that which is required by paragraph (b)(5) of the Rule. If and to the extent this Contract is not such an agreement or contract, this Contract shall be deemed to include such terms not otherwise included herein, and to exclude such terms not otherwise excluded herefrom, as are necessary to cause this Contract to be such an agreement or contract.

Section 22. Interpretation. The use herein of the singular shall be construed to include the plural, and vice versa, and the use herein of the neuter shall be construed to include the masculine and feminine. Unless otherwise indicated, the words "hereof," "herein," "hereby" and "hereunder," or words of similar import, refer to this Contract as a whole and not to any particular section, subsection, clause or other portion of this Contract.

Section 23. Captions. The captions appearing in this Contract are included herein for convenience of reference only, and shall not be deemed to define, limit or extend the scope of intent of any rights or obligations under this Contract.

***[Signatures follow on the next page]***

IN WITNESS WHEREOF, the Promisor has caused this Contract to be executed on the date first above written.

**CITY OF SOUTH BEND, INDIANA**

By: \_\_\_\_\_  
Pete Buttigieg, Mayor

Attest:

\_\_\_\_\_  
Kareemah Fowler, Clerk

*[SIGNATURE PAGE OF CONTINUING DISCLOSURE CONTRACT]*

**APPENDIX H**  
**NOTICE OF INTENT TO SELL**

**OFFICIAL NOTICE OF INTENT TO SELL BONDS  
CITY OF SOUTH BEND, INDIANA  
GENERAL OBLIGATION BONDS SERIES 2018**

**NOTICE IS HEREBY GIVEN** that upon not less than twenty-four (24) hours' notice given by telephone, facsimile, electronically or otherwise on behalf of City of South Bend, Indiana (the "City"), prior to ninety (90) days from the date of the second publication of this notice, separate electronic and sealed bids will be received on behalf of the City at the office of Crowe Horwath LLP (the "Municipal Advisor"), 135 N. Pennsylvania Street, Suite 200, Indianapolis, Indiana 46204, (317) 632-1100 (telephone), 317-635-6127 (facsimile), [herschel.frierson@crowehorwath.com](mailto:herschel.frierson@crowehorwath.com) and [rebecca.zakowski@crowehorwath.com](mailto:rebecca.zakowski@crowehorwath.com) (email), in the manner as set forth herein for the purchase of the bonds of the City designated as "City of South Bend, Indiana, General Obligation Bonds, Series 2018" (the "Bonds") in the aggregate principal amount of Five Million Four Hundred Thirty Thousand Dollars (\$5,430,000) (preliminary, subject to change), bearing interest at a rate or rates not exceeding six percent (6.00%) per annum. Upon completion of the bidding procedures described herein, the results of the sealed, non-electronic bids received shall be compared to the electronic bids received by the City.

**TYPES OF BIDS ALLOWED.** Bids may be submitted electronically via PARITY in accordance with this Official Notice of Intent to Sell Bonds, until 11:00 A.M. (EDT) on the date of sale, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> conflict with this Notice of Intent to Sell Bonds, the terms of this Official Notice of Intent to Sell Bonds shall control. For further information about **PARITY**<sup>®</sup>, potential bidders may contact the Municipal Advisor to the City or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, telephone (212) 849-5021. Sealed bids may be submitted to the Municipal Advisor at the mailing address, facsimile or email described above until 12:00 P.M. (EDT) on the date of the sale. It is currently anticipated that bids will be requested on March 15, 2018.

**FORM, MATURITY AND PAYMENT OF BONDS.** Interest on the Bonds shall be calculated on the basis of twelve (12) thirty (30)-day months for a three hundred and sixty (360)-day year and shall be payable semiannually on January 15 and July 15 in each year, commencing July 15, 2018. The Bonds will be issued as fully registered bonds in book-entry-only form in minimum denominations of \$5,000 or any integral multiples thereof, not exceeding the aggregate principal amount of such Bonds maturing in any one year and when issued, will be registered in the name of CEDE & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The purchasers of beneficial interests in the Bonds will not receive physical delivery of bond certificates and ownership by the Beneficial Owners of the Bonds will be evidenced by book-entry only. As long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, payments of principal and interest will be made directly to such registered owner, which will in turn, remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners. The City shall not have any liability for the failure of DTC or any DTC Participant to remit the payment or provide any notice to any Beneficial Owner of such Bonds.

The Bonds shall be numbered consecutively from 18R-1 upward, shall bear an original issue date which shall be the date the Bonds are issued and shall mature on January 15 and July 15 in the years and amounts as follows:

| <u>Maturity Date</u> | <u>Principal Amount*</u> | <u>Maturity Date</u> | <u>Principal Amount*</u> |
|----------------------|--------------------------|----------------------|--------------------------|
| 7/15/2018            | \$ 70,000                | 7/15/2028            | \$ 130,000               |
| 1/15/2019            | 70,000                   | 1/15/2029            | 135,000                  |
| 7/15/2019            | 75,000                   | 7/15/2029            | 140,000                  |
| 1/15/2020            | 80,000                   | 1/15/2030            | 140,000                  |
| 7/15/2020            | 80,000                   | 7/15/2030            | 150,000                  |
| 1/15/2021            | 85,000                   | 1/15/2031            | 150,000                  |
| 7/15/2021            | 85,000                   | 7/15/2031            | 155,000                  |
| 1/15/2022            | 90,000                   | 1/15/2032            | 160,000                  |
| 7/15/2022            | 90,000                   | 7/15/2032            | 165,000                  |
| 1/15/2023            | 95,000                   | 1/15/2033            | 170,000                  |
| 7/15/2023            | 95,000                   | 7/15/2033            | 175,000                  |
| 1/15/2024            | 100,000                  | 1/15/2034            | 180,000                  |
| 7/15/2024            | 105,000                  | 7/15/2034            | 185,000                  |
| 1/15/2025            | 105,000                  | 1/15/2035            | 190,000                  |
| 7/15/2025            | 110,000                  | 7/15/2035            | 195,000                  |
| 1/15/2026            | 110,000                  | 1/15/2036            | 205,000                  |
| 7/15/2026            | 115,000                  | 7/15/2036            | 215,000                  |
| 1/15/2027            | 120,000                  | 1/15/2037            | 210,000                  |
| 7/15/2027            | 120,000                  | 7/15/2037            | 225,000                  |
| 1/15/2028            | 130,000                  | 1/15/2038            | 225,000                  |

