

South Bend, IN

Mayor Pete Buttigieg



South Bend



2011

CAFR Executive Summary

Fiscal Year ending
December 31, 2011

Prepared By:
Department of Administration and Finance
Mark Neal, City Controller

City of South Bend, Indiana
 Comprehensive Annual Financial Report – Executive Summary
 For The Year Ending December 31, 2011
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Purpose of the Executive Summary

The City of South Bend has prepared a Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2011. The 2011 CAFR totals 288 pages and meets all of the requirements set forth by the Government Finance Officers Association for its Certificate of Achievement for Excellence in Financial Reporting program. If the award is received for 2011, this will be the twenty second consecutive year that the City of South Bend has received this prestigious award.

The purpose of this Executive Summary is to present the most essential schedules and summaries from the 2011 CAFR, as determined by the City, to allow more ready access to them by the reader. The schedules and summaries are presented in their original format and the order of presentation is the same as in the full 2011 CAFR. The Executive Summary totals 66 pages.

The Executive Summary and full CAFR are available at:

<http://docs.southbendin.gov/WebLink8/Browse.aspx?>

or by contacting:

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On the cover:

South Bend All-America City Award: Through the leadership of former Mayor Stephen Luecke, South Bend received the All-America City Award from the National Civic League on June 17, 2011 in Kansas City, Missouri. South Bend was one of only 10 cities honored in 2011. South Bend highlighted three projects in its award-winning presentation: 1) Northeast Neighborhood revitalization, 2) Transformation of the Engman Natatorium into a Civil Rights Heritage Center, and 3) 212 Degree STARS.



CITY OF SOUTH BEND PETE BUTTIGIEG, MAYOR

DEPARTMENT OF ADMINISTRATION AND FINANCE

June 25, 2012

The Honorable Pete Buttigieg, Mayor of the City of South Bend
Members of the City of South Bend Common Council
Residents of the City of South Bend:

The comprehensive annual financial report of the **City of South Bend, Indiana** (the "City") for the year ended **December 31, 2011** is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities are included.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of South Bend's MD&A can be found immediately following the independent auditors report.

The comprehensive annual financial report is presented in four sections: introductory information, financial information, statistical information and federal awards supplemental information. The **introductory section** includes this transmittal letter, the City's organizational chart, a list of principal City officials and the Certificate of Achievement for Excellence in Financial Reporting awarded to the City of South Bend for the year ended December 31, 2010. The **financial section** begins with the independent auditors' report on the City's financial statements and schedules, the City's management's discussion and analysis report, followed by the City's basic financial statements and accompanying notes. The remaining portion of this section includes the combining and individual fund and other financial statements and schedules.

The **statistical section** includes selected financial and demographic information generally presented on a multi-year basis, which has been provided to give the reader a broader understanding of the City. This document ends with the **federal awards** compliance section, which includes the results of the supplemental audit of the City's federal awards and the internal controls necessary for compliance.

The City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments

and Non-Profit Organizations, the provisions of Indiana Code section 5-11-1-9 and the requirements of the Indiana State Board of Accounts. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and the auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in this document.

The following pages of this transmittal letter begin with a general overview of South Bend and the surrounding area. Also summarized are the key financial, budgetary and property tax controls with which the City is required to comply. The remainder includes a discussion of the prior year's financial challenges and accomplishments, the City's goals and objectives for this year and beyond and other key issues the City is facing along with the impact they may have on current and future budgets.

GENERAL INFORMATION

The City of South Bend is the county seat of St. Joseph County, Indiana, and is the fourth largest city in the state. The City of South Bend's 2010 U.S. Bureau of the Census population was 101,168. Accordingly, South Bend is classified as a "City of the Second Class" under Indiana statutes (cities with a population of 35,000 to 250,000). The City of South Bend operates with a mayor as chief executive and a nine-member City Common Council composed of six members elected from districts and three members elected at-large.

The City provides a full range of traditional general governmental services to its citizens. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events. In addition to general governmental activities, the City exercises oversight over the South Bend Water Works, the South Bend Wastewater Treatment Facility, the Century Center convention facility, the College Football Hall of Fame, the Studebaker National Museum, the City of South Bend Redevelopment Commission and Authority and several downtown parking facilities.

Location

St. Joseph County lies within the heartland of the manufacturing belt and metropolitan regions of the Upper Midwest and Canada. The City of South Bend is located in the north central part of Indiana, ten miles south of the Michigan state line, and is commonly known to be within the "Michiana" area. The Michiana area is a vibrant and diverse area with a strong economy based on a mix of health care, agricultural, service, manufacturing, education and other commercial and tourism industries. This diverse economic mix creates varied employment opportunities for the area's residents while providing insulation via diversification from future economic downturns.

The City is approximately 90 miles east of Chicago and 140 miles north of Indianapolis. Accessibility to transportation, including Interstate 80/90, a regional airport (which is the second busiest in the State of Indiana), the South Shore rail line and has supported economic growth within the community. Proximity to Chicago, the largest rail and intermodal (rail/truck/ocean/inland waterway) transfer point in the country, is a significant advantage to the

City of South Bend as is proximity to the University of Notre Dame, with its scenic campus located adjacent to the city limits.

St. Joseph County / South Bend - Economic Conditions and Outlook

St. Joseph County, with its 2010 U.S. Bureau of the Census population of 266,931, boasts a strong history of manufacturing which continues today. As a complement to that, the service industry and retail trade has also flourished, creating a balance that serves the community well. The County experienced a net growth in population of 28,317 (11.8% increase) between 1960 and 2010. After experiencing a reduction of 2.6% during 1969 to 1983, at which time the entire Midwest was at the depth of its economic restructuring and recess, the County’s population increased 4.0% between 1983 and 1990 and another 7.5% between 1990 and 2000. The population of St. Joseph County has remained fairly flat during the past decade increasing by only 1,372 residents from 2000 to 2010.

The total resident labor force in December 2011 of 129,438 in St. Joseph County is typical of the Midwest: well trained with a strong work ethic. Approximately 86.4% of the area’s adult population are high school graduates or higher (as compared to the national average of 75%) with an estimated 25.6% with a Bachelor’s Degree or higher. There are eight colleges, universities and technical schools within South Bend and the surrounding area including the University of Notre Dame, Indiana University at South Bend, Saint Mary’s College, Bethel College and Ivy Tech State College. At the high school level, there are school-to-work transition programs that help prepare students for the world of work. As of April 2012, St. Joseph County is experiencing an unemployment rate of 8.9%, which is higher than the State of Indiana unemployment rate of 7.7%. The unemployment rate in St. Joseph County compares favorably with many of its surrounding counties—Elkhart (8.7%), LaPorte (9.6%), and Marshall (8.1%) in Indiana and Cass (6.3%) and Berrien (8.2%) in Michigan.

The employment profile for St. Joseph County provides a good overview of the economic make-up of this community. Employment statistics for 2010 (2011 data was unavailable) of the County’s major economic sectors are as follows:

<u>Economic Sector</u>	<u>Number Employed</u>	<u>% of Total</u>
Construction	3,916	3.5%
Manufacturing	13,850	12.4%
Health Care/Social Services	17,676	15.9%
Wholesale Trade	5,624	5.1%
Retail Trade	13,620	12.2%
Professional/Technical Services	4,341	3.9%
Accommodations/Food Service	9,578	8.6%
Educational Services	15,712	14.1%
Other	<u>26,981</u>	<u>24.3%</u>
Total	111,298	100.00%

St. Joseph County presently has an estimated 103,069 households with an average per capita personal income of \$33,322, which compares to the State of Indiana average per capita income of

\$33,981 and the United States per capita income of \$39,937. The per capita income in St. Joseph County compares favorably with many of its surrounding counties—Elkhart (\$29,846), La Porte (\$30,440), and Marshall (\$28,598) in Indiana and Cass (\$22,698) and Berrien (\$24,025) in Michigan.

Health and education lead the employment statistics for St. Joseph County. The largest employers in St. Joseph County as of December 2011 were as follows: University of Notre Dame (5,213); South Bend Community School Corporation (3,298); Memorial Health Systems (3,000); Saint Joseph Regional Medical Center (2,221); The Diocese of Fort Wayne/South Bend (1,456); Indiana University at South Bend (1,445); AM General (1,349); 1st Source Bank (1,223); the City of South Bend (1,133); St. Joseph County (1,049).

The following provides a profile of the residents of St. Joseph County:

Gender:	48.5% male; 51.5% female
Age:	36.2% 0-24 years of age; 25.3% 25-44 years of age; 25.3%% 45-64 years of age; and 13.2% 65 years of age and older.
Race:	78.7% White; 12.4% Black/African American; 6.9% Hispanic/Latino; 1.9% Asian; and .1% Other
Marital Status:	46.1% Married; 53.9% Single/Widowed/Divorced/Other
Home Ownership:	69.3% own; 30.7% rent/other

The cost of living continues to be one of the greatest advantages of living in this community. The housing costs in South Bend are well below the national and regional averages. Per a report compiled by the National Realtor's Association in the first quarter of 2012, the median sales price for a single family home in the South Bend-Mishawaka Statistical Area was \$69,400 as compared to a median sales price of \$157,200 in Chicago and \$115,400 in Indianapolis. The national median sales price is \$158,000.

The City of South Bend continues to place high emphasis on a growing and diversified local economy. It has been active in developing ten industrial parks, offering itself as a low-cost alternative to the Chicago metropolitan area to companies engaged in light manufacturing, distribution and services. More than 240 businesses operate in South Bend's industrial parks, including companies engaged in metalworking, plastics, warehousing and distribution, and professional services. In recent years, the City has developed Innovation and Ignition parks, the first dual-site, state-certified technology park in the State of Indiana.

The South Bend Community School Corporation serves the entire City and some of the surrounding area and has a current enrollment of approximately 20,134 students in grades kindergarten through high school. An estimated 5,757 students attend private or parochial schools within the City. The nine institutions of higher education and technical training located

within the South Bend area have a total enrollment of approximately 31,166. Over the years, the University of Notre Dame has provided a stabilizing influence on the economy with a very significant positive economic impact upon the community.

In 1820, Pierre Navarre of the American Fur Trading Company was the first settler in the area to become later known as South Bend. South Bend has continued to progress in its growth since 1842, when Father Edward Sorin named his rustic log chapel "Notre Dame du Lac" and began to teach the local Indians. Today, the chapel has grown into the University of Notre Dame. In 1852, H.C. Studebaker started the industry of making wagons and horse drawn buggies that evolved into the manufacturing of the Studebaker automobile. It made the name Studebaker synonymous with the area of South Bend.

Another industrial firm that would later become the area's largest began in 1923 when Vincent Bendix began manufacturing automotive brakes. In 1929, the company became the Bendix Aviation Corporation, and now, as Honeywell (formerly AlliedSignal Inc.), is a leading manufacturer of automotive and aerospace products.

Other special attractions within the South Bend area include the Olympic-class East Race Waterway and the East Bank area; the renovated Morris Performing Arts Center, which provides for the Broadway Theater League, the South Bend Symphony Orchestra with the Chamber and Pops Orchestras and the Southold Dance Theater and Patchwork Dance Company; the award-winning South Bend Civic Theater; the Studebaker National Museum; the South Bend Regional Museum of Art; the Snite Museum of Art at Notre Dame; the Northern Indiana Center for History; Copshaholm/The Oliver Mansion; the College Football Hall of Fame; Century Center; Potawatomi Zoo; the Morris Conservatory/Muessel-Ellison Tropical Gardens; Healthworks! Kids Museum; the Farmers' Market; and the Belleville Softball Complex. The Coveleski Regional Baseball Stadium (named after South Bend native and Hall of Fame pitcher Stanley Coveleski) is a 5,000-seat facility which opened in 1987 and is rated among the best in minor league baseball. The stadium is home to the South Bend Silver Hawks, a minor league team affiliated with the Arizona Diamondbacks. During 2011, the Silver Hawks were sold to Chicago businessman, Andrew Berlin, who has forged a strong partnership with the City and plans to keep the team in South Bend for many years to come.

Additional miscellaneous information about the City of South Bend can be found in the statistical section of this report.

Financial, Budgetary and Property Tax Controls

The City's management team is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City. As part of the City's single audit described earlier, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the year ended December 31, 2011 disclosed no instances of significant material weaknesses in the internal control structure and no significant violations of applicable laws and regulations.

Budgetary Controls. In accordance with Indiana statutes, the City maintains budgetary controls integrated within the accounting system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget (prepared on a cash basis) which is adopted by the City Common Council and then reviewed and approved by the State of Indiana Department of Local Government and Finance. Activities of the general fund, special revenue funds, capital project funds, enterprise funds, internal service funds, pension trust funds and debt service funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major budget classification within funds. The Mayor and Common Council may transfer appropriations from one major budget classification to another within a department by ordinance as long as the total appropriations for that fund are not exceeded. Transfers from one department to another, or additional appropriations in excess of the original budget, must be approved by the Mayor and Common Council and are also submitted to the Department of Local Government and Finance for either approval or acknowledgement (depending on the fund). Beginning in budget year 2009, the City must also submit its annual budget to the St. Joseph County Common Council for a non-binding review and recommendation.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts do not lapse at year end and are carried over to the following year as a part of the subsequent year's budget.

Property Tax Controls. In addition to budgetary and other controls established by Indiana statute, the City must operate within specific and rigid controls governing the amount of property tax it may levy. The property tax control program, which began in 1973, limits the amount of property tax that may be levied by each unit of government in its legally budgeted funds. The total amount of property tax levied by the unit may increase by the six year average annual growth in Indiana personal non-farm income, as calculated by the U.S. Bureau of Economic Analysis, with a 6% maximum.

During March 2008, the State of Indiana General Assembly enacted property tax reform legislation which made significant changes in the property tax system by capping the amount of property taxes at 1% of grossed assessed value for residential homesteads, 2% for agricultural/rental properties and 3% for all other real and personal property. This legislation was phased in over a two year period beginning in 2009. The loss of revenue to the City due to

this legislation was significant but has been overcome by cost savings and the adoption of local option income taxes in order to continue providing essential City services, including police and fire protection.

A historical view of the City's tax rate and its net assessed valuation has been included in the statistical section of this document.

Citywide Goals and Objectives for 2012 and Beyond

The City has developed **eight broad goals** that focus on the following areas: economy, safety, quality of life, trust, responsiveness, infrastructure, finance and workforce. The City has identified various objectives that are tied directly to these goals which, if achieved, will result in the attainment of these goals. The eight goals are listed below.

GOAL ONE: The Community's Economy

Improve South Bend's economy to ensure a vigorous local business climate; ample employment, business and investment opportunities for all our customers; and a tax base that is sufficient to meet the needs of the City, its residents and other customers.

GOAL TWO: The Community's Public Safety and Civility

Improve South Bend's public safety and civility to ensure that every resident and other customers can live, work, play, run a business and raise a family in a humane, pleasant and safe environment; have adequate, affordable and timely access to all forms of emergency services; and can contribute and participate in a community where people of different backgrounds live in mutual respect and harmony.

GOAL THREE: The Community's Quality of Life

Improve South Bend's quality of life to ensure that every resident and every family can earn an adequate income; secure adequate housing; live in a safe, pleasant and humane neighborhood; enjoy a wide range of social, cultural and recreational opportunities; and have access to quality educational and medical services within an excellent natural and manmade environment.

GOAL FOUR: Trust in City Government

Improve residents' trust in City government to ensure that South Bend has a broad base of consensus and support on which to build the future, a strong foundation for collaborative action and community partnerships; and an increase in resident and customer participation in the daily public life of the community.

GOAL FIVE: The City's Responsiveness, Efficiency, and Effectiveness

Improve the responsiveness, efficiency, and effectiveness of City government to ensure that the City's customers get the value they expect and deserve.

GOAL SIX: The City's Infrastructure

Improve the City's infrastructure to ensure that South Bend can support physical growth and economic development; and offer an excellent quality of life to all of its residents and other customers.

GOAL SEVEN: The City's Financial Condition

Improve the financial condition of City government to ensure that South Bend has the financial resources necessary to achieve all of its goals during the next five years.

GOAL EIGHT: The City's Workforce

Improve the City government's existing workforce, work environment and human development systems to ensure that South Bend has the human resources necessary to achieve all its goals during the next five years.

City Mission Statement and Department Purpose Statements

The City provides services to its customers through thirteen administrative departments. These departments have unique purposes that are intended to support the citywide mission statement which is "**to be recognized as a model city.**" Each department has developed a purpose statement which identifies their specific role.

Mayor's Office: Leading the community to become a model city through formulating policy, directing operations and responding to customer concerns.

Common Council: Making certain that our City government is always responsive to the needs of our residents and that the betterment of South Bend is always our highest priority.

City Clerk's Office: Preserving all City Ordinances and Council meeting minutes for generations yet to be, and providing fair and consistent treatment of our Ordinance Violations Bureau customers.

Administration and Finance: Providing financial and organizational stability for the City through sound financial and human resources management while ensuring the existence of a safe work environment, quality employee benefits and equal treatment for all City employees.

Legal Department: Providing superior, professional and ethical legal services for our client, the City of South Bend.

Police Department: Protecting the life, property and personal liberties of all individuals; improving the overall quality of life by deterring criminal activity and respecting cultural diversity; delivering fair and impartial law enforcement services to all residents.

Fire Department: Providing the highest level of fire protection and emergency medical services possible to all of our customers, saving lives and property, and striving to become a model Fire Department for other cities in an efficient and cost-effective manner.

Code Enforcement: Maintaining and improving the physical quality of life in our neighborhoods.

Parks and Recreation: Offering all residents and guests of South Bend the highest quality of recreational and leisure activities, while providing well-managed parks and recreational facilities with updated programming and friendly productive service.

Community and Economic Development: Creating and expanding opportunities through partnerships in neighborhood revitalization, commercial and industrial development and community enhancement.

Public Works: Providing leadership in the development and delivery of engineering, fleet, transportation, sanitation, wastewater, water and other services as called upon by our customers.

Building Department: Serving our customers by inspecting, informing and ensuring a safe place to work, play and live.

Century Center: Providing a state-of-the-art facility with excellent services to customers while generating maximum economic benefit to our community.

Building South Bend in 2012 and beyond

The City Administration's theme for the past several years has been "We're Building South Bend." That theme has had a major influence on the development of the 2012 budget. There were five areas of concentration that became or remained budget priorities for 2012.

