

Final Official Statement Dated March 15, 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

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. The term bonds are 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.*

**Baird**

**\$5,045,000**  
**CITY OF SOUTH BEND, INDIANA**  
 General Obligation Bonds, Series 2018  
 Base CUSIP (836479)

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>Rate</u>	<u>Price</u>	<u>CUSIP</u>	<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Price</u>	<u>CUSIP</u>
7/15/18	\$ 75,000	3.000 %	\$ 100.422	CG8	7/15/27	\$ 120,000	3.000 %	\$ 102.035	DA0
1/15/19	75,000	3.000	101.099	CH6	1/15/28	125,000	3.000	101.700	DB8
7/15/19	95,000	3.000	101.720	CJ2	7/15/28	130,000	3.000	101.271 *	DC6
1/15/20	100,000	3.000	102.286	CK9	1/15/31	135,000	3.000	99.470	DE2
7/15/20	95,000	3.000	102.797	CL7	7/15/31	140,000	3.000	98.914	DF9
1/15/21	105,000	3.000	103.116	CM5	1/15/32	140,000	3.000	98.549	DG7
7/15/21	100,000	3.000	103.495	CN3	7/15/32	140,000	3.125	99.711	DH5
1/15/22	105,000	3.000	103.449	CP8	1/15/33	145,000	3.125	99.351	DJ1
7/15/22	105,000	3.000	103.675	CQ6	7/15/33	145,000	3.125	99.095	DK8
1/15/23	105,000	3.000	103.619	CR4	1/15/34	150,000	3.125	98.705	DL6
7/15/23	110,000	3.000	103.721	CS2	7/15/34	155,000	3.125	98.425	DM4
1/15/24	110,000	3.000	103.775	CT0	1/15/35	150,000	3.250	99.611	DN2
7/15/24	110,000	3.000	103.780	CU7	7/15/35	160,000	3.250	99.341	DP7
1/15/25	115,000	3.000	103.738	CV5	1/15/36	155,000	3.250	99.061	DQ5
7/15/25	115,000	3.000	103.651	CW3	7/15/36	165,000	3.250	98.772	DR3
1/15/26	115,000	3.000	103.160	CX1	1/15/37	160,000	3.250	98.473	DS1
7/15/26	120,000	3.000	102.964	CY9	7/15/37	165,000	3.250	98.165	DT9
1/15/27	120,000	3.000	102.332	CZ6	1/15/38	170,000	3.250	97.848	DU6

\$520,000 - 3.00% - Term Bonds due July 15, 2030 - Price \$100.000 CUSIP DD4

(\*) Priced to call date of 1/15/28.

**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

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*Indianapolis, Indiana*

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

**TABLE OF CONTENTS**

	<u>Page</u>
<b>OFFICIAL STATEMENT</b>	
Introductory Statement .....	1
Purpose Of The Bond Issue .....	1
Security And Sources Of Payment For The Bonds .....	1
Estimated Sources And Uses Of Funds .....	2
Description Of The Bonds .....	2
Redemption Provisions .....	2
Litigation .....	3
Legal Opinions And Enforceability Of Remedies .....	4
Tax Matters .....	4
Original Issue Discount .....	5
Amortizable Bond Premium .....	5
Procedures For Property Assessment, Tax Levy And Collection .....	6
Circuit Breaker Tax Credit .....	8
Rating .....	10
Continuing Disclosure .....	10
Municipal Advisor .....	12
Concluding Statements .....	12
<b>APPENDIX A</b> - Description Of The City Of South Bend .....	A-1
<b>APPENDIX B</b> - City Debt And Taxation .....	B-1
<b>APPENDIX C</b> - Financial Information Of The City .....	C-1
<b>APPENDIX D</b> - Ordinance Number 10576-18 .....	D-1
<b>APPENDIX E</b> - Book-Entry-Only System .....	E-1
<b>APPENDIX F</b> - Form Of Bond Counsel Opinion .....	F-1
<b>APPENDIX G</b> - Form Of Continuing Disclosure Contract .....	G-1
<b>APPENDIX H</b> - Municipal Bond Debt Service Reserve Insurance Policy .....	H-1

**FINAL 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 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 a Municipal Bond Debt Service Reserve Insurance Policy provided by Build America Mutual Assurance Company ("BAM") 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. (See "APPENDIX H – MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY")

## ESTIMATED SOURCES AND USES OF FUNDS

<u>Sources of Funds</u>	
Par Amount	\$ 5,045,000
Premium	37,316
	<hr/>
Total Sources of Funds	\$ 5,082,316
	<hr/>
<u>Uses of Funds</u>	
Project Fund	\$ 4,864,008
Surety Bond	13,833
Underwriter's Discount	62,725
Cost of Issuance (1)	141,750
	<hr/>
Total Uses of Funds	\$ 5,082,316
	<hr/>

- (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

The Bonds maturing on July 15, 2030, are also subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest thereon to the redemption date, and without premium, on the dates and in the principal amounts indicated below:

Term Bond Due July 15, 2030

<u>Date</u>	<u>Amount</u>
1/15/29	\$ 125,000
7/15/29	130,000
1/15/30	130,000
7/15/30	135,000 (1)

(1) Final maturity.

