

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

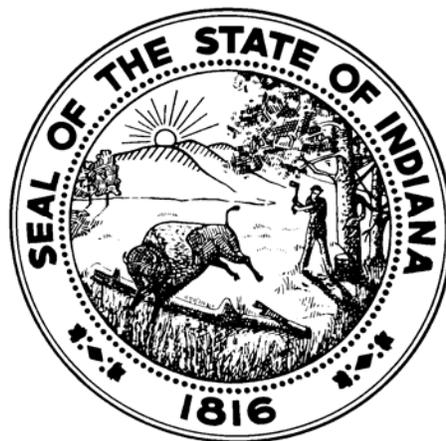
SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

2005

CITY OF ANDERSON

MADISON COUNTY



FILED
08/24/2006

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CITY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|---------------------------------|--|
| Clerk | Sheila D. Barber | 01-01-04 to 12-31-07 |
| Controller | Morris D. Long | 01-01-05 to 12-31-06 |
| Mayor | Honorable Kevin S. Smith | 01-01-04 to 12-31-07 |
| President of the Board of Public Works | Robert Sparks | 01-01-05 to 12-31-06 |
| President of the Common Council | Rick Muir Rodney Chamberlain | 01-01-05 to 12-31-05 01-01-06 to 12-31-06 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

TO: THE OFFICIALS OF THE CITY OF ANDERSON, MADISON COUNTY, INDIANA

We have audited the financial statements of the City of Anderson (City), as of and for the year ended December 31, 2005, as presented in its Comprehensive Annual Financial Report (CAFR), and have expressed our unqualified opinion thereon dated June 6, 2006. The CAFR is a separate report containing our Independent Auditors' Opinion on General-Purpose Financial Statements and is on file at the City Controller's office. It is available upon request.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole.

This supplemental report is intended to present our Supplemental Audit of Federal Awards which includes our Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133. Also included are the Schedule of Expenditures of Federal Awards and the related notes, as well as the Schedule of Findings and Questioned Costs.

The above schedules have been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

June 6, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF ANDERSON, MADISON COUNTY, INDIANA

We have audited the financial statements of the City of Anderson (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 6, 2006



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF ANDERSON, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Anderson (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the City of Anderson (City) as of and for the year ended December 31, 2005, and have issued our report thereon dated June 6, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 6, 2006

CITY OF ANDERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

| 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 | | | |
| Public Works and Economic Development Cluster | | | |
| Grants for Public Works and Economic Development Facilities | 11.300 | 06-01-04801 | \$ 867,071 |
| Total for federal grantor agency | | | <u>867,071</u> |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Direct Grant | | | |
| CDBG - Entitlement and (HUD Administered) Small City Cluster | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | M-03-MC180000 | 135,689 |
| | | M-04-MC180000 | 992,390 |
| | | M-05-MC180000 | <u>308,286</u> |
| Total for cluster | | | <u>1,436,365</u> |
| Supportive Housing Program | 14.235 | IN36B203007 | <u>88,892</u> |
| Shelter Care Plus | 14.238 | IN36C103004 | <u>4,248</u> |
| HOME Investment Partnerships Program | 14.239 | M-03-MC-18209 | 6,301 |
| | | M-04-MC-18209 | 250,598 |
| | | M-05-MC-18209 | <u>108,066</u> |
| Total for program | | | <u>364,965</u> |
| Community Development Block Grants/Brownfields Economic Development Grants | 14.246 | B-04-SP-IN-0245 | <u>298,230</u> |
| Community Development Block Grants - Section 108 Loan Guarantees | 14.248 | B-97-MC-18-001 | <u>350,000</u> |
| Total for federal grantor agency | | | <u>2,542,700</u> |
| <u>U.S. DEPARTMENT OF THE INTERIOR</u> | | | |
| Pass-Through Indiana Department of Natural Resources | | | |
| Outdoor Recreation - Acquisition, Development, and Planning | 15.916 | | <u>25,832</u> |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | |
| Direct Grant | | | |
| Local Law Enforcement Block Grants Program | 16.592 | 2004-LB-BX-0899 | 8,556 |
| | | 2005-DJ-BX-1203 | <u>45,891</u> |
| Total for program | | | <u>54,447</u> |

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

CITY OF ANDERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005
(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 (continued)</u> | | | |
| Direct Grant (continued) | | | |
| Bulletproof Vest Partnership Program | 16.607 | | <u>8,910</u> |
| Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance | 16.575 | | |
| | | 04VA091 | 16,872 |
| | | 04VA092 | 15,144 |
| | | 04VA093 | 8,164 |
| | | 05VA079 | 15,458 |
| | | 05VA142 | <u>14,390</u> |
| Total for program | | | <u>70,028</u> |
| Byrne Formula Grant Program | 16.579 | | |
| | | 03-DB-006 | <u>11,250</u> |
| Violence Against Women Formula Grants | 16.588 | | |
| | | 04ST035 | 12,399 |
| | | 04ST036 | 49,767 |
| | | 05ST033 | 20,657 |
| | | 05ST060 | <u>50,052</u> |
| Total for program | | | <u>132,875</u> |
| Total for federal grantor agency | | | <u>277,510</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Direct Grant | | | |
| Federal Transit Cluster | | | |
| Federal Transit - Formula Grants | 20.507 | | |
| | | IN-90-4473 | 873,366 |
| | | IN-90-X271 | <u>5,177</u> |
| Total for cluster | | | <u>878,543</u> |
| Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction | 20.205 | | |
| | | STP-A560 | <u>14,715</u> |
| Direct Grant | | | |
| Airport Improvement Program | 20.106 | | |
| | | AIP3-18-0001-12 | 24,959 |
| | | AIP3-18-0001-14 | 53,030 |
| | | AIP3-18-0001-16 | 158,550 |
| | | AIP3-18-0001-17 | <u>385,183</u> |
| Total for program | | | <u>621,722</u> |

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

CITY OF ANDERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005
(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 TRANSPORTATION (continued)</u> | | | |
| Pass-Through Madison County Council of Governments Federal Transit - Metropolitan Planning Grants | 20.505 | 8021301P | <u>8,371</u> |
| Total for federal grantor agency | | | <u>1,523,351</u> |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| Pass-Through Indiana Department of Environmental Management Air Pollution Control Program Support | 66.001 | Section 103 Grants Section 105 Grants | 6,500 <u>6,947</u> |
| Total for federal grantor agency | | | <u>13,447</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| Pass-Through Lifestream Services, Inc. Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers | 93.044 | 2005 | <u>5,938</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Direct Grant Assistance to Firefighters Grant | 97.044 | | <u>112,176</u> |
| Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | Disaster Number 1476 Disaster Number 1573 Snow Emergency EM-3197 | 13,006 1,321,731 <u>30,619</u> |
| Total for program | | | <u>1,365,356</u> |
| Total for federal grantor agency | | | <u>1,477,532</u> |
| Total federal awards expended | | | <u>\$ 6,733,381</u> |

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

CITY OF ANDERSON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anderson (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2005:

| Program Title | Federal CFDA Number | 2005 |
|---|---------------------------|------------|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 238,378 |
| Supportive Housing Program | 14.235 | 489,369 |
| Crime Victim Assistance | 16.575 | 36,734 |
| Violence Against Women Formula Grants | 16.588 | 97,245 |

III. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2005. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

| Program Title | Federal CFDA Number | 2005 |
|---|---------------------------|-------------------|
| Community Development Block Grants – Section 108 Loan Guarantees | 14.248 | <u>\$ 350,000</u> |

CITY OF ANDERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | |
|---|---------------|
| Material weaknesses identified? | no |
| Reportable conditions identified that are not considered to be material weaknesses? | none reported |

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

| | |
|---|---------------|
| Material weaknesses identified? | no |
| Reportable conditions identified that are not considered to be material weaknesses? | none reported |

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|--|
| 97.036 | CDBG Entitlement and (HUD Administered) Small City Cluster Federal Transit Cluster Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF ANDERSON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2006, with Honorable Kevin S. Smith, Mayor; and Morris D. Long, Controller. Our audit disclosed no material items that warrant comment at this time.

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT
ANDERSON, INDIANA

For the Year Ended December 31, 2005

Prepared by:
Controller's Office

Morris Long, City Controller

CITY OF ANDERSON, INDIANA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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CITY OF ANDERSON, INDIANA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF ANDERSON, INDIANA
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CITY OF ANDERSON, INDIANA
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 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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Kevin S. Smith, Mayor

*City of Anderson
Controller's Office*

120 East Eighth Street
P.O. Box 2100
Anderson, Indiana 46018
(765) 648-6025 Phone
(765) 648-5902 Fax
www.cityofanderson.com

June 6, 2006

To the Citizens, Businesses and City Councilors of the City of Anderson:

It is my pleasure to present the City of Anderson (City) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005. This year, the City's fourth CAFR was prepared by Financial Management Analyst, Shari Price of the Controller's Office under the direction of City Controller, Morris Long and Deputy City Controller Karen Carpenter, based on the Governmental Accounting Standards Board Statement No. 34. The City is just one of a select few communities to prepare and issue annual financial statements based on the new measurement focus, basis of accounting, and presentation model. This "state-of-the-art" annual financial reporting process will now be our primary vehicle for communicating annual information regarding our financial condition. I strongly advocate full and complete financial disclosures and I am most pleased that Morris and Karen, working together, have enhanced the City's annual financial disclosures.

I believe the City's CAFR will again qualify for the award of a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. I do believe that comprehensive disclosure of the City's financial condition is a component of sound management principles, and it is viewed favorably by all those assessing our financial situation.

The government wide financial statement displays and the management discussion and analysis provides an economic perspective not previously available based on prior fund type cash flow and fund type cash position focuses. This financial reporting represents that the City is doing it's best to achieve accountability goals, from both a fiscal and operational perspective.

During the coming years we will continue to dedicate our efforts toward capitalizing on our enviable industrial base, community work ethic and strong family values. Anderson is a City of leaders dedicated to ensuring an outstanding quality of life! I am proud to call it my home.

Sincerely,

**Kevin S. Smith, Mayor
City of Anderson**



*City of Anderson
Controller's Office*

120 East Eighth Street
P.O. Box 2100
Anderson, Indiana 46018
(765) 648-6025 Phone
(765) 648-5902 Fax
www.cityofanderson.com

Kevin S. Smith, Mayor

June 23, 2006

To the Honorable Mayor Kevin S. Smith
City of Anderson, Indiana

The comprehensive annual financial report (CAFR) of the City of Anderson, Indiana (City) for the fiscal year ended December 31, 2005, as prepared by the City Controller's office, 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. I believe the CAFR is accurate in all material respects and that the information displayed and disclosed is reported in a manner that presents fairly the City's financial condition. All disclosures necessary to enable the reader to gain an understanding of the City activities have been included. The Controller's office is delighted to take this opportunity to provide you with an overview and summary of the City's finances, economic prospects, and achievements.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section is intended to familiarize the reader with the organizational structure of the government, and includes this letter of transmittal, the City's organizational chart, and a list of the City's principal officials. The financial section includes the basic financial statements, the required supplemental information, the combining and individual fund statements and schedules, and the independent auditor's report on the financial statements and schedules. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis to enhance an understanding of significant trends.

The City financial reporting entity includes all funds and account groups of the City, as well as its component unit. The City provides a full range of services, including police and fire protection; sanitation services; construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; water supply and treatment; health and social services; planning and zoning; and general administrative services.

The City of Anderson Redevelopment Authority (Redevelopment Authority) is a significantly blended component unit of the City. The primary government appoints a voting majority of the Redevelopment Authority board and a financial benefit/burden relationship exists between the City and the Redevelopment Authority. Although it is legally separate from the City, the Redevelopment Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.

PROFILE OF THE CITY OF ANDERSON

The City is on the I-69 transportation corridor from Michigan to Indianapolis and is the seat of Madison County. The City has a population of approximately 58,400 and is 25 miles northeast of Indianapolis. The City, which is heavily industrialized, has had a stabilizing influence in the local economy which has been susceptible to economic fluctuations experienced by the national automobile industry, and which mirrors national conditions stressing all mature urbanized areas.

