
City of South Bend, Indiana

\$9,345,000 Sewage Works Revenue Bonds of 2010

CUSIP Base 836615

(Dated December 21, 2010)

\$21,500,00 Sewage Works Revenue Bonds of 2011

CUSIP Base 836615

(Dated October 25, 2011)

\$25,000,000 Sewage Works Revenue Bonds of 2012

CUSIP Base 836615

(Dated December 13, 2012)

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

CITY OF SOUTH BEND

ANNUAL WASTEWATER FLOW DATA

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capacity (MGD)	48	48	48	48	77
Average Daily Flow (MGD)	31.77	30.69	32.00	30.20	35.00
Peak Flow (MGD)	63.70	62.50	68.50	57.70	83.80
Annual Flow (MGD)	11,596	11,203	11,677	11,023	13,014

Note: Peak Capacity is 77 MGD.

Source: City of South Bend Municipal Sewage Works

NUMBER OF SEWAGE WORKS CUSTOMERS

<u>Year</u>	<u>Total Number of Customers</u>
2012	39,068
2013	39,322
2014	39,461
2015	39,763
2016	40,073

Source: City of South Bend Municipal Sewage Works

LARGEST SEWAGE WORKS CUSTOMERS

As of December 31, 2016 the ten largest customers of the Utility were as follows:

<u>Customer</u>	<u>Annual Consumption (in CCF)</u>	<u>Annual Billings</u>	<u>% of Total Operating Revenue</u>
I/NTEK Plant	799,248	\$2,281,926	6.10
University of Notre Dame	711,576	1,760,269	4.71
Noble Americas SB Ethanol	251,551	782,598	2.09
Memorial Hospital	97,734	359,863	0.96
Honeywell Aerospace Co	63,455	291,165	0.78
Laurenz Place LLC	47,760	184,609	0.49
South Bend Community School Corp	37,780	171,507	0.46
Castle Point Apts	42,810	170,864	0.46
Aramark Uniform Services	50,154	169,295	0.45
St. Joseph County Maintenance Department	<u>45,152</u>	<u>168,015</u>	0.45
Total for Ten Largest Customers	<u>2,147,220</u>	<u>\$6,340,111</u>	
Total Consumption for Utility	<u>5,745,831</u>		
Total Operating Revenues of the Utility		<u>\$37,383,406</u>	
Largest Customers Percent of Total	37.37%	16.96%	

Source: City of South Bend Municipal Sewage Works

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 Par Amount</u>	<u>Final Maturity</u>	<u>Outstanding Amount</u>
Self-Supporting Revenue Debt (1)			
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>
Tax Supported Debt			
Economic Development Income Tax Bonds of 2015	\$5,605,000	08/01/35	\$5,295,000
Century Center Energy Conservation Bonds of 2015 (QECB)	4,167,897	05/01/31	4,145,311
Redevelopment Authority			
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 (Downtown Central Development Area)	18,030,000	08/01/24	11,850,000
Special Program Refunding Bonds, Series 2011A (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 Par Amount</u>	<u>Final Maturity</u>	<u>Outstanding 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 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 Allocable to City (2)</u>	<u>Amount Allocable to 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 District 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 Capita</u>	<u>Ratio of Debt/Assessed 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>

ESTIMATED DEBT SERVICE COVERAGE CALCULATION

Adjusted Operating Revenues	\$38,393,530
Less: Operation and Maintenance ("O&M") Expenses	<u>(14,920,525)</u>
Net Revenues Available for Debt Service	23,473,005
Estimated Combined Annual Debt Service	<u>9,165,416</u>
Coverage - \$	<u><u>\$14,307,589</u></u>
Coverage - %	<u><u>256.10%</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 Date</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Economic Development Income Tax Bonds of 2015 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)
 Total				 <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 Date</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Outstanding</u>
County Option Income Tax Lease Rental Revenue 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>
 Total				 <u><u>\$12,075,000</u></u>

HOTEL-MOTEL TAX REVENUE DEBT

(As of February 15, 2017)

<u>Title</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Final 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 (QECB)	2015	4,167,897	05/01/31	<u>4,145,311</u>
 Total				 <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 Date</u>	<u>Original Amount</u>	<u>Final 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 (Downtown Central Development Area)	2011	18,030,000	08/01/24	11,850,000
Special Program Refunding Bonds, Series 2011A (Airport Development Area)	2011	10,435,000	08/01/24	<u>6,755,000</u>
Total				<u>\$75,235,000</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 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

Source: Department of Local Government Finance Certified Budget Orders.

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: Per 20 Cigarette Pack</u>	<u>Gasoline: 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> <u>Payable</u>	<u>City of South Bend</u>			<u>Total</u> <u>Taxable Value</u>	<u>St. Joseph County</u>
	<u>Real Estate</u>	<u>Utilities</u>	<u>Personal</u> <u>Property</u>		<u>Total</u> <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>
<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>
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>
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> (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 Net Assessed Valuation</u>	<u>Percent of Total Net Assessed 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 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 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.

