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# City of South Bend, Indiana

\$8,300,000 Waterworks Revenue Bonds of 2012

CUSIP Base 836632

*(Dated June 21, 2012)*

\$3,300,000 Waterworks Refunding Revenue Bonds of 2016

CUSIP Base 836632

*(Dated December 27, 2016)*

\$5,380,000 Indiana Bond Bank Special Program Bonds, Series 2009C-1

CUSIP Base 454624

*(Dated November 19, 2009)*

## **Annual Information for Compliance with SEC Rule 15(c)2-12**

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# UMBAUGH

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## ACCOUNTANTS' COMPILATION REPORT

June 13, 2017

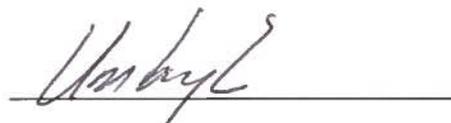
Mr. Eric C. Horvath, Director  
Department of Public Works  
City of South Bend  
1316 County-City Building  
South Bend, IN 46601

We have compiled the accompanying statement of net position of the Water Utility as of December 31, 2016, and the related statement of revenues, expenses and changes in net position for the periods then ended and supplementary data which is presented for supplementary analysis purposes only. We have not audited or reviewed the accompanying historical financial statements and supplementary data, and accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary data are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary data without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and supplementary data.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles in the United States of America. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Water Utility's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



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**CITY OF SOUTH BEND**

**ANNUAL WATERWORKS FLOW DATA**

|                          | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Capacity (MGD)           | 60          | 60          | 60          | 60          | 53.70       |
| Average Daily Flow (MGD) | 16.60       | 15.33       | 14.66       | 14.35       | 14.60       |
| Peak Flow (MGD)          | 36.60       | 27.14       | 22.75       | 24.25       | 26.49       |

Source: City of South Bend Municipal Waterworks

**NUMBER OF WATERWORKS CUSTOMERS**

| <u>Year</u> | <u>Total Number<br/>of Customers</u> | <u>Percentage<br/>Increase</u> |
|-------------|--------------------------------------|--------------------------------|
| 2012        | 42,491                               | 0.77%                          |
| 2013        | 42,784                               | 0.69%                          |
| 2014        | 42,886                               | 0.24%                          |
| 2015        | 43,484                               | 1.39%                          |
| 2016        | 43,643                               | 0.37%                          |

Source: City of South Bend Municipal Waterworks

**LARGEST WATERWORKS CUSTOMERS**

The following is a list of the ten largest users of the water utility, according to the utility records. Total billed revenue for the twelve months ended December 31, 2016 was \$10,024,092. The ten largest users as presented below accounted for approximately 5.62 percent of billed revenue.

| <u>Customer</u>                          | <u>Type of Business</u>            | <u>Twelve Months<br/>Ended 12/31/2015</u> |                           |             |
|--|------------------------------------|---|---------------------------|-------------|
|  |                                    | <u>Usage<br/>(100 Cu. Ft.)</u>            | <u>Billed<br/>Revenue</u> | <u>%</u>    |
| South Bend Community School Corporation  | Public education                   | 85,855                                    | \$99,699                  | 0.99        |
| Memorial Hospital of South Bend          | Health care                        | 105,981                                   | 95,161                    | 0.95        |
| Irish Hills Apartments                   | Apartments                         | 58,931                                    | 68,865                    | 0.69        |
| Honeywell Aerospace Co                   | Mfg. aircraft and automotive parts | 66,790                                    | 62,865                    | 0.63        |
| St. Joseph County Maintenance Department | Government                         | 47,923                                    | 41,930                    | 0.42        |
| Castle Point Apartments                  | Apartments                         | 42,986                                    | 40,994                    | 0.41        |
| Indiana University South Bend            | Higher education                   | 37,780                                    | 39,765                    | 0.40        |
| Aramark Uniform Services                 | Uniform supplier                   | 50,154                                    | 39,186                    | 0.39        |
| Laurnenz Place LLC                       | Apartments                         | 47,820                                    | 37,550                    | 0.37        |
| Holy Cross Care Services Inc             | Nursing care and rehab services    | 35,512                                    | 37,395                    | 0.37        |
| Total for Ten Largest Customers          |                                    | <u>579,732</u>                            | <u>\$563,410</u>          | <u>5.62</u> |
| Total Operating Revenues of the Utility  |                                    |   | <u>\$10,024,092</u>       |             |

Source: City of South Bend Municipal Waterworks

**CITY OF SOUTH BEND**

**SCHEDULE OF WATER PRESENT RATES AND CHARGES**

(Approved by the Indiana Utility Regulatory Commission on February 8, 2006)

| <u>Consumption Per Month (Rate Per 100 Cubic Feet) (2)</u> |                    | Present Monthly<br><u>Rates (1)</u> |
|--|--------------------|-------------------------------------|
| First  | 500 cubic feet     | \$1.716                             |
| Next   | 1,500 cubic feet   | 1.490                               |
| Next   | 5,500 cubic feet   | 1.310                               |
| Next   | 22,500 cubic feet  | 1.153                               |
| Next   | 90,000 cubic feet  | 0.905                               |
| Over   | 120,000 cubic feet | 0.701                               |

Minimum Monthly Charge Based on Meter Size (2)

|       |            |          |
|-------|------------|----------|
| 5/8   | inch meter | \$7.76   |
| 3/4   | inch meter | 11.19    |
| 1     | inch meter | 19.90    |
| 1 1/2 | inch meter | 44.72    |
| 2     | inch meter | 79.54    |
| 3     | inch meter | 178.96   |
| 4     | inch meter | 318.16   |
| 6     | inch meter | 716.02   |
| 8     | inch meter | 1,272.95 |
| 10    | inch meter | 1,988.53 |
| 12    | inch meter | 2,863.10 |