\*Preliminary, subject to change.

The City reserves the right to adjust principal amounts within maturities of the Bonds to achieve the financial objectives of the City with respect to its current and future debt service levies based upon the rates bid by the successful bidder, the City's current debt service levy and the City's anticipated debt service levy during the term of the Bonds. In addition, the City reserves the right to decrease the entire principal amount of the Bonds issued based on the actual interest rates bid by the successful bidder. If the maximum principal amount of the Bonds issued decreases, the City reserves the right to adjust principal amounts within maturities based on the parameters set forth in this paragraph.

Except as may be agreed to by the City and the successful bidder, all payments of interest on the Bonds will be paid by check or draft mailed one business day prior to each interest payment date, to the registered owners of the Bonds as of the last day of the month preceding the month in which such interest is payable at the address as it appears on the registration books kept by U.S. Bank National Association, Indianapolis, Indiana, as registrar and paying agent for the Bonds (the "Registrar and Paying Agent") or at such other address as is provided to the Registrar and Paying Agent in writing by such registered owner. Except as may be agreed to by the City and the successful bidder, principal on the Bonds will be payable at the principal office of the Registrar and Paying Agent. Notwithstanding the foregoing, (a) so long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds will be

paid directly by the Registrar and Paying Agent to DTC as provided hereinabove and in accordance with the procedures required by DTC and (b) so long as all of the outstanding Bonds are held by one accredited investor, principal of and interest on the Bonds may be paid directly by the Registrar and Paying Agent to DTC by wire transfer on the interest payment dates and principal payment dates without presentment of the Bonds.

The Bonds may be transferred or exchanged at the office of the Registrar and Paying Agent, subject to the terms and conditions of the ordinance authorizing the Bonds.

**REDEMPTION PROVISIONS.** The Bonds maturing on or after July 15, 2028, may be redeemed prior to maturity at the option of the City in whole or in part, in any order of maturity as selected by the City and by lot within maturities, on any date not earlier than January 15, 2028. Redemption will be at face value plus accrued interest to the redemption date and without any redemption premium.

Upon the election of the successful bidder, any of the Bonds may be issued as term bonds subject to mandatory sinking fund redemption on January 15 and July 15 of the years set forth above at 100% of the face value in accordance with the schedules set forth above. If any Bonds are subject to mandatory sinking fund redemption, the Registrar and Paying Agent shall credit against the mandatory sinking fund requirement for any term bonds and corresponding mandatory sinking fund redemption obligation, in the order determined by the City, any term bonds maturing on the same date which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Registrar and Paying Agent for cancellation or purchased for cancellation by the Registrar and Paying Agent and not theretofore applied as a credit against any redemption obligation. Each term bond so delivered or canceled shall be credited by the Registrar and Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory obligations and the principal amount of that term bond to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Registrar and Paying Agent shall only credit such term bonds to the extent received on or before forty-five days preceding the applicable mandatory redemption date.

Notice of any redemption will be mailed by first class mail by the Registrar and Paying Agent not less than 30 days prior to the date selected for redemption to the registered owners of all Bonds to be redeemed at the address shown on the registration books of the Registrar and Paying Agent; provided, however, that failure to give such notice by mailing or a defect in the notice or the mailing as to the Bonds will not affect the validity of any proceedings for redemption as to any other Bonds for which notice is adequately given. Notice having been mailed, the Bonds designated for redemption will, on the date specified in such notice, become due and payable at the then applicable redemption price. On presentation and surrender of such Bonds in accordance with such notice at the place at which the same are expressed in such notice to be redeemable, such Bonds will be redeemed by the Registrar and Paying Agent and any paying agent for that purpose. From and after the date of redemption so designated, unless default is made in the redemption of the Bonds upon presentation, interest on the Bonds designated for redemption will cease.

With respect to any notice of redemption of any of the Bonds, the notice shall additionally state (i) any condition precedent to such redemption, (ii) that on the date fixed for redemption, and upon the satisfaction of any condition precedent described in the notice, the redemption price will be due and payable upon each such Bond or portion thereof and that interest on the Bonds called for redemption ceases to accrue on the date fixed for redemption, and (iii) that if such condition precedent is not satisfied, such notice of redemption is rescinded and of no force and effect, and the principal and premium, if any, shall continue to bear interest on and after the date fixed for redemption at the interest rate borne by such Bond.