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 January 15, 2031, through and including January 15, 2038 (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 July 15, 2018, through and including July 15, 2028 (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.

### **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 15, 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 South Bend</u>	<u>St. Joseph County</u>	<u>State of 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 Indiana</u>	<u>City of South Bend (1)</u>	<u>% of 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 in the City of South Bend</u>	<u>Market Share</u>	<u>Bank Deposits in the State of 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> <u>Debt</u>	<u>Percent</u> <u>Applicable</u>	<u>Amount</u> <u>Applicable</u>
<u>Direct Debt</u>			
City of South Bend, Indiana General Obligation Bonds, Series 2018 (1)	\$ 5,045,000	100.00 %	\$ 5,045,000
<u>Lease Obligation Debt</u>			
South Bend Building Corporation First Mortgage 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> <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 Lease Obligations			<u>133,296,031</u>
Total Direct Debt and Lease Obligation Debt and Overlapping and Underling Direct Debt and 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	\$ 5,085,000	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	7,010,000	First Mortgage Revenue Refunding Bonds, Series 2012
Total			\$ 9,575,000	

### 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 Year	City of <u>South Bend</u>	St. Joseph <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 <u>Year</u>	<u>Levied</u>	Current and Delinquent Collected after <u>Circuit Breaker</u>	Percentage Collected after <u>Circuit Breaker</u>	Circuit Breaker <u>Credit</u>	Percentage Collected before <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 Net Assessed <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 6 from defined districts within the City 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 Activities		Business-type Activities		Government-wide 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**

## **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 Actual</b>	<b>% of Total</b>	<b>2015 Actual</b>	<b>% of 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.

	<b>2016</b>	<b>% of</b>	<b>2015</b>	<b>% of</b>
	<b>Actual</b>	<b>Total</b>	<b>Actual</b>	<b>Total</b>
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 Activities		Business type Activities		Government-wide 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**

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## **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:

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

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227 W. Jefferson Boulevard, 12<sup>th</sup> Floor  
South Bend, Indiana 46601

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City of South Bend  
June 30, 2017

# City of South Bend, Indiana

## Statement of Net Position December 31, 2016

	Primary Government		
	Governmental Activities	Business-type 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 Activities	Business-type 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
Primary government:				
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	-	-	-
Total governmental activities	134,519,353	8,171,317	2,644,272	-
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	-	-
Total business-type activities	64,067,328	75,470,222	-	649,609
<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				
Total general revenues				
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 Activities	Business-type 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 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 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	Proprietary
		Utility		Enterprise		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 Activities
						Proprietary Internal Service
	Water Utility	Wastewater Utility	Century Center	Nonmajor 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 Utility	Century Center	Nonmajor Enterprise	Total	Proprietary
						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
	Water Utility	Wastewater Utility	Century Center	Nonmajor Enterprise	Total	Proprietary
						Internal Service 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

	Pension Trust Funds	Private- Purpose Trust Fund	Agency Funds
<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 Funds	Private-Purpose 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>	<u>\$ 961,052</u>	<u>\$ 427,872</u>

# 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:

<u>Capital Asset Class</u>	<u>Capitalization Threshold</u>	<u>Lives (in years)</u>
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 1 - 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 Year	One to Two Years	More than 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 Activities</u>	<u>Business-type 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 January 1, 2016	Additions	Disposals	Balance 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 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 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	<u>\$ 21,651,518</u>