Fire Protection Monthly Public Fire Protection Charge (2)

|       |                 |        |
|-------|-----------------|--------|
| 5/8   | inch connection | \$2.25 |
| 3/4   | inch connection | 2.25   |
| 1     | inch connection | 5.77   |
| 1 1/2 | inch connection | 12.98  |
| 2     | inch connection | 23.06  |
| 3     | inch connection | 51.90  |
| 4     | inch connection | 92.28  |
| 6     | inch connection | 207.62 |
| 8     | inch connection | 369.08 |
| 10    | inch connection | 576.70 |

Private Fire Protection Service - Automatic Sprinkler, per annum (2)

|    |                 |          |
|----|-----------------|----------|
| 1  | inch connection | \$35.62  |
| 2  | inch connection | 71.77    |
| 3  | inch connection | 143.53   |
| 4  | inch connection | 286.80   |
| 6  | inch connection | 355.56   |
| 8  | inch connection | 610.60   |
| 10 | inch connection | 954.38   |
| 12 | inch connection | 1,375.98 |

Temporary Service (2)

|                        |         |
|------------------------|---------|
| Minimum Monthly Charge | \$29.00 |
|------------------------|---------|

Water Service Fund (2)

|                |        |
|----------------|--------|
| Monthly Charge | \$2.00 |
|----------------|--------|

(1) Present rates approved by the Indiana Utility Regulatory Commission on February 8, 2006.

(2) Customers with water service outside the City limits shall incur an added surcharge of twenty percent (20%) on all the rates and charges.

**CITY OF SOUTH BEND**

**CERTAIN GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

The City of South Bend (the "City") is located in St. Joseph County approximately 140 miles north of Indianapolis and 90 miles east of Chicago, Illinois. The City is serviced by I-80 and I-90, U.S. 31 and State Road 23. The City's economy is a mix of education, healthcare and manufacturing. The City's population in the 2010 Census was 101,168.

**DESCRIPTION OF PROJECT**

Proceeds of the Series 2009 C-1 Qualified Obligations were used for upgrades, expansion, additions, replacements, extensions and improvement to the Water Utility, including (a) the repair and replacement of a roof on a 5.5 million gallon reservoir; (b) the repair of an under drain and replacement of the filter media at a filtration plant; (c) the replacement of four main line valves; (d) the installation of a water main extension south of the intersection of Ireland Road and Ironwood Drive; (e) the design and installation of a pumping station at the Ireland Road Tank site; (f) the installation of a water main extension from Carroll Street and Johnson Road to Lucinda Street to U.S. 31, and from Lilac Road to Armstrong Drive along Kern Road; (g) the purchase of two tandem axle dump trucks and one backhoe; (h) the purchase of residential water meters; (i) making any and all additional improvements related to the foregoing; and (j) the costs of issuance associated therewith.

**DESCRIPTION OF THE SERIES 2009 C-1 QUALIFIED OBLIGATIONS**

|                      |   |
|----------------------|---|
| Total Principal      | \$5,380,000   |
| Security and Lien    | Net Revenues of the Water Utility ("Net Revenues" is defined as gross revenues of the Water Utility after deduction only for the payment of the reasonable expenses of operation, repair and maintenance, excluding any rates or charges in lieu of taxes made and collected by the Water Utility and transferred to the City of South Bend.) |
| Repayment Schedule   | Annual principal payments commencing January 1, 2013 and terminating January 1, 2030.   |
| Interest Payments    | Semiannual principal payments commencing January 1, 2010 and each January 1 and July 1 thereafter.  |
| Debt Service Reserve | Maximum principal and interest to be funded by a five (5) year build up of Net Revenues.  |

**CITY OF SOUTH BEND**

**SCHEDULE OF INDEBTEDNESS**

The following schedule shows the outstanding indebtedness of the City and the taxing units within and overlapping its jurisdiction as of February 15, 2017, as reported by the respective taxing units.

| <u>Direct Debt</u>   | <u>Original<br/>Par Amount</u> | <u>Final<br/>Maturity</u> | <u>Outstanding<br/>Amount</u> |
|--|--------------------------------|---------------------------|-------------------------------|
| <b>Self-Supporting Revenue Debt (1)</b>  |                                |                           |                               |
| Waterworks Refunding Revenue Bonds of 2016   | \$3,300,000                    | 01/01/27                  | \$3,300,000                   |
| Waterworks Revenue Bonds of 2012   | 8,300,000                      | 01/01/33                  | 6,925,000                     |
| Waterworks Refunding Revenue Bonds of 2012B  | 3,785,000                      | 01/01/23                  | 2,380,000                     |
| Waterworks Revenue Bonds of 2009, Series A (SRF)                                     | 427,332                        | 01/01/30                  | 332,562                       |
| Waterworks Revenue Bonds of 2009, Series B   | 5,380,000                      | 01/01/30                  | 4,325,000                     |
| Sewage Works Refunding Revenue Bonds of 2015   | 27,440,000                     | 12/01/25                  | 24,965,000                    |
| Sewage Works Refunding Revenue Bonds, Series 2013A                                   | 14,765,000                     | 12/01/24                  | 8,050,000                     |
| Sewage Works Revenue Bonds of 2012   | 25,000,000                     | 12/01/32                  | 20,890,000                    |
| Sewage Works Revenue Bonds of 2011   | 21,500,000                     | 12/01/31                  | 17,295,000                    |
| Sewage Works Revenue Bonds of 2010   | 9,345,000                      | 12/01/30                  | 7,145,000                     |
| Sewage Works Revenue Bonds of 2009 (SRF)   | 3,297,000                      | 12/01/28                  | 2,249,643                     |
| Waterworks and Sewage Works Leases   |                                |                           | <u>3,325,737</u>              |
| Subtotal   |                                |                           | <u>101,182,942</u>            |
| <b>Tax Supported Debt</b>  |                                |                           |                               |
| Economic Development Income Tax Bonds of 2015  | \$5,605,000                    | 08/01/35                  | \$5,295,000                   |
| Century Center Energy Conservation Bonds of 2015 (QECB)<br>Redevelopment Authority   | 4,167,897                      | 05/01/31                  | 4,145,311                     |
| Lease Rental Revenue Bonds, Series 2015  | 25,000,000                     | 02/01/37                  | 25,000,000                    |
| Lease Rental Revenue Refunding Bonds of 2015   | 31,450,000                     | 02/15/33                  | 29,420,000                    |
| Lease Rental Revenue Refunding Bonds, Series 2013                                    | 3,990,000                      | 05/01/26                  | 3,175,000                     |
| Taxable Lease Rental Revenue Refunding Bonds, Series 2011A                           | 7,580,000                      | 02/01/18                  | 1,230,000                     |
| Lease Rental Revenue Refunding Bonds, Series 2011B                                   | 2,980,000                      | 02/01/18                  | 485,000                       |
| Special Program Refunding Bonds, Series 2011A<br>(Downtown Central Development Area) | 18,030,000                     | 08/01/24                  | 11,850,000                    |
| Special Program Refunding Bonds, Series 2011A<br>(Airport Development Area)          | 10,435,000                     | 08/01/24                  | 6,755,000                     |