**INTEREST RATES.** Each bid submitted must be for all of the Bonds and must state the rate or rates of interest therefor, not exceeding the maximum per annum interest rate hereinbefore specified. Such interest rate or rates must be in multiples of one-eighth (1/8) or one-one hundredth (1/100) of one percent (1.00%). Bids specifying more than one interest rate must also specify the amount and maturities of the Bonds bearing each rate. All Bonds maturing on the same date shall bear the same rate of interest, and

the interest rate bid on each maturity of the Bonds shall be equal to or greater than the interest rate bid on any and all prior maturities of the Bonds. Although not a term of sale, it is requested that each bid show the total dollar cost to final maturity and the true interest cost on the entire issue to which such bid relates.

**BIDDING DETAILS.** Any person interested in submitting a bid for the Bonds must furnish written notice of such intent along with such person's name, address and telephone number, on or before 12:00 p.m. (EDT), March 13, 2018, to the Municipal Advisor, 135 N. Pennsylvania Street, Suite 200, Indianapolis, Indiana 46204, telephone (317) 632-1100, facsimile 317-635-6127, email [herschel.frierson@crowehorwath.com](mailto:herschel.frierson@crowehorwath.com) and [rebecca.zakowski@crowehorwath.com](mailto:rebecca.zakowski@crowehorwath.com). The person may also furnish a facsimile number or e-mail address. The City will cause each person so registered to be notified of the date and time bids will be received for the Bonds, not less than twenty-four (24) hours before the date and time of sale. The notification shall be made by telephone at the number furnished by such person and also by telex or facsimile and electronically if a telex or facsimile number or e-mail address has been furnished. No conditional bid or bids for less than ninety-eight percent (98.00%) of the par value of the Bonds will be considered. The City reserves the right to reject any and all bids and to waive any informality in any bid. If no acceptable bid is received on the date fixed for sale of the Bonds, the sale may be continued from day to day thereafter without further advertisement for a period not to exceed thirty (30) days, but if so continued, no bid will be accepted which offers an interest cost which is equal to or higher than the best bid received at the time fixed for the sale.

A bidder may purchase bond insurance to guarantee the repayment of the debt service of the Bonds from a bond insurance company; provided, however, the payment of any premium for any such bond insurance will be paid by the successful bidder from its discount bid, and will not be paid by the City.

Each of the bids for the Bonds not submitted via **PARITY**<sup>®</sup> (i) shall be sealed in an envelope, or if sent by electronic mail or facsimile transmission with a cover page or information in the Subject line, marked "City of South Bend, Indiana, General Obligation Bonds, Series 2018"; (ii) must be on the forms approved by the City, without additions, alterations or erasures, which forms may be obtained from the Municipal Advisor at the address of the Municipal Advisor set forth herein; and (iii) delivered to the City at the address, facsimile number, or e-mail address set forth in the first paragraph above.

**INTERNET BIDS.** If using **PARITY**<sup>®</sup>, bidders must first visit the **PARITY**<sup>®</sup> web site where, if they have never registered with **PARITY**<sup>®</sup>, they can register and then request admission to bid on the Bonds. Only NASD registered broker dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Any questions pertaining to the **PARITY**<sup>®</sup> web site may be directed to **PARITY**<sup>®</sup> at (212) 849-5021.

**RULES OF ELECTRONIC BIDDING.** The "Rules" of **PARITY**<sup>®</sup> can be viewed on their respective websites and are incorporated herein by reference. Bidders must comply with the **PARITY**<sup>®</sup> in addition to requirements of this Official Notice of Intent to Sell Bonds. To the extent there is a conflict between the Rules of **PARITY**<sup>®</sup> and this Official Notice of Intent to Sell Bonds, this Official Notice of Intent to Sell Bonds shall control.

**CLOSED AUCTION.** Bidders may change and submit bids as many times as they wish during the sale period, but they may not withdraw a submitted bid. The last bid submitted by a bidder prior to the deadline for the receipt of bids will be compared to all other final bids to determine the winning bid. During the sale, no bidder will see any other bidder's bid, nor will they see the status of their bid relative to other bids (e.g. whether their bid is a leading bid).

**AMENDMENTS.** The City reserves the right to amend any information contained in this Official Notice of Intent to Sell Bonds. The City also reserves the right to postpone, from time to time, the date established for the receipt of bids on the Bonds. Any such amendment or postponement will be announced on the Amendments Page accessible through the View Amendments button of **PARITY**<sup>®</sup>, or via TM3 and/or Bloomberg wire service, at any time prior to the date and time established for the auction. If any date fixed for the sale is postponed, any alternative sale date will be announced at least 24 hours prior to such alternative sale date.



**BASIS FOR AWARD.** The sale of the Bonds will be awarded to the bidder for the Bonds making a bid for all of the Bonds and that conforms to the specifications herein and which produces the lowest Net Interest Cost rate to the City for all of the Bonds. The Net Interest Cost rate is determined by computing the total interest on all of the Bonds to their maturities based upon the schedule provided minus any premium bid plus any discount bid. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth or incorporated by reference in the Official Bid Form will be considered as the intended bid.