- ***We're Building Neighborhoods*** - The City continues with its strong commitment to neighborhoods. The City will make a significant investment to fund or leverage state and federal funding for housing assistance, development and home ownership programs, neighborhood public works and parks, neighborhood development for social services and organizations, and public safety initiatives. Committing these resources will help us maintain, improve and support strong neighborhood development.
- ***We're Building a Safe City*** - Public safety is the foundation of all the City's efforts to build South Bend. Through the targeted and creative use of available resources, the City is working to provide quality police, fire and ambulance services for the community. The crime rate has decreased in several significant categories over the past year. The City's Fire Departments is rated one of the best in the State. The Mayor's top initiatives will focus on community policing, youth violence, and placing more emphasis on training and recruitment for the Police and Fire Departments.
- ***We're Building an Attractive City*** - We are working to enhance the natural and man-made beauty of our city through effective City programs. The City has taken steps through its Department of Code Enforcement and a Mayoral Task force to address the issue of vacant and abandoned properties. The City is funding major programs to renovate the former Studebaker Corridor area and other parts of the City. The City has been recognized as a Bicycle Friendly Community by the League of American Bicyclists and has established approximately 60 miles of bicycle routes to date.
- ***We're Building Opportunity*** - A key issue for any city is education and opportunity for young people. The City is committed to keeping schools open in our neighborhoods and to maximizing their use by the community. We are building partnerships with the South Bend School Corporation and other key stakeholders that will create new strategies for enhancing our formal educational systems. Working together with families, student groups, school officials, neighborhoods, the faith community and civic organizations, we can support our local schools and improve the level of individual student performance.
- ***We're Building a Strong Economy*** - Local government plays a key role in economic development. By providing adequate infrastructure and offering targeted assistance, the City can stimulate private investment, creating business opportunities and jobs. The City's policies encourage new start-up businesses, strengthen existing business, attract new jobs, increase assessed value and emphasize direct investment in hard-to-develop areas. Efforts have been and will continue to focus on implementing the comprehensive plans for the areas around the East Bank and Coveleski Stadium, including a new Veteran's Clinic across from the stadium. The City has had many recent economic development projects including Eddy Street Commons, a \$220 million dollar mixed-use development south of Notre Dame, with more than 20 stores and restaurants, office space and hundreds of town homes, apartments and condominiums. In addition, the City has created Indiana's first dual-site, state-certified technology park site known as Innovation Park and Ignition Park.

Mayoral Leadership Transition

This past year was a period of transition in the leadership of the City of South Bend. Mayor Stephen J. Luecke retired effective December 31, 2011. As South Bend's longest serving chief executive (1997-2011), Mayor Luecke has had many significant accomplishments during his tenure including the City's receipt of the All-America City Award from the National Civic League in 2011.

New Mayor Pete Buttigieg (a Harvard University graduate and Rhodes scholar) assumed office on January 1, 2012 bringing with him a group of leaders with new ideas and energy to implement transformational reform to City government. Elected at age 29, Mayor Buttigieg is the youngest chief executive of a municipality exceeding 100,000 residents in the United States. Building on the success of the previous administration, Mayor Buttigieg has launched six new initiatives to improve city government:

1. **New Economic Partnerships** – to lay out a new economic vision for our community as well as to agree on a smarter division of labor among various groups involved in economic development. An Economic Summit was held in June to promote this initiative.
2. **High Ethical Standards** – on his first day in office, the Mayor issued an executive order introducing a new ethics code for city employees.
3. **Customer Service Mentality** – design ways that city employees can track and resolve citizens' issues efficiently by using more advanced technology. This effort will culminate with the creation of a "311 line" for non-emergency municipal issues during 2012.
4. **Strong Partnerships with Schools** – the Mayor has improved dialogue with the South Bend School Corporation and other stakeholders to ensure a strong educational system in the City. Programs to increase school mentoring programs and curb youth violence are being implemented.
5. **Transparency and Accessibility** – choosing not to serve from behind his desk, Mayor Buttigieg has conducted a series of monthly "Mayor's Night Out" and "Mayor's Night In" events around town to allow citizens to speak to him and his department heads directly about concerns and ideas. Also, efforts to implement a first-class performance management system have been initiated.
6. **Empowering Volunteers to Help** – work to create new opportunities for citizens who want to campaign for the City and help rejuvenate its neighborhoods. A city-sponsored volunteer "clearing house" is being developed to match able volunteers with organizations in need of volunteer assistance.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Bend for its comprehensive annual financial report for the fiscal year ended December 31, 2010. This was the twenty first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the City's departmental fiscal officers and the staff of the Department of Administration and Finance. Each fiscal officer and member of the Administration and Finance Department has my sincere appreciation for the contributions made in the preparation of this report. In addition, I would like to thank the Field Examiners of the Indiana State Board of Accounts (led by Doug Wiese and Bruce Snyder) for their hard work and dedication in this effort.

In closing, without the leadership and support of former Mayor Stephen Luecke, current Mayor Pete Buttigieg, City Department Heads, and members of the City of South Bend Common Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark W. Neal', with a stylized flourish at the end.

Mark W. Neal, City Controller
City of South Bend



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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Bend (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities, and Budgetary Comparison Schedules (General and Major Special Revenue funds), as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements, other budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our report May 30, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

STATE BOARD OF ACCOUNTS

May 30, 2012

Management Discussion & Analysis

The Management of the City of South Bend, Indiana ("City") provides herewith, this Management Discussion & Analysis ("MD&A") of the financial activities and condition of the **City of South Bend, Indiana** for the **fiscal year ended December 31, 2011**.

Readers of the information contained within this Management Discussion & 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 year 2010 U.S. Bureau of the Census population for the City of South Bend was reported as 101,168, whereas the year 2010 Census population for St. Joseph County was reported as 266,931. Accordingly, South Bend is classified as a "City of Second Class" under State of Indiana statutes, defined as cities with a population between 35,000 and 250,000 residents.

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 and other commercial and tourism based industries. The diverse economic mix creates varied employment opportunities for residents while providing insulation via diversification from economic downturns.

The City of South Bend provides a full range of general governmental services to citizens. Services include general government, public safety, street construction and maintenance, infrastructure construction and maintenance, parks & recreation services, arts & culture, and sanitation services. In addition, the City provides Water Utility and Wastewater Utility services to commercial and residential properties within the city. City operations also include the Century Center Convention venue, College Football Hall of Fame, Studebaker 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	4 year term
	6 from defined districts within the City	
	3 at large members	
City Clerk	Secretary of the Common Council	4 year term

All elected official current terms of office expire on December 31, 2015.

The City of South Bend was incorporated in 1865, compliant to Indiana Statute, and remains as such through the period covered by this Management Discussion & Analysis report.

Management Discussion & Analysis

Financial Highlights

\$ (whole)	Governmental Activities		Business type Activities		Government wide Activities	
	2011	2010	2011	2010	2011	2010
Total Assets	517,651,245	520,908,273	275,840,661	250,583,137	793,491,906	771,491,410
Total Liabilities	224,587,699	228,756,515	111,439,332	95,891,883	336,027,031	324,648,398
Net assets						
Capital net of debt	195,361,678	186,771,216	103,923,028	122,108,095	299,284,706	308,879,311
Restricted	9,354,772	8,840,610	12,937,988	13,320,967	22,292,760	22,161,577
Unrestricted	88,347,096	96,539,932	47,540,313	19,262,192	135,887,409	115,802,124
Total net assets	293,063,546	292,151,758	164,401,329	154,691,254	457,464,875	446,843,012
Change vs. pr. Year	911,788	17,965,301	9,710,075	8,411,134	10,621,863	26,376,435
Expenses	154,902,096	135,058,294	46,323,473	45,486,515	201,225,569	180,544,809
Revenues	152,772,708	153,672,418	59,074,724	53,248,826	211,847,432	206,921,244

- Government wide net assets (total assets less total liabilities) as of December 31, 2011 were \$457,464,875.
- Government wide net assets increased by \$10,621,863 or 2.4% during fiscal 2011. Governmental activity net assets increased by \$911,788 or .3% whereas business-type activity net assets increased by \$9,710,075 or 6.3% during fiscal 2011.
- Total assets as of December 31, 2011 of \$793,491,906 increased by \$22,000,496 or 2.9% as compared to total assets as of December 31, 2010.
- Total liabilities as of December 31, 2011 were \$336,027,031, increased by \$11,378,633 or 3.5% as compared to total liabilities as of December 31, 2010.
- As of December 31, 2011, government wide net assets of \$299,284,706 were invested in capital assets net of debt and are, therefore, not available for spending. Net assets of \$135,887,409 were classified as unrestricted net assets and may be used to meet ongoing obligations to creditors. A total of \$22,292,760 was classified as restricted for debt service and capital outlay.
- Government wide revenue achieved in fiscal 2011 amounted to \$211,847,432, an increase of \$4,926,188 or 2.3% versus government wide revenues achieved in fiscal 2010. Governmental activity revenue decreased by \$899,710 or .5%, whereas business-type activity revenue increased by \$5,825,898 or 10.9%.
- Government wide expenses in 2011 amounted to \$201,225,569, an increase of \$20,680,760 or 11.4% as compared to expenses of \$180,544,809 in 2010. Government activity expenses increased by \$19,843,802 or 14.6%, while business-type activity expenses increased by \$836,958 or .2%, when compared to fiscal 2010.
- Explanatory commentary concerning the changes in assets, liabilities, revenue and expenditures can be found in later sections of this MD&A.

Management Discussion & Analysis

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 assets**

This statement reports all assets and liabilities of the City of South Bend as of December 31, 2011. The difference between total assets and total liabilities is reported as "net assets," and can generally be thought of as the net worth of the City. Increases in net assets generally indicate an improvement in financial position while decreases in net assets 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, 2011. Changes in net assets 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.

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 & recreation services, and arts & culture. The major business-type activities of the City include the water utility, wastewater utility, solid waste sanitation services, Century Center convention center, and Blackthorn golf course operations.

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.

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

Management Discussion & Analysis

maintains six (6) major governmental funds (General, Parks and Recreation, Public Safety Local Option Income Tax, TIF Airport, County Option Income Tax, and Economic Development Income Tax) and sixty-nine (69) non-major governmental funds.

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 assets and the proprietary statement of revenues, expense and changes in fund net assets 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 St. Joseph County/South Bend Building Department, Parking Garage, Solid Waste and Blackthorn Golf Course) are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 five (5) 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 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 statement because the resources of those funds are not available to support City programs. The City maintains five (5) fiduciary funds, which consist of two (2) pension trust funds (1925 Police Pension and 1937 Firefighter's Pension), two (2) agency funds (Payroll and Morris/Palais Royale Box Office), and one (1) private-purpose trust fund (Cemetery).

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 Officer's 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 participant's demise.

Effective in fiscal 2009, with the passage of State legislation, funding responsibility for the 1925 and 1937 Police and Firefighter's Pension Funds was assumed by the State of Indiana. These funds no longer receive property tax revenue distributions beyond fiscal 2009. The transfer of pension responsibility to the State of Indiana is on a reimbursement basis and will not provide additional revenue to the City for use in other property tax funded areas. The administration of the pension plans remains the responsibility of the City.

Management Discussion & Analysis

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 note & disclosures, this CAFR report presents supplementary information. The combining statements referred to earlier in connection with non-major governmental, enterprise, internal service and fiduciary funds are presented immediately after the basic financial statements within the financial statement section of the CAFR report.

Government wide financial statements

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

Statement of Net Assets

\$ (whole)	Statement of Net Assets					
	Governmental Activities		Business type Activities		Government wide Activities	
	2011	2010	2011	2010	2011	2010
Assets						
Current & other	223,809,782	232,714,910	65,711,671	49,622,856	289,521,453	282,337,766
Capital assets (net)	293,841,463	288,193,363	210,128,990	200,960,281	503,970,453	489,153,644
Total Assets	517,651,245	520,908,273	275,840,661	250,583,137	793,491,906	771,491,410
Liabilities						
Current	29,049,232	27,713,250	11,716,546	12,047,468	40,765,778	39,760,718
Long term	195,538,467	201,043,265	99,722,786	83,844,415	295,261,253	284,887,680
Total Liabilities	224,587,699	228,756,515	111,439,332	95,891,883	336,027,031	324,648,398
Net assets						
Capital net of debt	195,361,678	186,771,216	103,923,028	122,108,095	299,284,706	308,879,311
Restricted	9,354,772	8,840,610	12,937,988	13,320,967	22,292,760	22,161,577
Unrestricted	88,347,096	96,539,932	47,540,313	19,262,192	135,887,409	115,802,124
Total net assets	293,063,546	292,151,758	164,401,329	154,691,254	457,464,875	446,843,012

As of December 31, 2011, City assets exceeded liabilities by \$457,464,875, an increase of \$10,621,863, or 2.4%, from the net asset level as of December 31, 2010.

Governmental net assets of \$293,063,546 increased by \$911,788 versus the level at December 31, 2010, an increase of .3%. Business type net assets of \$164,401,329 increased by \$9,710,075 versus the level at December 31, 2010, an increase of 6.3%.

Management Discussion & Analysis

Statement of Net Assets (continued)

Improvement in the net asset position of the City should be viewed as a favorable development indicative of the conservative and responsible fiscal management policy maintained and followed by City Management, especially in light of the revenue constraints due to state enacted property tax reform in 2009 and soft economic conditions experienced in fiscal 2011. The increase in business type net assets was due primarily to a 9% increase in sewer rates which will be used to support long-term capital projects of the Wastewater utility.

Total assets increased \$22,000,496 or 2.9% as compared to the asset level as of December 31, 2010. The increase in assets is largely attributed to an increase in capital assets net of depreciation.

The increase in capital assets of \$14,816,809 is the result of several major capital construction projects capitalized or in process during the period. Major projects include the Eddy Street Commons development, Coveleski Stadium improvements, several street and intersection road improvement projects, several sewer rehabilitation projects, and water and wastewater utility equipment projects.

Total liabilities increased by \$11,378,633 or 3.5% as compared to the liability level as of December 31, 2010. The increase in liabilities is largely attributed to additional sewer bonding and an increase in OPEB liabilities in connection with retiree health insurance benefits.

Government wide net assets of \$299,284,706, are invested in capital assets net of debt and are therefore, not available for spending. A total of \$135,887,409 is classified as unrestricted net assets and may be used to meet ongoing obligations to creditors. Net assets in the amount of \$22,292,760 are classified as restricted for debt service and capital outlay.

Statement of Changes in Net Assets

\$ (whole)	Governmental Activities		Business type Activities		Government wide Activities	
	2011	2010	2011	2010	2011	2010
Revenue						
Program Revenue						
Charge for services	10,853,623	17,187,806	54,576,584	51,212,835	65,430,207	68,400,641
Operating grants	32,091,246	29,467,573	-	-	32,091,246	29,467,573
Capital grants	2,328,468	1,472,233	4,291,731	1,889,165	6,620,199	3,361,398
General Revenue						
Taxes						
Property tax	76,445,349	77,315,641	-	-	76,445,349	77,315,641
Other tax	22,555,864	19,850,720	-	-	22,555,864	19,850,720
Unrestricted grants	3,964,336	4,883,081	-	-	3,964,336	4,883,081
Investment earnings	1,050,768	868,023	206,409	146,826	1,257,177	1,014,849
Other revenue	3,483,054	2,627,341	-	-	3,483,054	2,627,341
Total Revenue	152,772,708	153,672,418	59,074,724	53,248,826	211,847,432	206,921,244
Expenses						
General government	16,783,351	8,261,861	-	-	16,783,351	8,261,861
Public safety	73,530,442	63,150,142	-	-	73,530,442	63,150,142
Highways & streets	7,574,003	9,526,537	-	-	7,574,003	9,526,537
Culture & recreation	15,566,794	16,036,194	-	-	15,566,794	16,036,194

Management Discussion & Analysis

Economic development	34,648,975	30,744,012	-	-	34,648,975	30,744,012
Interest on long term debt	6,798,531	7,339,548	-	-	6,798,531	7,339,548
Water utility	-	-	11,972,840	12,525,246	11,972,840	12,525,246
Wastewater utility	-	-	22,260,005	21,403,663	22,260,005	21,403,663
Civic center	-	-	3,100,484	2,989,586	3,100,484	2,989,586
Building department	-	-	871,299	930,120	871,299	930,120
Parking	-	-	1,467,646	1,438,288	1,467,646	1,438,288
Solid waste	-	-	4,962,157	4,204,056	4,962,157	4,204,056
Golf course	-	-	1,689,042	1,995,556	1,689,042	1,995,556
Total Expense	154,902,096	135,058,294	46,323,473	45,486,515	201,225,569	180,544,809
Change in net assets						
Before transfers / special	(2,129,388)	18,614,124	12,751,251	7,762,311	10,621,863	26,376,435
Transfers	3,041,176	(648,823)	(3,041,176)	648,823	-	-
Change in net assets	911,788	17,965,301	9,710,075	8,411,134	10,621,863	26,376,435
Beginning net assets (restated)	292,151,758	274,186,457	154,691,254	146,280,120	446,843,012	420,466,577
Ending net assets	293,063,546	292,151,758	164,401,329	154,691,254	457,464,875	446,843,012

Governmental Activities

Net assets for governmental activities increased by \$911,788 during fiscal 2011. Revenue of \$152,772,708 decreased by \$899,710, or .6%, Expenses were \$154,902,096 during 2011, an increase of \$19,843,802, or 14.7% as compared to fiscal 2010.

The revenue decrease was due to lower revenue from charges for service and property taxes primarily in the General Fund. The increase in expenses was due primarily to spending on capital projects such as Coveleski Stadium, the Potawatomi Conservatory and land acquisition for a new high school in the downtown area along with increased spending on public safety, as the police and fire department staffing was restored to full strength.

Interest on long term debt of \$6,798,531 decreased by \$541,017 consistent with existing repayment obligations.

Business Type Activities

Net assets from business type activities increased by \$9,710,075 during fiscal 2011. During 2011, revenue of \$59,074,724 increased by \$5,825,898 or 10.9% when compared to fiscal 2010. During 2011, expenses of \$46,323,473 increased by \$836,958 or 1.8%% when compared to fiscal 2010.

Revenue increased primarily as the result of a 9% increase in sewer rates for 2011 designed to provide funding to cover long-term wastewater and sewer capital improvements. Additional capital grant funding was received from the state revolving fund to cover sewer and wastewater projects.

Expenses during 2011 were consistent with 2010 with slight increases in the wastewater utility to cover spending on capital projects and in solid waste to cover higher landfill costs. Expenses for the water utility, building department and Blackthorn golf course were lower in 2011 than in fiscal 2010 as these departments experienced stagnant or declining revenue and adjusted their expenses accordingly.

Management Discussion & Analysis

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.