- (1) The City anticipates making substantial improvements to the Sewage Works over the next 20 years as part of its Long Term Control Plan and a Consent Decree entered into between the City and the U.S. Department of Justice and USEPA. The cost estimate for the Consent Decree is approximately \$600 million. The exact costs and timing of these improvements are still to be determined.

(Continued on next page)

**CITY OF SOUTH BEND**

**SCHEDULE OF INDEBTEDNESS**

(Cont'd)

|  | <u>Original<br/>Par Amount</u> | <u>Final<br/>Maturity</u> | <u>Outstanding<br/>Amount</u> |
|--|--------------------------------|---------------------------|-------------------------------|
| Tax Supported Debt (Cont'd.)   |                                |                           |                               |
| Redevelopment District   |                                |                           |                               |
| Special Taxing District Refunding Bonds of 2014                          | \$3,440,000                    | 01/01/22                  | \$2,210,000                   |
| Taxable Revenue Bonds, Series 2010                                       | 4,980,000                      | 01/15/19                  | 1,340,000                     |
| City of South Bend Building Corporation                                  |                                |                           |                               |
| First Mortgage Revenue Bonds, Series 2013                                | 5,580,000                      | 02/01/33                  | 4,920,000                     |
| First Mortgage Revenue Refunding Bonds, Series 2012                      | 13,595,000                     | 02/01/23                  | 8,265,000                     |
| County Option Income Tax Lease Rental Revenue<br>Refunding Bonds of 2010 | 6,075,000                      | 02/01/21                  | 2,470,000                     |
| Leases and Loans   |                                |                           | <u>13,048,082</u>             |
| Subtotal   |                                |                           | <u>119,608,393</u>            |
| Total Direct Debt  |                                |                           | <u><u>\$220,791,335</u></u>   |

|   | <u>Total Debt</u> | <u>Percent<br/>Allocable to<br/>City (2)</u> | <u>Amount<br/>Allocable to<br/>City</u> |
|---|-------------------|--|---|
| <u>Overlapping Debt</u>                 |                   |  |   |
| Tax Supported Debt                      |                   |  |   |
| St. Joseph County (3)                   | \$30,465,000      | 28.17%                                       | \$8,581,991                             |
| South Bend Community School Corporation | 114,089,291       | 52.85%                                       | 60,296,190                              |
| Penn-Harris-Madison School Corporation  | 36,675,073        | 2.68%  | 982,892                                 |
| Mishawaka-Penn-Harris Public Library    | 2,475,000         | 2.19%  | 54,203                                  |
| St. Joseph County Public Library        | 4,015,000         | 49.51%                                       | 1,987,827                               |
| St. Joseph County Airport Authority     | 12,080,000        | 28.17%                                       | <u>3,402,936</u>                        |
| Tax Supported Debt                      |                   |  | <u>75,306,039</u>                       |
| Self-Supporting Revenue Debt            |                   |  |   |
| South Bend Public Transportation        | 875,000           | 62.41%                                       | <u>546,088</u>                          |
| Self-Supporting Revenue Debt            |                   |  | <u>546,088</u>                          |
| Total Overlapping Debt                  |                   |  | <u><u>\$75,852,127</u></u>              |

- (2) Based upon the 2016 payable 2017 net assessed valuation of the respective taxing units.
- (3) On December 30, 2014, the City of South Bend's Mayor, as the executive of the City, designated a portion of the City's distributive share of County Economic Development Income Tax to St. Joseph County (the "County"), pursuant to IC 6-3.5-7-15, in such amount as necessary to pay the annual debt service of 29.03% of the County's Economic Development Income Tax Revenue Bonds of 2014 ("County Bonds"), as long as these County Bonds remain outstanding. The principal balance outstanding attributable to the City was \$2,386,508 as of December 31, 2016, as the City prepaid some of the outstanding principal amount.

The schedule presented above is based on information furnished by the obligors or other sources and is deemed reliable. The City makes no representation or warranty as to its accuracy or completeness.