ECONOMIC CONDITIONS AND OUTLOOK

Local Economy

The City continues to benefit from its industrial base, and the local economic conditions are expected to improve as business retool and capitalize on a well-trained labor force. City leaders anticipate that with a more varied base of major industries the City will be able to reduce its dependency on the auto industry and improve the local employment rate. With anticipated property tax levy reductions by the State, the City continues its commitment to responsible service delivery costs and the pursuit of new and creative revenue sources in meeting the unique service needs and expectations of City residents and local businesses.

Major Initiatives

The City has seen active commercial development with respect to the construction of new office buildings, regional distribution companies and both big-box and traditional retail outlets that have found the City a great place to invest. This development has been aided by City initiatives with respect to a main street redevelopment program, and continued infrastructure improvements. The City believes that infrastructure investments are key for the City's economic development success. The initiative to get recognition as a National Foreign Trade Zone will help to attract import/export business to the City.

The City continues to work with the State of Indiana, Madison County, and other governmental units to reduce the burden of property taxes. The City is also partnering with a local not-for-profit to establish a small business incubator for low and non-technical companies by providing Fiber and Data solutions to promote fast, efficient and competitive operations.

Relevant Financial Information

Management of the City is responsible for establishing and maintaining an internal control structure. The structure is designed to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with uniform accounting principles. The internal control structure is designed to provide reasonable 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 from it and 2) the valuation of costs and benefits requires estimates and judgments to be made by City officials. The statement of net assets for the City demonstrates the strength of its financial position.

Accounting System and Budgetary Control - The City's accounting records for general governmental operations are maintained on the cash basis and are converted for annual reporting purposes to the modified accrual basis, with revenue recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprises are also maintained on the cash basis and converted to an accrual basis for annual reporting purposes.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with the appropriation process for expenditure control as required by Indiana statute. Activities of the following funds are subject to legally adopted budgets: General, Motor Vehicle Highway, Local Road and Street, Municipal Transportation, Airport, Community Development, Park and Recreation, Park Nonreverting Operating, Sanitary District Commission, City Court Probation, Law Enforcement Continuing Education, Clean Air Non-Reverting, Corporation Bonds, Sanitary District Bonds, COIT Principal and Interest, Redevelopment Bond and Interest, Cumulative Capital

Improvement, City Economic Development, Redevelopment Capital Improvement, Redevelopment TIF, Fire Building and Equipment. Budgetary control is maintained at the object level by fund for all funds other than the General fund, which is at the object level, by department. The City also maintains an encumbrance accounting system as one method of budgetary control. Open encumbrances are reported as reservations of fund balance at December 31, 2005. As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

General Governmental Activities - The City provides a full range of general governmental functions including police and fire protection, the construction and maintenance of streets and other infrastructure, sanitation, economic development and general administrative functions.

The Management's Discussion and Analysis section of this report presents more detailed trend/comparison information about the financial position and operational results of the City.

Business-type Activities - The City's enterprise operations consist of an Electric Utility, Water Utility and a Wastewater Utility, all which are self-supported through fees and user charges. The Electric and Wastewater utilities reported an operating income and an increase to net assets for 2005.

Pension Trust Fund Operations - The Police and Fire Pension funds were established to provide for the retirement and disability benefits to police officers and firefighters hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members, state cigarette tax distributions, and a specific annual property tax levy. These funds are a component of the City's maximum levy calculation and therefore, increases to fund the costs of these funds reduces annual additional statutory resource increases that would otherwise be available for other City operations.

Debt Administration - The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful to municipal management, citizens, investors and indicators of the City's debt position. The City's general obligation bonded debt decreased during 2005.

Cash Management - Cash temporarily idle during the year was invested in Certificates of Deposit, U.S. Treasury bills, and repurchase agreements (secured by U.S. Treasury Bills), which were for periods of 91 days or less. It is City policy to invest funds with local, federally insured banks that have a principal office located in the area. State statutes authorized the City to invest in obligations of the U.S. Treasury and various agencies of the federal government. The City is also authorized to enter into fully collateralized repurchase agreements for the purchase and resale of interest-bearing obligations issued or guaranteed by the United States or any U.S. government agency.

Risk Management - The City is self-insured for medical insurance, worker's compensation, and public liability. Uninsured claims are provided for when the City is able to estimate the amount of the loss.

Independent Audit - The State of Indiana Code requires an annual audit of the books of account, financial records, and transactions of the City by independent accountants. This requirement has been complied with and the independent auditor's opinion has been included in this report. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The auditor's reports related specifically to the Single Audit Act are published under separate cover except for the report on page 1 of this report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2004. This was the third year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Office of City Controller. I would like to express my appreciation to all members of the staff who assisted and contributed to its preparation, with special thanks to, Deputy City Controller Karen Carpenter, Financial Management Analyst Shari Price, and also to Walt Kelly and his Clifton Gunderson team who provided valuable technical accounting advice, and CAFR reporting consulting assistance. We also appreciate the assistance and cooperation of the Indiana State Board of Accounts for their completion of the independent audit. I would also like to thank you for your interest in City financial matters and support for the preparation of a City CAFR.

Respectfully submitted,



Morris Long
City Controller

KEVIN S. SMITH, MAYOR

COMMON COUNCIL

**Mike Welch
Donna Davis
Paul J. Sapleton
Ollie Dixon, President
Art Pepelea, Jr.
Joseph Newman**

**District 1
District 2
District 3
District 4
District 5
District 6**

COUNCIL-AT-LARGE

**Rodney Chamberlain
Rick Muir
Kato Smith**

**At-Large
At-Large
At-Large**

ELECTED OFFICIALS

**Shelia Barber
Donald R. Phillippe**

**City Clerk
City Judge**

CITY OFFICIALS

**Larry Davis
Michael Widing
Pete Heuer
Morris Long
Pam Stafford
Linda Dawson
Ray Novak
Michael Spyers
J.R. Rosencrans
Floyd Edwards
Tom Donaho
Doug Zook
Frank Burrows
Sharon Walters
Nick Vores
Nara Manor
Eric Ewald
Sharon Biddle
Boll Dorff**

**Animal Shelter
Building Commissioner
City of Anderson Transportation
Controller
Information Services
Economic Development
Emergency Mgt./Communications
Engineering
Fire Department
Human Relations
Light & Power
Parks Department
Police Department
Purchasing
Street Department
Water Pollution Control
Personnel, Insurance and Safety
Utilities
Air Management**

OFFICIAL BOARDS

Board of Public Works

**Rob Sparks, Chairman
Bob Schuler, Member**

Roger Clark, Member

Safety Board

**Joe McClain, Chairman
Reginal Lee, Member**

Doyle Wright, Member

Park Board

**James Rosier
William Warmke**

**Deborah Nelson
Dick Bevelhimer**

Board of Aviation

**Tom Seal
Pam Smith**

**Anthony Rogers
Jim Thiemet**

Merit Commission

**Mike Welch
Doris Pyle
Rev. Joseph Huff**

**Lora Rich
John Eisele, Sr.**

Human Relations

**Ann Kroll
L.D. Clay
Audrey Burgett
Rev. Manuel Hunt
Ed Greenwald
Clarence Burk**

**Carol Warner
Dough Shuck
Adair Gibbs
Jessie Woodall
Rudolph Pyle
Charlotte P. Hahn**

Parking Authority

**Morris Long
Russ Willis
David DeHart**

**Mike Spyers
Jay Stapleton**

Personnel Advisory Board

**Eric Ewald
Floyd Edwards**

**Fred Warner
Rob Sparks**

Planning Commission

**Paul O'Neil
Deborah Nelson
Bob Schuler
John Suko
Kevin Guion**

**Mike Spyers
Michelle Weatherspoon
Joe Newman
Mark Starkey**

Redevelopment Commission

**Mark Lamey
Bob Moffett
Dan Wilkens
Jack Hollis**

**Robert Stinson
Joe Royer
Rosetta Minnefield
Gladys Hollon**

Economic Development Revolving Loan Board

**Linda Dawson
John Hagen
David Bates
Jan Stith**

**Morris Long
Georgeann Whitworth
Sam Pelligrino
Kirk Klabunde**

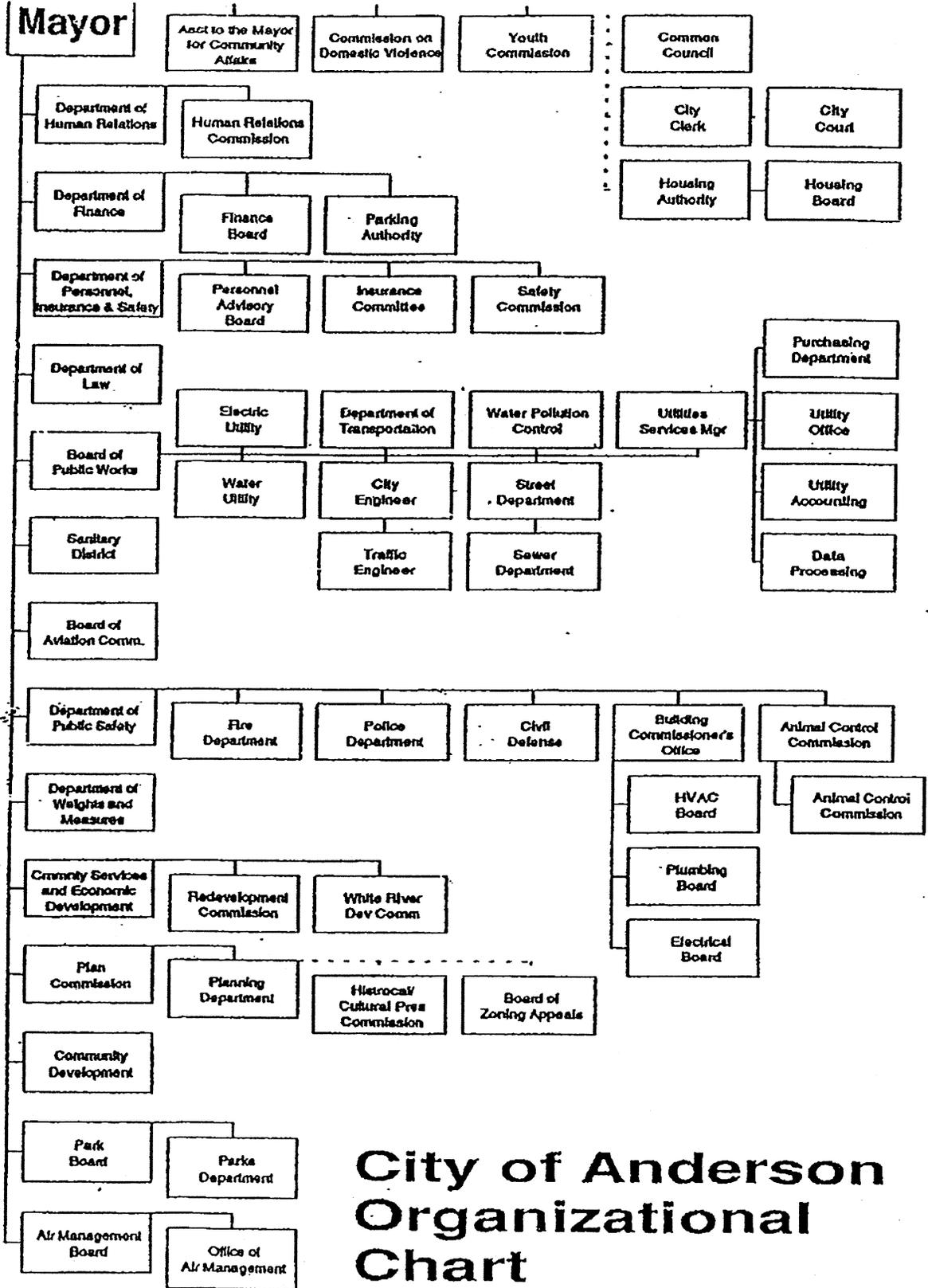
Sanitary District Board

Mike Spyers

Zoning Appeals

**Connie King
Michelle Weatherspoon
Rudy Williams**

**Denny Williamson
Max Perry**



City of Anderson Organizational Chart

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Anderson,
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Egan

Executive Director



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF ANDERSON, 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 Anderson (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements. 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 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 opinion.

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, 2005, 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.

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities and Budgetary Comparison Schedule (General Fund) as listed in the table of contents are not a required part 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.