In the event that the City fails to receive a bid on the Bonds from at least three Underwriters (as hereinafter defined), the City shall so advise the successful bidder for the Bonds (such successful bidder as used herein, the "Purchaser"). If the Purchaser is an Underwriter intending to resell all or any portion of the Bonds to the Public (as hereinafter defined), the Purchaser must, prior to acceptance of its bid by the City, either (i) agree in writing to neither offer nor sell any of the Bonds to any person at a price that is higher than the initial offering price for each maturity of Bonds during the Holding Period (as hereinafter defined) for any maturity of the Bonds or (ii) request in writing that the City treat the first price at which 10% of a maturity of the Bonds (the 10% test) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis. For purposes of this Notice of Intent to Sell Bonds, (a) the term "Public" shall mean any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter, (b) the term "related party" means any two or more persons who have greater than 50 percent common ownership, directly or indirectly, (c) the term "Underwriter" means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public), (d) the term "Underwriters" means more than one Underwriter, and (e) the term "Holding Period" means the period starting on the date the City awards the Bonds to the Purchaser (the "Sale Date") and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of each maturity of the Bonds to the Public at prices that are no higher than the initial offering price for such maturity of the Bonds. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all participating underwriters of the Bonds for purposes of assuring the receipt of each such participating underwriter of the Final Official Statement. The Purchaser shall be responsible for providing (i) in writing the initial reoffering prices and other terms, if any, to the Municipal Advisor as and at the time requested and (ii) a certification verifying information as to the bona fide initial offering prices of the Bonds to the Public and sales of the Bonds appropriate for determination of the issue price of, and the yield on, the Bonds under Internal Revenue Code of 1986, as amended, as and at the time requested by the City's bond counsel.

**GOOD FAITH DEPOSIT.** The successful bidder for the Bonds must provide to the Municipal Advisor, on behalf of the City, a certified or cashier's check or wire transfer consisting of immediately available funds payable to the City as instructed by the Municipal Advisor on behalf of the City in the amount of one percent (1.00%) of the aggregate principal amount of the Bonds (the amount of such check or wire transfer being referred to hereinafter as the "Deposit") within 24 hours after the bid is accepted. If a check is submitted, it must be drawn on a bank or trust company that is insured by the Federal Deposit Insurance Corporation. In either case, the Deposit must be submitted to the City or its Municipal Advisor within 24 hours after the bid is accepted in order to qualify the bid and shall be made payable to "City of South Bend, Indiana," as a guarantee of the good faith of the bidder. The Deposit will be applied to the purchase price of the Bonds awarded to the successful bidder.

In the event the successful bidder awarded the Bonds shall fail or refuse to comply with the provisions of the bid and this notice, such Deposit shall become the property of the City and shall be taken and considered as liquidated damages of the City on account of such failure or refusal.

The successful bidder for the Bonds will be required to make payment for the Bonds in Federal Reserve or other immediately available funds and accept delivery of the Bonds within five (5) days after being notified that the Bonds are ready for delivery, at a bank designated by the City. Any premium bid must be paid in cash at the time of delivery as a part of the purchase price of the Bonds. The Bonds will be ready for delivery within sixty (60) days after the date on which the award is made; if not deliverable within that period, the successful bidder will be entitled to rescind the sale and the Deposit will be returned. Any notice of rescission must be in writing. At the request of the City, the successful bidder shall furnish to the City, simultaneously with or before delivery of the Bonds, a certificate in form satisfactory to the City regarding the price at which a substantial amount of the Bonds of each maturity was reoffered to the public.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of its bid. No CUSIP identification number shall be deemed to be a part of any Bond or the contract evidenced thereby and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers. All expenses in relation to the printing or typing of CUSIP numbers on the Bonds shall be paid by the City; provided, however, it shall be the responsibility of the successful bidder to timely obtain the numbers and to pay the CUSIP Service Bureau charge for the assignment of the numbers. The successful bidder will also be responsible for any other fees or expenses it incurs in connection with the resale of the Bonds.

**AUTHORITY AND PURPOSE.** The Bonds are being issued under the provisions of the Indiana Code to provide funding for the costs associated with the (i) replacement of current Fire Station 9 with a newly constructed station at the corner of Mishawaka Avenue and 21st Street in the City which new station would be approximately 10,000 square feet and would house Engine 9, Medic 9, and Boat 2 and accommodate up to 7 assigned firefighters per day and (ii) construction of an additional classroom building on the grounds of the Luther J. Taylor Sr. Fire Training Center which proposed building would be an approximately 3,000 square foot building and would house a rugged, divisible classroom with capacity for 100 personnel and additional training props and storage areas, as described and defined in an ordinance adopted by the Common Council of the City on January 22, 2018, as more fully described in the Preliminary Official Statement, together with and the costs incurred in connection with the issuance and sale of the Bonds and all incidental expenses therewith.

The principal of and interest on the Bonds are payable solely from *ad valorem* property taxes to be levied upon all taxable property in the City to the extent other revenues of the City are not sufficient for such purpose.

**BOND DELIVERY.** At the time of delivery of the Bonds, the approving opinion of Barnes & Thornburg LLP, South Bend, Indiana, bond counsel ("Bond Counsel"), as to the validity of the Bonds, together with a transcript of the proceedings for the Bonds, the printed Bonds and closing certificates in the customary form showing no litigation, will be furnished to the successful bidder for the Bonds at the expense of the City. In addition, unless Bond Counsel is able, on the date of delivery, to render an opinion to the effect that under existing laws, regulations, judicial decisions and rulings, (1) the interest on the Bonds is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended, for federal income tax purposes, and (2) the interest on the Bonds is exempt from income taxation in the state of Indiana for all purposes except the state financial institutions tax, the successful bidder for the Bonds shall have the right to rescind the sale, and in such event the Deposit will be returned.

**PRELIMINARY OFFICIAL STATEMENT.** A copy of the Preliminary Official Statement prepared at the direction of the City in connection with the Bonds (the "Preliminary Official Statement") may be obtained in limited quantities prior to submission of a bid by request from the Municipal Advisor, Crowe Horwath LLP, 135 N. Pennsylvania Street, Suite 200, Indianapolis, Indiana 46204, Attention: Herschel Frierson, telephone: (317) 632-1100, facsimile (317) 635-6127, email [herschel.frierson@crowehorwath.com](mailto:herschel.frierson@crowehorwath.com) and [rebecca.zakowski@crowehorwath.com](mailto:rebecca.zakowski@crowehorwath.com). Said Preliminary Official Statement will be in a form deemed final

by the City, pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), subject to completion as permitted by the Rule.