**CITY OF SOUTH BEND**

**DIRECT DEBT ISSUANCE LIMITATION (CITY OF SOUTH BEND)**

The City is limited to the issuance of direct general obligation debt in an amount not to exceed 2% of one-third of the assessed valuation.

|  |                            |
|--|----------------------------|
| Certified Net Assessed Valuation - 2016 Payable 2017 | \$2,317,096,240            |
| 2% of One-Third Thereof                              | 15,447,308                 |
| Less Bonds subject to limitation:                    |                            |
| Economic Development Income Tax Bonds of 2015        | <u>(5,295,000)</u>         |
| Issuance Margin                                      | <u><u>\$10,152,308</u></u> |

**PER CAPITA AND DEBT RATIO ANALYSIS**

|  |                 |
|--|-----------------|
| Population - 2010                                    | 101,168         |
| Certified Net Assessed Valuation - 2016 Payable 2017 | \$2,317,096,240 |

| <u>Description</u>   | <u>Amount</u>               | <u>Debt Per<br/>Capita</u> | <u>Ratio of<br/>Debt/Assessed<br/>Valuation</u> |
|--|-----------------------------|----------------------------|---|
| Total Direct Debt and Lease Obligations                            | \$220,791,335               | \$2,182.42                 | 9.53%   |
| Total Overlapping and Underlying Direct Debt and Lease Obligations | <u>75,852,127</u>           | <u>749.76</u>              | <u>3.27%</u>                                    |
| Totals   | <u><u>\$296,643,462</u></u> | <u><u>\$2,932.18</u></u>   | <u><u>12.80%</u></u>                            |

**CITY OF SOUTH BEND**

**CITY ECONOMIC DEVELOPMENT INCOME TAX REVENUE BONDS**

(As of February 15, 2017)

These Bonds are payable solely from the City's share of the St. Joseph County Economic Development Income Tax and do not constitute a claim against the base property taxes collected or other income of the City.

| <u>Title</u>   | <u>Issue<br/>Date</u> | <u>Original<br/>Amount</u> | <u>Final<br/>Maturity</u> | <u>Outstanding</u>            |
|--|-----------------------|----------------------------|---------------------------|-------------------------------|
| Economic Development Income Tax Bonds of 2015<br>St. Joseph County | 2015                  | \$5,605,000                | 08/01/35                  | \$5,295,000                   |
| Economic Development Income Tax Revenue Bonds of 2014              | 2014                  | 2,657,697                  | 12/31/34                  | <u>2,386,508</u> (1)          |
| <br>Total  |                       |                            |                           | <br><u><u>\$7,681,508</u></u> |

(1) On December 30, 2014, the City of South Bend's Mayor, as the executive of the City, designated a portion of the City's distributive share of County Economic Development Income Tax to St. Joseph County (the "County"), pursuant to IC 6-3.5-7-15, in such amount as necessary to pay the annual debt service of 29.03% of the County's Economic Development Income Tax Revenue Bonds of 2014 ("County Bonds"), as long as these County Bonds remain outstanding. The principal balance outstanding attributable to the City was \$2,386,508 as of December 31, 2016, as the City prepaid some of the outstanding principal amount.

**COUNTY OPTION INCOME TAX LEASE RENTAL REVENUE BONDS**

(As of February 15, 2017)

These Bonds are payable solely from the City's share of the St. Joseph County Option Income Tax and do not constitute a claim against the base property taxes collected or other income of the City.

| <u>Title</u>   | <u>Issue<br/>Date</u> | <u>Original<br/>Amount</u> | <u>Final<br/>Maturity</u> | <u>Outstanding</u>             |
|--|-----------------------|----------------------------|---------------------------|--------------------------------|
| County Option Income Tax Lease Rental Revenue<br>Refunding Bonds of 2010 | 2010                  | \$6,075,000                | 02/01/21                  | \$2,470,000                    |
| Taxable Revenue Bonds, Series 2010                                       | 2010                  | 4,980,000                  | 01/15/19                  | 1,340,000                      |
| First Mortgage Revenue Refunding Bonds, Series 2012                      | 2012                  | 13,595,000                 | 02/01/23                  | <u>8,265,000</u>               |
| <br>Total  |                       |                            |                           | <br><u><u>\$12,075,000</u></u> |

**HOTEL-MOTEL TAX REVENUE DEBT**

(As of February 15, 2017)

| <u>Title</u>   | <u>Issue<br/>Date</u> | <u>Original<br/>Amount</u> | <u>Final<br/>Maturity</u> | <u>Outstanding</u>            |
|--|-----------------------|----------------------------|---------------------------|-------------------------------|
| Lease Rental Revenue Refunding Bonds, Series 2013        | 2013                  | \$3,990,000                | 05/01/26                  | \$3,175,000                   |
| Century Center Energy Conservation Bonds of 2015 (QECCB) | 2015                  | 4,167,897                  | 05/01/31                  | <u>4,145,311</u>              |
| <br>Total  |                       |                            |                           | <br><u><u>\$7,320,311</u></u> |

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**TAX INCREMENT FINANCING (TIF) REVENUE DEBT**

(As of February 15, 2017)

(Cont'd)

| <u>Title</u>   | <u>Issue<br/>Date</u> | <u>Original<br/>Amount</u> | <u>Final<br/>Maturity</u> | <u>Outstanding</u>         |
|--|-----------------------|----------------------------|---------------------------|----------------------------|
| Lease Rental Revenue Bonds, Series 2015  | 2015                  | \$25,000,000               | 02/01/37                  | \$25,000,000               |
| Lease Rental Revenue Refunding Bonds of 2015   | 2015                  | 31,450,000                 | 02/15/33                  | 29,420,000 (1)             |
| Special Taxing District Refunding Bonds of 2014                                      | 2014                  | 3,440,000                  | 01/01/22                  | 2,210,000 (1)              |
| Special Program Refunding Bonds, Series 2011A<br>(Downtown Central Development Area) | 2011                  | 18,030,000                 | 08/01/24                  | 11,850,000                 |
| Special Program Refunding Bonds, Series 2011A<br>(Airport Development Area)          | 2011                  | 10,435,000                 | 08/01/24                  | <u>6,755,000</u>           |
| Total  |                       |                            |                           | <u><u>\$75,235,000</u></u> |

(1) The Bonds are payable from a Special Ad Valorem Tax; however, it is the intent of the City to pay from Tax Increment Revenues.