Our audit was performed 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 the 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. 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 dated June 6, 2006, 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
STATE BOARD OF ACCOUNTS

June 6, 2006

Management's Discussion and Analysis

As management of the City of Anderson, Indiana ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages VII-X of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$96,843 (net assets) compared to \$87,318 in the prior year. Of this amount, \$20,374 represents an unrestricted net deficit.
- The City's total net assets increased by \$9,525 compared to 2004. This increase is primarily attributable to taxes and user charges in excess of current expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,608 a decrease of \$1,082 in comparison with the prior year. Approximately 49% of this total amount, \$16,017 is available for spending at the government's discretion (unreserved fund balance).
- The City's total bond related debt decreased by \$4,815 (7%) during the current fiscal year. The key factor in this decrease was the normal yearly debt service payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: public safety, highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, and economic development. The business-type activities of the City include a water utility, an electric utility, and wastewater operations.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A fund is a grouping 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, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-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 near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in

the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 51 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from 50 City governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopts an annual appropriated budget for its general fund, certain special revenue funds, certain debt service funds, and certain capital projects funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found in pages 16-19 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, wastewater utility, and electric utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its insurance loss (workers' compensation benefits) and health insurance. Because these services benefit the governmental-type functions, they have been included within the governmental activities on the Statement of Net Assets in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, and Electric operations, all of which are considered to be major funds of the City. Conversely, the two internal service funds 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 this report.

The basic proprietary fund financial statements can be found in pages 20-22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found in pages 23-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgets for its major funds as well as a reconciliation between the budget schedules and fund financial statements. In addition, the City's progress in funding its obligation to provide pension benefits to certain employees is included as supplementary information. Required supplementary information can be found on pages 50-54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on budgets. Combining and individual fund statements and schedules can be found on pages 55-105 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$96,843 at the close of the most recent fiscal year.

By far the largest portion (99%) of the City's net assets reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed statement of City net assets:

| City of Anderson, Indiana, Net Assets | | | | | | |
|---|--------------------------------|------------|---------------------------------|-----------|--------------|-----------|
| Description | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and Other Assets | \$ 45,097 | \$ 44,978 | \$ 30,114 | \$ 32,831 | \$ 75,211 | \$ 77,809 |
| Capital Assets | 45,945 | 37,713 | 99,694 | 94,736 | 145,639 | 132,449 |
| Total Assets | 91,042 | 82,691 | 129,808 | 127,567 | 220,850 | 210,258 |
| Long-term liabilities outstanding | 79,433 | 77,754 | 26,763 | 29,500 | 106,196 | 107,254 |
| Other liabilities | 6,978 | 6,075 | 10,833 | 9,611 | 17,811 | 15,686 |
| Total Liabilities | 86,411 | 83,829 | 37,596 | 39,111 | 124,007 | 122,940 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 17,033 | 13,510 | 78,989 | 74,311 | 96,022 | 87,821 |
| Restricted | 11,227 | 9,640 | 9,967 | 10,610 | 21,194 | 20,250 |
| Unrestricted | (23,629) | (24,288) | 3,256 | 3,535 | (20,373) | (20,753) |
| Total Net Assets | \$ 4,631 | \$ (1,138) | \$ 92,212 | \$ 88,456 | \$ 96,843 | \$ 87,318 |

An additional portion of the City's net assets, (22%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets normally would be used to meet the government's ongoing obligations to citizens and creditors. However, due to the overall net deficit of \$20,373, neither the governmental or business-type activities would have funds for this purpose.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The negative unrestricted net assets for governmental activities of \$23,629 is primarily due to a net pension obligation of \$39,980.

There was an increase of \$3,756 in net assets reported in connection with the City's business-type activities. This increase is primarily due to charges for services exceeding expenses for business-type activities.

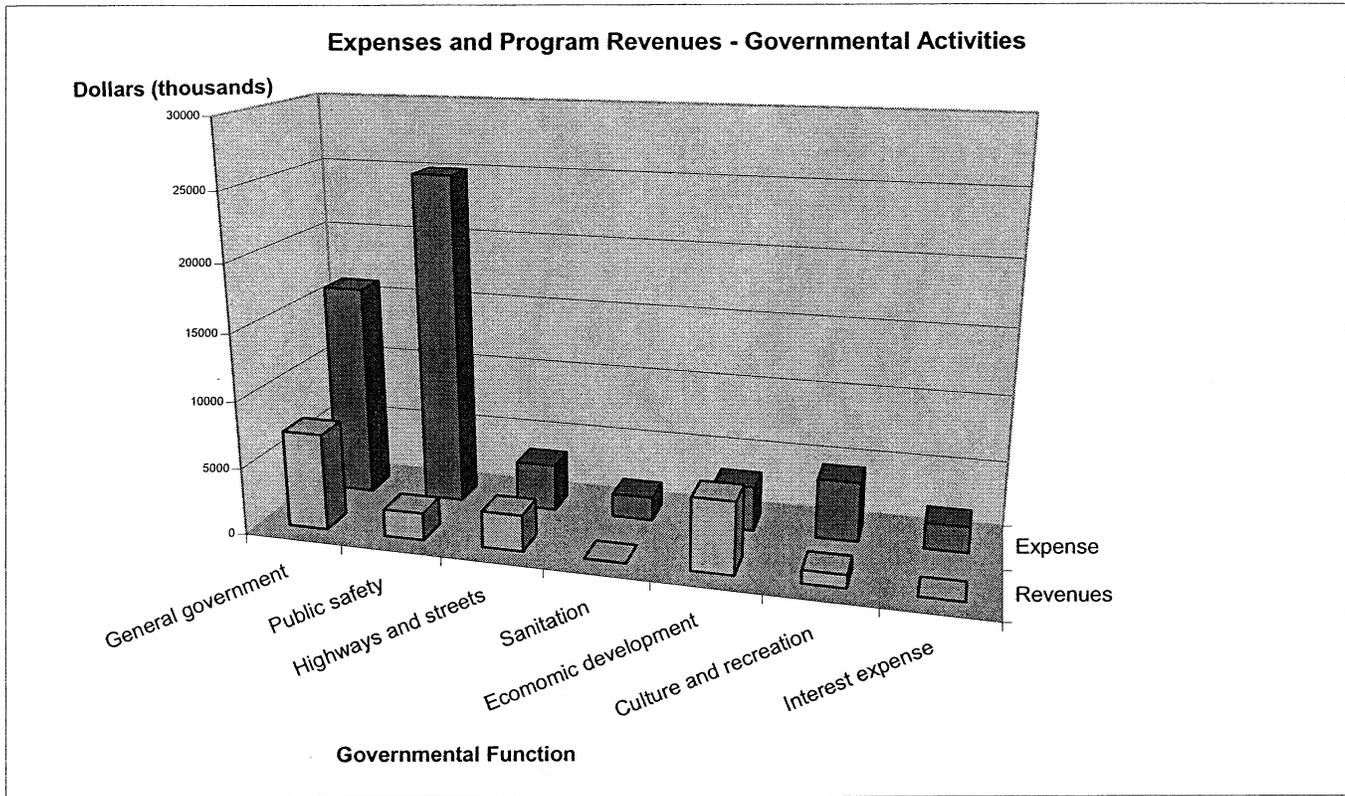
Governmental Activities. Governmental activities increased the City's net assets by \$5,769, thereby accounting for 61 percent of the total change in the net assets of the City.

The City's overall cash and cash equivalents, \$29,262 (Governmental Funds), remained strong in the current economic environment, which posed so many challenges in the local government arena. The City's portion of property tax rates increased \$0.06 in 2005 to \$1.58 per \$100 of assessed value.

The following table displays the City's changes in net assets for fiscal years 2004 and 2005.

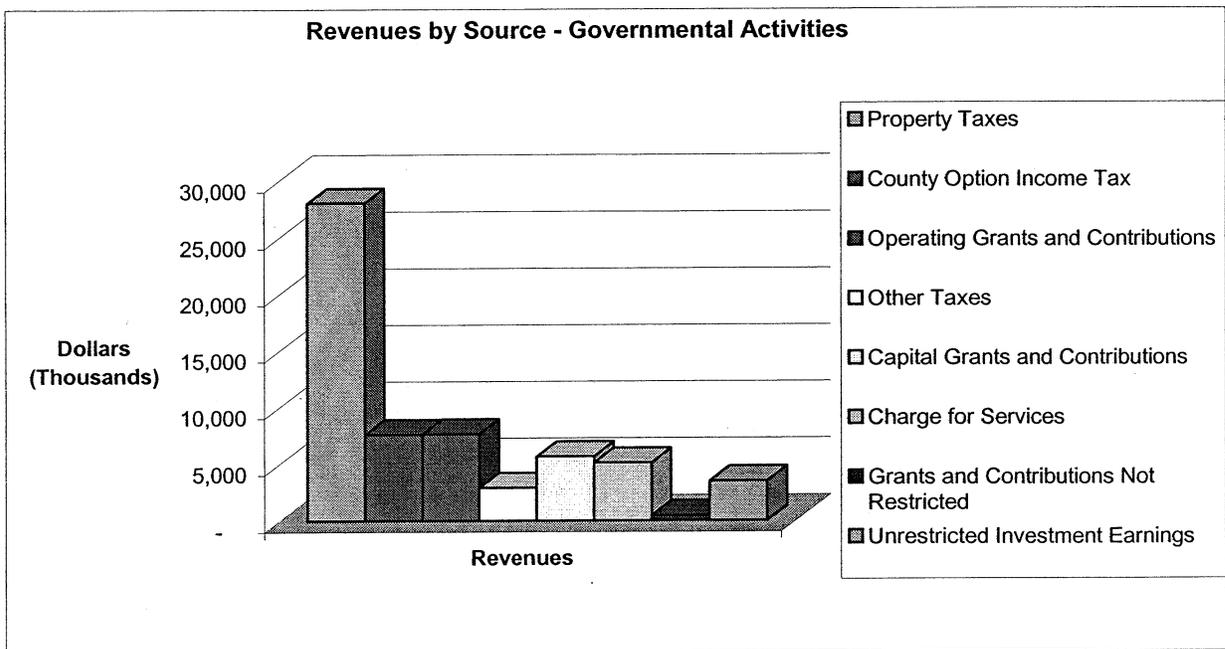
| City of Anderson - Changes in Net Assets | | | | | | |
|--|-------------------------|-------------------|----------------------------|------------------|------------------|------------------|
| Description | Governmental Activities | | Business - type Activities | | Totals | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 5,095 | \$ 3,257 | \$ 70,331 | \$ 66,236 | \$ 75,426 | \$ 69,493 |
| Operating Grants and Contributions | 7,654 | 6,521 | - | - | 7,654 | 6,521 |
| Capital Grants and Contributions | 5,653 | 6,743 | - | 396 | 5,653 | 7,139 |
| General Revenues | | | | | | |
| Property taxes | 28,031 | 26,488 | - | - | 28,031 | 26,488 |
| County option income taxes (shared) | 7,594 | 6,495 | - | - | 7,594 | 6,495 |
| Other taxes (shared) | 2,905 | 2,760 | - | - | 2,905 | 2,760 |
| Grants and contributions not restricted to specific programs | 460 | 2,550 | - | - | 460 | 2,550 |
| Unrestricted investment earnings | 1,106 | 352 | 186 | 95 | 1,292 | 447 |
| Transfers | 3,501 | 3,342 | (3,501) | (3,342) | - | - |
| Total Revenues | 61,999 | 58,508 | 67,016 | 63,385 | 129,015 | 121,893 |
| Expenses: | | | | | | |
| General | 16,115 | 14,125 | - | - | 16,115 | 14,125 |
| Public Safety | 25,031 | 23,807 | - | - | 25,031 | 23,807 |
| Highways/Streets | 3,524 | 3,996 | - | - | 3,524 | 3,996 |
| Sanitation | 1,779 | 1,962 | - | - | 1,779 | 1,962 |
| Economic development | 3,351 | 723 | - | - | 3,351 | 723 |
| Culture and Recreation | 4,471 | 3,061 | - | - | 4,471 | 3,061 |
| Interest on long-term debt | 1,959 | 1,590 | - | - | 1,959 | 1,590 |
| Water | - | - | 5,101 | 5,243 | 5,101 | 5,243 |
| Wastewater | - | - | 10,864 | 10,839 | 10,864 | 10,839 |
| Electric | - | - | 47,295 | 41,246 | 47,295 | 41,246 |
| Total Expenses | 56,230 | 49,264 | 63,260 | 57,328 | 119,490 | 106,592 |
| Increase in net assets | 5,769 | 9,244 | 3,756 | 6,057 | 9,525 | 15,301 |
| Net assets at January 1, 2005 | (1,138) | (10,382) | 88,456 | 82,399 | 87,318 | 72,017 |
| Net assets at December 31, 2005 | \$ 4,631 | \$ (1,138) | \$ 92,212 | \$ 88,456 | \$ 96,843 | \$ 87,318 |

The following displays the Expenses and Program Revenues of the City's governmental activities:



Taxes, as in prior years, were the City's major source of revenue supporting its activities, primarily in the area of public safety, culture and recreation as well as economic development and assistance. Other sources of revenue consisted primarily of unrestricted investment earnings.