# 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 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 December 31	Governmental Activities	Business-type 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 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 Activities	Business-type 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	<u>(6,618,151)</u>	<u>(3,669,137)</u>
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 Interest rates: 3.0% to 5.0% Original issue: \$6,075,000, 87.7% Governmental (\$5,327,775) Principal installments: \$525,000 to \$615,000 plus interest Maturity: February 1, 2021	\$ 2,416,135
2012 New Fire Station/Police Renovations Refunding Interest rates: 2.1% to 5.0% Original issue: \$13,595,000 Principal installments: \$545,000 to \$770,000 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 City's portion of \$9,155,000 bond (29.03%) Interest rates: 2.0% to 3.625% Original issue: \$2,657,697 Installments of \$12,799 to \$16,611 plus interest Maturity: December 31, 2034	2,386,508
2014 TJX Special Taxing District Refunding Bonds Interest rates: 2.0% - 3.0% Original issue: \$3,440,000 Installments of \$395,000 to \$470,000 plus interest Maturity: January 1, 2022	2,210,000
2003 Amended River West TIF Refunding Interest rates: 4.0% to 5.2% Original issue: \$14,420,000 Installments of \$254,036 to \$530,000 plus interest Maturity: February 1, 2025	7,125,000
2011 Downtown TIF Refunding Interest rates: 4.0% to 5.2% Original issue: \$19,795,000 Installments of \$260,000 to \$935,000 plus interest 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 Interest rates: 6.1% to 6.75% Original issue: \$5,485,000 Installments of \$165,000 to \$465,000 plus interest Maturity: February 1, 2027	\$ 3,800,000
2015 Eddy Street Common Refunding Interest rates: 4.0% to 6.0% Original issue: \$36,000,000 Installments of \$145,000 to \$1,420,000 plus interest Maturity: February 15, 2033	30,075,000
2013 Century Center Improvements Interest rates: 4.0% to 5.63% Original issue: \$4,655,000 Installments: \$155,000 to \$375,000 plus interest * Maturity: May 1, 2028	3,175,000
2009 Morris Performing Arts Center Refunding Interest rates 3.0% to 4.0% Original issue: \$7,210,000 Installments of \$400,000 to \$515,000 plus interest Maturity: February 1, 2017	515,000
2011 Hall of Fame Refinancing Interest rates: .8% to 3.65% Original issue: \$7,580,000 Installments of \$550,000 to \$615,000 plus interest Maturity: February 1, 2018	1,830,000
2011 Century Center Refinancing Interest rates: 2.0% to 3.0% Original issue: \$2,980,000 Installments of \$215,000 to \$260,000 plus interest Maturity: February 1, 2018	720,000
2006 CEDIT Refinancing Bonds Interest rates: 3.75% to 4.0% Original issue: \$7,440,000 Installments of \$310,000 to \$430,000 plus interest Maturity: February 1, 2017	430,000
2015 Redevelopment Authority Smart Streets Bonds (Bank of America/Merrill) Interest rates: 3.0 - 4.0% Original issue: \$25,000,000 Installments of \$460,000 to \$840,000 plus interest Maturity: February 1, 2037	25,000,000
2015 EDIT/Parks Bonds (Bank of America) Interest rates: 3.00 - 3.75% Original issue: \$5,605,000 Installments of \$16,667 to \$65,000 plus interest 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 Interest rates: 1.75% to 5.2% Original issue: \$4,980,000 Installments of \$580,000 to \$670,000 plus interest Maturity: January 5, 2019	\$ 1,665,000
Subtotal	96,836,508
<u>Notes and Loans Payable:</u>	
Indiana Development Finance Authority (Bosch Project) Interest rate: 3.034% Original issue: \$1,040,000 Installments of \$18,003 per quarter, includes interest Maturity: March 22, 2021	302,069
2014 Coveleski Stadium Synagogue Installment Purchase Agreement Interest rate: none Original issue: \$500,000 Installments of \$100,000 per year Maturity: January 31, 2018	200,000
2015 Century Center Energy Conservation Bond Interest rates: 3.5% Original issue: \$4,167,897 Installments of \$22,585 to \$176,508 plus interest 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 Interest rates: 3.0% to 5.0% Original issue: \$6,075,000, 12.3% Business-Type (\$747,225) Installments of \$525,000 to \$615,000 plus interest Maturity: February 1, 2021	\$ 338,865
2013 Building Corp EMS Fire Station/Tower Bonds Interest rates: 3.0% to 4.2% Original issue: \$5,580,000 Installments \$215,000 to \$235,000 plus interest 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) Interest rates: 3.0% Original issue: \$3,300,000 Installments of \$260,000 to \$440,000 plus interest Maturity: January 1, 2027	\$ 3,300,000
2009 Water Works Improvement Interest rates: 3.80% to 5.89% Original issue: \$5,380,000 Installments of \$195,000 to \$455,000 plus interest Maturity: January 1, 2030	4,325,000
2012 Water Works Improvement Interest rate: 2.0% Original issue: \$5,975,000 Installments of \$335,000 to \$425,000 plus interest Maturity: January 1, 2023	2,380,000
2012B Water Works Improvement Interest rates: 2.0% to 3.7% Original issue: \$8,300,000 Installments of \$340,000 to \$540,000 plus interest Maturity: January 1, 2033	6,925,000
2015 Sewage Works Refunding Bonds (Huntington Public Capital) Interest rates: 2.0% Original issue: \$27,440,000 Installments of \$2,475,000 to \$3,025,000 plus interest Maturity: December 1, 2025	\$ 24,965,000
2010 Sewage Works Revenue Interest rates: 2.0% to 4.5% Original issue: \$9,345,000 Installments of \$365,000 to \$665,000 plus interest Maturity: December 1, 2030	7,145,000
2011 Sewage Works Revenue Interest rates: 3.0% to 4.0% Original issue: \$21,500,000 Installments of \$365,000 to \$665,000 plus interest Maturity: December 1, 2031	17,295,000
2012 Sewage Works Revenue Interest rates: 2.0% to 2.75% Original issue: \$25,000,000 Installments of \$1,105,000 to \$1,650,000 plus interest Maturity: December 1, 2032	20,890,000
2013A Sewage Works Revenue Interest rate: 1.94% Original issue: \$14,765,000 Installments of \$1,065,000 to \$715,000 plus interest 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 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 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	<u>2,374,852</u>
Amounts contributed:	
Payments of current premiums	(750,543)
Advance funding	-
Increase in net OPEB obligation	<u>1,624,309</u>
OPEB obligation - Beginning of year	<u>11,660,935</u>
OPEB obligation - End of year	<u><u>\$ 13,285,244</u></u>