**STATEMENT OF CITY UTILITY REVENUE DEBT**

The City of South Bend owns and operates the municipal waterworks and municipal sewage works (the "Utilities") which have heretofore issued and have outstanding the following revenue bonds. All such revenue bonds constitute a lien on the revenue of the utilities and are not, pursuant to Indiana statutes, direct obligations of the City. Revenue bonds issued of the Utilities and outstanding as of February 15, 2017, were as follows:

| <u>Title</u>                                       | <u>Final<br/>Maturity</u> | <u>Outstanding</u> |
|--|---------------------------|--------------------|
| Waterworks Refunding Revenue Bonds of 2016         | 01/01/27                  | \$3,300,000        |
| Waterworks Revenue Bonds of 2012                   | 01/01/33                  | 6,925,000          |
| Waterworks Refunding Revenue Bonds of 2012B        | 01/01/23                  | 2,380,000          |
| Waterworks Revenue Bonds of 2009, Series A (SRF)   | 01/01/30                  | 332,562            |
| Waterworks Revenue Bonds of 2009, Series B         | 01/01/30                  | 4,325,000          |
| Sewage Works Refunding Revenue Bonds of 2015       | 12/01/25                  | 24,965,000         |
| Sewage Works Refunding Revenue Bonds, Series 2013A | 12/01/24                  | 8,050,000          |
| Sewage Works Revenue Bonds of 2012                 | 12/01/32                  | 20,890,000         |
| Sewage Works Revenue Bonds of 2011                 | 12/01/31                  | 17,295,000         |
| Sewage Works Revenue Bonds of 2010                 | 12/01/30                  | 7,145,000          |
| Sewage Works Revenue Bonds of 2009 (SRF)           | 12/01/28                  | 2,249,643          |
| Waterworks and Sewage Works Leases                 |                           | 3,325,737          |

**CITY OF SOUTH BEND**

**CERTIFIED ASSESSED VALUATION**

| <u>Year</u> | <u>City of South Bend</u> | <u>St. Joseph County</u> |
|-------------|---------------------------|--------------------------|
| 2013        | \$2,336,906,810           | \$7,671,151,787          |
| 2014        | 2,181,510,508             | 7,514,198,242            |
| 2015        | 2,230,375,068             | 7,864,008,472            |
| 2016        | 2,257,279,248             | 7,906,760,026            |
| 2017        | 2,317,096,240             | 8,201,203,024            |

**SALE & USE TAX**

7% tangible personal property except food and prescription drugs.

**INDIVIDUAL ADJUSTED GROSS INCOME**

|      |       |
|------|-------|
| 2013 | 3.4%  |
| 2014 | 3.4%  |
| 2015 | 3.3%  |
| 2016 | 3.3%  |
| 2017 | 3.23% |

Personal Exemptions: \$1,000 annual exemption allowed for taxpayer and \$1,500 for each dependent child.

**EXCISE TAX**

|      | <u>Cigarettes:</u><br><u>Per 20 Cigarette Pack</u> | <u>Gasoline:</u><br><u>Per Gallon</u> |
|------|--|---------------------------------------|
| 2013 | \$0.995  | \$0.18                                |
| 2014 | 0.995  | 0.18                                  |
| 2015 | 0.995  | 0.18                                  |
| 2016 | 0.995  | 0.18                                  |
| 2017 | 0.995  | 0.18                                  |

**AUTOMOBILE TAX**

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

**INNKEEPERS TAX**

Additional 6% sales tax on any overnight stay in St. Joseph County.

**COUNTY ECONOMIC DEVELOPMENT INCOME TAX**

0.4% of adjusted gross income of St. Joseph County resident taxpayers and certain non-resident St. Joseph County taxpayers.

**COUNTY OPTION INCOME TAX**

0.4996% of adjusted gross income of St. Joseph County resident taxpayers and certain non-resident St. Joseph County taxpayers.

**LOCAL OPTION INCOME TAX**

0.6004% of adjusted gross income of St. Joseph County resident taxpayers and certain non-resident St. Joseph County taxpayers.

**LOCAL OPTION INCOME TAX PUBLIC SAFETY**

0.25% of adjusted gross income of St. Joseph County resident taxpayers and certain non-resident St. Joseph County taxpayers.

**CITY OF SOUTH BEND**

**SCHEDULE OF HISTORICAL NET ASSESSED VALUATION**

(As Provided by the St. Joseph County Auditor's Office)

| <u>Year</u><br><u>Payable</u> | <u>City of South Bend</u> |                  |                                    |                                      | <u>St. Joseph County</u>             |
|-------------------------------|---------------------------|------------------|------------------------------------|--------------------------------------|--------------------------------------|
|                               | <u>Real Estate</u>        | <u>Utilities</u> | <u>Personal</u><br><u>Property</u> | <u>Total</u><br><u>Taxable Value</u> | <u>Total</u><br><u>Taxable Value</u> |
| 2013                          | \$1,858,213,181           | \$100,832,450    | \$412,042,066                      | \$2,371,087,697                      | \$7,753,967,187                      |
| 2014                          | 1,687,672,152             | 90,252,180       | 431,802,340                        | 2,209,726,672                        | 7,612,534,622                        |
| 2015                          | 1,753,122,893             | 86,924,710       | 420,221,715                        | 2,260,269,318                        | 7,894,770,717                        |
| 2016                          | 1,737,036,616             | 83,786,930       | 456,346,197                        | 2,277,169,743                        | 7,993,696,892                        |
| 2017                          | 1,758,787,301             | 105,036,200      | 463,676,740                        | 2,327,500,241                        | 8,262,636,370                        |

Note: See footnote (a) at the end of this report.