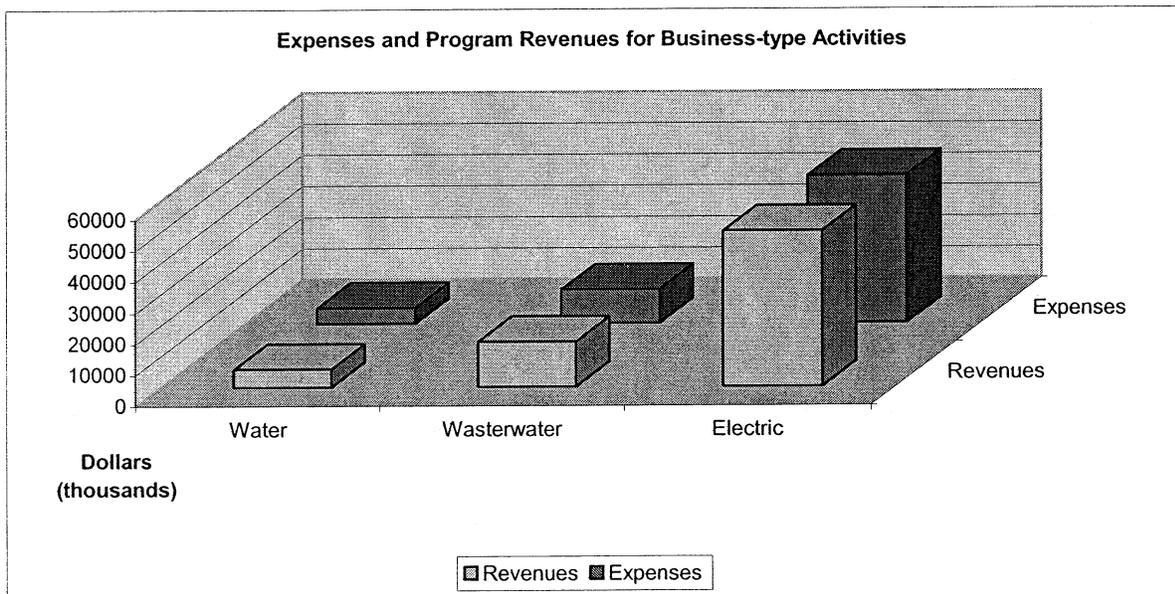
The following displays the Revenues by Source of the City's governmental activities:



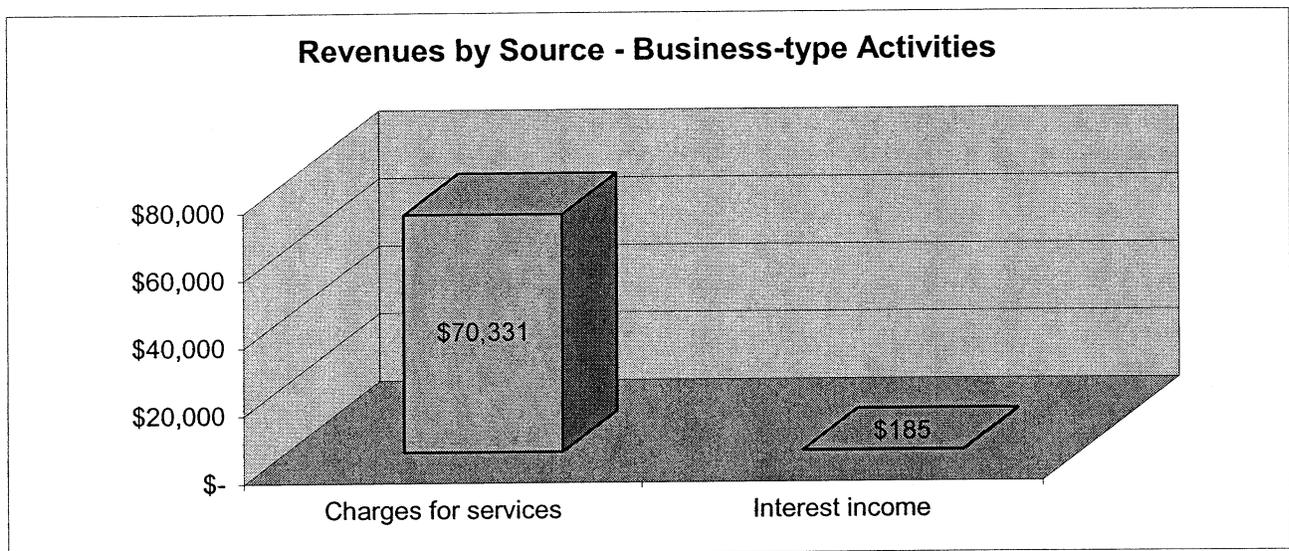
Business-type activities. Business-type activities increased the City's net assets by \$3,756, accounting for 40 percent of the total change in the government's net assets. Key elements of this increase are as follows:

- The water utility's revenue exceeded its expenses by \$720.
- The wastewater utility's revenue exceeded its expenses by \$3,631.
- The electric utility's revenue exceeded its expenses by \$2,720.

The following displays the Expenses and Program Revenues of the City's business-type activities.



The following displays the Revenues by Source of the City's business-type activities.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,608, a decrease of \$1,082 in comparison with the prior year. Approximately 49 % of this total amount, \$16,017 constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) Encumbrances (\$11,481); (2) Loans receivable (\$723); (3) Debt service (\$3,984); and (4) Assets held for resale (\$403).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,425, while total fund balance totaled \$5,463.

The fund balance of the City's general fund increased by \$2,828 during the current fiscal year. Key factors attributing to the changes in fund balance are as follows:

- Revenue exceeded expenditures by \$3,584, excluding other financing sources and uses.
- Expenditures for Public Safety (68% of general fund expenditures) decreased by \$183.
- Expenditures for Highways and Streets decreased by \$1,018.
- Expenditures for Sanitation decreased by \$187.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets at the end of the year amounted to \$92,212, \$16,384 for the Water Utility, \$26,505 for the Wastewater Utility, and \$49,323 for the Electric Utility. The total growth in net assets was (\$42), \$2,484, and \$1,313, respectively. Other factors concerning the finances of these three funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The difference between the original appropriation budget and the final budget was a \$355 decrease in appropriations. Following are the main components of the decrease:

- A \$330 increase in general government appropriation
- A \$349 decrease in public safety appropriation
- A \$329 decrease in highways and streets appropriation

The positive variance (\$1,416) between actual budgetary basis amounts and the final budget was primarily attributable to general government (\$517), public safety (\$533), and highways and streets (\$296).

During the year overall general fund revenues exceeded final budgeted amounts by \$142 due to increased revenue in taxes (\$92), licenses and permits (\$129), charges for services (\$222), and other revenue (\$732).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2005 increased by \$13,190 to \$145,639 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, transportation equipment, construction in progress, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Completion of the Fibre Infrastructure Build out
- Renovation and Improvement of the Water Dept. systems
- Continued renovation of storm water/waste water system separation

The following table displays the City and capital assets.

| City of Anderson, Indiana, Capital Assets | | | | |
|--|-------------------------|------------------|--------------------------|------------------|
| | Governmental Activities | | Business-type Activities | |
| | 2005 | 2004 | 2005 | 2004 |
| Land | \$ 8,445 | \$ 7,709 | \$ 1,031 | \$ 1,023 |
| Construction in Progress | 78 | 1,289 | 13,406 | 13,634 |
| Buildings | 28,536 | 24,012 | 37,461 | 37,237 |
| Improvements | 11,531 | 11,753 | 99,230 | 94,939 |
| Infrastructure | 9,322 | 3,978 | - | - |
| Machinery and Equipment | 17,618 | 14,727 | 33,502 | 28,765 |
| Transportation Equipment | - | - | 3,690 | 3,463 |
| Total Capital Assets | 75,530 | 63,468 | 188,320 | 179,061 |
| Depreciation | (29,585) | (25,756) | (88,626) | (84,325) |
| Net Capital Assets | \$ 45,945 | \$ 37,712 | \$ 99,694 | \$ 94,736 |

Additional information on the City's capital assets can be found in [Note 3 on page 30](#) in the Notes to the Financial Statements of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt related liabilities outstanding of \$39,365 related to governmental activities and \$28,115 related to business-type activities. Of this amount, \$20,470 comprises bonds backed by the full faith and credit of the government while the remaining amounts are \$7,620 lease rental bonds, \$640 first mortgage bonds, \$9,110 tax increment financing bonds, \$2,165 county option Income tax bonds, and \$28,115 revenue bonds.

The remainder of the City's debt of \$45,609 is comprised of \$39,980 in net pension liability, \$563 in notes and loans, \$2,554 in compensated absences, and \$2,512 in capital leases.

The following table reflects the City's long-term debt:

| Description | City of Anderson, Indiana, Long-term debt | | | | | |
|---------------------------------|---|-----------|--------------------------|-----------|------------|------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| General/Special obligation debt | \$ 39,365 | \$ 41,550 | \$ - | \$ - | \$ 39,365 | \$ 41,550 |
| Revenue bonds | - | - | 28,115 | 30,745 | 28,115 | 30,745 |
| subtotal | 39,365 | 41,550 | 28,115 | 30,745 | 67,480 | 72,295 |
| Net pension liability | 39,980 | 36,056 | - | - | 39,980 | 36,056 |
| Capital Leases | 2,242 | 1,601 | 270 | 370 | 2,512 | 1,971 |
| Notes and loans | 350 | 455 | 213 | 260 | 563 | 715 |
| Compensated absences | 1,277 | 1,323 | 1,276 | 1,301 | 2,553 | 2,624 |
| less issuance discounts | (228) | (243) | (131) | (287) | (359) | (530) |
| subtotal | 82,986 | 80,742 | 29,743 | 32,389 | 112,729 | 113,131 |
| less: | | | | | | |
| Current portion | (3,553) | (2,988) | (2,991) | (2,888) | (6,544) | (5,876) |
| Total long-term debt | \$ 79,433 | \$ 77,754 | \$ 26,752 | \$ 29,501 | \$ 106,185 | \$ 107,255 |

The City's total bonded debt for governmental and business-type activities decreased by \$4,815 during the current fiscal year. The key factor in this decrease was the normal yearly debt service payments.

The City maintains a "A-" rating from Standard & Poor's and a "A3" rating from Moody's Investor Service for general obligation debt. Both ratings indicate high medium quality and strong capacity to pay the City's bonds.

Additional information of the City's long-term debt can be found in Note 4 page 34 in Notes to the Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

- Major industry relocation reduced manufacturing job availability
- Local economic slow down has driven commercial vacancies in commercial and retail sectors
- Errors and overpayments of County Option Income Taxes by the State causing reduction in current year distributions

All of the above factors were considered in preparing the City's budget for the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Anderson, City Controller's Office, 120 East 8th Street, 4th floor, Anderson, Indiana 46018.