Governmental funds

Condensed Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance As of December 31, 2011

\$ (whole)	General	Park & Rec	PS LOIT	COIT	EDIT	TIF Airport	Other	Total
Total assets	31,371,631	4,990,005	2,228,508	18,592,068	9,994,625	34,081,655	113,966,380	215,224,872
Total liabilities	3,440,415	462,651	-	663,230	157,213	3,642,349	10,624,938	18,990,796
Fund Balances:								
Non-spendable	1,115,025	64,231	-	3,395,837	449,831	11,322,131	21,804,809	38,151,864
Restricted	327,267	4,463,123	2,228,508	-	-	-	38,062,406	45,081,304
Committed	-	-	-	-	-	-	11,829,074	11,829,074
Assigned	255,287	-	-	14,533,001	9,387,581	19,117,175	34,422,527	77,715,571
Unassigned	26,233,637	-	-	-	-	-	(2,777,374)	23,456,263
Total fund balance	27,931,216	4,527,354	2,228,508	17,928,838	9,837,412	30,439,306	103,341,442	196,234,076
Liability & fund balance	31,371,631	4,990,005	2,228,508	18,592,068	9,994,625	34,081,655	113,966,380	215,224,872
Revenues	64,592,024	11,392,823	5,846,861	8,020,602	8,580,213	11,376,299	43,068,350	152,877,172
Expenditures	73,636,507	11,661,404	-	5,746,390	5,787,571	19,397,279	56,168,528	172,397,679
Net surplus (deficit)	(9,044,483)	(268,581)	5,846,861	2,274,212	2,792,642	(8,020,980)	(13,100,178)	(19,520,507)
Other sources (uses)	8,238,557	395,425	(4,761,979)	(1,263,386)	(2,536,759)	(352,446)	7,833,455	7,552,867
Change in fund balance	(805,926)	126,844	1,084,882	1,010,826	255,883	(8,373,426)	(5,266,723)	(11,967,640)
Beginning fund balance	28,737,142	4,400,510	1,143,626	16,918,012	9,581,529	38,812,732	108,608,165	208,201,716
Ending fund balance	27,931,216	4,527,354	2,228,508	17,928,838	9,837,412	30,439,306	103,341,442	196,234,076

As of December 31, 2011, the City governmental funds reported a combined ending fund balance of \$196,234,076.

Non-spendable fund balance of \$38,151,864 is sequestered for property held for resale, inventory, non current loans receivable and advances to other funds and is, therefore, not available for new spending. Restricted fund balance of \$45,081,304 consists of monies in debt service funds or other funds such as road funds that are limited by external parties as to their use. Committed fund balance of \$11,829,074 is designated by the Common Council of the City of South Bend to be used for certain purposes such as for environmental projects. Assigned fund balance of \$77,715,571 includes balances in tax increment property tax funds and local option income tax funds that have not been committed to certain projects and are available for spending by the City. Unassigned fund balance of \$23,456,263 consists of money primarily in the General Fund that has not been obligated in any manner by the City.

Management Discussion & Analysis

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

As of December 31, 2011, the General Fund balance of \$27,931,216 represents a decrease of \$805,926 or 2.8% from the balance as of December 31, 2010.

The decrease in General Fund balance was due primarily to the collection of less property tax revenue than originally budgeted due to circuit breaker property tax limitations in Indiana and lower assessed property values.

As of December 31, 2011, the General Fund had unassigned fund balance of \$26,233,637 which is equal to 40.6% of 2011 General Fund Revenue.

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 will use the unassigned fund balance in 2012 as a cash flow bridge to the receipt of property tax revenues from the County collection authority which distributes property tax revenue two times per year (June and December). General Fund unassigned balance will provide sufficient cash to cover City operating obligations without incurring tax anticipation notes and resultant borrowing costs during fiscal 2012.

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 varying circumstances require such as a delay in collection of a major revenue source.

The **Parks and Recreation Fund** experienced an increase in fund balance of \$126,844 during fiscal 2011. The increase in fund balance was due primarily to the receipt of payment-in-lieu of taxes from the wastewater and water utilities in the amount of \$580,875 beginning in 2011. Parks Board and Parks Administration continued in 2011 with prudent management of expenditures and commitments in light of current and future projected revenue streams.

As of December 31, 2011, the restricted fund balance in the Parks and Recreation Fund was \$4,463,123, or 39.2% of 2011 revenue.

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. Operating transfers are made quarterly from the Public Safety LOIT Fund to the General Fund to cover the personnel costs of police officers and firefighters. Receipts of Public Safety LOIT tax revenue commenced in January 2010. The revenue collected in fiscal 2011 of \$5,846,861 exceeded original projections. The resultant increase in fund balance in the amount of \$1,084,882 is restricted and will be used in future fiscal periods to fund full staffing levels for police and fire personnel.

Fund balances as of December 31, 2011 improved versus the fund balances as of December 31, 2010 in the COIT and EDIT funds as not all planned projects were completed and expended during 2011.

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

Management Discussion & Analysis

economic development and cultural venues, certain city-wide expenditures such as telephone costs, and certain debt service payments.

The COIT fund increased by \$1,010,826 during 2011 due to higher income tax receipts than originally estimated and conservative commitment of expenses to initiatives of the highest priority. 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 costs, and certain debt service payments.

As of December 31, 2011, the COIT Fund balance of \$17,928,838 included assigned fund balance of \$14,533,001 and non-spendable fund balance of \$3,395,837, primarily for property held for resale and advances to other funds.

The EDIT fund increased by \$255,883 during 2011 due to higher income tax receipts than originally estimated and conservative commitment of expenses to initiatives of the highest priority. 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, and certain debt service payments.

As of December 31, 2011, the EDIT Fund balance of \$9,837,412 included assigned fund balance of \$9,387,581 and non-spendable fund balance of \$449,831, consisting of property held for resale.

The fund balance in the **TIF Airport Fund** decreased by \$8,373,426 during 2011 due to planned spending for capital projects including a new Animal Control facility, improvements at Ignition Park (industrial park), Oliver Plow Memorial, continued demolition of the historical Studebaker automobile factory buildings, the extension of Mayflower Road and other economic development initiatives.

As of December 31, 2011 the TIF Airport Fund fund balance of \$30,439,306 included \$9,562,208 in property held for resale, \$1,759,923 advances to other funds (primarily to the Blackthorn golf course) and \$19,117,175 in assigned fund balance.

The TIF Airport Fund continues to be a major success for the City of South Bend and has generated in excess of \$500 million dollars in private investment since its inception.

During 2011, the fund balances in **Other Governmental funds** decreased by \$5,266,723. This decrease in fund balance was primarily the result of planned spending of \$4,418,858 in the Coveleski Stadium Bond construction fund, a fund established in late 2010 with bond financing.

These fund balances provide available resources that the City requires to meet future capital construction needs, ongoing debt service obligations, and economic development project initiatives in concert with the City vision for economic development within the City footprint.

Individual fund data for each of the non-major governmental funds is provided in the form of the combining statements in the Supplemental Information section of the CAFR report.

Governmental Fund Revenue

The following schedule presents a summary of governmental fund revenue for the year ended December 31, 2011 with comparison to the prior year:

Management Discussion & Analysis

Governmental Fund Revenue

\$ (whole)	2011 Actual	% of Total	2010 Actual	% of Total
Tax Based				
General property	76,445,349	50.0%	77,315,641	48.8%
County option income	13,219,723	8.6%	14,366,154	9.1%
County economic development	8,044,773	5.3%	9,090,415	5.7%
Professional sports development	558,268	0.4%	597,406	0.4%
Community revitalization district	733,100	0.5%	416,149	0.3%
Total Tax	99,001,213	64.8%	101,785,765	64.3%
Non Tax Based				
Licenses and permits	190,943	0.1%	192,397	0.1%
Intergovernmental	34,419,714	22.5%	35,822,886	22.6%
Charge for services	13,990,267	9.2%	16,585,634	10.5%
Fines and forfeitures	636,749	0.4%	409,775	0.3%
Interest income	1,050,768	0.7%	868,023	0.5%
Donations	305,670	0.2%	300,337	0.2%
Other	3,281,848	2.1%	2,377,459	1.5%
Total Non-Tax Based	53,875,959	35.2%	56,556,511	35.7%
Total Revenue	152,877,172	100.0%	158,342,276	100.0%

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 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, or so-called "circuit breaker" property tax caps in 2009 of 1.0% (homestead), 2.0% (other residential/rental) and 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 Tax Incremental Financing ("TIF") Funds, and a special levy to cover debt service of the College Football Hall of Fame.

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 new 0.25% public safety local option income tax and a new 0.5% property tax relief local option income tax.

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 Indiana Association of Cities and Towns ("IACT") "Hometown Matters" to lobby the state legislature to legislatively enable alternative revenue sources that best fit the needs of the community. A viable source of revenue is from user fees and/or charges for services currently being performed. City performed services are priced based 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.

Management Discussion & Analysis

Government Fund Expenditures

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

The following schedule presents a summary of governmental fund expenditures for the year ended December 31, 2011 with comparison to the prior year.

Governmental Fund Expenditures

\$ (whole)	2011 Actual	% of Total	2010 Actual	% of Total
General government	6,680,855	3.9%	5,214,424	3.5%
Public safety	69,612,754	40.4%	60,990,129	40.5%
Highways & streets	5,079,041	2.9%	12,298,603	8.1%
Economic development	9,698,611	5.6%	17,408,376	11.5%
Culture & recreation	13,816,699	8.0%	12,841,596	8.5%
Debt service	20,818,689	12.1%	20,052,364	13.3%
Capital outlay	46,691,030	27.1%	21,952,522	14.6%
Total Expenditures	172,397,679	100.0%	150,758,014	100.0%

Government fund expenditures in fiscal 2011 of \$172,397,679 increased by \$21,639,665 or 14.4%, in comparison to government fund expenditures in fiscal 2010.

Capital outlay expenditures increased by \$24,738,508 during 2011 due primarily to an increase in spending on economic development projects from local option income tax funds and tax increment financing (TIF) funds. These projects include improvements at Ignition Park, the Triangle housing development, LaSalle Square improvements, the Oliver Chilled Plow Memorial, an extension of Mayflower Road, continued demolition of the Studebaker automobile factory buildings, Coveleski Stadium improvements and other economic development initiatives.

Public Safety expenditures increased \$8,622,625 or 14.1% as the initiative to increase the employment force of sworn police and fire personnel commenced according to City plans outlined in the tax increase legislation passed by the Common Council in 2009. In addition, higher police and fire pension payments were made during 2011 and this cost was allocated to public safety. Highways and Street expenditures decreased by \$7,219,562 as the costs of the Engineering department were reclassified to General Government. In addition, certain street construction projects in the City were paid from economic development funds and were classified as capital outlay.

Public Safety expenditure continues to be the primary use of government fund resources with 40.4% of expenditures used for this purpose in fiscal 2011. Public safety spending is followed by capital project expenditures (27.1%), debt service (12.1%), culture and recreation (8.0%), economic development operating (5.6%), general government (3.9%) and highways & streets (2.9%). General government spending is comprised of the executive offices of the Mayor, Common Council, City Clerk, City Attorney, Controller, Engineering and other administrative offices.

Management Discussion & Analysis

Proprietary funds

Condensed Statement of Net Assets, Revenues, Expenses, and Changes in Fund Net Assets As of December 31, 2011

\$ (whole)	Water Utility	Wastewater Utility	Century Center	Other	Total Enterprise	Internal Service
Total assets	71,030,220	172,819,449	18,679,478	15,266,825	277,795,972	17,682,256
Total liabilities	17,036,435	91,481,057	336,231	4,540,920	113,394,643	3,820,779
Net assets:						
Capital assets net of debt	47,165,632	33,501,672	16,641,420	6,614,304	103,923,028	1,305,486
Restricted for:						
Debt service	-	-	-	708,678	708,678	-
Capital outlay	505,712	10,318,594	1,344,057	60,947	12,229,310	-
Unrestricted	6,322,441	37,518,126	357,770	3,341,976	47,540,313	12,555,991
Total net assets	53,993,785	81,338,392	18,343,247	10,725,905	164,401,329	13,861,477
Operating revenues	13,327,404	28,867,423	1,491,634	8,190,044	51,876,505	17,985,280
Operating expenses	11,066,326	18,717,052	2,993,165	8,258,990	41,035,533	17,396,743
Operating income (loss)	2,261,078	10,150,371	(1,501,531)	(68,946)	10,840,972	588,537
Non operating rev (exp)	(117,572)	(2,846,989)	1,297,735	(714,626)	(2,381,452)	57,446
Income (loss) before contributions & transfers	2,143,506	7,303,382	(203,796)	(783,572)	8,459,520	645,983
Capital contributions	377,308	3,300,000	614,423	-	4,291,731	2,784
Transfers in	-	-	-	651,500	651,500	-
Transfers out	(1,398,419)	(2,290,752)	-	(3,505)	(3,692,676)	-
Change in net assets	1,122,395	8,312,630	410,627	(135,577)	9,710,075	648,767
Net assets beginning	52,871,390	73,025,762	17,932,620	10,861,482	154,691,254	13,212,710
Net assets ending	53,993,785	81,338,392	18,343,247	10,725,905	164,401,329	13,861,477

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 assets and the proprietary statement of revenues, expense and changes in fund net assets 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 St. Joseph County/South Bend Building Department, Parking Garage, Solid Waste and Blackthorn Golf Course) are combined into a single, aggregated presentation.

The City maintains five (5) 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 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.

Management Discussion & Analysis

As of December 31, 2011, City enterprise funds reported a net asset position of \$164,401,329, an increase of \$9,710,075 or 6.3% versus the level as of December 31, 2010.

At December 31, 2011, net asset position includes capital assets, net of related debt of \$103,923,028, restricted net assets of \$12,937,988 and unrestricted net assets of \$47,540,313.

The **Water and Wastewater utilities** reported an increase in net assets of \$1,122,395 and \$8,312,630, respectively, during 2011. During 2011, the Wastewater utility benefitted from a 9% increase in sewer rates and from a \$3.3 million capital contribution from the EDIT fund for capital projects in connection with the combined sewer overflow program. The rates for the Water utility did not increase but it did receive a \$377,308 capital contribution during 2011.

During 2011, **Century Center** experienced an increase in net assets of \$410,627 as the result of capital contributions in the amount of \$614,423 from capital improvements at the facility paid for from tax increment financing and other funding sources.

Other Enterprise Funds experienced a decrease in net assets of \$135,577 as total revenue was flat and expenses increased modestly, especially in the Solid Waste Fund that had higher landfill costs in 2011 as compared to 2010.

As of December 31, 2011, City internal service funds reported a net asset position of \$13,861,477, an increase of \$648,767 or 4.9% as compared to 2010. The Liability Insurance fund and Central Services fund reported increases in net assets of \$718,068 and \$302,260, respectively. The Self-Funded Employee Benefits fund reported a decrease in net assets \$423,178 due to higher health insurance claims paid by Anthem, the City's insurance provider.

Fiduciary funds

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

\$ (whole)	Pension Trust	Private Purpose Trust	Agency
Total assets	3,885,775	40,965	2,152,566
Total liabilities	850	-	2,152,566
Net assets	3,884,925	40,965	-

The net assets in the pension trust fund decreased by \$297,151 during 2011. The net assets in the private purpose trust fund (Cemetery) increased by \$160 due to interest earnings.

Effective in fiscal 2009, with the passage of State legislation, funding responsibility for the **1925 Police and 1937 Firefighter's Pension Funds** was assumed by the State of Indiana. These funds no longer receive property tax revenue distributions beyond fiscal 2009. The transfer of pension responsibility to the State of Indiana is on a reimbursement basis and will not provide additional revenue to the City for use in other property tax funded areas. The administration of the pension plans remains the responsibility of the City.

The State of Indiana reimbursement is on a year delayed basis whereas, reimbursement in fiscal 2011 from the State of Indiana included reimbursement for pension benefits paid by the City in fiscal 2010. In addition, State reimbursement excludes healthcare benefit coverage to pension plan members, which is covered under the City of South Bend pension benefit program and which is paid from the pension trust funds.

Management Discussion & Analysis

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 reimbursement of same from the State of Indiana, as well as the cost of healthcare benefits to pension members, not covered by the state reimbursement program.

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 1st of the year preceding, the budget period, according to state statute concerning the annual budget of second class cities and towns.

The general fund budget applicable for fiscal 2011 is reported as follows:

\$ (whole)	Original	Final	Actual Budgetary Basis	Variance
Revenue	63,306,324	63,529,220	60,696,679	(2,832,541)
Expenditures	63,386,324	64,844,690	62,224,384	2,620,306
Surplus (deficit)	(80,000)	(1,315,470)	(1,527,705)	(212,235)

General Fund revenue was originally budgeted at \$63,306,324 for fiscal 2011 with Common Council adoption of the 2011 general fund budget on October 25, 2010. During 2011, the General Fund revenue budget was increased by \$222,896 resulting in an ending revenue budget of \$63,529,220. The revenue budget may be increased at any time based on updated revenue projections and includes an adjustment in the amount of \$142,428 for a federal energy conservation grant received during 2011.

During 2011, General Fund revenue achieved amounted to \$60,696,679, a deficiency from the final budget level of \$2,832,541. The primary reason for the revenue shortfall was reduced property tax collections due to circuit breaker tax legislation (\$1,985,450 less than budgeted) along with lower interest earnings on investments, E-911 grant revenue and forfeitures.

General Fund expenditures were originally budgeted at \$63,386,324 for fiscal 2011 with Common Council adoption of the 2011 general fund budget on October 25 2010. During 2011, the General Fund expenditure budget was increased \$1,458,366 resulting in an ending expenditure budget of \$64,844,690. The expenditure budget increase resulted from an encumbrance roll over at year end 2010 to 2011 of \$860,993 and additional appropriations of \$597,373 (police cars and energy grant).

General Fund spending is reviewed on a monthly basis under the direction of the City Controller to ensure spending remains within budgetary constraints. Quarterly 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) are submitted to Common Council at mid year and year end, as required to adjust the budget as necessary to prevent any budget overruns in any expense 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 incurred on a budgetary basis, including cash expended and outstanding encumbrances as of year end December 31, 2011 amounted to \$62,224,384. The expenditures and commitments as of year end December 31, 2011 are less than the 2011

Management Discussion & Analysis

General Fund expenditure budget by \$2,620,306 or 4.2%. The largest savings were in the police and fire department budgets as personal and other costs spent were less than budgeted.