# 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 Cost	Percentage Contributed	Net OPEB 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 Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (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 Outflows of Resources	Deferred Inflows of 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 on pension plan investments	1,096,213	-
City contributions made subsequent to the measurement date	1,645,758	-
Changes in proportion and differences between employer contributions and proportionate share of 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 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 Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percent Increase (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 Outflows of Resources	Deferred Inflows of 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 on pension plan investments	15,121,609	3,601,053
City contributions made subsequent to the measurement date	797,296	-
Changes in proportion and differences between employer contributions and proportionate share of 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 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 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 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 Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percent Increase (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 Expected Real 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 Decrease (2.23%)</u>	<u>Current Discount Rate (3.23%)</u>	<u>1 Percent Increase (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 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 Expected Real 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 Decrease (2.23%)</u>	<u>Current Discount Rate (3.23%)</u>	<u>1 Percent Increase (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.

# City of South Bend, Indiana

## Notes to Financial Statements December 31, 2016

### Note 22 - Pension Trust Funds

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

	1925 Police Pension	1937 Firefighters' Pension
	<u>                    </u>	<u>                    </u>
<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 Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered 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>	<b>94.7 %</b>	<b>85.0 %</b>	<b>53.8 %</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>75.3 %</b>	<b>77.3 %</b>	<b>84.3 %</b>

# 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 With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis 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 With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis 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 With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis 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 With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Recreation	Public Safety 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 Highway	Recreation Nonreverting	Studebaker	Economic	DCI Operating
			Oliver Revitalization Grants	Development 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 Investment Grants	Police State Seizure	Juvenile Positive Assistance	Unsafe Building	Law Enforcement Continuing Education	Landlord Registration	Loss Recovery Fund	Emergency Telephone 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 Street	Excess Welfare Distribution	LOIT 2016	Human Rights Federal	East Race Waterway
			Special 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 Palais Marketing	Police Block Grants	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE 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	Total	College	Redevelopment	Coveleski Bond	Redevelopment	South Bend
	Revolving		Football Hall of	Bond - Airport	Debt Service	Bond - Palais	Building
	Fund		Fame Debt	Taxable	Reserve	Royale	Corporation
			Service				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 Village Debt Service	Smart Streets Debt Service	Parks Bond Debt Service Fund	Century Center Energy Conservation Debt Service	Redevelopment Authority 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	-	-	-	-	-
<b>Total assets</b>	<b>\$ 561,117</b>	<b>\$ 2,108,619</b>	<b>\$ 561,943</b>	<b>\$ 57,164</b>	<b>\$ 1,232,769</b>
<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	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted	561,117	2,108,619	561,943	57,053	1,232,769
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>561,117</b>	<b>2,108,619</b>	<b>561,943</b>	<b>57,053</b>	<b>1,232,769</b>
<b>Total liabilities and fund balances</b>	<b>\$ 561,117</b>	<b>\$ 2,108,619</b>	<b>\$ 561,943</b>	<b>\$ 57,164</b>	<b>\$ 1,232,769</b>