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BASIC FINANCIAL STATEMENTS

CITY OF ANDERSON, INDIANA
STATEMENT OF NET ASSETS
December 31, 2005

| <u>Assets</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|--------------------------|
| Cash and cash equivalents | \$ 10,235,645 | \$ 3,947,253 | \$ 14,182,898 |
| Cash with fiscal agent | 19,927 | - | 19,927 |
| Investments | 2,387,796 | - | 2,387,796 |
| Receivables (net of allowances for uncollectibles): | 6,552,912 | 5,227,175 | 11,780,087 |
| Internal balances | (131,593) | 131,593 | - |
| Inventories | - | 2,252,716 | 2,252,716 |
| Deferred charges | 971,309 | 641,256 | 1,612,565 |
| Restricted: | | | |
| Cash and cash equivalents | 21,928,069 | 10,096,460 | 32,024,529 |
| Investments | - | 7,776,330 | 7,776,330 |
| Interest receivable | - | 41,168 | 41,168 |
| Capital assets: | | | |
| Land, improvements and construction in progress | 8,523,162 | 14,436,657 | 22,959,819 |
| Other capital assets, net of depreciation | 37,421,602 | 85,257,367 | 122,678,969 |
| Assets held for resale | 1,020,232 | - | 1,020,232 |
| Net pension asset | <u>2,113,102</u> | <u>-</u> | <u>2,113,102</u> |
| Total assets | <u>91,042,163</u> | <u>129,807,975</u> | <u>220,850,138</u> |
| <u>Liabilities</u> | | | |
| Accounts payable | 921,565 | 6,384,003 | 7,305,568 |
| Accrued payroll and withholdings payable | 344,543 | 263,395 | 607,938 |
| Taxes payable | - | 414,148 | 414,148 |
| Contracts payable | 393,211 | 16,150 | 409,361 |
| Accrued interest payable | 599,096 | 107,505 | 706,601 |
| Unearned revenue | 6,285 | - | 6,285 |
| Deferred claims liability | 1,159,772 | - | 1,159,772 |
| Customer deposits | - | 667,905 | 667,905 |
| Noncurrent liabilities: | | | |
| Due within one year | 3,552,825 | 2,980,611 | 6,533,436 |
| Due in more than one year | <u>79,433,456</u> | <u>26,762,572</u> | <u>106,196,028</u> |
| Total liabilities | <u>86,410,753</u> | <u>37,596,289</u> | <u>124,007,042</u> |
| <u>Net assets</u> | | | |
| Invested in capital assets, net of related debt | 17,033,056 | 78,989,353 | 96,022,409 |
| Restricted for: | | | |
| Debt service | 4,526,553 | 4,925,319 | 9,451,872 |
| Capital projects | 6,701,219 | 5,041,260 | 11,742,479 |
| Unrestricted | <u>(23,629,418)</u> | <u>3,255,754</u> | <u>(20,373,664)</u> |
| Total net assets | <u>\$ 4,631,410</u> | <u>\$ 92,211,686</u> | <u>\$ 96,843,096</u> |

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

CITY OF ANDERSON, INDIANA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 16,115,043 | \$ 3,259,514 | \$ 2,411,044 | \$ 1,588,117 | \$ (8,856,368) | \$ - | \$ (8,856,368) |
| Public safety | 25,031,640 | 1,256,013 | 598,650 | 187,330 | (22,989,647) | - | (22,989,647) |
| Highways and streets | 3,524,009 | 111,818 | 2,003,933 | 595,295 | (812,963) | - | (812,963) |
| Sanitation | 1,778,741 | 19,333 | 1,223 | - | (1,758,185) | - | (1,758,185) |
| Economic development | 3,350,916 | 8,400 | 2,100,471 | 3,281,121 | 2,039,076 | - | 2,039,076 |
| Culture and recreation | 4,471,116 | 440,086 | 538,512 | 1,500 | (3,491,018) | - | (3,491,018) |
| Interest on long-term debt | 1,958,598 | - | - | - | (1,958,598) | - | (1,958,598) |
| Total governmental activities | <u>56,230,063</u> | <u>5,095,164</u> | <u>7,653,833</u> | <u>5,653,363</u> | <u>(37,827,703)</u> | <u>-</u> | <u>(37,827,703)</u> |
| Business-type activities: | | | | | | | |
| Water | 5,101,129 | 5,820,854 | - | - | - | 719,725 | 719,725 |
| Wastewater | 10,863,998 | 14,495,119 | - | - | - | 3,631,121 | 3,631,121 |
| Electric | 47,294,824 | 50,015,044 | - | - | - | 2,720,220 | 2,720,220 |
| Total business-type activities | <u>63,259,951</u> | <u>70,331,017</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,071,066</u> | <u>7,071,066</u> |
| Total | <u>\$ 119,490,014</u> | <u>\$ 75,426,181</u> | <u>\$ 7,653,833</u> | <u>\$ 5,653,363</u> | <u>(37,827,703)</u> | <u>7,071,066</u> | <u>(30,756,637)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 28,031,129 | - | 28,031,129 |
| Local option income taxes | | | | | 7,593,939 | - | 7,593,939 |
| Other taxes | | | | | 2,905,371 | - | 2,905,371 |
| Grants and contributions not restricted to specific programs | | | | | 459,965 | - | 459,965 |
| Unrestricted investment earnings | | | | | 1,105,478 | 185,404 | 1,290,882 |
| Transfers | | | | | 3,500,906 | (3,500,906) | - |
| Total general revenues and transfers | | | | | <u>43,596,788</u> | <u>(3,315,502)</u> | <u>40,281,286</u> |
| Change in net assets | | | | | 5,769,085 | 3,755,564 | 9,524,649 |
| Net assets - January 1 | | | | | <u>(1,137,675)</u> | <u>88,456,122</u> | <u>87,318,447</u> |
| Net assets - December 31 | | | | | <u>\$ 4,631,410</u> | <u>\$ 92,211,686</u> | <u>\$ 96,843,096</u> |

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

CITY OF ANDERSON, INDIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

| <u>Assets</u> | <u>General</u> | <u>Non-major Governmental Funds</u> | <u>Totals</u> |
|---|---------------------|---|----------------------|
| Cash and cash equivalents | \$ 3,617,582 | \$ 25,644,375 | \$ 29,261,957 |
| Receivables (net of allowances for uncollectibles): | | | |
| Interest | 58,464 | - | 58,464 |
| Taxes | 2,023,953 | 618,436 | 2,642,389 |
| Accounts | 237,860 | 356,938 | 594,798 |
| Intergovernmental | 1,860,563 | 655,788 | 2,516,351 |
| Loans | - | 723,109 | 723,109 |
| Interfund receivable | - | 326,894 | 326,894 |
| Assets held for resale | - | 1,020,232 | 1,020,232 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 7,798,422</u> | <u>\$ 29,345,772</u> | <u>\$ 37,144,194</u> |
| | | | |
| <u>Liabilities and fund balances</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 244,248 | \$ 677,317 | \$ 921,565 |
| Accrued payroll and withholdings payable | 291,021 | 53,522 | 344,543 |
| Contracts payable | - | 393,211 | 393,211 |
| Interfund payable | 120,204 | 338,283 | 458,487 |
| Deferred revenue: | | | |
| Unavailable | 1,673,929 | 623,337 | 2,297,266 |
| Unearned | 6,285 | - | 6,285 |
| Notes and loans payable - current | - | 115,000 | 115,000 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>2,335,687</u> | <u>2,200,670</u> | <u>4,536,357</u> |
| | | | |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 37,408 | 11,443,390 | 11,480,798 |
| Loans receivable | - | 722,530 | 722,530 |
| Debt service | - | 3,983,767 | 3,983,767 |
| Assets held for resale | - | 402,755 | 402,755 |
| Unreserved, reported in: | | | |
| General fund | 5,425,327 | - | 5,425,327 |
| Special revenue funds | - | 3,512,554 | 3,512,554 |
| Capital projects funds | - | 7,080,106 | 7,080,106 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>5,462,735</u> | <u>27,145,102</u> | <u>32,607,837</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 7,798,422</u> | <u>\$ 29,345,772</u> | <u>\$ 37,144,194</u> |

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

CITY OF ANDERSON, INDIANA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
December 31, 2005

Total fund balances for governmental funds \$ 32,607,837

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Those assets consist of:

| | | |
|--|------------------|----------------|
| Land | 8,444,872 | |
| Construction in progress | 78,290 | |
| Buildings, net of \$11,732,242 accumulated depreciation | 16,804,251 | |
| Improvements other than buildings, net of \$6,194,240 accumulated depreciation | 5,336,526 | |
| Machinery and equipment, net of \$10,448,566 accumulated depreciation | 7,168,999 | |
| Infrastructure, net of \$1,209,820 accumulated depreciation | <u>8,111,826</u> | |
| Total capital assets | | 45,944,764 |

Bond issuance costs associated with debt issued by the City were reported as expenditures in the governmental when the debt was issued, whereas bond issuance costs are deferred in the statement of net assets. Deferred bond issuance costs are amortized, over the life of the debt issued, as an adjustment to interest expense in the statement of activities: 971,309

Some assets are not available to pay for current-period expenditures and therefore, are deferred in the funds: 2,297,266

Net pension asset represents a prepayment to the Public Employees' Retirement Fund and is reported as an expenditure in the governmental funds but, is reported as an asset in the government-wide statements: 2,113,102

Internal service funds are used by the City to account for the financing of goods or services provided by one department or agency to other City departments or agencies, generally on a cost reimbursement basis. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are: 4,167,509

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and therefore, are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. Also, discount or premium received on new debt was reported in the governmental funds when the debt was issued, whereas these amounts are deferred and amortized, over the remaining life of the new debt, as an adjustment to interest expense in the statement of activities.
Balances at December 31 are:

| | | |
|--|--------------------|------------------|
| General and special obligation bonds payable | (39,365,000) | |
| Unamortized discount | 228,054 | |
| Capital leases payable | (2,241,916) | |
| Notes and loans payable | (235,000) | |
| Interest payable | (599,096) | |
| Compensated absences payable | <u>(1,277,274)</u> | |
| Total long-term liabilities | | (43,490,232) |

Net pension obligations, including the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension are not due and payable in the current period and therefore, are not reported in the funds, but are included in the government-wide statements: (39,980,145)

Total net assets of governmental activities \$ 4,631,410

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

CITY OF ANDERSON, INDIANA
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

| | General | Non-major Governmental Funds | Total Governmental Funds |
|--|-------------------------|------------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 21,328,350 | \$ 8,058,083 | \$ 29,386,433 |
| Licenses and permits | 378,586 | 6,320 | 384,906 |
| Intergovernmental | 9,995,966 | 10,340,022 | 20,335,988 |
| Charges for services | 2,563,079 | 1,393,099 | 3,956,178 |
| Fines and forfeits | 155,210 | 474,914 | 630,124 |
| Other | <u>1,155,344</u> | <u>2,144,699</u> | <u>3,300,043</u> |
| Total revenues | <u>35,576,535</u> | <u>22,417,137</u> | <u>57,993,672</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 7,173,666 | 3,885,431 | 11,059,097 |
| Public safety | 21,798,128 | 195,510 | 21,993,638 |
| Highways and streets | 1,097,109 | 2,831,244 | 3,928,353 |
| Sanitation | 1,684,579 | - | 1,684,579 |
| Economic development | 238,747 | 2,750,485 | 2,989,232 |
| Culture and recreation | - | 2,847,468 | 2,847,468 |
| Debt service: | | | |
| Principal | - | 2,185,000 | 2,185,000 |
| Interest | - | 1,801,288 | 1,801,288 |
| Capital outlay | <u>-</u> | <u>11,880,638</u> | <u>11,880,638</u> |
| Total expenditures | <u>31,992,229</u> | <u>28,377,064</u> | <u>60,369,293</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,584,306</u> | <u>(5,959,927)</u> | <u>(2,375,621)</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 2,009,083 | 2,009,083 |
| Transfers out | (1,022,083) | (987,000) | (2,009,083) |
| Financing by capital lease | <u>265,775</u> | <u>1,028,122</u> | <u>1,293,897</u> |
| Total other financing sources (uses) | <u>(756,308)</u> | <u>2,050,205</u> | <u>1,293,897</u> |
| Net change in fund balances | 2,827,998 | (3,909,722) | (1,081,724) |
| Fund balances - January 1 | <u>2,634,737</u> | <u>31,054,824</u> | <u>33,689,561</u> |
| Fund balances - December 31 | <u>\$ 5,462,735</u> | <u>\$ 27,145,102</u> | <u>\$ 32,607,837</u> |