Capital Assets and Debt Administration

Capital assets

Statement of Capital Assets

\$ (whole)	Governmental Activities		Business type Activities		Government wide Activities	
	2011	2010	2011	2010	2011	2010
Assets not depreciated						
Land	13,285,449	12,435,772	3,024,582	3,020,576	16,310,031	15,456,348
Construction in progress	13,150,305	49,034,174	12,217,249	16,404,487	25,367,554	65,438,661
Total	26,435,754	61,469,946	15,241,831	19,425,063	41,677,585	80,895,009
Assets depreciated						
Buildings	116,244,771	97,928,133	88,915,505	88,941,215	205,160,276	186,869,348
Non-building improvements	43,335,206	22,970,590	160,004,338	143,262,590	203,339,544	166,233,180
Machinery & equipment	47,218,930	42,320,643	54,800,866	51,262,296	102,019,796	93,582,939
Roads	380,500,515	370,055,466	-	-	380,500,515	370,055,466
Total Cost	587,299,422	533,274,832	303,720,709	283,466,101	891,020,131	816,740,933
Accumulated depreciation						
Buildings	33,761,990	31,401,511	44,092,151	42,206,773	77,854,141	73,608,284
Non-building improvements	8,163,538	7,226,570	26,213,770	24,547,762	34,377,308	31,774,332
Machinery & equipment	31,953,062	31,249,330	38,527,629	35,176,348	70,480,691	66,425,678
Roads	246,015,123	236,674,004	-	-	246,015,123	236,674,004
Total	319,893,713	306,551,415	108,833,550	101,930,883	428,727,263	408,482,298
Net Depreciated Assets	267,405,709	226,723,417	194,887,159	181,535,218	462,292,868	408,258,635
Net Assets	293,841,463	288,193,363	210,128,990	200,960,281	503,970,453	489,153,644

City investment in capital assets for governmental and business type activities was \$503,970,453 (net of depreciation) at December 31, 2011.

The investment in capital assets includes land and land improvements, buildings and building improvements, vehicles, information technology computers, 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, the current cost amount of \$380,500,515 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.

Management Discussion & Analysis

Major Capital Asset Project Spending in 2011

Buildings		\$	
	Morris Civic Center Renovations	506,935	New project
	Animal Shelter for code enforcement	647,711	New project
	Potawalomi Conservatory	163,918	New project
Improvements			
	Northside Trail	513,515	New project
	Edison / Gordon Turn Lane	78,400	New project
	Main / Jefferson Streetscape Improvements	66,294	New project
	Diamond Avenue Storm Sewer	3,983,387	Continued project
	East Bank Sewer Separation	2,554,488	Continued project
	Ironwood / Auten Water Main	22,849	New project
	Ewing Avenue improvements	412,597	Continued project
M&E			
	Digester upgrade	486,360	New project
	Michigan St Lift Station Replacement	79,863	New project
	Wastewater Blowers 1A and 1B Replacement	330,940	Continued project
Roads			
	Portage Avenue improvements	1,138,752	Continued project
	Cotter Street Construction	571,899	New project
	Western & Walnut Intersection	818,877	Continued project
	Mayflower Boulevard Construction	2,002,336	New project

Capital Assets Analysis

Government wide capital assets, net of accumulated depreciation as of December 31, 2011 of \$503,970,453 increased by \$14,816,809 or 3.0% when compared to the level as of December 31, 2010. Construction in progress capital assets decreased by \$40,071,107, whereas, capitalized assets in land, buildings, improvements, machinery and equipment, and roads, net of depreciation, increased by \$54,887,916, when compared to December 31, 2010.

Several major capital projects were completed in fiscal 2011, as identified in the chart above, and included capital investments in buildings, improvements, machinery & equipment and roads.

At December 31, 2011, the cost of Roads (\$380,500,515) was the major asset class followed by Buildings (\$205,160,276) and Non-Building Improvements (\$203,339,544).

Total depreciation expense for 2011 was \$22,509,969 as compared to \$19,365,078 for 2010.

Additional information on capital assets can be found in the notes to the financial statements in statement note I.D.6, capital asset capitalization policy, statement note III.C, capital asset activity, and statement note III.D, construction commitments.

Debt Administration

Outstanding debt principal as of December 31, 2011 was \$239,076,065, an increase of \$3,898,754 or 1.7%. City outstanding debt includes revenue bonds, mortgage bonds, notes & loans payable and capital leases.

Type	Beginning	Additions	Retirements	Ending
Revenue bonds	184,165,000	59,807,431	53,845,000	190,127,431
Mortgage bonds	21,835,000	-	1,450,000	20,385,000
Notes & loans	23,078,568	647,505	3,751,830	19,974,243
Capital leases	6,098,743	4,057,635	1,567,987	8,588,391
Total Debt	235,177,311	64,512,571	60,614,817	239,075,065

Management Discussion & Analysis

The new revenue bond issued in fiscal 2011 was the 2011 Sewage Works Revenue Bond in the amount of \$21,500,000 for the purpose of funding improvements for the combined sewer overflow ("CSO") initiative.

The 2011 Sewage Works Bond is a twenty (20) year issue with maturity in 2031 with debt service coverage from the Sewage Works Bond Sinking fund. The bond issue will finance capital improvements addressing combined sewer overflow issues improving sewage discharge into the St. Joseph River, in compliance with the Environmental Protection Agency ("EPA") consent decree. It is a part of a twenty year long-term control plan which will require additional bonding and sewer rate increases.

During 2011 the City entered into capital lease agreements in the amount of \$4,057,635 to purchase certain vehicles, copiers, telephones and equipment. The lease terms are typically for five years with quarterly or semi-annual debt service paid from the operating budgets of the user departments. The 2011 capital leases were for solid waste (\$529,285), building department (\$39,600), parks & recreation department (\$948,067), police department (\$1,081,066), information technology (\$1,444,996) and other (\$14,621).

The 2011 additions in notes & loans is for Water and Wastewater Utility borrowing in 2011 against the State Revolving Loan (SRF) program in the amount of \$648,505 for water and sewer improvements.

During 2011 the City refunded four bond issuances in order to take advantage of a more favorable interest rate environment. In August, the City refunded the 2000 Hall of Fame and 2001 Century Center bonds and realized present value interest savings of approximately \$1,036,701 over the remaining life of the bonds. In December, the City refunded the 2003 Airport TIF and 2003 SBCDA (Downtown) TIF bonds with the Indiana Bond Bank and received an up-front cash payment of \$1,914,501 which was deposited into the respective TIF funds.

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, 2011 and none of the above debt issuance amounts are subject to this debt limitation.

In 2012, the City anticipates issuing additional debt including a 2012 Water Revenue bond in the amount of \$8,300,000 and a 2012 Sewage Works Revenue bond in the amount of \$21,200,000. New capital leases will also be needed for the customary replacement of police department, public works and other city vehicles and equipment.

Additional information on debt can be found in the notes to the financial statements in statement note I.D.8, long-term obligation accounting, statement note III.F.2, capital lease obligations, statement note III.G, long-term liabilities, and statement note IV.D, conduit debt.

A calculation of the City's legal debt limitation can be found in the statistical debt capacity section of this document.

Economic Factors and 2013 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 of 2008. House Enrolled Act 1001 (HEA 1001) which limits property taxes paid to 1% of gross assessed

Management Discussion & Analysis

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. This process involves comparing property values to sales activity in the neighborhood and adjusting the current assessed values up or down according to the trended data.

This legislation (known as "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 over the period from 2009 to the present.

In 2011, the primary funds supported by property taxes (General Fund, Parks and Recreation Fund, and Cumulative Capital Development Fund) lost approximately \$11.5 million dollars due to the circuit breaker caps.

As a consequence of the state enacted legislation in 2008, the City enacted a .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 & recreation, code enforcement and general government.

Management of the City of South Bend will continue to manage the financial affairs from a posture of fiscal conservatism similar to the management practices engaged during fiscal 2011.

City Management believes that the national economic recovery will continue according to the predictions of governmental economists, with low to no inflation over the next fiscal period. In addition, job creation is the primary engine to drive economic recovery.

2013 Budget

The City will engage to ensure effective delivery of required services to taxpayers and citizens within the constraints of available financial resources. The City will continue to provide required services within the constraints of a balanced general fund budget.

The City has completed certain reengineering projects during fiscal 2011 targeted to create efficiency and cost improvements within City operations. Completed projects include payroll system reengineering, water utility customer service improvements, information technology server virtualization efforts and substantial implementation of a new telephone system.

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 and other customer service operations, and state of the art customer service functionality with a centralized 311 telephone call center.

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 2013 that will remain fiscally responsible to the effective delivery of required services to city citizens and stakeholders within the revenue constraints available.

Management Discussion & Analysis

Current Economic Development Projects

Executive management of the City of South Bend continues to pursue economic development and public works opportunities that will have long term favorable impact on the economic prospects for the community as a whole. These projects include:

- **Eddy Street Commons** – continued expansion of the currently existing \$220 million dollar mixed-use development completed for occupancy in 2009. The current configuration includes a 119-room hotel, 25 new City homes with 100% occupancy, more than 20 stores and restaurants, office space and 266 town homes, apartments and condominiums, which are 85% occupied. This is the region's largest single development in decades. Plans include further expansion of residential living space and the occupancy completion of commercial tenants.
- **Innovation Park & Ignition Park**– Indiana's first dual-site, state-certified technology park, which is a collaborative effort between the City, the University of Notre Dame and Project Future. In the first year of operation, Innovation Park is home to in excess of 30 client ventures with occupied building space in excess of 60% of the building footprint. Concepts under development include, but are not limited to, solar-powered cases for electronic devices, improved wind turbine technology and diagnostic tools for detecting substances like e-coli bacteria.

The first tenant in Ignition Park, the county public transportation authority, Transpo, dedicated its new facility in early 2010. Discussions are under way to secure the first private sector commercial / industrial tenant in Ignition Park, an information technology data storage company, with announcement in 2010 to construct a new facility.

- **Animal Care and Control Facility** – a new \$1.94 million dollar Animal Care and Control facility was under construction during 2011 (with completion scheduled for June, 2012) with funding provided by tax increment financing revenue.
- **Coveleski Stadium improvements** – Construction was completed in 2011 of building enhancements to the City owner minor league baseball stadium including improved lighting, outfield walls and restrooms, a new artificial playing surface, new or upgraded fan amenities, and venue entrance tie-in to the central downtown footprint as phase one of an overall strategy to develop the stadium and surrounding area in order to attract more commercial development to the downtown. During 2011, a new owner purchased the team and a public/private partnership was forged to make additional improvements to the stadium.
- **Kroc Center** – Completion of the \$30 million dollar world-class youth and family center to on the corner of Western Avenue and Chapin Streets in South Bend occurred during 2011. The Center was funded by a grant from the Ray and Joan Kroc Foundation as well as other private donations. This is currently the only center of its kind in the State of Indiana. Groundbreaking occurred in May, 2010 and will result in the infusion of more than \$50 million dollars in outside resources into the City. Construction was completed in 2011 with dedication and facility opening in January 2012.
- **Triangle Development** – planned construction of 52 new single family residential properties in the Triangle area adjacent to the existing new Eddy Street Commons commercial development, creating a diverse new neighborhood in the City's northeast sector. A total of 45 lots have been sold to date. Seventy percent of the lots are being sold at market rate and thirty percent are reserved for income-eligible buyers.
- **St. Joseph's High School** – Groundbreaking began in June, 2011 for a new \$35 million downtown campus for the school, on the site of the former St. Joseph Regional Medical Center, which relocated from the site in 2009. The school will relocate from a site

Management Discussion & Analysis

adjacent to the University of Notre Dame campus, just outside of the City limits, and is expected to be open in time for the 2012/2013 academic year.

- **Bike The Bend** – Continuation of the “Bike the Bend” non-competitive event, 30 mile bicycle race occurred on May 20, 2012 in downtown South Bend. The race highlights over 60 miles of bicycle lanes established in the City since 2007.
- **East Bank Townhouses** – the development of 12 townhouse-style condominiums along the East Bank of the Saint Joseph River was completed in 2011.
- **Energy Efficiency and Conservation** – supported by a \$1.046 million federal stimulus grant, the City has unveiled a new energy efficiency and conservation strategy which included the energy audit of 30 municipal buildings, synchronized timing of traffic signals at the 100 busiest intersections in the City and a feasibility study for generating hydroelectric power from the Saint Joseph River at the Century Center dam. A Municipal Energy Office was established in the Central Services Fund and a source of funding was identified to allow for continuing energy projects.
- **Memorial Hospital** – a variety of City infrastructure and streetscape improvements totaling more than \$3 million, in connection with hospital investment, including a new façade for the Bartlett Street parking garage and reconstruction of four streets on the hospital campus.
- **Existing Business Expansions** – the City continues to work with private sector business concerns to enable expansion of their business operations in the City, adding new employment opportunities and tax base to the City. Several local private sector business concerns have announced facility expansion plans, upon success will create new employment and tax base opportunities for the City.

Requests for Information

This Management Discussion & 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, 2011. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

Mark W. Neal, Controller
City of South Bend
Department of Administration and Finance
227 W. Jefferson Boulevard, 12th Floor
South Bend, Indiana 46601

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Email mneal@southbendin.gov

City of South Bend
May 25, 2012

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
December 31, 2011

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Cash and cash equivalents	\$ 56,886,137	\$ 2,767,134	\$ 59,653,271
Cash with fiscal agent	12,952	-	12,952
Investments	109,635,327	4,508,506	114,143,833
Receivables (net of allowances for uncollectibles):			
Interest	170,718	6,821	177,539
Taxes	7,864,319	-	7,864,319
Accounts	1,500,878	3,346,906	4,847,784
Intergovernmental	2,007,886	-	2,007,886
Loans	10,447,788	-	10,447,788
Internal balances	1,926,952	(1,926,952)	-
Inventories	843,647	349,121	1,192,768
Prepaid expense	183,641	53,326	236,967
Deferred charges	1,651,410	4,057,278	5,708,688
Restricted assets:			
Cash and cash equivalents	7,509,243	17,535,106	25,044,349
Cash with fiscal agent	-	45,126	45,126
Investments	3,201,005	34,900,368	38,101,373
Interest receivable	4,767	68,931	73,698
Accounts receivable	5,900	-	5,900
Property held for resale	19,957,212	-	19,957,212
Capital assets:			
Land and construction in progress	26,435,754	15,241,831	41,677,585
Other capital assets, net of depreciation	<u>267,405,709</u>	<u>194,987,159</u>	<u>462,292,868</u>
Total assets	<u>517,651,245</u>	<u>275,840,661</u>	<u>793,491,906</u>

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
December 31, 2011
(Continued)

Liabilities	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Accounts payable	8,232,001	938,736	9,170,737
Accrued payroll payable	1,978,994	425,019	2,404,013
Unearned revenue	-	107,798	107,798
Contracts payable	223,116	-	223,116
Taxes payable	1,059	54,497	55,556
Customer deposits	283,923	87,118	371,041
Accrued interest payable	897,777	-	897,777
Estimate of unfiled claims	2,355,972	-	2,355,972
Other current payables	7,141	-	7,141
Payable from restricted assets:			
Accounts payable	-	965,056	965,056
Contracts payable	-	380,492	380,492
Customer deposits	-	1,381,109	1,381,109
Accrued interest payable	1,366,143	365,009	1,731,152
Noncurrent liabilities:			
Due within one year:			
Mortgage bonds payable	1,450,960	59,040	1,510,000
Compensated absences	3,687,495	506,234	4,193,729
Revenue bonds payable	6,057,431	4,420,000	10,477,431
Capital lease obligations	1,428,988	315,860	1,744,848
Notes and loans payable	1,078,232	1,710,578	2,788,810
Due in more than one year:			
Mortgage bonds payable (net of discounts or premiums)	18,617,066	594,633	19,211,699
Compensated absences	1,271,668	-	1,271,668
Revenue bonds payable (net of discounts or premiums)	97,939,687	84,519,686	182,459,373
Capital lease obligations	6,081,761	761,782	6,843,543
Notes and loans payable	3,353,639	13,831,794	17,185,433
Unamortized gain on sale/leaseback	-	14,891	14,891
Net other postemployment benefits obligation	5,384,213	-	5,384,213
Net pension obligation	62,890,433	-	62,890,433
Total liabilities	<u>224,587,699</u>	<u>111,439,332</u>	<u>336,027,031</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	195,361,678	103,923,028	299,284,706
Restricted for:			
Debt service	9,354,772	708,678	10,063,450
Capital outlay	-	12,229,310	12,229,310
Unrestricted	<u>88,347,096</u>	<u>47,540,313</u>	<u>135,887,409</u>
Total net assets	<u>\$ 293,063,546</u>	<u>\$ 164,401,329</u>	<u>\$ 457,464,875</u>

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

CITY OF SOUTH BEND
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 16,783,351	\$ 1,165,018	\$ 5,246,603	\$ 503,058	\$ (9,868,672)	\$ -	\$ (9,868,672)
Public safety	73,530,442	4,096,566	12,415,269	600,000	(56,418,607)	-	(56,418,607)
Highways and streets	7,574,003	227,000	5,867,957	-	(1,479,046)	-	(1,479,046)
Economic development	34,648,975	683,503	7,346,895	1,212,791	(25,405,786)	-	(25,405,786)
Culture and recreation	15,566,794	4,681,536	1,214,522	12,619	(9,658,117)	-	(9,658,117)
Interest on long-term debt	6,798,531	-	-	-	(6,798,531)	-	(6,798,531)
Total governmental activities	154,902,096	10,853,623	32,091,246	2,328,468	(109,628,759)	-	(109,628,759)
Business-type activities:							
Water	11,972,840	14,080,592	-	377,308	-	2,485,060	2,485,060
Wastewater	22,260,005	29,407,263	-	3,300,000	-	10,447,258	10,447,258
Civic center	3,100,484	2,894,913	-	614,423	-	408,852	408,852
Building department	871,299	899,397	-	-	-	28,098	28,098
Parking	1,467,646	1,071,078	-	-	-	(396,568)	(396,568)
Solid waste	4,962,157	4,830,342	-	-	-	(131,815)	(131,815)
Golf course	1,689,042	1,392,999	-	-	-	(296,043)	(296,043)
Total business-type activities	46,323,473	54,576,584	-	4,291,731	-	12,544,842	12,544,842
Total primary government	\$ 201,225,569	\$ 65,430,207	\$ 32,091,246	\$ 6,620,199	(109,628,759)	12,544,842	(97,083,917)
General revenues:							
Property taxes					76,445,349	-	76,445,349
County option income tax					13,219,723	-	13,219,723
Economic development income tax					8,044,773	-	8,044,773
Professional sports development tax					558,268	-	558,268
Community revitalization enhancement district tax					733,100	-	733,100
Grants and contributions not restricted to specific programs					3,964,336	-	3,964,336
Unrestricted investment earnings					1,050,768	206,409	1,257,177
Other					3,483,054	-	3,483,054
Transfers					3,041,176	(3,041,176)	-
Total general revenues and transfers					110,540,547	(2,834,767)	107,705,780
Change in net assets					911,788	9,710,075	10,621,863
Net assets - beginning (restated)					292,151,758	154,691,254	446,843,012
Net assets - ending					\$ 293,063,546	\$ 164,401,329	\$ 457,464,875