**Other Supplemental Information  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2016**

Debt Service Funds	Capital Projects Funds						
Total	Professional Sports Development	Coveleski Stadium Capital	Zoo Endowment	Park Nonreverting Capital	Cumulative Capital Development	Cumulative Capital Improvement	Morris Performing Arts Center 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 Plaza	TIF - West Washington	Redevelopment General	Community Revitalization Enhancement District	TIF No. 1 - Southside 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 - 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
\$ 1,081,649 3,768,085	\$ 110,305 384,265	\$ 526,344 1,833,596	\$ 1,753,442 6,108,380	\$ 34,895 121,563	\$ 533,526 1,858,619	\$ 478,772 1,667,875	\$ 20,686 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 Funds</u>			
<u>Total</u>		Total Nonmajor Governmental 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>	
\$ 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>	
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 Highway	Recreation Nonreverting	Studebaker Oliver Revitalization Grants	Economic Development 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)</b>					
<b>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 (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 Investment Grants	Police State Seizure	Juvenile Positive Assistance	Unsafe Building	Law Enforcement Continuing Education	Landlord Registration	Loss Recovery Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,117,168	-	-	-	-	-	-
-	-	-	94,978	154,776	2,830	-
1,424	1,992	213	300,100	91,092	-	-
7,387	-	113	-	8,007	-	8,983
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)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(500)	-	-	755,180	-	-	-
<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)
<u>3,625,045</u>	<u>214,835</u>	<u>12,238</u>	<u>-</u>	<u>913,696</u>	<u>-</u>	<u>990,110</u>
<b>\$ 3,148,963</b>	<b>\$ 227,741</b>	<b>\$ 12,564</b>	<b>\$ 332,561</b>	<b>\$ 804,123</b>	<b>\$ 2,830</b>	<b>\$ 968,799</b>

# 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 Waterway	Morris and Palais Marketing	Police Block Grants	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block 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 and Removal	Police K-9 Unit	Excess Levy	Industrial Revolving Fund	Total	College Football Hall of Fame Debt Service	Redevelopment Bond - Airport 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 Debt Service Reserve	Redevelopment Bond - Palais Royale	South Bend Building Corporation Debt Service	TIF Erskine Village Debt Service	Smart Streets 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) 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 (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 Debt Service Fund	Century Center Energy Conservation Debt Service	Redevelopment Authority Debt Service	Total	Professional Sports Development	Coveleski Stadium Capital	Zoo 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 Nonreverting Capital	Cumulative Capital Development	Cumulative Capital Improvement	Morris Performing Arts Center Capital	TIF Leighton 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 Washington	Redevelopment General	Community Revitalization Enhancement District	TIF No. 1 - Southside Development	TIF No. 3 - Southside Development	Football Hall of 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 Development	TIF Douglas Road	TIF - River East Residential	Certified Technology Park	Palais Royale Historic 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) 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 (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							Total Nonmajor Governmental Funds
Airport Urban Enterprise Zone	Equipment Leasing	Century Center Energy Conservation Bond	Smart Streets Bond Capital Projects Fund	Parks Bond Capital Projects Fund	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
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)
Total revenues	<u>5,478,883</u>	<u>6,138,002</u>	<u>5,960,579</u>	<u>(177,423)</u>
Expenditures:				
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
Total expenditures	<u>10,343,890</u>	<u>10,977,409</u>	<u>9,492,598</u>	<u>1,484,811</u>
Other financing sources - Transfers in	<u>4,550,000</u>	<u>3,703,000</u>	<u>3,703,000</u>	<u>-</u>
Net change in fund balances	(315,007)	(1,136,407)	170,981	1,307,388
Fund balances - Beginning	<u>5,225,686</u>	<u>5,225,686</u>	<u>5,225,686</u>	<u>-</u>
Fund balances - Ending	<u><b>\$ 4,910,679</b></u>	<u><b>\$ 4,089,279</b></u>	<u><b>\$ 5,396,667</b></u>	<u><b>\$ 1,307,388</b></u>
<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			<u>821,398</u>	
Net change in fund balance, GAAP basis			<u><b>\$ 651,775</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 - Recreation Nonreverting Year Ended December 31, 2016

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (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>	-
Fund balances - Ending	<u>\$ 824,325</u>	<u>\$ 812,775</u>	<u>\$ 799,291</u>	<u>\$ (13,484)</u>
<b>Budget/GAAP Reconciliation</b>				
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			13,080	
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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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>\$ 1,123,978</u>	<u>\$ 1,071,365</u>	<u>\$ 1,309,564</u>	<u>\$ 238,199</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>\$ 211,292</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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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			<u>(4,962)</u>	
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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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	\$ -	\$ 279,643	\$ 361,245	\$ 81,602
<b>Budget/GAAP Reconciliation</b>				
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			\$ 332,561	