**CITY OF SOUTH BEND**

**TOTAL CERTIFIED TAX RATES**  
 City of South Bend - Portage Township  
 Per \$100 of Net Assessed Valuation

|                                       | Year Taxes Payable |                 |                 |                 |                 |
|---------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
|                                       | <u>2013</u>        | <u>2014</u>     | <u>2015</u>     | <u>2016</u>     | <u>2017</u>     |
| County                                | \$0.6731           | \$0.7058        | \$0.6866        | \$0.6974        | \$0.6950        |
| Portage Township                      | 0.0453             | 0.0505          | 0.0500          | 0.0512          | 0.0527          |
| Schools                               | 1.3493             | 1.3577          | 1.2940          | 1.2682          | 1.2049          |
| Library                               | <u>0.3227</u>      | <u>0.3309</u>   | <u>0.3207</u>   | <u>0.3549</u>   | <u>0.3372</u>   |
| <br>                                  |                    |                 |                 |                 |                 |
| <u>Corporation</u>                    |                    |                 |                 |                 |                 |
| General                               | 2.5678             | 2.7977          | 2.8313          | 2.8703          | 2.8382          |
| Park & Recreation                     | 0.5102             | 0.5608          | 0.5676          | 0.5754          | 0.6473          |
| Cumulative Cap Development            | <u>0.0328</u>      | <u>0.0328</u>   | <u>0.0325</u>   | <u>0.0321</u>   | <u>0.0313</u>   |
| Total Corporation                     | <u>3.1108</u>      | <u>3.3913</u>   | <u>3.4314</u>   | <u>3.4778</u>   | <u>3.5168</u>   |
| <br>                                  |                    |                 |                 |                 |                 |
| Redevelopment General                 | 0.0599             | 0.0379          | 0.0687          | 0.0648          | 0.0376          |
| Airport                               | 0.0330             | 0.0345          | 0.0338          | 0.0423          | 0.0285          |
| Transportation                        | <u>0.1042</u>      | <u>0.1125</u>   | <u>0.1100</u>   | <u>0.1153</u>   | <u>0.1161</u>   |
| Total Tax Rate                        | <u>\$5.6983</u>    | <u>\$6.0211</u> | <u>\$5.9952</u> | <u>\$6.0719</u> | <u>\$5.9888</u> |
| <br>                                  |                    |                 |                 |                 |                 |
| Total District Certified Tax Rate (1) |                    |                 |                 |                 |                 |
| South Bend - Centre Twp.              | \$5.6530           | \$5.9804        | \$5.9591        | \$6.0315        | \$5.9361        |
| South Bend - Clay Twp.                | \$5.6653           | \$6.0039        | \$5.9762        | \$6.0517        | \$5.9686        |
| South Bend - German Twp.              | \$5.6659           | \$5.9839        | \$5.9591        | \$6.0342        | \$5.9486        |
| South Bend - Portage Twp.             | \$5.6983           | \$6.0211        | \$5.9952        | \$6.0719        | \$5.9888        |
| South Bend - Penn Twp.                | \$5.3092           | \$5.7143        | \$5.5980        | \$5.6233        | \$5.5146        |
| South Bend - Warren Twp.              | \$5.6938           | \$6.0117        | \$5.9861        | \$6.0630        | \$5.9753        |

(1) Includes certified tax rates of overlapping taxing units.

Source: DLGF Certified Budget Orders for the City.

**CITY OF SOUTH BEND**

**PROPERTY TAXES LEVIED AND COLLECTED**

| <u>Collection Year</u> | <u>Certified Taxes Levied</u> | <u>Circuit Breaker Tax Credit</u><br>(1) | <u>Certified Taxes Levied Net of Circuit Breaker Tax Credit</u> | <u>Taxes Collected</u> | <u>Collected as Percent of Gross Levy</u> | <u>Collected as Percent of Net Levy</u> |
|------------------------|-------------------------------|--|---|------------------------|---|---|
| 2012                   | \$70,756,844                  | (\$23,965,911)                           | \$46,790,933  | \$47,728,794           | 67.45%                                    | 102.00%                                 |
| 2013                   | 72,696,497                    | (27,863,156)                             | 44,833,341  | 43,943,006             | 60.45%                                    | 98.01%                                  |
| 2014                   | 73,981,565                    | (28,708,050)                             | 45,273,515  | 44,540,371             | 60.20%                                    | 98.38%                                  |
| 2015                   | 76,533,090                    | (31,636,141)                             | 44,896,949  | 45,265,669             | 59.15%                                    | 100.82%                                 |
| 2016                   | 78,503,658                    | (32,421,068)                             | 46,082,590  | 47,766,833             | 60.85%                                    | 103.65%                                 |

Source: The St. Joseph County Auditor's Office and the DLGF Certified Budget Orders for the City.

(1) Circuit Breaker Tax Credits allocable to the City per the DLGF.

Note: See footnote (b) at the end of this report.

**CITY OF SOUTH BEND**

**LARGE TAXPAYERS**

The following is a list of the ten largest taxpayers located within the City.

| <u>Name</u>   | <u>Type of Business</u>      | <u>2016/2017<br/>Net Assessed<br/>Valuation</u> | <u>Percent of<br/>Total<br/>Net Assessed<br/>Valuation (1)</u> |
|---|------------------------------|---|--|
| Indiana Michigan Power Company (2)                            | Electric utility             | \$50,290,160                                    | 2.16%  |
| University of Notre Dame (2)                                  | Higher education             | 43,287,836                                      | 1.86%  |
| Edward Rose of Indiana (2)                                    | Apartment complexes          | 37,011,700                                      | 1.59%  |
| Honeywell International, Inc./ Bendix Corp. (2)               | Mfg. auto and aircraft parts | 35,957,771                                      | 1.54%  |
| Steel Warehouse Co., Inc./ Lock Joint Tube LLC (2)            | Steel processing             | 33,327,984                                      | 1.43%  |
| Indiana Bell Telephone Co, Inc./ AT&T<br>Services, Inc. (2)   | Telecommunications utility   | 33,185,910                                      | 1.43%  |
| JVE Investments LLC/ The Tire Rack, Inc. (2)                  | Tire sales                   | 24,703,590                                      | 1.06%  |
| Federal-Mogul Powertrain Systems                              | Mfg. automotive parts        | 23,751,180                                      | 1.02%  |
| Northern Indiana Public Service Company (2)                   | Gas & electric utility       | 22,260,990                                      | 0.96%  |
| Eddy Property Development, Inc./ South Bend<br>Clinic LLP (2) | Healthcare clinic            | <u>21,728,410</u>                               | <u>0.93%</u>   |
| Totals  |                              | <u><u>\$325,505,531</u></u>                     | <u><u>13.98%</u></u>   |

(1) The total net assessed valuation of the City is \$2,327,500,241 for taxes payable in 2017, according to the St. Joseph County Auditor's office.