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

CITY OF SOUTH BEND
BALANCE SHEET -
GOVERNMENTAL FUNDS
December 31, 2011

<u>Assets</u>	<u>General</u>	<u>Park and Recreation</u>	<u>Public Safety LOIT</u>	<u>COIT</u>	<u>EDIT</u>	<u>TIF Airport</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 8,987,240	\$ 1,472,941	\$ 534,319	\$ 4,525,589	\$ 2,669,861	\$ 7,217,238	\$ 34,287,501	\$ 59,694,689
Cash with fiscal agent	-	-	-	-	-	-	12,952	12,952
Investments	19,058,240	3,152,041	1,143,425	9,687,407	5,713,407	15,444,633	48,672,455	102,871,608
Receivables (net of allowances for uncollectibles)								
Interest	27,666	4,548	1,683	15,624	8,459	22,744	79,922	160,646
Taxes	1,448,508	283,455	-	918,438	-	-	5,213,918	7,864,319
Accounts	415,176	12,193	-	8,687	409,160	-	344,853	1,190,069
Intergovernmental	264,854	-	549,081	-	743,907	-	450,044	2,007,886
Loans	-	-	-	100,000	-	-	10,347,788	10,447,788
Interfund receivable:								
Interfund loans	-	-	-	-	-	-	25,000	25,000
Interfund services provided and used	54,922	596	-	7,153	-	74,909	7,439	145,019
Inventories	-	64,231	-	-	-	-	-	64,231
Advances to other funds	874,593	-	-	2,228,424	-	1,759,923	5,920,513	10,783,453
Property held for resale	240,432	-	-	1,100,746	449,831	9,562,208	8,603,995	19,957,212
Total assets	\$ 31,371,631	\$ 4,990,005	\$ 2,228,508	\$ 18,592,068	\$ 9,994,625	\$ 34,081,655	\$ 113,966,380	\$ 215,224,872
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 1,543,306	\$ 196,149	\$ -	\$ 663,230	\$ 157,213	\$ 2,868,199	\$ 1,587,655	\$ 7,015,752
Accrued payroll payable	1,502,093	208,007	-	-	-	-	186,166	1,896,266
Contracts payable	-	-	-	-	-	223,116	-	223,116
Interfund payable:								
Interfund services provided and used	238,332	57,041	-	-	-	-	244,636	540,009
Taxes payable	132	927	-	-	-	-	-	1,059
Customer deposits	1,750	527	-	-	-	-	-	2,277
Performance deposits payable	154,802	-	-	-	-	51,034	75,810	281,646
Other current payables	-	-	-	-	-	-	7,141	7,141
Advances from other funds	-	-	-	-	-	500,000	8,523,530	9,023,530
Total liabilities	3,440,415	462,651	-	663,230	157,213	3,642,349	10,624,938	18,990,796
Fund balances:								
Nonspendable								
Noncurrent loans receivable	-	-	-	66,667	-	-	7,280,301	7,346,968
Inventory	-	64,231	-	-	-	-	-	64,231
Property held for resale	240,432	-	-	1,100,746	449,831	9,562,208	8,603,995	19,957,212
Advances to other funds	874,593	-	-	2,228,424	-	1,759,923	5,920,513	10,783,453
Restricted	327,267	4,463,123	2,228,508	-	-	-	38,062,406	45,081,304
Committed	-	-	-	-	-	-	11,829,074	11,829,074
Assigned	255,287	-	-	14,533,001	9,387,581	19,117,175	34,422,527	77,715,571
Unassigned	26,233,637	-	-	-	-	-	(2,777,374)	23,456,263
Total fund balances	27,931,216	4,527,354	2,228,508	17,928,838	9,837,412	30,439,306	103,341,442	196,234,076
Total liabilities and fund balances	\$ 31,371,631	\$ 4,990,005	\$ 2,228,508	\$ 18,592,068	\$ 9,994,625	\$ 34,081,655	\$ 113,966,380	

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2011

	General	Park and Recreation	Public Safety LOIT	COIT	EDIT	TIF Airport	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes								
Property	\$ 38,509,174	\$ 7,613,290	\$ -	\$ -	\$ -	\$ 11,187,768	\$ 19,135,117	\$ 76,445,349
County option income	-	-	5,842,699	7,377,024	-	-	-	13,219,723
County economic development income	-	-	-	-	8,044,773	-	-	8,044,773
Professional sports development tax	-	-	-	-	-	-	558,268	558,268
Community revitalization enhancement district	-	-	-	-	-	-	733,100	733,100
Licenses and permits	190,943	-	-	-	-	-	-	190,943
Intergovernmental	17,408,645	612,994	-	-	-	-	16,398,075	34,419,714
Charges for services	6,201,996	2,989,753	-	585,691	150,000	-	4,062,827	13,990,267
Fines and forfeits	200,058	-	-	-	354,660	-	82,031	636,749
Interest	97,423	13,905	4,162	54,610	30,780	91,573	758,315	1,050,768
Donations	285,146	-	-	-	-	-	20,524	305,670
Sale of property	21,293	6,136	-	-	-	-	77,035	104,464
Other	1,677,346	156,745	-	3,277	-	96,958	1,243,058	3,177,384
Total revenues	64,592,024	11,392,823	5,846,861	8,020,602	8,580,213	11,376,299	43,068,350	152,877,172
Expenditures								
Current								
General government	6,292,114	-	-	-	-	-	388,741	6,680,855
Public safety	62,811,814	-	-	-	-	-	6,800,940	69,612,754
Highways and streets	3,080,852	-	-	-	-	-	1,998,189	5,079,041
Economic development	70,066	-	-	-	-	-	9,628,545	9,698,611
Culture and recreation	1,170,179	11,561,362	-	-	-	-	1,085,158	13,816,699
Debt service:								
Principal	159,216	91,060	-	618,323	655,000	1,105,000	11,003,596	13,632,195
Interest and fiscal charges	52,266	8,982	-	180,102	215,543	692,118	5,786,682	6,935,693
Bond issuance costs	-	-	-	-	-	-	250,801	250,801
Capital outlay								
General government	-	-	-	4,947,965	4,917,028	-	1,420,492	11,285,485
Public safety	-	-	-	-	-	-	2,585,164	2,585,164
Economic development	-	-	-	-	-	17,600,161	8,798,765	26,398,926
Culture and recreation	-	-	-	-	-	-	6,421,455	6,421,455
Total expenditures	73,636,507	11,661,404	-	5,746,390	5,787,571	19,397,279	56,168,528	172,397,679
Excess (deficiency) of revenues over (under) expenditures	(9,044,483)	(268,581)	5,846,861	2,274,212	2,792,642	(8,020,980)	(13,100,178)	(19,520,507)
Other financing sources (uses)								
Transfers in	8,451,430	580,875	214,990	-	-	890,216	12,346,053	22,483,564
Transfers out	(219,279)	(185,450)	(4,976,969)	(1,263,386)	(2,536,759)	(1,944,500)	(8,316,045)	(19,442,388)
Debt issuance	6,406	-	-	-	-	-	3,471,833	3,478,239
Premium on debt issuance	-	-	-	-	-	-	26,877	26,877
Issuance of refunding bonds	-	-	-	-	-	10,389,036	27,918,395	38,307,431
Payment to refunded bond escrow agent	-	-	-	-	-	(9,687,198)	(27,613,658)	(37,300,856)
Total other financing sources and uses	8,238,557	395,425	(4,761,979)	(1,263,386)	(2,536,759)	(352,446)	7,833,455	7,552,867
Net change in fund balances	(805,926)	126,844	1,084,882	1,010,826	255,883	(8,373,426)	(5,266,723)	(11,967,640)
Fund balances - beginning	28,737,142	4,400,510	1,143,626	16,918,012	9,581,529	38,812,732	108,608,165	208,201,716
Fund balances - ending	\$ 27,931,216	\$ 4,527,354	\$ 2,228,508	\$ 17,928,838	\$ 9,837,412	\$ 30,439,306	\$ 103,341,442	\$ 196,234,076

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

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
December 31, 2011

Assets	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Totals	Internal Service Funds
Current assets						
Cash and cash equivalents	\$ 550,768	\$ 865,897	\$ 607,147	\$ 743,322	\$ 2,767,134	\$ 4,700,691
Investments	1,178,624	1,853,150	-	1,476,732	4,508,506	9,964,724
Interest receivable	-	3,999	-	2,822	6,821	14,839
Accounts receivable (net of allowance)	822,525	1,853,283	48,090	432,140	3,156,038	316,709
Accounts receivable - other	126,461	46,407	18,000	-	190,868	-
Interfund receivables						
Interfund services provided and used	15,360	-	-	12,999	28,359	568,445
Inventories	190,022	136,445	-	22,654	349,121	779,416
Prepaid items	16,589	12,789	20,764	3,184	53,326	-
Restricted assets						
Cash and cash equivalents:						
Repair fund	-	293,495	-	-	293,495	-
Customer deposits	439,600	-	-	-	439,600	-
Revenue bond covenant accounts	743,180	2,264,553	-	723,753	3,731,486	-
Capital outlay accounts	493,742	11,227,685	1,344,057	5,041	13,070,525	-
Investments:						
Repair fund	-	628,069	-	-	628,069	-
Customer deposits	940,726	-	-	-	940,726	-
Revenue bond covenant accounts	1,558,242	471,824	-	668,200	2,698,266	-
Capital outlay accounts	1,056,591	29,565,930	-	10,786	30,633,307	-
Cash with fiscal agent	-	-	-	45,126	45,126	-
Interest receivable	11,970	55,965	-	996	68,931	-
Total current assets	8,144,400	49,279,491	2,038,058	4,147,755	63,609,704	16,344,824
Noncurrent assets:						
Deferred charges:						
Unamortized debt issue costs	755,200	1,046,425	-	5,058	1,806,683	-
Unamortized loss on sale/leaseback	-	-	-	2,250,595	2,250,595	-
Total deferred charges	755,200	1,046,425	-	2,255,653	4,057,278	-
Capital assets						
Land and construction in progress	410,525	12,513,962	736,855	1,580,489	15,241,831	-
Other capital assets (net of accumulated depreciation)	61,720,095	109,979,571	15,904,565	7,282,928	194,887,159	1,337,432
Total capital assets	62,130,620	122,493,533	16,641,420	8,863,417	210,128,990	1,337,432
Total noncurrent assets	62,885,820	123,539,958	16,641,420	11,119,070	214,186,268	1,337,432
Total assets	71,030,220	172,819,449	18,679,478	15,266,825	277,795,972	17,682,256

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
December 31, 2011
(Continued)

Liabilities	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Totals	Internal Service Funds
Current liabilities:						
Accounts payable	237,334	314,741	141,315	245,346	938,736	1,216,249
Interfund payables:						
Interfund loans	-	-	-	-	-	25,000
Interfund services provided and used	32,003	85,944	-	77,441	195,388	6,426
Accrued payroll payable	151,689	195,560	-	77,770	425,019	82,728
Compensated absences payable	187,761	228,691	-	89,782	506,234	115,919
Unearned revenue	-	-	107,798	-	107,798	-
Taxes payable	54,208	-	-	289	54,497	-
Customer deposits	-	-	87,118	-	87,118	-
Capital leases payable	-	-	-	-	-	4,428
Interest payable	-	-	-	-	-	233
Estimate of unfilled claims	-	-	-	-	-	2,355,972
Current liabilities payable from restricted assets:						
Accounts payable	-	965,056	-	-	965,056	-
Contracts and retainage payable	19,932	360,560	-	-	380,492	-
Customer deposits	1,381,109	-	-	-	1,381,109	-
Mortgage bonds payable	-	59,040	-	-	59,040	-
Revenue bonds payable	655,000	3,175,000	-	590,000	4,420,000	-
Capital leases payable	4,865	-	-	310,995	315,860	-
Notes and loans payable	149,128	1,561,450	-	-	1,710,578	-
Accrued interest payable	-	338,644	-	26,365	365,009	-
Total current liabilities	2,873,029	7,284,686	336,231	1,417,988	11,911,934	3,806,955
Noncurrent liabilities						
Advances from other funds	-	-	-	1,759,923	1,759,923	-
Mortgage bonds payable (net of unamortized discount)	-	594,633	-	-	594,633	-
Revenue bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	12,561,261	71,369,543	-	588,882	84,519,686	-
Capital leases payable	2,546	-	-	759,236	761,782	13,824
Notes and loans payable	1,599,599	12,232,195	-	-	13,831,794	-
Unamortized gain on sale/leaseback	-	-	-	14,891	14,891	-
Total noncurrent liabilities	14,163,406	84,196,371	-	3,122,932	101,482,709	13,824
Total liabilities	17,036,435	91,481,057	336,231	4,540,920	113,394,643	3,820,779
Net Assets						
Invested in capital assets, net of related debt	47,165,632	33,501,672	16,641,420	6,614,304	103,923,028	1,305,486
Restricted for debt service	-	-	-	708,678	708,678	-
Restricted for capital outlay	505,712	10,318,594	1,344,057	60,947	12,229,310	-
Unrestricted	6,322,441	37,518,126	357,770	3,341,976	47,540,313	12,555,991
Total net assets	\$ 53,993,785	\$ 81,338,392	\$ 18,343,247	\$ 10,725,905	\$ 164,401,329	\$ 13,861,477

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

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For The Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds					Governmental
	Water Utility	Wastewater Utility	Century Center	Other	Totals	Internal Service Funds
				Enterprise Funds		
Operating revenues						
Metered revenue						
Residential	\$ 6,389,576	\$ 16,353,165	\$ -	\$ -	\$ 22,742,741	\$ -
Commercial	3,185,309	7,256,986	-	-	10,442,295	-
Industrial	341,065	4,245,361	-	-	4,586,426	-
Fire protection revenue	1,937,020	-	-	-	1,937,020	-
Leak insurance revenue	896,094	-	-	-	896,094	-
Penalties	116,430	484,040	-	-	600,470	-
Convention fees	-	-	1,346,965	-	1,346,965	-
Licenses and permits	-	-	-	887,852	887,852	-
Parking fees	-	-	144,669	1,056,566	1,211,235	-
Solid waste fees	-	-	-	4,830,342	4,830,342	-
Golf course fees	-	-	-	1,392,999	1,392,999	-
Employee/employer contributions	-	-	-	-	-	14,556,574
Charges for sales and services	-	-	-	-	-	3,367,063
Other	461,910	527,871	-	12,285	1,002,066	61,643
Total operating revenues	<u>13,327,404</u>	<u>28,867,423</u>	<u>1,491,634</u>	<u>8,190,044</u>	<u>51,876,505</u>	<u>17,985,280</u>
Operating expenses:						
Source of supply and expense/collection system expense - operations and maintenance	871,146	5,465,674	-	-	6,336,820	-
Transmission and distribution/pumping expense - operations and maintenance	4,352,121	7,390,943	-	-	11,743,064	-
Treatment and disposal expense - operations and maintenance	681,013	-	-	-	681,013	-
Operations and maintenance	-	-	-	6,423,567	6,423,567	2,808,807
Customer accounts	1,703,612	104,416	-	-	1,808,028	-
Administration and general	1,693,660	1,264,811	2,477,498	1,208,136	6,644,105	865,927
Insurance claims and premiums	-	-	-	-	-	13,651,252
Depreciation	1,764,774	4,491,208	515,667	627,287	7,398,936	70,757
Total operating expenses	<u>11,066,326</u>	<u>18,717,052</u>	<u>2,993,165</u>	<u>8,258,990</u>	<u>41,035,533</u>	<u>17,396,743</u>
Operating income (loss)	<u>2,261,078</u>	<u>10,150,371</u>	<u>(1,501,531)</u>	<u>(68,946)</u>	<u>10,840,972</u>	<u>588,537</u>
Nonoperating revenues (expenses):						
Interest and investment revenue	35,754	156,124	1,775	12,756	206,409	57,175
Hotel/motel tax	-	-	1,313,437	-	1,313,437	-
Repair fund revenues	-	537,632	-	-	537,632	-
Management fees	668,916	(643,816)	-	-	25,100	-
Miscellaneous revenue	84,272	-	89,842	-	174,114	-
Interest expense	(829,608)	(2,573,712)	-	(127,552)	(3,530,872)	(419)
Amortization expense	(72,216)	(56,100)	-	(560,340)	(688,656)	-
Repair fund expenses	-	(269,325)	-	-	(269,325)	-
Gain (loss) on disposition of assets	(4,690)	2,208	(107,319)	(39,490)	(149,291)	690
Total nonoperating revenue (expenses)	<u>(117,572)</u>	<u>(2,846,989)</u>	<u>1,297,735</u>	<u>(714,626)</u>	<u>(2,381,452)</u>	<u>57,446</u>
Income (loss) before contributions and transfers	<u>2,143,506</u>	<u>7,303,382</u>	<u>(203,796)</u>	<u>(783,572)</u>	<u>8,459,520</u>	<u>645,983</u>
Capital contributions	377,308	3,300,000	614,423	-	4,291,731	2,784
Transfers in	-	-	-	651,500	651,500	-
Transfers out	(1,398,419)	(2,290,752)	-	(3,505)	(3,692,676)	-
Change in net assets	<u>1,122,395</u>	<u>8,312,630</u>	<u>410,627</u>	<u>(135,577)</u>	<u>9,710,075</u>	<u>648,767</u>
Total net assets - beginning	<u>52,871,390</u>	<u>73,025,762</u>	<u>17,932,620</u>	<u>10,861,482</u>	<u>154,691,254</u>	<u>13,212,710</u>
Total net assets - ending	<u>\$ 53,993,785</u>	<u>\$ 81,338,392</u>	<u>\$ 18,343,247</u>	<u>\$ 10,725,905</u>	<u>\$ 164,401,329</u>	<u>\$ 13,861,477</u>

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

CITY OF SOUTH BEND
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
December 31, 2011