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

CITY OF ANDERSON, INDIANA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances). \$ (1,081,724)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, which meet capitalization requirements, is capitalized. The cost of depreciable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|---|------------------|-------------------------|
| Land | 735,880 | |
| Construction in progress | 50,857 | |
| Buildings, net of \$512,094 depreciation expense | 4,978,958 | |
| Improvements other than buildings, net of \$3,270,025 depreciation expense | (1,734,934) | |
| Machinery and equipment, net of \$2,879,390 depreciation expense | 1,648,130 | |
| Infrastructure, net of \$849,253 depreciation expense | <u>4,494,219</u> | |
| Net change in capital asset additions | | 10,173,110 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | | (1,941,321) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (935,483) |
| Governmental funds report pension plan funding as an expenditure. However, in the statement of activities contributions in excess of actuarially required funding are capitalized. This is the amount by which pension plan funding exceeded required amounts in the current period. | | 165,460 |
| The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 1,489,553 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | (4,066,996) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. | | <u>1,966,486</u> |
| Change in net assets of governmental activities (statement of activities) | | <u>\$ 5,769,085</u> |

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

CITY OF ANDERSON, INDIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

| Assets | Business-Type Activities - Enterprise Funds | | | | Governmental Activities - |
|--|--|-----------------------|----------------------|----------------------|------------------------------|
| | Water Utility | Wastewater Utility | Electric Utility | Total | Internal Service Funds |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 771,009 | \$ 1,861,476 | \$ 1,314,768 | \$ 3,947,253 | \$ 2,901,757 |
| Cash with fiscal agent | - | - | - | - | 19,927 |
| Investments | - | - | - | - | 2,387,796 |
| Restricted | | | | | |
| Cash and cash equivalents | 23,655 | 2,151,452 | 2,438,515 | 4,613,622 | - |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Interest | - | - | 5,614 | 5,614 | 17,801 |
| Accounts | 479,968 | 1,420,961 | 3,320,632 | 5,221,561 | - |
| Interfund - services provided and used | 537 | 13,583 | 185,421 | 199,541 | - |
| Inventories | 287,930 | 33,697 | 1,931,089 | 2,252,716 | - |
| Total current assets | 1,563,099 | 5,481,169 | 9,196,039 | 16,240,307 | 5,327,281 |
| Noncurrent assets: | | | | | |
| Restricted: | | | | | |
| Cash and cash equivalents | 1,685,778 | 2,563,880 | 1,233,180 | 5,482,838 | - |
| Investments | 300,870 | 2,250,955 | 5,224,505 | 7,776,330 | - |
| Interest receivable | - | 13,099 | 28,069 | 41,168 | - |
| Total restricted assets: | 1,986,648 | 4,827,934 | 6,485,754 | 13,300,336 | - |
| Deferred charges | 41,303 | 304,761 | 295,192 | 641,256 | - |
| Capital assets: | | | | | |
| Land, improvements to land and construction in progress | 360,660 | 8,282,796 | 5,793,201 | 14,436,657 | - |
| Other capital assets (net of accumulated depreciation) | 12,986,337 | 22,257,410 | 50,013,620 | 85,257,367 | - |
| Total capital assets | 13,346,997 | 30,540,206 | 55,806,821 | 99,694,024 | - |
| Total noncurrent assets | 15,374,948 | 35,672,901 | 62,587,767 | 113,635,616 | - |
| Total assets | 16,938,047 | 41,154,070 | 71,783,806 | 129,875,923 | 5,327,281 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 59,571 | 224,480 | 6,099,952 | 6,384,003 | - |
| Accrued payroll and withholdings payable | 51,765 | 82,913 | 128,717 | 263,395 | - |
| Taxes payable | 43,456 | 2,115 | 368,577 | 414,148 | - |
| Contracts payable | - | - | 16,150 | 16,150 | - |
| Compensated absences | 34,094 | 45,636 | 62,521 | 142,251 | - |
| Accrued interest payable | 938 | 938 | 1,875 | 3,751 | - |
| Interfund - services provided and used | 33,847 | 26,662 | 7,439 | 67,948 | - |
| Notes and loans payable | - | 49,192 | - | 49,192 | - |
| Capital lease obligations | 23,542 | 23,542 | 47,084 | 94,168 | - |
| Deferred claims liability | - | - | - | - | 1,159,772 |
| Current liabilities payable from restricted assets: | | | | | |
| Customer deposits | 23,655 | - | 644,250 | 667,905 | - |
| Revenue bonds payable | - | 1,540,000 | 1,155,000 | 2,695,000 | - |
| Accrued interest payable | - | 103,754 | - | 103,754 | - |
| Total current liabilities | 270,868 | 2,099,232 | 8,531,565 | 10,901,665 | 1,159,772 |
| Noncurrent liabilities: | | | | | |
| Compensated absences | 239,391 | 308,511 | 586,718 | 1,134,620 | - |
| Revenue bonds payable (net of unamortized discounts) | - | 12,033,584 | 13,254,960 | 25,288,544 | - |
| Notes and loans payable | - | 163,675 | - | 163,675 | - |
| Capital lease obligations | 43,933 | 43,933 | 87,867 | 175,733 | - |
| Total noncurrent liabilities | 283,324 | 12,549,703 | 13,929,545 | 26,762,572 | - |
| Total liabilities | 554,192 | 14,648,935 | 22,461,110 | 37,664,237 | 1,159,772 |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 13,279,523 | 19,871,918 | 45,837,912 | 78,989,353 | - |
| Restricted for: | | | | | |
| Debt service | - | 2,833,831 | 2,091,488 | 4,925,319 | - |
| Capital projects | 1,986,645 | 1,178,432 | 1,876,183 | 5,041,260 | - |
| Unrestricted | 1,117,687 | 2,620,954 | (482,887) | 3,255,754 | 4,167,509 |
| Total net assets | \$ 16,383,855 | \$ 26,505,135 | \$ 49,322,696 | \$ 92,211,686 | \$ 4,167,509 |

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

CITY OF ANDERSON, INDIANA
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

| | Business-type Activities - Enterprise Funds | | | Total | Governmental Activities - |
|---------------------------------------|--|-----------------------|----------------------|----------------------|------------------------------|
| | Water Utility | Wastewater Utility | Electric Utility | | Internal Service Funds |
| Operating revenues: | | | | | |
| Residential sales | \$ 3,630,754 | \$ 9,446,284 | \$ 24,524,633 | \$ 37,601,671 | \$ - |
| Commercial and industrial sales | 1,653,519 | 4,015,821 | 24,430,701 | 30,100,041 | - |
| Employer/employee contributions | - | - | - | - | 11,581,149 |
| Other | 513,159 | 1,033,014 | 1,059,710 | 2,605,883 | 683,047 |
| Total operating revenues | <u>5,797,432</u> | <u>14,495,119</u> | <u>50,015,044</u> | <u>70,307,595</u> | <u>12,264,196</u> |
| Operating expenses: | | | | | |
| Operations and maintenance | 1,080,909 | 4,778,976 | 35,602,923 | 41,462,808 | - |
| Transmission and distribution | 1,472,145 | 719,507 | 4,005,092 | 6,196,744 | - |
| Customer accounts | 106,430 | 33,307 | 400,950 | 540,687 | - |
| Administration and general | 2,712,400 | 4,648,968 | 6,191,768 | 13,553,136 | 36,007 |
| Depreciation | 538,415 | 1,498,237 | 2,288,058 | 4,324,710 | - |
| Insurance claims and premiums | - | - | - | - | 10,446,591 |
| Total operating expenses | <u>5,910,299</u> | <u>11,678,995</u> | <u>48,488,791</u> | <u>66,078,085</u> | <u>10,482,598</u> |
| Operating income (loss) | <u>(112,867)</u> | <u>2,816,124</u> | <u>1,526,253</u> | <u>4,229,510</u> | <u>1,781,598</u> |
| Nonoperating revenues (expenses): | | | | | |
| Interest and investment revenue | 49,588 | 53,605 | 82,211 | 185,404 | 184,888 |
| Interest expense | (1,713) | (276,416) | (281,491) | (559,620) | - |
| Other revenue | 23,422 | - | - | 23,422 | - |
| Other expense | - | (109,010) | (14,142) | (123,152) | - |
| Total nonoperating revenue (expenses) | <u>71,297</u> | <u>(331,821)</u> | <u>(213,422)</u> | <u>(473,946)</u> | <u>184,888</u> |
| Change in net assets | (41,570) | 2,484,303 | 1,312,831 | 3,755,564 | 1,966,486 |
| Total net assets - January 1 | <u>16,425,425</u> | <u>24,020,832</u> | <u>48,009,865</u> | <u>88,456,122</u> | <u>2,201,023</u> |
| Total net assets - December 31 | <u>\$ 16,383,855</u> | <u>\$ 26,505,135</u> | <u>\$ 49,322,696</u> | <u>\$ 92,211,686</u> | <u>\$ 4,167,509</u> |

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

CITY OF ANDERSON, INDIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

| | Enterprise Funds | | | | Internal Service Fund |
|--|---------------------|-----------------------|---------------------|----------------------|--------------------------|
| | Water Utility | Wastewater Utility | Electric Utility | Total | |
| Cash flows from operating activities: | | | | | |
| Receipts from customers and users | \$ 5,759,638 | \$ 14,365,713 | \$ 49,544,138 | \$ 69,669,489 | \$ - |
| Receipts from interfund services provided | 40,073 | (11,290) | 43,420 | 72,203 | - |
| Receipts from employer/employees | - | - | - | - | 11,581,149 |
| Receipts - other | - | - | - | - | 449,035 |
| Payments to suppliers | (2,921,091) | (6,128,115) | (39,251,554) | (48,300,760) | - |
| Payments to employees | (2,391,239) | (4,114,423) | (6,342,360) | (12,848,022) | - |
| Payments for interfund services used | (5,172) | (10,682) | 7,439 | (8,415) | - |
| Payments for administration and general | - | - | - | - | (36,484) |
| Payments for insurance claims and premiums | - | - | - | - | (10,696,035) |
| Net cash provided by operating activities | 482,209 | 4,101,203 | 4,001,083 | 8,584,495 | 1,297,665 |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | (618,360) | (3,179,905) | (5,484,725) | (9,282,990) | - |
| Principal paid on capital debt | (15,844) | (1,619,477) | (1,141,685) | (2,777,006) | - |
| Interest paid on capital debt | (36,400) | (219,676) | (236,811) | (492,887) | - |
| Net cash used by capital and related financing activities | (670,604) | (5,019,058) | (6,863,221) | (12,552,883) | - |
| Cash flows from investing activities: | | | | | |
| Proceeds from sales and maturities of investments | 600,000 | 4,513,500 | 6,000,000 | 11,113,500 | 4,299,540 |
| Purchase of investments | (600,000) | (4,513,500) | (9,000,000) | (14,113,500) | (4,026,473) |
| Investment income received | 88,449 | 121,135 | 115,939 | 325,523 | 184,903 |
| Net cash provided (used) by investing activities | 88,449 | 121,135 | (2,884,061) | (2,674,477) | 457,970 |
| Net increase in cash and cash equivalents | (99,946) | (796,720) | (5,746,199) | (6,642,865) | 1,755,635 |
| Cash and cash equivalents - January 1 | 2,580,388 | 7,373,528 | 10,732,662 | 20,686,578 | 1,166,049 |
| Cash and cash equivalents - December 31 | \$ 2,480,442 | \$ 6,576,808 | \$ 4,986,463 | \$ 14,043,713 | \$ 2,921,684 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ (112,867) | \$ 2,816,124 | \$ 1,526,253 | \$ 4,229,510 | \$ 1,781,598 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 538,415 | 1,498,237 | 2,288,058 | 4,324,710 | - |
| (Increase) decrease in assets: | | | | | |
| Accounts receivable | (38,164) | (129,406) | (504,016) | (671,586) | - |
| Interfund receivables | 40,073 | (11,290) | 43,420 | 72,203 | - |
| Inventories | (1,598) | 1,122 | (488,657) | (489,133) | - |
| Increase (decrease) in liabilities: | | | | | |
| Customer deposits | 370 | - | 33,110 | 33,480 | - |
| Accounts payable | 23,221 | 43,509 | 991,368 | 1,058,098 | (415,719) |
| Contracts payable | - | (155,912) | 6,816 | (149,096) | - |
| Interfund services provided and used | (5,172) | (10,682) | 7,439 | (8,415) | - |
| Compensated absence payable | 5,758 | (216) | (29,955) | (24,413) | - |
| Payroll and withholdings payable | 29,438 | 48,376 | 80,025 | 157,839 | - |
| Taxes payable | 2,735 | 1,341 | 47,222 | 51,298 | - |
| Deferred claims liability | - | - | - | - | (68,214) |
| Total adjustments | 595,076 | 1,285,079 | 2,474,830 | 4,354,985 | (483,933) |
| Net cash provided by operating activities | \$ 482,209 | \$ 4,101,203 | \$ 4,001,083 | \$ 8,584,495 | \$ 1,297,665 |
| Noncash investing activities: | | | | | |
| Change in fair value of investments | \$ 870 | \$ (5,795) | \$ (37,189) | \$ (42,114) | \$ 17 |
| Reconciliation of cash and cash equivalents as presented on statement of net assets to statement of cash flows: | | | | | |
| Statement of net assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 771,009 | \$ 1,861,476 | \$ 1,314,768 | \$ 3,947,253 | \$ 2,901,757 |
| Cash with fiscal agent | - | - | - | - | 19,927 |
| Restricted assets: | | | | | |
| Cash and cash equivalents - current | 23,655 | 2,151,452 | 2,438,515 | 4,613,622 | - |
| Cash and cash equivalents - noncurrent | 1,685,778 | 2,563,880 | 1,233,180 | 5,482,838 | - |
| Cash and cash equivalents per statement of cash flows | \$ 2,480,442 | \$ 6,576,808 | \$ 4,986,463 | \$ 14,043,713 | \$ 2,921,684 |