# 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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
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
<b>Total revenues</b>	<b>218,000</b>	<b>236,825</b>	<b>273,933</b>	<b>37,108</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Public safety:</b>				
Supplies	275,500	285,508	231,493	54,015
Other services and charges	458,000	458,000	195,314	262,686
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>733,500</b>	<b>743,508</b>	<b>426,807</b>	<b>316,701</b>
<b>Net change in fund balances</b>	<b>(515,500)</b>	<b>(506,683)</b>	<b>(152,874)</b>	<b>353,809</b>
Fund balances - Beginning	912,111	912,111	912,111	-
<b>Fund balances - Ending</b>	<b>\$ 396,611</b>	<b>\$ 405,428</b>	<b>\$ 759,237</b>	<b>\$ 353,809</b>
<b>Budget/GAAP Reconciliation</b>				
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			54,922	
<b>Net change in fund balance, GAAP basis</b>			<b>\$ (109,573)</b>	

# 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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Fines and forfeits	-	500	1,225	725
Total revenues	-	500	1,225	725
<b>Expenditures:</b>				
Current:				
Culture and recreation:				
Personnel services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Total expenditures	-	-	-	-
Other financing sources - Transfers In	-	-	-	-
Net change in fund balances	-	500	1,225	725
Fund balances - Beginning	-	-	-	-
Fund balances - Ending	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 1,225</u>	<u>\$ 725</u>
<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			-	
Net change in fund balance, GAAP basis			<u>\$ 2,830</u>	

# 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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>	-
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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 4,867,549	\$ 4,217,549	\$ (650,000)
Other	-	131,000	130,394	(606)
<b>Total revenues</b>	<b>-</b>	<b>4,998,549</b>	<b>4,347,943</b>	<b>(650,606)</b>
<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	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>1,000,000</b>	<b>950,333</b>	<b>49,667</b>
Other financing sources - Transfers In	-	-	-	-
<b>Net change in fund balances</b>	<b>-</b>	<b>3,998,549</b>	<b>3,397,610</b>	<b>(600,939)</b>
Fund balances - Beginning	-	-	-	-
<b>Fund balances - Ending</b>	<b>\$ -</b>	<b>\$ 3,998,549</b>	<b>\$ 3,397,610</b>	<b>\$ (600,939)</b>
<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	
<b>Net change in fund balance, GAAP basis</b>			<b>\$ 4,002,344</b>	

# 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues - Other	\$ 18,150	\$ 20,956	\$ 20,947	\$ (9)
Expenditures:				
Current - Culture and recreation - 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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			<u>10,805</u>	
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 Budgetary Basis Amounts	Variance With Final Budget Positive (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	<b>\$ 70,310</b>	<b>\$ 70,310</b>	<b>\$ 76,168</b>	<b>\$ 5,858</b>
<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			<b>\$ 3,997</b>	

# 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
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>
<b>Expenditures:</b>				
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	<u>45,000</u>	<u>45,000</u>	<u>30,787</u>	<u>14,213</u>
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>
<b>Budget/GAAP Reconciliation</b>				
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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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>
<u>Budget/GAAP Reconciliation</u>				
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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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	<u>\$ 1,038,904</u>	<u>\$ 1,038,904</u>	<u>\$ 1,040,063</u>	<u>\$ 1,159</u>
<u>Budget/GAAP Reconciliation</u>				
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			<u>\$ 1,196</u>	

# 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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	<u>508,480</u>	<u>508,480</u>	<u>508,480</u>	<u>-</u>
Fund balances - Ending	<u><b>\$ 510,280</b></u>	<u><b>\$ 513,780</b></u>	<u><b>\$ 513,127</b></u>	<u><b>\$ (653)</b></u>
<b><u>Budget/GAAP Reconciliation</u></b>				
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><b>\$ 4,666</b></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 Budgetary Basis Amounts	Variance With Final Budget Positive (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>Budget/GAAP Reconciliation</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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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>	<u>-</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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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	<u>\$ 343,335</u>	<u>\$ 49,240</u>	<u>\$ 228,295</u>	<u>\$ 179,055</u>
<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			<u>\$ (177,688)</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 Development Year Ended December 31, 2016

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues - Other	\$ 152	\$ 152	\$ 80	\$ (72)
Expenditures:				
Economic Development -				
Other services and charges	<u>4,500</u>	<u>4,500</u>	<u>329</u>	<u>4,171</u>
Net change in fund balances	(4,348)	(4,348)	(249)	4,099
Fund balances - Beginning	<u>8,713</u>	<u>8,713</u>	<u>8,713</u>	<u>-</u>
Fund balances - Ending	<u><b>\$ 4,365</b></u>	<u><b>\$ 4,365</b></u>	<u><b>\$ 8,464</b></u>	<u><b>\$ 4,099</b></u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (249)	
To adjust expenditures for accruals			<u>-</u>	
Net change in fund balance, GAAP basis			<u><b>\$ (249)</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 - Community Revitalization Enhancement District Year Ended December 31, 2016