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>
Cash and cash equivalents	\$ 1,236,262	\$ 13,033	\$ 1,292,223
Investments	2,645,556	27,891	860,343
Receivables:			
Interest	<u>3,957</u>	<u>41</u>	<u>-</u>
Total assets	<u>3,885,775</u>	<u>40,965</u>	<u>2,152,566</u>
 <u>Liabilities</u>			
Current liabilities:			
Accounts payable	230	-	\$ -
Accrued payroll and withholdings payable	<u>620</u>	<u>-</u>	<u>2,152,566</u>
Total liabilities	<u>850</u>	<u>-</u>	<u>\$ 2,152,566</u>
 <u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	3,884,925	-	
Individuals, organizations, and other governments	<u>-</u>	<u>40,965</u>	
Total net assets	<u>\$ 3,884,925</u>	<u>\$ 40,965</u>	

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

CITY OF SOUTH BEND
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2011

<u>Additions</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Fund</u>
Contributions:		
On behalf	\$ 12,005,856	\$ -
Other	<u>5,703</u>	<u>-</u>
Total contributions	<u>12,011,559</u>	<u>-</u>
Investment income:		
Interest	<u>13,658</u>	<u>160</u>
Total additions	<u>12,025,217</u>	<u>160</u>
<u>Deductions</u>		
Benefits	12,299,275	-
Administrative expense	<u>23,093</u>	<u>-</u>
Total deductions	<u>12,322,368</u>	<u>-</u>
Changes in net assets	(297,151)	160
Net assets - beginning	<u>4,182,076</u>	<u>40,805</u>
Net assets - ending	<u>\$ 3,884,925</u>	<u>\$ 40,965</u>

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

**City of South Bend, Indiana
Net Assets by Component
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (1)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities										
Invested in capital assets, net of related debt	31,654,852	31,254,629	7,383,902	35,777,247	208,509,577	200,634,954	178,178,047	178,483,535	186,771,216	195,361,678
Restricted	7,167,628	6,381,082	1,966,388	6,138,257	5,225,642	5,370,627	11,077,687	12,825,227	8,840,610	9,354,772
Unrestricted	16,463,922	31,095,490	59,250,281	26,957,659	24,900,036	47,150,229	56,786,214	82,877,695	96,539,932	88,347,096
Total governmental activities net assets	55,286,402	68,731,201	68,600,571	68,873,163	238,635,255	253,155,810	246,041,948	274,186,457	292,151,758	293,063,546
Business-type activities										
Invested in capital assets, net of related debt	49,514,614	102,466,792	93,370,899	94,833,960	97,670,533	112,194,451	124,705,327	119,607,643	122,108,095	103,923,028
Restricted	44,235,716	14,456,725	13,254,447	17,942,700	22,535,858	8,273,257	8,630,542	14,075,339	13,320,967	12,937,988
Unrestricted	37,874,655	12,837,127	19,015,375	8,751,584	7,168,852	15,793,782	9,209,917	12,597,138	19,262,192	47,540,313
Total business-type activities net assets	131,624,985	129,760,644	125,640,721	121,528,244	127,375,243	136,261,490	142,545,786	146,280,120	154,691,254	164,401,329
Primary government										
Invested in capital assets, net of related debt	81,169,466	133,721,421	100,754,801	130,611,207	306,180,110	312,829,405	302,883,374	298,091,178	308,879,311	299,284,706
Restricted	51,403,344	20,837,807	15,220,835	24,080,957	27,761,500	13,643,884	19,708,229	26,900,566	22,161,577	22,292,760
Unrestricted	54,338,577	43,932,617	78,265,656	35,709,243	32,068,888	62,944,011	65,996,131	95,474,833	115,802,124	135,887,409
Total primary government net assets	186,911,387	198,491,845	194,241,292	190,401,407	366,010,498	389,417,300	388,587,734	420,466,577	446,843,012	457,464,875

Source - City of South Bend Comprehensive Annual Financial Reports (includes prior period adjustments)

(1) The City implemented the retroactive reporting of infrastructure assets required by GASB Statement No. 34 during 2006.

Net assets is defined as the difference between total assets and total liabilities and can generally be thought of as the net worth of the City of South Bend

City of South Bend, Indiana
Changes in Net Assets
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	(18,940,766)	(12,857,643)	(17,523,559)	(15,033,018)	(17,194,920)	(13,680,203)	(10,253,389)	(7,903,378)	(8,261,861)	(16,783,351)
Public safety	(38,925,286)	(48,254,995)	(45,799,395)	(72,450,941)	(56,600,175)	(52,751,974)	(49,728,256)	(50,800,573)	(62,106,991)	(73,530,442)
Highways and streets	(10,359,307)	(6,370,307)	(9,855,890)	(9,010,971)	(21,813,189)	(17,904,129)	(22,292,012)	(15,042,344)	(9,526,537)	(7,574,003)
Health and welfare	(75,000)	(99,586)	(102,314)	(75,352)	(114,131)	(75,000)	(75,000)	0	0	0
Culture and recreation	(7,488,084)	(10,899,340)	(13,689,893)	(8,840,970)	(14,994,300)	(16,454,667)	(18,311,807)	(17,981,839)	(16,036,194)	(15,566,794)
Economic development	(16,670,062)	(17,708,054)	(18,102,343)	(22,436,802)	(18,813,636)	(18,206,948)	(27,299,233)	(4,335,618)	(30,744,012)	(34,648,975)
Interest on long-term debt	(3,988,586)	(3,979,222)	(6,209,012)	(5,943,021)	(5,841,032)	(5,859,102)	(7,080,166)	(8,049,610)	(7,339,548)	(6,798,531)
Total governmental activities expenses	(96,447,091)	(100,169,147)	(111,282,406)	(133,791,075)	(135,371,383)	(124,932,023)	(135,039,863)	(104,113,362)	(134,015,143)	(154,902,096)
Business-type activities:										
Water	(11,003,062)	(11,676,058)	(12,275,029)	(12,447,141)	(11,916,504)	(13,061,750)	(13,492,744)	(12,584,679)	(12,525,246)	(11,972,840)
Wastewater	(13,681,575)	(14,402,563)	(16,125,258)	(18,452,785)	(16,972,401)	(18,295,813)	(23,020,991)	(27,047,143)	(21,403,663)	(22,260,005)
Civic Center	(3,395,569)	(3,460,137)	(3,592,627)	(3,478,359)	(3,355,531)	(3,490,103)	(3,562,285)	(3,488,266)	(2,989,586)	(3,100,484)
Building department	(1,038,341)	(1,052,861)	(1,134,986)	(1,047,007)	(1,102,164)	(1,090,327)	(1,108,940)	(1,113,867)	(930,120)	(871,299)
Parking	(1,378,563)	(1,451,385)	(1,739,235)	(1,165,502)	(1,261,942)	(1,444,146)	(1,466,200)	(1,471,960)	(1,438,288)	(1,467,646)
Solid waste	(3,715,963)	(3,775,137)	(4,015,831)	(4,920,464)	(4,187,706)	(4,072,910)	(4,299,846)	(4,036,001)	(4,204,056)	(4,962,157)
Golf course	(1,655,435)	(1,706,537)	(1,778,107)	(1,736,939)	(1,811,757)	(1,811,801)	(1,829,122)	(1,881,982)	(1,995,556)	(1,689,042)
Total business-type activities net expenses	(35,868,508)	(37,524,678)	(40,661,073)	(43,248,197)	(40,608,005)	(43,266,850)	(48,780,128)	(51,623,898)	(45,486,515)	(46,323,473)
Total primary government net assets	(132,315,599)	(137,693,825)	(151,943,479)	(177,039,272)	(175,979,388)	(168,198,873)	(183,819,991)	(155,737,260)	(179,501,658)	(201,225,569)

Changes in net assets is defined as the incremental difference between total assets and total liabilities as a result of operations during the fiscal year.

City of South Bend, Indiana
Changes in Net Assets, Last Ten Fiscal Years (continued)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Charges for services:										
General government	\$5,200,416	\$10,979,276	\$6,054,637	\$148,150	\$6,883,104	\$6,553,121	\$6,647,223	\$6,855,830	\$6,964,269	\$1,165,018
Public safety	3,595,877	2,070,815	2,075,522	2,239,368	5,132,285	4,228,405	5,035,433	5,051,827	4,916,958	4,096,566
Highways and streets	159,853	0	0	135,313	44,250	0	0	5,152	28,110	227,000
Economic development	883,576	192,135	168,523	516,570	562,807	604,873	636,722	332,454	283,420	683,503
Culture and recreation	3,788,266	1,327,538	1,044,512	3,784,176	4,940,629	5,057,076	5,300,818	5,063,896	4,995,049	4,681,536
Operating grants and contributions	14,826,421	14,813,675	10,718,149	12,916,362	12,452,463	15,628,287	11,356,682	12,199,444	29,467,573	32,091,246
Capital grants and contributions	3,842,673	1,790,912	10,326,795	9,447,723	13,793,363	960,502	1,176,783	780,137	1,472,233	2,328,468
Total governmental activities program revenue	32,297,082	31,174,351	30,388,138	29,187,662	43,808,901	33,032,264	30,153,661	30,288,740	48,127,612	45,273,337
Business-type activities:										
Charges for services:										
Water	12,953,580	13,021,168	12,513,333	12,130,549	14,757,819	15,336,891	14,926,833	14,151,289	14,194,442	14,080,592
Wastewater	12,665,696	13,076,885	14,773,651	14,830,607	18,725,903	21,349,401	23,567,973	25,012,163	26,001,156	29,407,263
Civic Center	1,848,097	1,704,787	1,837,763	1,604,352	3,113,264	3,371,553	3,370,802	2,873,966	2,869,010	2,894,913
Building Department	979,781	1,020,325	983,102	1,125,312	1,039,405	1,078,258	1,169,788	977,050	875,481	899,397
Parking	731,007	1,211,222	768,503	763,581	799,350	861,307	1,003,889	1,070,519	1,047,784	1,071,078
Solid Waste	4,029,171	3,987,183	3,964,487	3,764,229	4,177,897	4,187,821	4,343,120	4,759,530	4,745,547	4,830,342
Golf Course	1,541,311	1,630,975	1,689,984	1,546,244	1,565,649	1,512,150	1,493,519	1,557,951	1,479,415	1,392,999
Operating grants and contributions	1,020,628	1,130,575	1,165,243	1,282,780	0	0	0	0	0	0
Capital grants and contributions	850,967	72,390	118,953	1,479,581	1,413,861	1,253,332	1,209,380	4,038,412	1,889,165	4,291,731
Total business-type activities program revenue	36,620,238	36,855,510	37,815,019	38,527,235	45,593,148	48,950,713	51,085,304	54,440,880	53,102,000	58,868,315
Total primary government program revenues	68,917,320	68,029,861	68,203,157	67,714,897	89,402,049	81,982,977	81,238,965	84,729,620	101,229,612	104,141,652
Net (Expense)/Revenue										
Governmental activities	(64,150,009)	(68,994,796)	(80,894,268)	(104,603,413)	(91,562,482)	(91,899,759)	(104,886,202)	(73,824,622)	(85,887,531)	(109,628,759)
Business-type activities	751,730	(669,168)	(2,846,054)	(4,720,962)	4,985,143	5,683,863	2,305,176	2,816,982	7,615,485	12,544,842
Total primary government net expense	(63,398,279)	(69,663,964)	(83,740,322)	(109,324,375)	(86,577,339)	(86,215,896)	(102,581,026)	(71,007,640)	(78,272,046)	(97,083,917)

City of South Bend, Indiana
Changes in Net Assets, Last Ten Fiscal Years (continued)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$58,552,988	\$67,965,063	\$62,279,784	\$72,743,697	\$68,256,602	\$77,120,683	\$76,109,499	\$73,882,128	\$77,315,641	\$76,445,349
County Option Income Tax	7,750,067	7,374,318	7,001,198	5,695,618	6,410,405	8,072,623	5,813,846	10,270,179	11,502,052	13,219,723
Economic Development Income Tax	3,077,665	3,512,369	3,448,688	3,464,152	4,013,475	4,681,134	3,788,754	4,536,245	7,335,113	8,044,773
Professional Sports Development Tax	316,173	341,093	378,099	385,553	336,281	435,791	453,268	522,788	597,406	558,268
Community Revitalization District Tax	0	0	655,269	965,052	1,000,000	1,000,000	955,315	605,623	416,149	733,100
Unrestricted grants and contributions	4,989,809	5,286,477	5,133,838	5,160,298	5,063,541	4,032,300	5,664,011	7,597,883	4,883,081	3,964,336
Unrestricted investment earnings	1,559,320	1,124,825	1,660,720	3,543,469	4,762,484	6,247,113	4,961,410	859,135	868,023	1,050,768
Other	785,900	903,574	598,600	10,790,170	3,520,138	5,016,902	2,007,821	2,781,368	2,627,341	3,483,054
Loss on Sale of Redevelopment Properties	(1,083,637)	0	0	0	0	0	0	0	0	0
Net Pension Obligation	(5,324,182)	0	0	0	0	0	0	0	0	0
Transfers	(60,033)	12,533	14,873	33,589	44,200	3,735	34,970	(645,992)	(648,823)	3,041,176
Total governmental activities	70,564,070	86,520,252	81,171,069	102,781,598	93,407,126	106,610,281	99,788,894	100,409,357	104,895,983	110,540,547
Business-type activities:										
Unrestricted Investment earnings	462,674	266,610	362,676	745,966	906,056	1,301,348	1,514,287	271,360	146,826	206,409
Other	0	0	0	1,990,515	0	0	0	0	0	0
Transfers	60,033	(12,533)	(14,873)	(33,589)	(44,200)	(3,735)	(34,970)	645,992	648,823	(3,041,176)
Total business-type activities	522,707	254,077	347,803	2,702,892	861,856	1,297,613	1,479,317	917,352	795,649	(2,834,767)
Total primary government	71,086,777	86,774,329	81,518,872	105,484,490	94,268,982	107,907,894	101,268,211	101,326,709	105,691,632	107,705,780
Special Item (Governmental activities):										
Well field contamination settlement	0	0	0	0	0	0	4,462,214	0	0	0
Change in Net Assets										
Governmental activities	6,414,061	17,525,456	276,801	(1,821,815)	1,844,644	14,710,522	(635,094)	26,584,735	19,008,452	911,788
Business-type activities	1,274,437	(415,091)	(2,498,251)	(2,018,070)	5,846,999	6,981,476	3,784,493	3,734,334	8,411,134	9,710,075
Total primary government	\$7,688,498	\$17,110,365	(\$2,221,450)	(\$3,839,885)	\$7,691,643	\$21,691,998	\$3,149,399	\$30,319,069	\$27,419,586	\$10,621,863

Excludes prior period adjustments

Source : City of South Bend Comprehensive Annual Financial Reports

**City of South Bend, Indiana
Fund Balances, Governmental Funds
Last Ten Fiscal Years**

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011⁽¹⁾</u>
General fund										
Reserved	2,695,612	2,002,641	2,365,669	10,581,739	4,162,853	2,213,970	3,245,271	1,516,159	1,824,454	-
Unreserved	14,359,310	18,503,386	19,656,024	18,162,455	21,688,442	21,546,783	24,171,313	23,102,296	26,912,688	-
Nonspendable	-	-	-	-	-	-	-	-	-	1,115,025
Restricted	-	-	-	-	-	-	-	-	-	327,267
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	255,287
Unassigned	-	-	-	-	-	-	-	-	-	26,233,637
Total - General Fund	17,054,922	20,506,027	22,021,693	28,744,194	25,851,295	23,760,753	27,416,584	24,618,455	28,737,142	27,931,216
Other Governmental Funds										
Reserved	37,163,342	33,911,725	39,224,425	38,498,351	34,251,520	36,374,517	60,213,915	56,819,802	62,230,229	-
Unreserved, reported in:										
Special revenue funds	9,981,610	9,881,359	10,159,432	14,134,371	19,348,846	25,703,180	32,054,329	36,398,024	31,996,398	-
Capital projects funds	22,299,698	70,656,781	43,815,737	40,624,644	60,447,079	66,593,906	87,571,056	78,214,132	85,237,947	-
Debt service funds	-	-	-	-	(7,828)	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	37,036,839
Restricted	-	-	-	-	-	-	-	-	-	44,754,037
Committed	-	-	-	-	-	-	-	-	-	11,829,074
Assigned	-	-	-	-	-	-	-	-	-	77,460,284
Unassigned	-	-	-	-	-	-	-	-	-	(2,777,374)
Total - Other Governmental Funds	69,444,650	114,449,865	93,199,594	93,257,366	114,039,617	128,671,603	179,839,300	171,431,958	179,464,574	168,302,860
Grand Total - Governmental Funds	86,499,572	134,955,892	115,221,287	122,001,560	139,890,912	152,432,356	207,255,884	196,050,413	208,201,716	196,234,076

(1) - The City of South Bend adopted Statement No. 54 of the Governmental Accounting Standards Board requiring new classifications for Fund Balance reporting for fiscal year 2011.