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

CITY OF ANDERSON, INDIANA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 December 31, 2005

| <u>Assets</u> | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|------------------------------------|-------------------------|
| Cash and cash equivalents | \$ 2,298,809 | \$ 1,434,552 |
| Investment in external pool | 3,281,296 | - |
| Receivables: | | |
| Taxes | 156,873 | - |
| Special assessments | - | 139,456 |
| | <u>5,736,978</u> | <u>\$ 1,574,008</u> |
| Total assets | | |
| | | |
| <u>Liabilities</u> | | |
| Accrued payroll and withholdings payable | - | \$ 909,744 |
| Intergovernmental payable | - | 37,134 |
| Special assessments payable | - | 114,928 |
| Trust payable | - | 512,202 |
| | <u>-</u> | <u>\$ 1,574,008</u> |
| Total liabilities | | |
| | | |
| <u>Net assets</u> | | |
| Reserved for employees' pension benefits | <u>\$ 5,736,978</u> | |

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

CITY OF ANDERSON, INDIANA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2005

| <u>Additions</u> | <u>Pension Trust Funds</u> |
|----------------------------|------------------------------------|
| Contributions: | |
| Employer | \$ 5,363,599 |
| Plan members contributions | <u>34,900</u> |
| Total contributions | <u>5,398,499</u> |
| Investment income | <u>86,163</u> |
| Total additions | <u>5,484,662</u> |
| <u>Deductions</u> | |
| Benefits | 5,524,853 |
| Administrative expense | <u>23,441</u> |
| Total deductions | <u>5,548,294</u> |
| Change in net assets | (63,632) |
| Net assets - January 1 | <u>5,800,610</u> |
| Net assets - December 31 | <u>\$ 5,736,978</u> |

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

CITY OF ANDERSON, INDIANA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Anderson (primary government) was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater, and economic development.

The accompanying financial statements present the activities of the City and its significant component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the primary government. The blended component units, although legally separate entities, are in substance, part of the government's operations and exist solely to provide services for the government; data from the units are combined with data of the City.

Blended Component Units

The Anderson Redevelopment Authority is a significant blended component unit of the City. The City entered into an agreement with the Redevelopment Authority for the purpose of financing the construction of a police station building and other related improvements. The City appoints a voting majority of the Redevelopment Authority's board and a financial benefit/burden relationship exists between the City and the Redevelopment Authority. Although it is legally separate from the City, the Redevelopment Authority is reported as if it were a part of the City because it provides services entirely to the City.

The City of Anderson Redevelopment Authority is included as a Non-major Debt Service Fund (Police Station Sinking) to account for the retirement of debt activity and a Non-major Capital Projects Fund (Police Station Project) to account for construction related expenditures.

Complete financial information for the component unit can be obtained from the City's administrative office:

City of Anderson
Economic Development Department
Anderson Redevelopment Authority
Post Office Box 2100
Anderson, IN 46018

The Anderson City Fire Station Building Corporation is a significant blended component unit of the City. The City entered into an agreement with the Fire Station Building Corporation for the purpose of financing the construction of a fire station building and other related improvements. The City appoints a voting majority of the Fire Station Building Corporation's board and financial benefit/burden relationship exists between the City and the Fire Station Building Corporation. Although it is legally separate from the City, the Fire Station Building Corporation is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.

The Anderson City Fire Station Building Corporation is included as a Non-major Debt Service Fund (Fire Station Sinking) to account for the retirement of debt activity.

Complete financial information for the component unit can be obtained from the City's administrative office:

City of Anderson
Controller's Office
Anderson City Fire Station Building Corporation
120 East 8th Street
Anderson, IN 46018

Related Organization

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Anderson Housing Authority.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current

period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The primary government reports the following major proprietary funds:

The water utility fund accounts for the operation of the primary government's water distribution system.

The wastewater utility fund accounts for the operation of the primary government's wastewater treatment plant, pumping stations and collection systems.

The electric utility fund accounts for the operation of the primary government's electric distribution system.

Additionally, the primary government reports the following fund types:

The internal service funds account for health and worker's compensation insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds which accumulate resources for pension benefit payments.

Agency funds account for assets held by the primary government as an agent for individuals, private organizations and other governments. The following agency funds are reported by the City: Civil City Payroll, City Clerk, Court Costs Due County and Waivered Barrett Law.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water, wastewater, and electric function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents (deposits) and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

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

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

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

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and other outstanding balances between funds are referred to as interfund receivables/payables. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. Delinquent property taxes outstanding at year end for governmental funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue (fund statements) since the amounts are not considered available. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31.

4. Inventories

Inventories are valued at the lower of cost (first in/first out) or market, and consist of maintenance supplies and replacement parts held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment and utility plant betterments and improvements, are classified as restricted assets on the statement of net assets balance sheet because they are maintained separately and their use is limited by ordinance or applicable bond covenants.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

As permitted, the government has delayed retroactive reporting of major general infrastructure for the current year and has included only additions since January 1, 2003, in the amount of capital assets reported.

Capital assets are reported at actual or estimated historical cost. Contributed or donated assets are reported at estimated fair value at the time received.

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|--------------------------------------|-----------------------------|------------------------|--------------------------|
| Governmental-type Activities: | | | |
| Land | All capitalized | N/A | N/A |
| Infrastructure | \$ 5,000 | Straight-line | 20-100 |
| Buildings | 5,000 | Straight-line | 20- 40 |
| Improvements other than buildings | 5,000 | Straight-line | 15- 35 |
| Machinery and equipment | 5,000 | Straight-line | 5- 25 |
| Business-type Activities: | | | |
| Land | All capitalized | N/A | N/A |
| Buildings | 1,000 | Straight-line | 33- 67 |
| Improvements other than buildings | 1,000 | Straight-line | 33- 67 |
| Machinery and equipment | 1,000 | Straight-line | 10- 33 |
| Transportation equipment | 1,000 | Straight-line | 10 |

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total net interest capitalized by the Wastewater Utility and the Electric Utility was \$475,826 and \$392,106 respectively.

7. Deferred Debits

Bond issuance costs are amortized using the straight-line method over the terms of the related issues.

8. Compensated Absences

City employees are entitled to accumulate earned but unused sick pay benefits and carry over vacation pay benefits as described below. Vacation and sick pay is accrued when incurred in the proprietary funds and reported as a fund liability. Vacation and sick pay is

accrued for employees and reported in the government-wide financial statements. Only amounts due and payable as of year end are included as fund liabilities.

Sick Leave

City employees earn sick leave at various rates under differing policies. Unused sick leave may be accumulated to a maximum of one hundred eighty days. Sick leave earned beyond the maximum is converted to vacation leave at a ratio of one vacation for every two sick days. Accumulated sick leave is paid to vested employees (those employees with ten or more years of continuous service) upon retirement from City service at one-half the accumulated amount.

Vacation Leave

City employees earn vacation leave at various rates under differing policies. Unused vacation leave may be carried over from one year to the next if used within the first sixty days of the subsequent year. Accumulated vacation leave is paid to employees through cash payments upon termination.

9. Deferred Revenue

The fund financial statements report Deferred Revenue. Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred Revenue Unavailable is defined as revenue earned but not available within a sixty day period. Deferred Revenue Unearned is available but not earned at year-end and is reported in both the fund and government-wide financial statements.

10. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt in the government-wide statement of net assets and the proprietary fund statements.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, the bank balance held at Key bank in the amount of \$6,566,353 was collateralized with securities held by the pledging financial institution. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, the City had the following investments:

| Investment Type | Fair Value | Investment Maturities (in years) | | Duration (in years) |
|--------------------------------|--------------|-------------------------------------|-----------|------------------------|
| | | Less Than 1 | 1 to 2 | |
| Mutual Funds | \$33,659,012 | \$ 33,659,012 | \$ -- | -- |
| Government Sponsored Entities | 16,795,724 | 15,480,962 | 1,314,772 | -- |
| US Treasuries and Securities | 2,371,048 | 1,389,878 | 981,170 | -- |
| Pension Relief Investment Pool | 2,296,908 | -- | -- | 3.6 |

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

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

The City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and

guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

At the option of the City, an additional distribution in a prior year of police and fire pension relief funds was held for investment in an external investment pool (Pension Relief Fund) by the Public Employees' Retirement Fund of Indiana (PERF). These deferred amounts invested in the Fund are available to participating cities and towns at their request. The Pension Relief Fund is invested to a target of 70% fixed income debt instruments and 30% domestic stock. The fair value of the City's investment in the Fund is the same as the value of pool shares. Domestic stock fair value as of December 31, was \$984,388. Responsibility of regulatory oversight for the pool is assumed by the PERF governing board, under direction by statute to "invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." Utilizing external investment managers, the PERF Board diversifies such investments in accordance with prudent investment standards.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments, including those that are uninsured and 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At December 31, the City held investments in government sponsored entities and US treasuries and securities in the amount of \$16,795,724 and \$2,371,048, respectively. Of these investments 100% were held by the counterparty or counterparty's trust department or agent but not in the City's.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Interest rate risk of the Pension Relief Fund's fixed income portfolio, using the duration approach, is 3.6.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

| Standard & Poor's Rating | Moody's Rating | City's Investments | Pension Relief Investment Pool |
|--------------------------|----------------|--------------------|--------------------------------|
| AAA | Aaa | \$ 42,616,696 | \$ 1,495,287 |
| AA | Aa | -- | 98,767 |
| A | A | -- | 429,522 |
| BBB | Baa | -- | 245,769 |
| BB | Ba | -- | 16,078 |
| Unrated | Unrated | 10,215,088 | 11,485 |
| Total | | \$ 52,831,784 | \$ 2,296,908 |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement. At December 31, the City held investments in the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Bank System in the amount of \$8,709,291 and \$6,738,434, which represented 16% and 12% of the City's investments, respectively.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

Note 3. Capital Assets

A. Capital asset activity for the year ended December 31 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,022,917 | \$ 8,149 | \$ - | \$ 1,031,066 |
| Construction in progress | 13,633,751 | 3,554,954 | 3,783,114 | 13,405,591 |
| | | | | - |
| Total capital assets, not being depreciated | <u>14,656,668</u> | <u>3,563,103</u> | <u>3,783,114</u> | <u>14,436,657</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 37,237,369 | 223,809 | - | 37,461,178 |
| Improvements other than buildings | 94,938,806 | 4,291,379 | - | 99,230,185 |
| Machinery and equipment | 28,764,842 | 4,761,139 | 24,000 | 33,501,981 |
| Transportation equipment | 3,462,954 | 226,676 | - | 3,689,630 |
| Totals | <u>164,403,971</u> | <u>9,503,003</u> | <u>24,000</u> | <u>173,882,974</u> |
| Total capital assets | <u>179,060,639</u> | <u>13,066,106</u> | <u>3,807,114</u> | <u>188,319,631</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 23,523,629 | 640,702 | - | 24,164,331 |
| Improvements other than buildings | 40,018,971 | 2,477,567 | - | 42,496,538 |
| Machinery and equipment | 18,249,886 | 892,853 | 24,000 | 19,118,739 |
| Transportation equipment | 2,532,410 | 313,589 | - | 2,845,999 |
| Totals | <u>84,324,896</u> | <u>4,324,711</u> | <u>24,000</u> | <u>88,625,607</u> |
| Total capital assets, being depreciated, net | <u>80,079,075</u> | <u>5,178,292</u> | <u>-</u> | <u>85,257,367</u> |
| Total business-type activity capital assets, net | <u>\$ 94,735,743</u> | <u>\$ 8,741,395</u> | <u>\$ 3,783,114</u> | <u>\$ 99,694,024</u> |