Within seven (7) business days of the sale, the City will provide the successful bidder with up to 20 copies of the final Official Statement (the "Final Official Statement") at the City's expense and such additional copies as may be requested, within five (5) business days of the sale, by the successful bidder at the expense of the successful bidder. Inquiries concerning matters contained in the nearly final Official Statement must be made and pricing and other information necessary to complete the Final Official Statement must be submitted by the successful bidder within two (2) business days following the sale to be included in the Final Official Statement. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any Underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all participating Underwriters of the Bonds for purposes of assuring the receipt of each such participating Underwriter of the Final Official Statement. The successful bidder for the Bonds shall be responsible for providing (i) in writing the initial reoffering prices and other terms, if any, of the Bonds to the Municipal Advisor as and at the time requested and (ii) a certification verifying information as to the bona fide initial offering prices of the Bonds to the public and sales of the Bonds appropriate for determination of the issue price of, and the yield on, such Bonds under Internal Revenue Code of 1986, as amended, as and at the time requested by the City's Bond Counsel.

In order to assist bidders in complying with paragraph (b)(5) of the Rule, the City will undertake, pursuant to the Continuing Disclosure Contract which shall be delivered to the successful bidder of the Bonds at the closing on the Bonds, to provide annual reports, certain financial information, and notices of certain events as required by Section (b)(5) of the Rule. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement.

If bids for the Bonds are submitted by mail, they should be addressed to the City in care of the Municipal Advisor at the address listed above.

Dated this 16th day of February, 2018.

CITY OF SOUTH BEND, INDIANA

**[TO BE PUBLISHED ON FRIDAY, FEBRUARY 16, 2018, AND FRIDAY, FEBRUARY 23, 2018, IN THE SOUTH BEND TRIBUNE, TRI-CITY NEWS AND IN THE COURT AND COMMERCIAL RECORD]**

**APPENDIX I**

**BID FORM**

**BID FORM**  
(Optional)

PROPOSAL FOR PURCHASE OF  
\$5,045,000\*  
City of South Bend, Indiana  
General Obligation Bonds, Series 2018

To the City Controller of the City of South Bend, Indiana:

The undersigned herewith submits its sealed proposal for the purchase of the following described bonds of the City of South Bend (the "Issuer"):

Designation of issue: General Obligation Bonds, Series 2018  
 Amount of issue: \$5,045,000\*  
 Dated: Date of Delivery  
 Delivery: Issuer is expected to have the Bonds ready for delivery to the successful bidder on or about \_\_\_\_\_.  
 Discount: The Bonds will be sold at a price of not less than 98% of the par value.  
 Interest: First payment July 15, 2018 and semi-annually thereafter.  
 Interest Rate Bid: Interest rate bid not to exceed 6.0%. The interest rate bid on any maturity must be no less than the interest rate bid on any and all prior maturities. Interest rate bids shall be in multiples of one-eighth (1/8), or one-hundredth (1/100) of one percent (1%).  
 Denomination: \$5,000 or integral multiples thereof.  
 Maturities: On January 15 and July 15, in the years and amounts as follows:

| <u>Date</u> | <u>Principal*</u> | <u>Date</u> | <u>Principal*</u> |
|-------------|-------------------|-------------|-------------------|
| 7/15/18     | \$ 55,000         | 7/15/28     | \$ 120,000        |
| 1/15/19     | 60,000            | 1/15/29     | 125,000           |
| 7/15/19     | 70,000            | 7/15/29     | 130,000           |
| 1/15/20     | 75,000            | 1/15/30     | 130,000           |
| 7/15/20     | 75,000            | 7/15/30     | 135,000           |
| 1/15/21     | 80,000            | 1/15/31     | 140,000           |
| 7/15/21     | 85,000            | 7/15/31     | 150,000           |
| 1/15/22     | 80,000            | 1/15/32     | 145,000           |
| 7/15/22     | 90,000            | 7/15/32     | 155,000           |
| 1/15/23     | 85,000            | 1/15/33     | 155,000           |
| 7/15/23     | 95,000            | 7/15/33     | 165,000           |
| 1/15/24     | 90,000            | 1/15/34     | 165,000           |
| 7/15/24     | 95,000            | 7/15/34     | 175,000           |
| 1/15/25     | 100,000           | 1/15/35     | 175,000           |
| 7/15/25     | 100,000           | 7/15/35     | 185,000           |
| 1/15/26     | 105,000           | 1/15/36     | 185,000           |
| 7/15/26     | 110,000           | 7/15/36     | 195,000           |
| 1/15/27     | 110,000           | 1/15/37     | 200,000           |
| 7/15/27     | 120,000           | 7/15/37     | 210,000           |
| 1/15/28     | 115,000           | 1/15/38     | 210,000           |

\* Preliminary, subject to change.