Source: City of South Bend Comprehensive Annual Financial Reports

City of South Bend, Indiana
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Taxes	73,697,617	80,533,464	75,289,946	78,650,044	84,049,414	88,695,023	96,930,953	89,139,585	101,785,765	99,001,213
Licenses, fees and permits	236,267	212,261	223,006	246,780	186,470	173,604	177,329	206,594	192,397	190,943
Fines and forfeits	203,837	264,704	302,376	245,680	444,861	437,732	412,707	423,981	409,775	636,749
Charges for services	13,187,884	14,030,134	15,187,711	15,293,779	16,931,744	15,832,139	17,030,160	16,678,584	16,585,634	13,990,267
Intergovernmental	20,859,845	19,873,378	17,968,454	18,665,828	31,275,541	21,400,166	18,196,118	20,577,464	35,822,886	34,419,714
Investment earnings	1,559,320	1,124,825	1,668,050	3,543,469	4,762,484	6,248,605	4,962,768	859,135	868,023	1,050,768
Other revenues	3,287,910	2,977,325	2,732,127	10,791,555	3,414,731	5,039,373	2,007,821	3,046,791	2,677,796	3,587,518
Total revenues	113,032,680	119,016,091	113,371,670	127,437,135	141,065,245	137,826,642	139,717,856	130,932,134	158,342,276	152,877,172
Expenditures										
General government	7,530,213	5,798,497	6,814,675	7,828,275	11,244,734	9,611,354	6,902,426	5,969,141	5,214,424	6,680,855
Public Safety	38,896,338	45,498,413	44,371,673	49,010,645	51,050,640	53,203,005	50,413,055	48,790,068	62,586,177	69,612,754
Highways and Streets	12,366,777	7,499,367	12,638,026	9,874,281	13,583,761	13,257,781	13,369,611	11,716,810	10,702,555	5,079,041
Health and Welfare	75,000	75,000	75,000	75,000	75,000	75,000	75,000	0	0	0
Culture and Recreation	12,352,525	12,855,102	14,347,497	14,226,463	13,849,622	13,469,798	14,542,481	12,733,094	12,841,596	13,816,699
Economic Development	9,755,980	14,518,827	13,208,131	7,531,650	9,752,254	7,710,242	9,726,718	8,938,134	17,408,376	9,698,611
Capital Outlay	24,217,175	23,264,716	30,722,396	29,299,053	16,391,192	17,293,302	26,695,208	37,485,105	21,952,522	46,691,030
Debt Service										
Interest and Fiscal Charges	3,938,296	4,417,477	5,287,658	5,793,386	6,144,611	5,718,572	7,258,201	8,053,995	7,499,683	7,186,494
Principal	4,883,106	10,197,689	5,597,717	7,074,887	7,435,722	7,870,166	9,040,095	9,276,363	12,552,681	13,632,195
Total expenditures	114,015,410	124,125,088	133,062,773	130,713,640	129,527,536	128,209,220	138,022,795	142,962,710	150,758,014	172,397,679
Excess of revenues over (under) expenditures	(982,730)	(5,108,997)	(19,691,103)	(3,276,505)	11,537,709	9,617,422	1,695,061	(12,030,576)	7,584,262	(19,520,507)
Other Financing Sources (Uses)										
Proceeds from debt issuance	12,016,706	55,953,290	613,767	10,023,189	14,050,557	2,920,287	45,622,808	1,771,318	5,280,314	3,478,239
Premium (discount) on debt issuance	0	0	0	0	0	0	1,626,186	80,950	146,030	26,877
Proceeds from refunding	0	598,086	0	0	0	0	0	7,210,000	5,327,775	38,307,431
Payments to refunded bond escrow agent	0	(1,793,917)	0	0	(8,371,711)	0	0	(7,591,171)	(5,538,255)	(37,300,856)
Financing By Capital Lease	755,000	795,325	0	0	0	0	0	0	0	0
Transfers in	6,864,298	8,201,665	6,571,247	8,332,742	8,928,540	7,872,575	10,574,625	8,687,172	16,314,577	22,483,564
Transfers out	(7,724,331)	(10,189,132)	(6,556,374)	(8,299,153)	(8,884,340)	(7,868,840)	(10,539,655)	(9,333,164)	(16,963,400)	(19,442,388)
Other	455,120	0	0	0	0	0	0	0	0	0
Total other financing sources (uses)	12,366,793	53,565,317	628,640	10,056,778	5,723,046	2,924,022	47,283,964	825,105	4,567,041	7,552,867
Special Item:										
Well field contamination settlement	0	0	0	0	0	0	4,462,214	0	0	0
Net change in fund balances	11,384,063	48,456,320	(19,062,463)	6,780,273	17,260,755	12,541,444	53,441,239	(11,205,471)	12,151,303	(11,967,640)
Debt service as a percentage of noncapital expenditures (1)	8.6%	13.5%	9.8%	11.1%	10.8%	11.4%	12.1%	17.6%	15.4%	13.8%

Excludes prior period adjustments

(1) Formula = Deb service payments (principal and interest) / (Total Governmental Fund expenditures - Governmental Fund capital outlay per reconciliation)

Source: City of South Bend Comprehensive Annual Financial Reports

**CITY OF SOUTH BEND, INDIANA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Tax Year/ Collection Year	Per DLGF Current Tax Levy	Estimated Circuit Breaker Levy Reduction	Adjusted Current Tax Levy (County Abstract)	Current Tax Collections	Current Tax as a Percent of Adjusted Tax Levy	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as a Percent of Adjusted Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Adjusted Tax Levy
2001/2002	52,762,157	0	52,762,157	49,330,749	93.50%	1,789,947	51,120,696	96.89%	5,083,451	9.63%
2002/2003	58,326,066	0	58,326,066	53,726,528	92.11%	2,928,994	56,655,522	97.14%	6,203,521	10.64%
2003/2004	59,875,358	0	59,875,358	56,031,449	93.58%	2,914,419	58,945,868	98.45%	6,189,942	10.34%
2004/2005	60,833,109	0	60,833,109	56,114,865	92.24%	2,335,278	58,450,143	96.08%	8,093,237	13.30%
2005/2006	62,058,519	0	62,058,519	58,849,337	94.83%	3,847,872	62,697,209	101.03%	5,495,442	8.86%
2006/2007	62,723,113	0	62,723,113	57,979,187	92.44%	2,289,138	60,268,325	96.09%	7,411,505	11.82%
2007/2008	65,534,282	0	65,534,282	59,589,537	90.93%	4,113,095	63,702,632	97.21%	2,831,650	4.32%
2008/2009	64,546,050	7,863,846	56,682,204	47,497,697	83.80%	3,355,161	50,852,858	89.72%	5,810,503	10.25%
2009/2010	66,929,179	14,346,110	52,583,069	41,813,442	79.52%	6,380,600	48,194,042	91.65%	10,026,236	19.07%
2010/2011	68,662,101	17,692,787	50,969,314	40,876,844	80.20%	5,791,920	46,668,764	91.56%	8,165,775	16.02%

Source - St. Joseph County Auditor's Settlement Worksheets and Abstract. City of South Bend budget forms approved by the Department of Local Government Finance (DLGF).

Data provided for General Fund, Parks & Recreation, Cumulative Capital Development, Fire Pension and Police Pension funds. Excludes College Football Hall of Fame and Tax Increment Financing Funds. Delinquent tax collections are not broken out by individual taxing unit. A calculation of South Bend's share of delinquent taxes has been made based on proportionate tax rates.

**City of South Bend, Indiana
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of net assessed value)**

Tax Year/ Collection Year	City Direct Rates					Overlapping Rates						Grand Total	
	General Fund	Parks/ Recreation	Firefighters' Pension	Police Pension	Cumulative Capital Development	Total Direct	St. Joseph County	Schools Districts	Township	Library	Other (1)		Total Overlapping
2001/2002	2.1304	0.3591	0.0669	0.0600	0.0287	2.6451	0.9473	2.1725	0.0382	0.2496	0.2501	3.6577	6.3028
2002/2003	1.5668	0.2647	0.0493	0.0442	0.0356	1.9606	0.7366	1.4792	0.1122	0.1686	0.2240	2.7206	4.6812
2003/2004	1.6871	0.2859	0.0532	0.0477	0.0376	2.1115	0.7652	1.6201	0.0923	0.1830	0.2209	2.8815	4.9930
2004/2005	1.6845	0.2902	0.0540	0.0485	0.0376	2.1148	0.7831	1.5969	0.0276	0.1854	0.1828	2.7758	4.8906
2005/2006	1.7386	0.2981	0.0554	0.0498	0.0376	2.1795	0.9899	1.6033	0.0269	0.2027	0.1501	2.9729	5.1524
2006/2007	1.6838	0.2858	0.0531	0.0477	0.0342	2.1046	0.8711	1.5419	0.0285	0.1957	0.1737	2.8109	4.9155
2007/2008	1.7924	0.2979	0.0579	0.0572	0.0342	2.2396	0.7576	1.5417	0.0482	0.2216	0.1944	2.7635	5.0031
2008/2009	1.9777	0.3656	0.0117	0.0189	0.0342	2.4081	0.5693	1.0297	0.0537	0.2257	0.1733	2.0517	4.4598
2009/2010 (2)	2.2536	0.4401	0.0000	0.0000	0.0342	2.7279	0.5866	1.0728	0.0406	0.2657	0.1835	2.1492	4.8771
2010/2011	2.4381	0.4818	0.0000	0.0000	0.0342	2.9541	0.5424	1.2211	0.0438	0.3027	0.1958	2.3058	5.2599

Source: St. Joseph County Auditor's Office - Certified Tax Rate Schedules - Rates presented for Portage Township in South Bend

- (1) Includes State of Indiana, Redevelopment Commission (Hall of Fame), South Bend Transportation and South Bend Regional Airport
- (2) Firefighters' Pension and Police Pension no longer tax burden for the City of South Bend as the State of Indiana has assumed responsibility for funding these programs
- (3) Information provided for Portage Township in the City of South Bend. Property tax rates applied to net assessed valuation. Property tax billings are also subject to "circuit breaker" property tax caps on grossed assessed valuation of 1% (homestead residential property), 2% (other residential/rental property), and 3% (nonresidential real and personal property).

**City of South Bend, Indiana
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

Tax Year/ Collection Year	Gross Assessed Values				Less: Non-Taxed Property (1)	Total Net Taxable Value	Total City Tax Rate	% Taxable
	Real Property	Personal Property	Utilities Property	Total Value				
2001/2002	1,970,940,960	809,870,700	85,998,130	2,866,809,790	907,974,963	1,958,834,827	2.6451	68.33%
2002/2003	3,849,091,300	816,672,723	74,065,200	4,739,829,223	1,771,726,609	2,968,102,614	1.9606	62.62%
2003/2004	3,731,377,160	659,263,940	103,129,310	4,493,770,410	1,685,920,064	2,807,850,346	2.1115	62.48%
2004/2005	3,764,507,180	689,419,365	105,604,270	4,559,530,815	1,740,625,997	2,818,904,818	2.1148	61.82%
2005/2006	3,789,447,190	655,066,401	98,165,420	4,542,679,011	1,707,413,121	2,835,265,890	2.1795	62.41%
2006/2007	4,374,431,415	544,460,152	90,443,780	5,009,335,347	1,986,978,200	3,022,357,147	2.1046	60.33%
2007/2008	4,420,513,240	527,383,785	92,736,090	5,040,633,115	2,064,552,317	2,976,080,798	2.2396	59.04%
2008/2009	4,698,989,240	592,538,950	95,891,770	5,387,419,960	2,718,532,541	2,668,887,419	2.4081	49.54%
2009/2010	4,368,497,000	604,951,450	98,433,750	5,071,882,200	2,618,376,627	2,453,505,573	2.7279	48.37%
2010/2011	4,339,037,300	551,819,290	101,009,760	4,991,866,350	2,667,414,488	2,324,451,862	2.9541	46.56%

(1) non-taxed property includes adjustments for deductions & exemptions, tax exempt property, tax increment financing property, and tax abatements.

Source: St. Joseph County Auditor's Office

City of South Bend, Indiana
Property Tax Collections - Cash Basis
2003-2011

Fund Name	Fund Number	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual (2)	2009 Actual (3)	2010 Actual	2011 Actual
General Fund	101	\$44,986,015	\$44,149,333	\$44,999,550	\$48,768,150	\$48,720,726	\$14,574,480	\$79,162,937	\$38,780,847	\$38,514,550
Parks & Recreation	201	7,602,784	7,479,711	7,754,973	8,363,955	8,271,741	2,461,101	13,919,096	7,591,932	7,613,760
Redevelopment Bonds Studebaker Corridor	310	673,281	609,732	565,420	0	11,590	0	0	0	0
College Football Hall of Fame Debt Service	313	1,301,840	1,300,588	1,246,067	899,472	1,127,140	360,682	2,362,057	1,488,453	1,549,954
Airport TIF District (1)	324	6,546,484	5,588,045	6,246,028	7,515,744	8,851,077	33,400	10,808,912	21,508,430	11,187,768
Cumulative Capital Development	406	1,022,511	984,945	1,004,779	1,054,963	989,824	291,600	1,420,833	587,063	540,454
Sample-Ewing TIF District (1)	414	685,925	533,304	525,671	732,356	778,093	0	0	0	0
South Bend Central Development Area TIF	420	3,018,424	2,606,365	2,359,430	3,283,075	3,276,169	12,696	3,870,188	7,336,117	3,633,473
West Washington Street TIF District	422	254,555	216,948	193,911	255,510	287,095	1,785	358,844	860,049	431,085
Central Medical Service Area TIF District	426	318,653	337,721	329,269	333,585	928,113	2,793	919,174	3,524,962	1,704,238
Northeast TIF District	429	0	0	0	0	13,468	0	22,191	195,400	715,063
Southside Development Area TIF District	430	0	0	25,351	28,565	457,985	1,756	355,596	4,094,135	1,808,952
Erskine Commons TIF District (5)	431	0	0	548	2,585	2,891	10	1,240,184	5,978,592	784,373
Erskine Village TIF District	432	0	0	109,248	305,399	775,622	2,713	1,531,403	3,759,287	1,603,182
Douglas Road TIF District	435	0	0	0	0	13,941	0	125,294	460,760	306,053
Northeast Residential TIF	436	0	0	0	0	0	0	0	1,815,829	2,446,103
Airport Urban Enterprise	454	0	0	0	0	0	0	0	301,430	123,165
Fire Department Employees Pension (4)	701	1,416,008	1,293,471	1,443,033	1,554,387	1,536,839	462,375	1,437,539	(5,867)	0
Police Department Employees Pension (4)	702	1,269,527	1,128,733	1,296,055	1,397,265	1,380,555	425,760	1,609,905	(9,479)	0
Total		\$69,096,006	\$66,228,896	\$68,099,332	\$74,495,010	\$77,422,867	\$18,631,150	\$119,144,153	\$98,267,940	\$72,962,173

Source - City Accounting System

(1) Fund 414 closed out during 2008 into Fund 324.

(2) Delays in sending out property tax bills until December 19, 2008 (with an on-time due date of February 20, 2009) resulted in interfund borrowing in the General Fund (101), Parks and Recreation Fund (201) and the College Football Hall of Fame Debt Service Fund (313) at year end. The remainder of property tax revenue was received during the first half of 2009 with final settlement with the St. Joseph County Auditor in July, 2009

(3) Includes collections of 2008 taxes as noted above. Tax Increment Financing (TIF) 2009 property tax collections were received from the County Auditor on January 21, 2010.

(4) Property tax levy for Police and Fire pension plans eliminated. Funding provided by the State of Indiana.

(5) Erskine Commons TIF District funds were released and outstanding bonds were paid off.

**CITY OF SOUTH BEND, INDIANA
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2011**

Civil City

Net Assessed Valuation (2010 pay 2011) of Taxable Property in South Bend	\$2,324,451,862
Debt limit: 2% of one third thereof	15,496,346
Less Bonds subject to limitation:	
County Economic Development Income Tax Refunding Revenue Bonds, Series 2006 A	(2,195,000)
County Economic Development Income Tax Refunding Revenue Bonds, Series 2006 B	(2,020,000)
South Bend Redevelopment District Taxable Revenue Bonds, Series 2010	(4,695,000)
Issuance Margin	<u>\$6,586,346</u>
Amount of debt subject to limit/debt limit	<u>57.50%</u>

Redevelopment District

Net Assessed Valuation (2010 pay 2011) of Taxable Property in South Bend	\$2,324,451,862
Debt limit: 2% of one third thereof	15,496,346
Less Bonds subject to limitation:	
Special Taxing District Bonds of 2002	(4,085,000)
Issuance Margin	<u>\$11,411,346</u>
Amount of debt subject to limit/debt limit	<u>26.36%</u>

A 2% debt limit is established by the Constitution of the State of Indiana. This limit is established for general obligation bonds, Economic Development Income Tax revenue bonds, tax revenue notes and other types of indebtedness. This limitation does not include revenue bonds payable from governmental funds (excluding EDIT bonds) shown in the general long term debt account group. Indiana law allows the creation of separate municipal corporations to provide vital governmental functions. Each of these municipal corporations (including the Redevelopment Authority and Redevelopment Commission) has its own 2% debt limit, even if they have the same or similar boundaries.

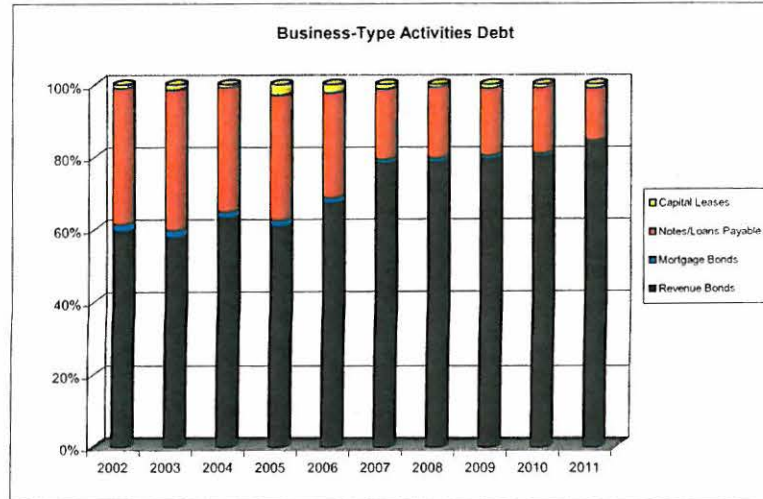
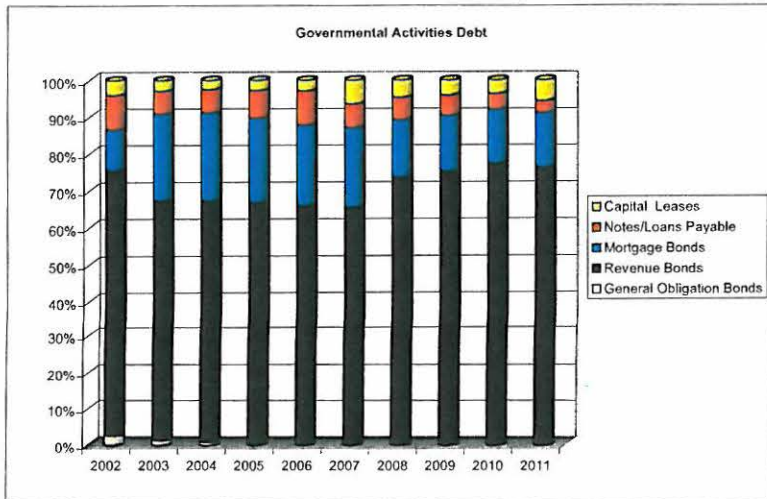
**City of South Bend, Indiana
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Estimated Population	Debt Per Capita	South Bend Estimated Personal Income	South Bend Debt Percent of Income
	General Obligation Bonds	Revenue Bonds	Mortgage Bonds	Notes/Loans Payable	Capital Leases	Revenue Bonds	Mortgage Bonds	Notes/Loans Payable	Capital Leases					
2002	2,085,000	63,175,000	9,565,497	8,172,424	3,455,652	34,675,000	1,137,000	21,999,758	578,455	144,843,786	106,558	1,359	3,080,485,222	4.70%
2003	1,525,000	85,070,000	30,112,808	8,131,984	3,659,322	31,625,000	1,099,005	21,338,647	794,885	183,356,651	105,540	1,737	3,143,825,520	5.83%
2004	935,000	82,135,000	29,525,289	7,948,868	2,971,007	39,815,000	1,058,415	21,730,271	520,389	186,639,239	105,206	1,774	3,297,156,040	5.66%
2005	320,000	84,225,000	28,994,057	9,539,771	3,454,627	35,990,000	1,015,980	20,659,864	1,710,033	185,909,332	105,743	1,758	3,418,459,704	5.44%
2006	0	82,445,000	27,337,124	11,758,552	3,533,187	44,345,000	972,315	19,258,433	1,523,594	191,173,205	104,457	1,830	3,450,632,538	5.54%
2007	0	78,570,000	25,957,839	7,900,658	7,695,487	73,145,000	926,805	18,380,491	1,127,394	213,703,674	104,069	2,053	3,511,183,991	6.09%
2008	0	115,240,000	24,534,464	9,543,790	7,388,443	67,535,000	878,835	17,031,649	628,427	242,780,608	104,905	2,314	3,709,126,085	6.55%
2009	0	113,975,000	23,061,148	8,470,308	6,214,206	68,225,000	829,020	16,145,358	893,233	237,813,273	106,192	2,239	3,679,658,992	6.46%
2010	0	111,510,000	21,117,295	6,323,199	5,299,341	72,655,000	717,705	16,755,369	799,402	235,177,311	101,168	2,325	3,505,572,368	6.71%
2011	0	101,472,431	19,724,490	4,431,871	7,510,749	88,655,000	660,510	15,542,372	1,077,642	239,075,065	101,168	2,363	3,371,120,096	7.09%
Percent of Total Debt	0.00%	42.44%	8.25%	1.85%	3.14%	37.08%	0.28%	6.50%	0.45%	100.00%				

Sources: City of South Bend Comprehensive Annual Financial Reports

Population statistics obtained from the U.S. Census Bureau.