(2) Located in a tax increment allocation area; therefore, all or a portion of the taxes are captured as TIF and not distributed to individual taxing units.

Source: County Auditor's office and the DLGF. Individual parcel data is submitted by the County Auditor to the DLGF once a year for preparation of the county abstract.

**SOUTH BEND (INDIANA) MUNICIPAL WATER UTILITY**

**STATEMENT OF NET POSITION**

| <u>Assets</u>                             | <u>As of<br/>12/31/2016</u> |
|---|-----------------------------|
| <b>Current Assets:</b>                    |                             |
| Cash and cash equivalents                 | \$1,396,055                 |
| Investments                               | 2,953,621                   |
| Interest receivable                       |                             |
| Accounts receivable (net of allowance)    | 623,726                     |
| Accounts receivable - other               | 24,971                      |
| Interfund receivables                     | 27,982                      |
| Inventories                               | 469,161                     |
| Prepaid items                             | 9,167                       |
| <b>Restricted assets:</b>                 |                             |
| Sinking fund                              | 11,167                      |
| Debt reserve                              | 342,801                     |
| Trustee capital lease                     | 115,261                     |
| Customer deposits                         | 343,788                     |
| Improvement fund                          | 576,087                     |
| <b>Investments:</b>                       |                             |
| Operating reserve                         | 1,909,747                   |
| Customer deposits                         | 1,197,636                   |
| Debt reserve                              | 1,121,015                   |
| Improvement fund                          | 2,006,885                   |
| Interest receivable                       | 22,128                      |
| <b>Total Current Assets</b>               | <b>13,151,198</b>           |
| <b>Noncurrent Assets:</b>                 |                             |
| <b>Capital assets:</b>                    |                             |
| Land and construction in progress         | 376,951                     |
| Utility plant in service                  | 87,901,473                  |
| Less: Accumulated depreciation            | (30,584,049)                |
| <b>Total Noncurrent Assets</b>            | <b>57,694,375</b>           |
| <b>Total Assets</b>                       | <b>\$70,845,573</b>         |
| <b>Deferred Outflows of Resources:</b>    |                             |
| Unamortized amount on refunding           | \$113,328                   |
| <b>Total Assets and Deferred Outflows</b> | <b>\$70,958,901</b>         |

(Continued on next page)

(See Accountants' Compilation Report)

**SOUTH BEND (INDIANA) MUNICIPAL WATER UTILITY**

(Cont'd)

**STATEMENT OF NET POSITION**

| <u>Liabilities</u>   | <u>As of<br/>12/31/2016</u> |
|--|-----------------------------|
| <b>Current Liabilities:</b>                                |                             |
| Accounts payable   | \$511,255                   |
| Interfund payables   | 72,095                      |
| Accrued payroll payable                                    | 344,000                     |
| Interest payable   | 6,630                       |
| Taxes payable  | 43,385                      |
| Unearned revenue   | 16,803                      |
| <b>Current liabilities payable from restricted assets:</b> |                             |
| Customer deposits  | 1,544,420                   |
| Revenue bonds payable                                      | 1,375,000                   |
| Notes and loans payable                                    | 20,912                      |
| <b>Total Current Liabilities</b>                           | <b>3,934,500</b>            |
| <b>Noncurrent Liabilities:</b>                             |                             |
| Capital lease payable                                      | 939,810                     |
| Revenue bonds payable                                      | 15,631,045                  |
| Notes and loans payable                                    | 311,650                     |
| <b>Total Noncurrent Liabilities</b>                        | <b>16,882,505</b>           |
| <b>Total Liabilities</b>                                   | <b>\$20,817,005</b>         |
| <br><b><u>Net Position</u></b>                             |                             |
| Investment in capital assets                               | \$39,529,286                |
| Restricted for debt service                                | 3,384,730                   |
| Restricted for capital outlay                              | 2,582,972                   |
| Unrestricted   | 4,644,908                   |
| <b>Total Net Position</b>                                  | <b>\$50,141,896</b>         |

(See Accountants' Compilation Report)

**SOUTH BEND (INDIANA) MUNICIPAL WATER UTILITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

|  | <b>Calendar Year<br/>Ended<br/>12/31/2016</b> |
|--|---|
| Operating Revenue:                               |   |
| Metered revenue:                                 |   |
| Residential                                      | \$6,457,237                                   |
| Commercial                                       | 3,253,880                                     |
| Industrial                                       | 312,975                                       |
| Fire protection                                  | 2,000,429                                     |
| Penalties  | 76,958  |
| Management fees                                  | 1,431,154                                     |
| Leak insurance revenue                           | 974,068                                       |
| Other  | 532,342                                       |
|  | 15,039,043                                    |
| Operating Expenses:                              |   |
| Source of supply                                 | 1,287,986                                     |
| Water treatment                                  | 1,271,244                                     |
| Transmission and distribution                    | 5,018,177                                     |
| Customer accounts                                | 1,859,360                                     |
| Administrative and general                       | 2,520,093                                     |
|  | 11,956,860                                    |
| Subtotal   | 11,956,860                                    |
| Depreciation                                     | 2,102,758                                     |
|  | 14,059,618                                    |
| Total Operating Expenses                         | 14,059,618                                    |
| Operating Income (Loss)                          | 979,425                                       |
| Non-operating Revenue (Expenses):                |   |
| Interest income                                  | 114,318                                       |
| Miscellaneous revenue                            | 56,194  |
| Debt related costs                               | (124,846)                                     |
| Gain (loss) on disposition of assets             | (84,258)                                      |
| Interest expense                                 | (774,215)                                     |
|  | (812,807)                                     |
| Total Non-operating Revenues (Expenses)          | (812,807)                                     |
| Income (Loss) Before Contributions and Transfers | 166,618                                       |
| Payment in lieu of tax                           | (2,039,748)                                   |
| Change in Net Position                           | (1,873,130)                                   |
| Net Position - Beginning                         | 52,015,026                                    |
| Net Position - Ending                            | \$50,141,896                                  |