For all of the above-mentioned bonds, bearing interest at the following rates of interest per annum:

| <u>Date</u> | <u>Principal*</u> | <u>Interest Rate</u> | <u>Date</u> | <u>Principal*</u> | <u>Interest Rate</u> |
|-------------|-------------------|----------------------|-------------|-------------------|----------------------|
| 7/15/18     | \$ 55,000         | _____ %              | 7/15/28     | \$ 120,000        | _____ %              |
| 1/15/19     | 60,000            | _____                | 1/15/29     | 125,000           | _____                |
| 7/15/19     | 70,000            | _____                | 7/15/29     | 130,000           | _____                |
| 1/15/20     | 75,000            | _____                | 1/15/30     | 130,000           | _____                |
| 7/15/20     | 75,000            | _____                | 7/15/30     | 135,000           | _____                |
| 1/15/21     | 80,000            | _____                | 1/15/31     | 140,000           | _____                |
| 7/15/21     | 85,000            | _____                | 7/15/31     | 150,000           | _____                |
| 1/15/22     | 80,000            | _____                | 1/15/32     | 145,000           | _____                |
| 7/15/22     | 90,000            | _____                | 7/15/32     | 155,000           | _____                |
| 1/15/23     | 85,000            | _____                | 1/15/33     | 155,000           | _____                |
| 7/15/23     | 95,000            | _____                | 7/15/33     | 165,000           | _____                |
| 1/15/24     | 90,000            | _____                | 1/15/34     | 165,000           | _____                |
| 7/15/24     | 95,000            | _____                | 7/15/34     | 175,000           | _____                |
| 1/15/25     | 100,000           | _____                | 1/15/35     | 175,000           | _____                |
| 7/15/25     | 100,000           | _____                | 7/15/35     | 185,000           | _____                |
| 1/15/26     | 105,000           | _____                | 1/15/36     | 185,000           | _____                |
| 7/15/26     | 110,000           | _____                | 7/15/36     | 195,000           | _____                |
| 1/15/27     | 110,000           | _____                | 1/15/37     | 200,000           | _____                |
| 7/15/27     | 120,000           | _____                | 7/15/37     | 210,000           | _____                |
| 1/15/28     | 115,000           | _____                | 1/15/38     | 210,000           | _____                |

the undersigned will pay the sum of Five Million, Four Hundred Thirty Thousand Dollars\* (\$5,045,000), computed at the interest rate or rates herein named, and a premium (discount) of \$\_\_\_\_\_. The transcript of the proceedings, closing certificates showing no litigation, the unqualified approving opinion of Barnes & Thornburg LLP, Bond Counsel of South Bend, Indiana, and the printed bond forms with the legal opinion printed thereon will be furnished by the City.

A duly certified check or cashier's check drawn on a bank or trust company which is insured by the Federal Deposit Insurance Corporation payable to the City in the amount of Fifty Thousand Four Hundred and Fifty Dollars (\$50,450), which check shall be held by the City as a guaranty of the performance of this bid will be provided within one day after the sale of the Bonds. This requirement may also be met with cash or a wire transfer.

\* Preliminary, subject to change.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2018

\_\_\_\_\_  
Name or Names of Bidder

By: \_\_\_\_\_  
Authorized Officer or Agent

\_\_\_\_\_  
Address of Authorized Officer or Agent

Phone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Net dollar interest cost \$ \_\_\_\_\_

Net interest rate \_\_\_\_\_ %

Accepted this \_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Jennifer Hockenhill, Controller of the  
City of South Bend, Indiana

**APPENDIX J**  
**ISSUE PRICE DETERMINATION**



## ISSUE PRICE DETERMINATION

**This Appendix J assumes that (a) the winning bidder (the “Purchaser”) is purchasing the Bonds as an Underwriter (as hereinafter defined) and is not purchasing the Bonds with the intent to hold the Bonds for its own account, and (b) the City of South Bend, Indiana (the “Issuer”) and the Purchaser shall agree to the process by which the issue price will be established on the date of sale of the Bonds in the event that the Competitive Sale Requirements (as hereinafter defined) are not satisfied. The Purchaser must agree to execute the applicable schedules depending on the sale results.**

(a) By submitting a bid, the Purchaser agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at the Closing (as hereinafter defined) for the Bonds written evidence identifying the “Issue Price” as defined in the provisions of Treasury Regulation Section 1.148-1 (“Issue Price Rules”) for the Bonds or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Purchaser, the Issuer and Bond Counsel. All actions to be taken by the Issuer to establish the Issue Price of the Bonds may be taken on behalf of the Issuer by the Issuer’s municipal advisor identified in the Official Statement (Crowe Horwath LLP) and any notice or report to be provided to the Issuer may be provided to the Issuer’s municipal advisor.

(b) For purposes of this Appendix J, the Competitive Sale Requirements will be satisfied in accordance with the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (the “Competitive Sale Requirements”) for purposes of establishing the Issue Price of the Bonds and will apply to the initial sale of the Bonds if the Issuer receive bids for the Bonds from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds because:

- (1) the Issuer shall disseminate the Notice of Intent to Sell Bonds (the "Notice") to potential Underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid; and
- (3) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost) as set forth in the Notice (the requirements set forth in this paragraph (b), collectively, the “Competitive Sale Requirements”).

Any bid submitted pursuant to the Notice shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. If all of the Competitive Sale Requirements are satisfied, the Purchaser shall execute Schedule I if the Purchaser is purchasing the Bonds as an Underwriter.

(c) In the event that the Competitive Sale Requirements are not satisfied, the Issuer shall so advise the Purchaser and the Issuer and the Purchaser (the “Parties”) agree to execute an agreement which will establish which method to determine Issue Price will be employed, a form of which is attached as Schedule II. The methods are as follows:

- (1) General Rule

Issue Price will be established by the first price at which 10% of a maturity of the Bonds is sold to the Public (as hereinafter defined) (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) (the “10% test”).