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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	840,000	1,698,588	1,390,506	308,082
Total Expenditures	1,590,000	2,448,588	2,140,505	308,083
Net change in fund balances	(80,634)	(956,955)	(763,606)	193,349
Fund balances - Beginning	2,159,797	2,159,797	2,159,797	-
Fund balances - Ending	<b>\$ 2,079,163</b>	<b>\$ 1,202,842</b>	<b>\$ 1,396,191</b>	<b>\$ 193,349</b>
<u>Budget/GAAP Reconciliation</u>				
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			970,707	
Net change in fund balance, GAAP basis			<b>\$ (667,039)</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 - River East Development Year Ended December 31, 2016

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues - Other	\$ 17,300	\$ 17,761	\$ 16,496	\$ (1,265)
Expenditures - Culture and Recreation - 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 Budgetary Basis Amounts	Variance With Final Budget Positive (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 Building	Parking Garage	Solid Waste	Emergency Medical 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	Total
	Building	Parking Garage	Solid Waste	Medical Services	
<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 Insurance Premium Reserve	Self-Funded Employee Benefits	Central Services	Police Take Home Vehicle	311 Call Center	Unemployment Compensation 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 Insurance Premium Reserve	Self-Funded Employee Benefits	Central Services	Police Take Home Vehicle	311 Call Center	Unemployment Compensation 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)
Total cash and cash equivalents	<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 Insurance Premium Reserve	Self-Funded Employee Benefits	Central Services	Police Take Home Vehicle	311 Call Center	Unemployment Compensation Insurance	Total
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>							
Operating (loss) income	\$ 172,913	\$ 2,343,820	\$ (2,998)	\$ 105,167	\$ -	\$ 11,546	\$ 2,630,448
Adjustments to reconcile operating (loss) income to net cash from operating activities:							
Depreciation and amortization	4,845	-	144,181	-	-	-	149,026
Lease proceeds used for noncapital expenses	-	-	43,938	-	-	-	43,938
Changes in assets and liabilities:							
Receivables	(1,989)	(556)	(18,582)	-	-	-	(21,127)
Due from other funds	-	-	(5,739)	-	(68,833)	-	(74,572)
Inventory	-	-	(28,250)	-	-	-	(28,250)
Prepaid expenses and 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 payable	1,641	-	21,535	-	8,556	-	31,732
Compensated absences payable	(1,002)	-	(1,736)	-	59,059	-	56,321
Estimate of unfilled claims	(172,867)	(83,562)	-	-	-	-	(256,429)
Net cash (used in) provided by operating 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 Financing Activities</b>							
Capital assets disposed (at cost)	\$ 21,650	\$ -	\$ 23,653	\$ -	\$ -	\$ -	\$ 45,303
Accumulated depreciation on 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	-	-	-	-	
<b>Total assets</b>	<b>\$ 793,950</b>	<b>\$ 167,627</b>	<b>\$ 961,577</b>	<b>\$ 420,885</b>	<b>\$ 817,116</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	
<b>Total liabilities</b>	<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 Pension	1937 Firefighters' 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 January 1, 2016	Additions	Reductions	Balance at December 31, 2016
<b><u>Payroll</u></b>				
<b>Assets - Cash and investments</b>	<b>\$ 412,690</b>	<b>\$ 104,634,503</b>	<b>\$ (104,626,308)</b>	<b>\$ 420,885</b>
<b>Liabilities - Accrued liabilities and other</b>	<b>\$ 412,690</b>	<b>\$ 104,634,503</b>	<b>\$ (104,626,308)</b>	<b>\$ 420,885</b>
	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016
<b><u>Morris Palais Royale Box Office</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 1,504,458</b>	<b>\$ 3,305,191</b>	<b>\$ (3,116,875)</b>	<b>\$ 1,692,774</b>
<b>Liabilities - Customer deposits payable</b>	<b>\$ 1,504,458</b>	<b>\$ 3,305,191</b>	<b>\$ (3,116,875)</b>	<b>\$ 1,692,774</b>
	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016
<b><u>Police Distribution Payable</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 835,108</b>	<b>\$ 23,924</b>	<b>\$ (41,916)</b>	<b>\$ 817,116</b>
<b>Liabilities - Police distribution payable</b>	<b>\$ 835,108</b>	<b>\$ 23,924</b>	<b>\$ (41,916)</b>	<b>\$ 817,116</b>

**APPENDIX D**  
**ORDINANCE NO. 10576-18**

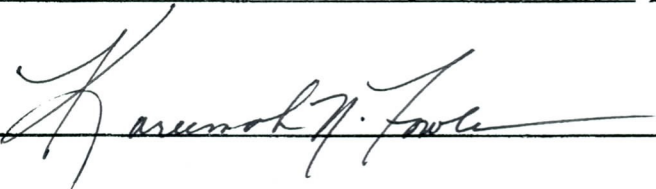
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ORDINANCE No. 10576-18

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

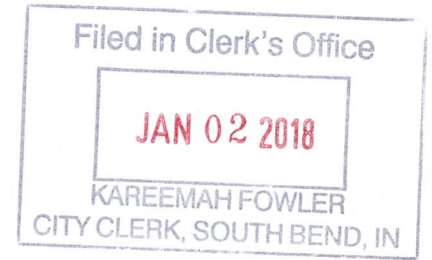
 City Clerk

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 Hockenhill, 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 Rate	Maturity Date	Original Date	Authentication Date	[CUSIP]
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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.