UMBAUGH

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ACCOUNTANTS' COMPILATION REPORT

June 6, 2017

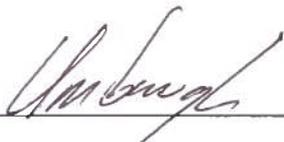
Mr. Eric C. Horvath, Director
Department of Public Works
City of South Bend
1316 County-City Building
South Bend, IN 46601

We have compiled the accompanying statement of net position of the Sewage Works 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 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 Sewage Works' financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



SOUTH BEND (INDIANA) MUNICIPAL WASTEWATER UTILITY

STATEMENT OF NET POSITION

<u>Assets</u>	<u>As of 12/31/2016</u>
Current Assets:	
Cash and cash equivalents	\$2,964,074
Investments	10,325,798
Accounts receivable (net of allowance)	2,613,508
Accounts receivable - other	195,403
Interfund receivables	3,038
Inventories	171,415
Prepaid items	28,364
Restricted assets:	
Cash and cash equivalents:	
Reserve O&M fund	1,032,056
Repair fund	390,961
Bond and interest account	181,600
Debt service reserve account	4,111,633
Construction fund	654,127
Improvement fund	1,606,803
Cash with fiscal agent	248,464
Investments:	
Reserve O&M fund	3,595,323
Repair fund	1,361,970
Bond and interest account	632,630
Construction fund	2,278,748
Improvement fund	5,597,539
Interest receivable	57,010
Total Current Assets	38,050,464
Noncurrent Assets:	
Capital assets:	
Land and construction in progress	19,623,750
Utility plant in service	222,739,478
Less: Accumulated depreciation	(84,833,001)
Total Noncurrent Assets	157,530,227
Total Assets	\$195,580,691
Deferred Outflows of Resources:	
Unamortized loss on refunding	\$2,161,726
Total Assets and Deferred Outflows	\$197,742,417

(Continued on next page)

(See Accountants' Compilation Report)

SOUTH BEND (INDIANA) MUNICIPAL WASTEWATER UTILITY

(Cont'd)

STATEMENT OF NET POSITION

<u>Liabilities</u>	<u>As of 12/31/2016</u>
Current Liabilities:	
Accounts payable	\$1,208,302
Interfund payables	4,330
Accrued payroll payable	198,966
Compensated absences payable	266,190
Current liabilities payable from restricted assets:	
Accounts payable	1,224,297
Mortgage bonds payable	70,725
Revenue bonds payable	6,835,000
Capital leases payable	595,824
Notes and loans payable	162,472
Accrued interest payable	193,294
Total Current Liabilities	10,759,400
Noncurrent Liabilities:	
Mortgage bonds payable (net of unamortized discount)	270,739
Revenue bonds payable (net of unamortized discounts and premiums)	71,636,002
Capital leases payable	1,254,995
Notes and loans payable	2,087,171
Total Noncurrent Liabilities	75,248,907
Total Liabilities	\$86,008,307
<u>Net Position</u>	
Investment in capital assets	\$76,468,118
Restricted for debt service	9,359,948
Restricted for capital outlay	8,912,920
Unrestricted	16,993,124
Total Net Position	\$111,734,110

(See Accountants' Compilation Report)

SOUTH BEND (INDIANA) MUNICIPAL WASTEWATER UTILITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Calendar Year Ended 12/31/2016
Operating Revenue:	
Metered revenue:	
Residential	\$22,745,117
Commercial	8,932,627
Industrial	5,705,662
Penalties	667,656
Other	342,468
	38,393,530
 Total Operating Revenue	 38,393,530
 Operating Expenses:	
Collection system	5,083,825
Treatment and disposal	8,272,042
Customer accounts	254,407
Administrative and general	1,310,251
	14,920,525
Subtotal	14,920,525
Depreciation expense	6,832,296
	6,832,296
 Total Operating Expenses	 21,752,821
 Operating Income (Loss)	 16,640,709
 Non-operating Revenue (Expenses):	
Interest revenue	374,036
Insurance reimbursement	16,007
Management fee	(1,261,956)
Miscellaneous	(26)
Interest expense	(2,667,860)
Debt issue costs	(1,750)
Gain (loss) on disposition of assets	(602,403)
Repair fund revenue	627,897
Repair fund expense	(500,292)
	(500,292)
 Total Non-operating Revenues (Expenses)	 (4,016,347)
 Income (Loss) Before Contributions and Transfers	 12,624,362
 Payment in lieu of tax	 (3,672,060)
 Change in Net Position	 8,952,302
Net Position - Beginning	102,781,808
	102,781,808
 Net Position - Ending	 \$111,734,110

(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.