City of South Bend estimated personal income is computed as estimated City population x 2011 South Bend Metro Area Per Capita Income (see Demographic Statistics)



**CITY OF SOUTH BEND, INDIANA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2011**

	<u>Gross Debt</u>	<u>Percentage Applicable to South Bend</u>	<u>Amount Applicable to South Bend</u>	<u>Debt Per Capita</u>	<u>Ratio of Debt/ Net Assessted Value</u>	<u>Ratio of Debt/ Personal Income</u>
Direct Debt:						
City of South Bend						
General Obligation Bonds	\$0	100.00%	\$0			
Revenue Bonds - Governmental Activities	101,472,431	100.00%	101,472,431			
Revenue Bonds - Business-Type Activities	88,655,000	100.00%	88,655,000			
Mortgage Bonds - Governmental Activities	19,724,490	100.00%	19,724,490			
Mortgage Bonds - Business-Type Activities	660,510	100.00%	660,510			
Notes Payable - Governmental Activities	4,431,871	100.00%	4,431,871			
Notes Payable - Business-Type Activities	15,542,372	100.00%	15,542,372			
Capital Leases - Governmental Activities	7,510,749	100.00%	7,510,749			
Capital Leases - Business-Type Activities	1,077,642	100.00%	<u>1,077,642</u>			
Total Direct Debt and Lease Obligation Debt			239,075,065	\$2,363	10.3%	7.1%
Overlapping Debt (3)(4)						
South Bend Community School Corporation	196,312,343	52.60%	103,260,292			
St. Joseph County Public Library	11,435,000	49.66%	5,678,621			
South Bend Regional Airport Authority	0	27.62%	0			
St. Joseph County	56,020,000	27.62%	15,472,724			
Penn-Harris-Madison School Corporation	57,007,567	2.86%	1,630,416			
Mishawaka-Penn-Harris Public Library	5,575,000	2.27%	<u>126,553</u>			
Total Overlapping and Underlying Direct Debt and Lease Obligations			126,168,606	1,247	5.4%	3.7%
Total Direct Debt and Lease Obligation Debt and Overlapping and Underlying Direct Debt and Lease Obligations			<u>\$365,243,671</u>	<u>\$3,610</u>	<u>15.7%</u>	<u>10.8%</u>
Ratio Factors						
Net Assessed Valuation (2010 payable 2011)	2,324,451,862					
Population - 2010 US Census Bureau	101,168 (1)					
South Bend Metropolitan Area Per Capita Income	33,322 (2)					
Estimated South Bend Total Personal Income (1 x 2)	3,371,120,096					

(1) Population statistics obtained from the U.S. Census Bureau (<http://factfinder.census.gov/servlet>).

(2) South Bend-Mishawaka, IN_Metropolitan area Profile (www.stats.indiana.edu).

(3) Overlapping debt information and schedule preparation by Crowe Horwath LLP, Indianapolis, Indiana.

(4) Overlapping debt percentages are based the net assessed value of South Bend properties in proportion to the total net assessed value.

**CITY OF SOUTH BEND, INDIANA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Year	City of South Bend Population (1)	Percent Increase/ (Decrease)	South Bend Metropolitan Area Median Family Income (4)	Percent Increase/ (Decrease)	South Bend Metro Area Total Personal Income (3) (Millions)	Percent Increase/ (Decrease)	South Bend Metro Area Per Capita Income (3)	Percent Increase/ (Decrease)	City of South Bend Median Age (4)	City of South Bend Public School Enrollment (2)	Percent Increase/ (Decrease)
2002	106,558	-1.1%	40,816	0.0%	7,671	3.3%	28,909	3.4%	32.7	21,059	-1.4%
2003	105,540	-1.0%	37,140	-9.0%	7,887	2.8%	29,788	3.0%	32.7	21,981	4.4%
2004	105,206	-0.3%	39,940	7.5%	8,295	5.2%	31,340	5.2%	32.7	22,140	0.7%
2005	105,743	0.5%	37,971	-4.9%	8,565	3.3%	32,328	3.2%	34.5	22,100	-0.2%
2006	104,457	-1.2%	39,046	2.8%	8,958	4.6%	33,034	2.2%	34.6	21,926	-0.8%
2007	104,069	-0.4%	44,400	13.7%	8,978	0.2%	33,739	2.1%	34.6	21,715	-1.0%
2008	104,905	0.8%	40,684	-8.4%	9,396	4.7%	35,357	4.8%	34.6	21,595	-0.6%
2009	106,192	1.2%	43,403	6.7%	9,466	0.7%	34,651	-2.0%	32.3	21,261	-1.5%
2010	101,168	-4.7%	40,789	-6.0%	9,289	-1.9%	34,286	-1.1%	33.4	20,771	-2.3%
2011	101,168	0.0%	40,873	0.2%	8,891	-4.3%	33,322	-2.8%	33.3	20,134	-3.1%

Sources:

- (1) U.S. Census Bureau 2010 Census information (<http://factfinder2.census.gov>). No 2011 information available.
- (2) South Bend Community School Corporation Administration office for enrollment on October 1, 2010
- (3) South Bend-Mishawaka, IN_MI Metropolitan Area Profile (<http://www.stats.indiana.edu>). Labor and employment statistics for December of 2011.
- (4) U.S. Census Bureau (<http://factfinder2.census.gov>). No 2011 information available.
- (5) Information not available at this time due to 2010 Census numbers still being compiled and input.

**CITY OF SOUTH BEND, INDIANA
DEMOGRAPHIC STATISTICS (CONTINUED)
LAST TEN YEARS**

Year	December South Bend Metropolitan Area Labor Force (1)	Percent Increase/ (Decrease)	December South Bend Metropolitan Area Unemployment (1)	Percent Increase/ (Decrease)	December South Bend Metropolitan Unemployment Rate (1)
2002	133,240	0.3%	6,496	-11.4%	4.9%
2003	131,283	-1.5%	6,288	-3.2%	4.8%
2004	132,981	1.3%	6,669	6.1%	5.0%
2005	134,033	0.8%	6,956	4.3%	5.2%
2006	134,651	0.5%	6,501	-6.5%	4.8%
2007	132,693	-1.5%	6,291	-3.2%	4.7%
2008	133,433	0.6%	12,476	98.3%	9.4%
2009	123,792	-7.2%	13,474	8.0%	10.9%
2010	125,853	-5.7%	12,648	1.4%	10.0%
2011	129,438	4.6%	12,366	-8.2%	9.6%

Source:

(1) South Bend-Mishawaka, IN_MI Metropolitan Area Profile (<http://www.stats.indiana.edu>).
Labor and employment statistics for December, 2011.

City of South Bend, Indiana
Full-Time Equivalent City Government Employees by Department
Last Ten Fiscal Years

<u>Department</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>General Government</u>										
Mayor's Office	10.00	10.00	10.00	10.00	10.00	10.00	9.00	8.00	7.00	7.00
City Clerk's Office	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Common Council (elected officials, part-time)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Administration and Finance	28.00	28.00	29.00	31.00	32.00	31.00	29.00	26.00	26.00	27.00
City Attorney's Office	13.00	14.00	15.00	15.00	15.00	15.00	15.00	9.00	9.00	9.00
Code Enforcement	27.00	27.00	28.00	28.00	28.00	27.00	27.00	27.00	23.00	25.00
Engineering	21.00	21.00	20.00	19.00	19.00	18.50	18.50	16.00	19.00	17.00
<u>Public Safety</u>										
Police Department	317.00	316.00	315.00	317.00	317.00	320.00	317.00	279.00	293.00	293.00
Communication Center	28.00	29.00	31.00	31.00	31.00	30.00	30.00	37.00	38.00	35.00
Fire Department	257.00	257.00	257.00	255.00	255.00	254.00	254.00	246.00	255.00	258.00
Building Maintenance	6.00	6.00	6.00	7.00	7.00	7.00	7.00	4.00	3.00	3.00
<u>Culture and Recreation</u>										
Parks and Recreation	132.00	126.00	124.00	123.00	122.00	122.00	121.00	111.00	113.00	114.00
Convention and Events Management (1)	48.33	49.00	50.00	50.00	49.00	16.00	15.00	13.00	13.00	14.00
<u>Economic Development</u>										
Community and Economic Development	45.00	44.00	42.00	42.00	42.00	35.00	33.00	26.00	26.00	25.00
<u>Highways and Streets</u>										
Street Department	81.00	77.00	71.00	71.00	66.00	54.00	54.00	51.00	52.00	56.00
Traffic & Lighting	12.00	11.00	11.00	11.00	11.00	11.00	11.00	6.00	0.00	0.00
<u>Enterprise Funds</u>										
Water Works	95.00	87.00	87.00	86.00	86.00	86.00	80.00	82.00	75.00	74.00
Wastewater	59.00	55.00	55.00	51.00	53.00	54.50	56.50	48.00	51.00	49.00
Sewer	30.00	30.00	30.00	30.00	29.00	28.00	28.00	33.00	35.00	36.00
Solid Waste	42.00	35.00	31.00	31.00	31.00	26.00	26.00	26.00	26.00	23.00
Building Department	20.00	20.00	22.00	22.00	22.00	22.00	22.00	15.00	13.00	13.00
<u>Internal Service Fund</u>										
Central Services	53.00	53.00	50.00	50.00	49.00	49.00	46.00	39.00	41.00	41.00
Total Positions	1,338.33	1,309.00	1,298.00	1,294.00	1,288.00	1,230.00	1,213.00	1,116.00	1,132.00	1,133.00

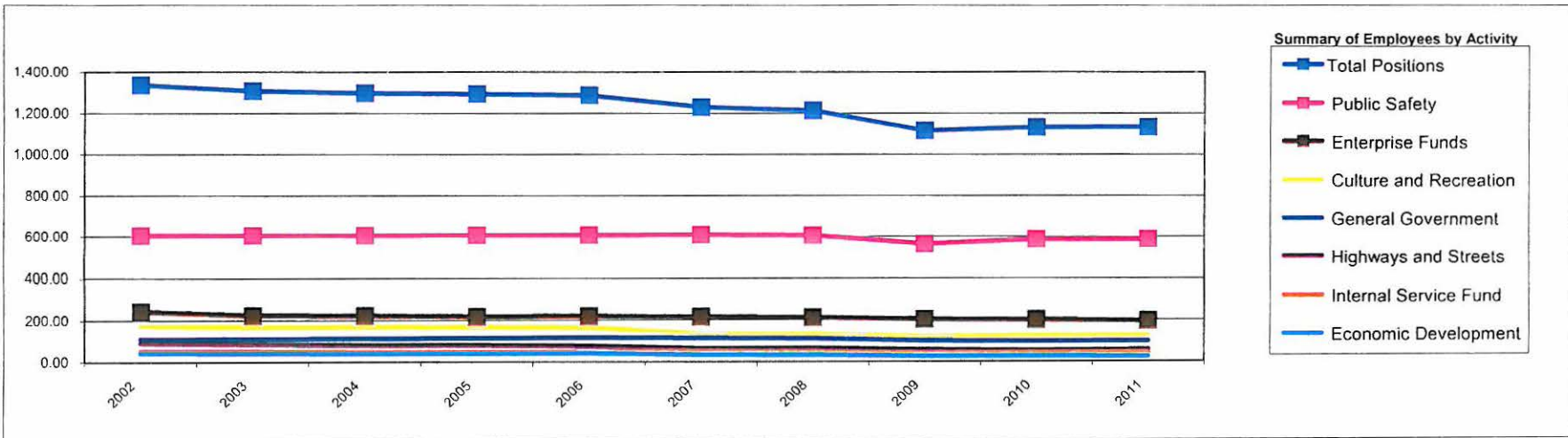
City of South Bend, Indiana
Full-Time Equivalent City Government Employees by Department
Last Ten Fiscal Years

<u>Department</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Summary by Activity										
General Government	113.00	114.00	116.00	117.00	118.00	115.50	112.50	100.00	98.00	99.00
Public Safety	608.00	608.00	609.00	610.00	610.00	611.00	608.00	566.00	589.00	589.00
Culture and Recreation	180.33	175.00	174.00	173.00	171.00	138.00	136.00	124.00	126.00	128.00
Economic Development	45.00	44.00	42.00	42.00	42.00	35.00	33.00	26.00	26.00	25.00
Highways and Streets	93.00	88.00	82.00	82.00	77.00	65.00	65.00	57.00	52.00	56.00
Enterprise Funds	246.00	227.00	225.00	220.00	221.00	216.50	212.50	204.00	200.00	195.00
Internal Service Fund	53.00	53.00	50.00	50.00	49.00	49.00	46.00	39.00	41.00	41.00
Total Positions	1,338.33	1,309.00	1,298.00	1,294.00	1,288.00	1,230.00	1,213.00	1,116.00	1,132.00	1,133.00

Excludes seasonal, part-time and temporary positions

(1) Includes reduction of 34 positions in the City's convention facility (Century Center) during 2007. Century Center is being managed by a private company under an agreement with the City of South Bend.

Source: City of South Bends Performance Based Budgets and personnel records



CITY OF SOUTH BEND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct Grant			
Economic Development Cluster			
Economic Adjustment Assistance	11.307	06-19-01251	\$ 1,241,669
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG-Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-180-011	397,179
		B-10-MC-180-011	2,482,495
ARRA - Community Development Block Grants/Entitlement Grants	14.218	B-08-MN-18-011	<u>1,453,209</u>
Total for program			4,332,883
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-18-0011	<u>115,518</u>
Total for Cluster			<u>4,448,401</u>
Emergency Shelter Grants Program	14.231	S-10-MC-180-011	12,830
		E-11-MC-180-011	<u>98,726</u>
Total for program			<u>111,556</u>
Shelter Plus Care	14.238	IN0087CH00901	70,685
		IN0009C5H000802	140,673
		IN0009C5H001003	38,761
		IN0010C5H000802	<u>32,857</u>
Total for program			<u>282,976</u>
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B00-BD-180-030	<u>402,956</u>
Community Development Block Grants-Section 108 Loan Guarantees	14.248		<u>4,099</u>
ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	S0-09-MY-18-0011	<u>606,297</u>
Fair Housing Assistance Program-State and Local	14.401	FF205K105014	<u>71,352</u>
Total for federal grantor agency			<u>5,927,637</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF SOUTH BEND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2011
 (Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Community Capacity Development Office	16.595	2009-WSQ-0071 2010-WSQ-0059	78,725 <u>8,701</u>
Total for program			<u>87,426</u>
ARRA - Public Safety Partnership and Community Policing Grants	16.710	09RKWX0352	<u>817,765</u>
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	08DJBX0134 09DJBX0926 09DJBX0855	11,609 27,905 <u>49,038</u>
Total for program			<u>88,552</u>
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-1280	<u>309,974</u>
Total for Cluster			<u>398,526</u>
Total for federal grantor agency			<u>1,303,717</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Direct Grant			
WIA Pilots, Demonstrations, and Research Projects	17.261	EA-20279-10-60-A-18	<u>198,611</u>
<u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>			
Direct Grant			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	EECCN100092	<u>85,886</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-965-645-01	564,946
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	2B-00E97101-0	<u>6,792</u>
Total for program			<u>571,738</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF SOUTH BEND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2011
 (Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY (continued)</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW09547102	<u>284,063</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW09087102	25,315
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW09087102	<u>27,667</u>
Total for program			<u>52,982</u>
Total for federal grantor agency			<u>908,783</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA - Office of Science Financial Assistance Program	81.049	DE-FG02-08CH11514	9,424
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002273	<u>424,221</u>
Total for federal grantor agency			<u>433,645</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	EMW-2009-FV-03783	<u>600,000</u>
Total federal awards expended			<u>\$ 10,699,948</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.



Photo courtesy of City of South Bend Archives

All-America City Award 2011

National Civic League, 2011

West Washington Neighborhood: 2012 Best Places to Live list

This Old House Magazine, 2012

Morris Performing Arts Center: Top 100 Venues worldwide

Pollstar Magazine, 2012

National League of Cities Gold Award for Municipal Excellence

Northeast Neighborhood Revitalization

**Local Government Cooperation Award—
Bike the Bend event**

Indiana Association of Cities and Towns

South Bend has impact!

Blackthorn Golf Club: 39th Best Municipal Course in U.S.

Golf Week Magazine, 2008-09

Bicycle Friendly community (bronze designation)

League of American Bicyclist, 2010

Tree City USA Community

Department of Natural Resources, 2010

Potawatomi Zoo: 20 Best Zoos for Kids

www.child.com



Photo courtesy of Matt Cashore



www.SouthbendIN.gov