(See Accountants' Compilation Report)

**SOUTH BEND (INDIANA) MUNICIPAL WATER UTILITY**

**ESTIMATED DEBT SERVICE COVERAGE CALCULATION**

|   | Calendar<br>Year Ended<br>12/31/2016 |
|---|--------------------------------------|
| Operating Revenues  | \$15,039,043                         |
| Interest Income   | 114,318                              |
| Less: Calendar Year 2016 Operation and Maintenance Expenses | (11,807,814)                         |
| Less: Calendar Year 2016 Utility Receipts Tax               | <u>(149,046)</u>                     |
| Net Revenues Available for Debt Service                     | <u>\$3,196,501</u>                   |
| Combined Maximum Annual Debt Service                        | <u>\$2,045,031</u>                   |
| Debt Service Coverage (\$)                                  | <u>\$1,151,470</u>                   |
| Debt Service Coverage (%)                                   | <u>156%</u>                          |

(See Accountants' Compilation Report)

## CITY OF SOUTH BEND

### FOOTNOTES

- (a) "Net Assessed Value" or "Taxable Value" represents the "Gross Assessed Value" less certain deductions for mortgages, veterans, the aged, the blind, economic revitalization areas, resource recovery systems, rehabilitated residential property, solar energy systems, wind power devices, hydroelectric systems, geothermal devices and tax-exempt property. The "Net Assessed Value" or "Taxable Value" is the assessed value used to determine tax rates.

Pursuant to State law, personal property is assessed at its actual historical cost less depreciation, in accordance with 50 IAC 4.2, the DLGF's Rules for the Assessment of Tangible Personal Property. Effective January 1, 2016, state law annually exempts from property taxation new tangible business personal property with an acquisition cost of less than \$20,000. Pursuant to State law, real property is valued for assessment purposes at its "true tax value" as defined in the Real Property Assessment Rule, 50 IAC 2.4, the 2011 Real Property Assessment Manual ("Manual"), as incorporated into 50 IAC 2.4 and the 2011 Real Property Assessment Guidelines, Version A ("Guidelines"), as adopted by the DLGF. P.L. 204-2016, SEC. 3, enacted in 2016, retroactive to January 1, 2016, amends State law to provide that "true tax value" for real property does not mean the value of the property to the user and that true tax value shall be determined under the rules of the DLGF. As a result of P.L. 204-2016, the DLGF has begun the process of amending the Manual. In the case of agricultural land, true tax value shall be the value determined in accordance with the Guidelines and IC 6-1.1-4, as amended by P.L. 180-2016.

P.L. 180-2016 revises the factors used to calculate the assessed value of agricultural land. This legislation is retroactive to the January 1, 2016 assessment date and applies to each assessment date thereafter. The revised factors enacted in the legislation may reduce the total assessed value of agricultural land, which could shift property tax liability from agricultural property owners to other property owners. In addition, the reduction in the assessed value of agricultural land may result in a reduction of the total assessed value. Lower assessed values may result in higher tax rates in order for a unit to receive its approved property tax levy.

Except for agricultural land, the Manual permits assessing officials in each county to choose any acceptable mass appraisal method to determine true tax value, taking into consideration the ease of administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal method, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they produce "accurate and uniform values throughout the jurisdiction and across all classes of property". The Manual specifies the standards for accuracy and validation that the DLGF uses to determine the acceptability of any alternative appraisal method.

- (b) Indiana Code 6-1.1-20.6 provides taxpayers with a tax credit for all property taxes in an amount that exceeds the gross assessed value of real and personal property eligible for the credit ("Circuit Breaker Tax Credit").

Property taxes for residential homesteads are limited to 1% of the gross assessed value of the homestead; property taxes for agricultural, other residential property and long term care facilities are limited to 2% of their gross assessed value; and property taxes for all other real and personal property are limited to 3% of gross assessed value. Additional property tax limits have been made available to certain senior citizens.

Since July 1, 2012, property tax revenue subject to reduction by the Circuit Breaker Tax Credit under Indiana Code 6-1.1-20.6-9.8 is classified as either "protected taxes" or "unprotected taxes." "Protected Taxes" include taxes levied to pay debt service or lease rental on obligations payable from ad valorem property taxes. A debt service fund containing Protected Taxes is funded first by the taxing unit before property taxes are deposited into any other funds.

The Constitutional Provision excludes from the application of the Circuit Breaker Tax Credit property taxes first due and payable in 2012, and thereafter, that are imposed after being approved by the voters in a referendum. The Statute codifies this exception, providing that, with respect to property taxes first due and payable in 2012 and thereafter, property taxes imposed after being approved by the voters in a referendum will not be considered for purposes of calculating the limits to property tax liability under the provisions of the Statute.

In accordance with the Constitutional Provision, the General Assembly has, in the Statute, designated Lake County and St. Joseph County as "eligible counties" and has provided that property taxes imposed in these eligible counties to pay debt service and make lease rental payments for bonds or leases issued or entered into before July 1, 2008 or on bonds issued or leases entered into after June 30, 2008 to refund those bonds or leases, will not be considered for purposes of calculating the limits to property tax liability under the provisions of the Statute, through and including December 31, 2019.