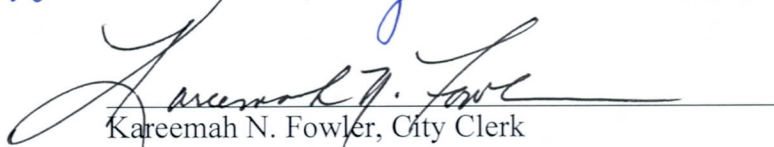
**SECTION XVI. Holidays, Etc.** If the date of making any payment or the last date for performance of any act or the exercising of any right, as provided in this Ordinance, shall be a legal holiday or a day on which banking institutions in the City or the city in which the Registrar or Paying Agent is 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

Approved and signed by me on the 24 day of January, 2018, at 11 o'clock a.m.

  
\_\_\_\_\_  
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**

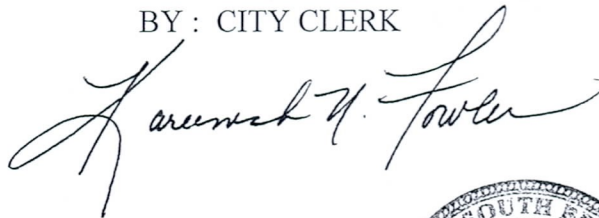
The taxpayers of the City of South Bend, Indiana (the "City"), are hereby given notice that the Common Council of the City (the "Common Council"), at its meeting held January 22, 2018, determined to issue general obligation bonds pursuant to Indiana Code 36-4-6-19 in an original aggregate principal amount 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 29, 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 29, 2018 (the "Bonds"), in the aggregate principal amount of \$5,045,000, 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 March 15, 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 29th 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, Robert W. Baird & Co., Inc. (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 March 15, 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**

**MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**

## **MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Debt Service Reserve Insurance Policy relating to the Bonds (the “Reserve Policy”) in the form attached hereto.

The Reserve Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM does not guarantee the market price or liquidity of bonds (including the Bonds), nor does it guarantee that the rating on bonds (including the Bonds) will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$515 million, \$87.7 million and \$427.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the

information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY".



**MUNICIPAL BOND DEBT SERVICE  
RESERVE INSURANCE POLICY  
(SA)**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

Effective Date: \_\_\_\_\_

BONDS: [Bonds]

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

MAXIMUM POLICY LIMIT: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be



reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “**Business Day**” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. “**Debt Service Reserve Agreement**” means the Debt Service Reserve Agreement, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. “**Due for Payment**” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “**Nonpayment**” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “**Notice**” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy or other acceptable electronic delivery, from and signed by the Trustee or the Paying Agent, which notice shall be in a form and substance satisfactory to BAM and shall specify and include (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions, (e) the date such claimed amount becomes or became Due for Payment, (f) representations and agreements regarding the assignment and subrogation rights of BAM, and (g) such other provisions as BAM may reasonably require. A form of such Notice can be obtained from BAM upon request. “**Owner**” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. “**Policy Limit**” means the lesser of (i) Maximum Policy Limit set forth above and (ii) the dollar amount of the debt service reserve fund (or the portion thereof) required to

be maintained for the Bonds by the Security Documents from time to time (the “Reserve Account Requirement”). The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Reserve Account Requirement applicable to the Bonds, as provided in the Security Documents. “**Security Documents**” means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement or any similar document and any additional or supplemental document executed in connection with the Bonds. “**Term**” means the period from and including the Effective Date until the Termination Date. “**Termination Date**” means the earlier to occur of (i) the date on which the Bonds are no longer outstanding under the Security Documents and (ii) \_\_\_\_\_ [date].

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer’s Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL  
ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27<sup>th</sup> floor

New York, New York 10281

Telecopy: 212-235-1524 (attention: Claims)

SPECIMEN

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]  
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. \_\_\_\_\_ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy, or if not defined therein, in the Debt Service Reserve Agreement.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Debt Service Reserve Agreement and, as of the date hereof, the Policy Limit is \$\_\_\_\_\_, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL  
ASSURANCE COMPANY

By: \_\_\_\_\_  
Name:  
Title:

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