Until the 10% test has been satisfied as to each maturity of the Bonds, the Purchaser agrees to promptly report to the Issuer the prices at which the unsold Bonds of that maturity have been sold

to the Public. That reporting obligation shall continue, whether or not the Closing Date (as hereinafter defined) has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold;

- OR -

(2) Hold the Price

Issue Price shall be established by applying the Hold the Price Rule (as defined below), which will allow the Issuer to treat the Initial Offering Price (as defined below) to the Public of each such maturity as of the Sale Date as the Issue Price of that maturity, provided the Purchaser agrees that it will neither offer nor sell these maturities to any person at a price that is higher than the Initial Offering Price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the Sale Date; or

(2) the date on which the Purchaser has sold at least 10% of that maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price to the Public.

(the "Hold the Price Rule"). The Purchaser shall promptly advise the Issuer when it has sold 10% of a maturity to the Public at a price that is no higher than the Initial Offering Price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

**(d) If the Competitive Sale Requirements are not satisfied the Purchaser will be required to execute a certificate in the form of Schedule III indicating that all of the requirements set forth in such certificate have been satisfied such as a certification that the Purchaser has offered or will offer the Bonds to the Public on or before the date of the award at the Initial Offering Price set forth in the bid submitted by the Purchaser. The Purchaser will also be required to provide a copy of the pricing wire or equivalent communication.**

(e) By submitting a bid, each bidder acting as an Underwriter confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the Purchaser that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold, if and for so long as directed by the Purchaser and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the Purchaser or such Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold, if and for so long as directed by the Purchaser or such Underwriter and as set forth in the related pricing wires.

(f) Sales of any Bonds to any person that is a related party to an Underwriter shall not constitute sales to the Public for purposes of this Appendix J. Further, for purposes of this Appendix:

(i) "Public" means any person other than an Underwriter or a related party,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to

participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

- (iii) a purchaser of any of the Bonds is a “related party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other),
- (iv) “Sale Date” means the date that the Bonds are awarded by the Issuer to the winning bidder,
- (v) “Closing” and “Closing Date” mean the day the Bonds are delivered to the Purchaser and payment is made thereon to the Issuer, and
- (vi) “Initial Offering Prices” means the respective initial offering prices of the Bonds offered by the Purchaser to the Public on or before the Sale Date as set forth in the pricing wire or equivalent communication for the Bonds provided to the Issuer by the Purchaser.

Schedule I

\$ \_\_\_\_\_ CITY OF SOUTH BEND, INDIANA, GENERAL OBLIGATION BONDS, SERIES 2018

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligation (the “Bonds”).

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

**2. Defined Terms.**

(a) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(b) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is March \_\_, 2018.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Section 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the [Tax Certificate] and with respect to compliance with the federal income tax rules affecting the Bonds, and by Barnes & Thornburg LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER], as [Underwriter]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
*(Attached)*

**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**  
*(Attached)*

**Schedule II**

**AGREEMENT TO ESTABLISH ISSUE PRICE**

The City of South Bend, Indiana (the "Issuer") offered its General Obligation Bonds, Series 2018 (the Bonds") through a competitive offering in compliance with state law. For federal tax law purposes, Issue Price as defined in Treasury Regulations Section 1.148-1(f) (the "Issue Price Regulations") must be established by one of the methods set forth in Issue Price Regulations. One of the methods to establish Issue Price is to offer the Bonds to achieve a Competitive Sale as defined by the Issue Price Regulations by meeting specific requirements under the Issue Price Regulation. Although the Issuer achieved a competitive sale to comply with state law, one or more of the requirements for a Competitive Sale, for federal tax law purposes, was not achieved. The Issue Price Regulations provide if more than one rule for determining the Issue Price of the Bonds is available, the Issuer may select the rule it will use to determine the Issue Price of the Bonds.

On the date hereof, the Purchaser represents that the first price at which at least 10% of each maturity of the Bonds listed on Exhibit I was sold to the Public (as defined in Schedule A) is the respective price listed on Exhibit I. For the remaining maturities of the Bonds (the "Unsold Maturities") the Issuer has determined and the Purchaser agrees that Issue Price will be established as set forth in Schedule A as attached.

**[PURCHASER]**

By: \_\_\_\_\_  
Authorized Representative

**CITY OF SOUTH BEND, INDIANA**

By: \_\_\_\_\_

**SCHEDULE A**

This Schedule A sets forth as of the date hereof, the agreement between the City of South Bend, Indiana (the "Issuer") and \_\_\_\_\_ (the "Purchaser") on the method by which Issue Price, as defined in Treasury Regulations Section 1.148-1(f) (the "Issue Price Regulations") for the Unsold Bonds (as defined in Schedule II) must be established (the "Agreement").

Based on the Agreement, the Issuer and the Purchaser have determined that Issue Price for the Unsold Bonds will be established by:

Check one, as applicable:

- \_\_\_\_\_ (1) General Rule (the "10% test") set forth below in (1); or  
\_\_\_\_\_ (2) "Hold the Price Rule" set forth below in (2).

**SELECTION OF METHOD OF ISSUE PRICE ESTABLISHMENT**

The methods are as follows:

(1) General Rule

Issue Price will be established by the first price at which 10% of a maturity of the Bonds is sold to the Public (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity).

Until the 10% test has been satisfied as to each maturity of the Bonds, the Purchaser agrees to promptly report to the Issuer the prices at which the unsold Bonds of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

- OR -

(1) Hold the Price

Issue Price shall be established by applying the Hold the Price Rule (as defined below), which will allow the Issuer to treat the Initial Offering Price to the Public of each such maturity of the Bonds as of the Sale Date as the issue price of that maturity, provided the Purchaser agrees that it will neither offer nor sell these maturities to any person at a price that is higher than the Initial Offering Price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the Sale Date; or

(2) the date on which the Purchaser has sold at least 10% of that maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price to the Public.

(the "Hold the Price Rule"). The Purchaser shall promptly advise the Issuer when it has sold 10% of a maturity to the Public at a price that is no higher than the Initial Offering Price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

## DEFINITIONS OF GENERAL APPLICABILITY

“Public” shall mean any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter (as defined below) or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

A purchaser of any of the Bonds is a “related party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

“Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March \_\_, 2018.

“Closing” and “Closing Date” mean the day the Bonds are delivered to the Purchaser and payment is made thereon to the Issuer.



[FORM TO USE WHEN GENERAL RULE OR SPECIAL RULE OF COMBINATION OF BOTH RULES APPLIES]

Schedule III

\$ \_\_\_\_\_ CITY OF SOUTH BEND, INDIANA, GENERAL OBLIGATION BONDS, SERIES 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([SHORT NAME OF UNDERWRITER]) [the "Representative"]], on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

Select appropriate provisions below:

1. [Alternative 1<sup>1</sup> – All Maturities Use General Rule: **Sale of the Bonds**. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.] [Alternative 2<sup>2</sup> – Select Maturities Use General Rule: **Sale of the General Rule Maturities**. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.] [Alternative 3<sup>3</sup>-Issue Price not required on Closing Date and Select Maturities Use General Rule]: As of the date of this certificate, the General Rule Maturities and their respective issue prices (the first price at which 10% of such Maturity was sold to the Public) are listed in Schedule A. [SHORT NAME OF UNDERWRITER] certifies that it agreed in its [bid form][bond purchase agreement] to report to the Issuer the prices at which the Unsold Bonds have been sold to the Public within 5 business days of such sale until [SHORT NAME OF UNDERWRITER] can establish the first price at which at least 10% test of each Maturity of the Unsold Bonds has been sold to the Public.]

2. ***Initial Offering Price of the [Bonds][Hold-the-Offering-Price Maturities]***.

(a) [Alternative 1<sup>4</sup> – All Maturities Use Hold-the-Offering-Price Rule: [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.] [Alternative 2<sup>5</sup> – Select Maturities Use Hold-the-Offering-Price Rule: [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.]

<sup>1</sup> If Alternative 1 is used, delete the remainder of paragraph 1 and all of paragraph 2 and renumber paragraphs accordingly.

<sup>2</sup> If Alternative 2 is used, delete Alternative 1 of paragraph 1 and use each Alternative 2 in paragraphs 2(a) and (b).

<sup>3</sup> If Alternative 3 is used, delete the remainder of paragraph 1 and all of paragraph 2 and renumber paragraphs accordingly.

<sup>4</sup> If Alternative 1 is used, delete all of paragraph 1 and renumber paragraphs accordingly.

<sup>5</sup> Alternative 2(a) of paragraph 2 should be used in conjunction with Alternative 2 in paragraphs 1 and 2(b).

(b) Alternative 1 – All Maturities use Hold-the-Offering-Price Rule: As set forth in the [Bond Purchase Agreement][Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Bonds, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period. Alternative 2 - Select Maturities Use Hold-the-Offering-Price Rule: As set forth in the [Bond Purchase Agreement][Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(c) [To be used when the Bonds were subject to a failed competitive bidding process and the Issuer elected to apply the hold the price rule and the bidder confirmed its bid and agreed to comply with hold the price]. The Bonds were originally subject to a competitive bidding process. Attached as Schedule C hereto is the notification received by [SHORT NAME OF UNDERWRITER] that the Issuer elected to invoke the hold-the-offering-price rule and the [SHORT NAME OF UNDERWRITER]’s confirmation of its bid and its agreement to comply with the hold the offering price rule.

### 3. **Defined Terms.**

[(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”]

[(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”]

[(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means the City of South Bend, Indiana.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 6, 2017.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[ and the Borrower] with respect to certain of the representations set forth in the [Tax Certificate] and with respect to compliance with the federal income tax rules affecting the Bonds, and by Barnes & Thornburg LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A**  
**SALE PRICES OF THE GENERAL RULE MATURITIES AND**  
**INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**  
*(Attached)*

**SCHEDULE B**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**  
*(Attached)*

**SCHEDULE C  
CERTIFICATE OF INVOCATION OF HOLD THE PRICE RULE AND CONFIRMATION OF BID**

[Defined terms should correspond to those in the Bid Form]

The Issuer hereby notifies \_\_\_\_\_, as the winning bidder (the "Purchaser") for the [Insert Caption of Bonds] (the "Bonds") that the Issuer has determined to apply the hold the price rule (as described in the Bid Form dated \_\_\_\_\_, 20\_\_) to the Bonds maturing \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. (the "Hold the Price Maturities"). The Purchaser's bid will be cancelled and deemed withdrawn unless the Purchaser affirmatively confirms its bid and agrees to comply with the hold the price rule by executing and **[faxing/e-mailing]** the confirmation below by \_\_\_\_:00 **[a.m./p.m.]**.

**CITY OF SOUTH BEND, INDIANA**

**By:** \_\_\_\_\_

The Purchaser hereby acknowledges the Issuer's intention to apply the hold the price rule to the "Hold the Price Maturities". The Purchaser confirms its bid with respect to the Bonds and agrees to comply with the hold the price rule with respect to the Hold the Price Maturities.

**[PURCHASER]**

**By:** \_\_\_\_\_

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