B. Depreciation expense was charged to functions/programs of the primary government as follows:

| | | |
|---|--|---------------------|
| Governmental activities: | | |
| General government | | \$ 2,977,478 |
| Public safety | | 2,189,435 |
| Highways and streets | | 482,621 |
| Economic development | | 131,889 |
| Culture and recreation | | <u>1,729,339</u> |
| Total depreciation expense - governmental activities | | <u>\$ 7,510,762</u> |
| Business-type activities: | | |
| Water | | \$ 538,415 |
| Wastewater | | 1,498,237 |
| Electric | | <u>2,288,058</u> |
| Total depreciation expense - business-type activities | | <u>\$ 4,324,710</u> |

C. Construction Commitments

Construction work in progress is composed of the following:

| <u>Project</u> | <u>Total Project Authorized</u> | <u>Expended to December 31, 2005</u> | <u>Committed</u> |
|--------------------------------|---------------------------------|--------------------------------------|---------------------|
| Governmental activities: | | | |
| Airport project | \$ 504,391 | \$ 9,622 | \$ 494,769 |
| Redevelopment TIF project | <u>103,500</u> | <u>68,668</u> | <u>34,862</u> |
| Total governmental activities | <u>607,891</u> | <u>78,290</u> | <u>529,601</u> |
| Business-type activities: | | | |
| Wastewater Utility | | | |
| Stormwater project | 4,712,205 | 4,704,587 | 7,618 |
| Other projects | 3,053,616 | 3,039,444 | 14,172 |
| Electric Utility | | | |
| Distribution station equipment | 259,836 | 250,103 | 9,733 |
| Fiber optics | 1,274,330 | 1,236,078 | 38,252 |
| Primary and secondary lines | 1,285,859 | 1,206,882 | 78,977 |
| Transmission lines | 1,415,324 | 1,104,354 | 310,970 |
| Other projects | <u>1,989,683</u> | <u>1,864,143</u> | <u>125,540</u> |
| Total business-type activities | <u>13,990,853</u> | <u>13,405,591</u> | <u>585,262</u> |
| Totals | <u>\$ 14,598,744</u> | <u>\$ 13,483,881</u> | <u>\$ 1,114,863</u> |

Note 4. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|---------------------|---------------------|----------------------|---------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General and special obligation | \$ 41,550,000 | \$ - | \$ 2,185,000 | \$ 39,365,000 | \$ 2,513,000 |
| Less deferred amounts: | | | | | |
| For issuance discounts | (243,214) | - | (15,160) | (228,054) | - |
| Capital leases | 1,601,267 | 1,293,897 | 653,248 | 2,241,916 | 794,885 |
| Notes and loans | 455,000 | - | 105,000 | 350,000 | 115,000 |
| Compensated absences | 1,323,217 | 148,048 | 193,991 | 1,277,274 | 129,940 |
| Net pension obligation | 36,055,523 | 3,924,622 | - | 39,980,145 | - |
| Total governmental activities | | | | | |
| Long-term liabilities | <u>\$ 80,741,793</u> | <u>\$ 5,366,567</u> | <u>\$ 3,122,079</u> | <u>\$ 82,986,281</u> | <u>\$ 3,552,825</u> |

Internal service funds serve both the governmental and proprietary funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-like activities, where applicable. Also, for the governmental activities, compensated absences are generally liquidated by the General, Motor Vehicle Highway, Airport, Community Development, and Parks and Recreation funds.

B. General and Special Obligation Bonds

The City issues general and special obligation bonds to provide funds for the acquisition and construction of major capital facilities and other improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Special obligation bonds are secured by a pledge of special types of income or property taxes. General and special obligation bonds currently outstanding at year end are as follows:

| Purpose | Interest Rates | Amount |
|--|----------------|----------------------|
| Sanitary District Bonds of 1991 | 7.05 - 7.20% | \$ 510,000 |
| Fire Station First Mortgage Bonds of 1994 | 6.60 - 7.10 | 640,000 |
| Sanitary District Refunding Bonds of 1998 | 4.55 - 4.75 | 1,885,000 |
| County Option Income Tax Bonds of 1998 | 4.00 - 4.45 | 2,165,000 |
| Park District Bonds of 1998 | 4.50 - 5.00 | 1,805,000 |
| General Obligation Bonds of 2002 | 3.00 - 3.63 | 1,130,000 |
| Redevelopment Tax Increment Bonds of 2002 | 3.00 - 5.00 | 6,265,000 |
| Lease Rental Revenue Bonds of 2002 | 3.50 - 5.00 | 7,620,000 |
| Park District Bonds of 2003 | 3.50 - 5.00 | 1,805,000 |
| Economic Revenue Bonds of 2003 | 6.00 | 1,055,000 |
| Sanitary District Bonds of 2004 | 3.25 - 4.70 | 9,660,000 |
| Redevelopment Tax Increment Bonds of 2004 | 3.75 - 5.55 | 2,845,000 |
| Economic Development Revenue Bonds of 2004 | 6.30 | 1,980,000 |
| Total | | <u>39,365,000</u> |
| Less unamortized discount | | <u>(228,054)</u> |
| Total (net of unamortized discount) | | <u>\$ 39,136,946</u> |

Annual debt service requirements to maturity for general and special obligation bonds are as follows:

| Year Ended December 31 | Governmental Activities | |
|---------------------------|-------------------------|----------------------|
| | Principal | Interest |
| 2005 | \$ 2,513,000 | \$ 1,741,166 |
| 2006 | 2,606,000 | 1,613,545 |
| 2007 | 2,693,000 | 1,533,034 |
| 2008 | 2,791,000 | 1,421,752 |
| 2009 | 2,919,000 | 1,302,732 |
| 2010-2014 | 10,199,000 | 4,840,346 |
| 2015-2019 | 8,610,000 | 2,823,710 |
| 2020-2024 | 7,034,000 | 749,645 |
| Total | \$ 39,365,000 | \$ 16,025,930 |

C. Revenue Bonds

The City issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

| Purpose | Interest Rates | Amount |
|--|----------------|-----------------------------|
| Sewage Works Refunding Revenue Bonds of 1994 | 5.30-5.55% | \$ 1,000,000 |
| Electric Utility Improvement Bonds of 1995 | 4.65-5.30% | 2,470,000 |
| Sewage Utility Improvement Bonds of 1998 | 4.40-5.00% | 1,935,000 |
| Electric Utility Revenue Bonds of 1999 | 4.00% | 1,800,000 |
| Sewage Works Revenue Bonds of 2002 | 3.25-5.00% | 10,670,000 |
| Electric Utility Revenue Bonds of 2003 | 2.50-4.38% | 10,240,000 |
| Total | | 28,115,000 |
| Less unamortized discount | | <u>(131,456)</u> |
| Total (net of unamortized discount) | | <u>\$ 27,983,544</u> |

Annual debt service requirements to maturity for revenue bonds are as follows:

| Year Ended December 31 | Business-Type Activities | |
|---------------------------|--------------------------|----------------------|
| | Principal | Interest |
| 2006 | \$ 2,695,000 | \$ 1,195,659 |
| 2007 | 1,765,000 | 1,079,182 |
| 2008 | 1,850,000 | 1,014,279 |
| 2009 | 1,270,000 | 944,609 |
| 2010 | 1,330,000 | 895,680 |
| 2011-2015 | 7,635,000 | 3,616,229 |
| 2016-2020 | 7,480,000 | 1,950,250 |
| 2020-2023 | 4,090,000 | 339,538 |
| Total | \$ 28,115,000 | \$ 11,035,426 |

D. Capital Leases

The City has entered into various capital leases for buildings, machinery and equipment. Assets acquired through capital leases still in effect are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------|------------------------------------|-------------------------------------|
| Buildings | \$ 610,000 | \$ - |
| Machinery and equipment | <u>2,578,186</u> | <u>412,500</u> |
| Totals | 3,188,186 | 412,500 |
| Accumulated depreciation | <u>606,299</u> | <u>20,752</u> |
| Totals | <u>\$ 2,581,887</u> | <u>\$ 391,748</u> |

Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31 are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| 2006 | \$ 892,343 | \$ 114,805 |
| 2007 | 781,492 | 114,805 |
| 2008 | 288,792 | 57,403 |
| 2009 | 64,753 | - |
| 2010 | 53,495 | - |
| 2011-2015 | 267,473 | - |
| 2016-2020 | 267,473 | - |
| 2021 | <u>26,747</u> | <u>-</u> |
| Total minimum lease payments | 2,642,568 | 287,013 |
| Less amount representing interest | <u>(400,652)</u> | <u>(17,111)</u> |
| Present value of net minimum lease payments | <u>\$ 2,241,916</u> | <u>\$ 269,902</u> |

E. Notes and Loans Payable

The City has entered into various notes and loans to provide funding for various economic development initiatives and wastewater utility improvements. Annual debt service requirements to maturity for the notes and loans for governmental and business-type activities, respectively, are as follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--------|--------------------------------|------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 115,000 | \$ 4,100 | \$ 49,192 | \$ 10,437 |
| 2007 | 115,000 | 4,152 | 51,782 | 7,847 |
| 2008 | 120,000 | 4,331 | 54,510 | 5,119 |
| 2009 | <u>-</u> | <u>-</u> | <u>57,382</u> | <u>2,248</u> |
| Totals | <u>\$ 350,000</u> | <u>\$ 12,583</u> | <u>\$ 212,866</u> | <u>\$ 25,651</u> |

F. Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. At December 31, \$2,145,000 of bonds outstanding are considered defeased.

Note 5. Short-Term Liabilities – Tax Anticipation Notes

The City issues tax anticipation notes in advance of property tax collections, depositing the proceeds in funds supported by property and excise tax revenues. These notes are necessary due to the timing of tax distributions versus cash flow requirements.

Short-term debt activity for the year ended December 31 was as follows:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Repayments</u> | <u>Ending Balance</u> |
|------------------------|------------------------------|---------------|-------------------|---------------------------|
| Tax anticipation notes | \$ - | \$ 6,135,724 | \$ 6,135,724 | \$ - |

Note 6. Operating Leases

The City has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for vehicles and copiers. Rental expenditures for these leases were \$9,473 and \$4,454 for governmental and business-type activities, respectively. The following is a schedule by years of future minimum rental payments as of December 31:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|-------|------------------------------------|-------------------------------------|
| 2006 | \$ 3,352 | \$ 4,454 |
| 2007 | 3,352 | 4,454 |
| 2008 | <u>1,675</u> | <u>1,856</u> |
| Total | <u>\$ 8,379</u> | <u>\$ 10,764</u> |

Note 7. Deficit Fund Equity

At December 31 the following fund reported a deficit in fund equity:

| | |
|------------------------------|----------------|
| | <u>Deficit</u> |
| Governmental funds: | |
| Non-major special revenue | |
| Sanitary District Commission | \$ |
| | <u>26,996</u> |

Fund equity deficits arose primarily from expenditures or expenses exceeding revenues. These deficits will be eliminated by increased future revenues.

Note 8. Interfund Balances and Transfers

A. Interfund Receivables and Payables

The composition of interfund balances as of December 31 is as follows:

| Payable Fund | Receivable Fund | | | | Total |
|------------------------|------------------------|---------------|--------------------|-------------------|-------------------|
| | Non-major Governmental | Water Utility | Wastewater Utility | Electric Utility | |
| General fund | \$ - | \$ - | \$ - | \$ 120,204 | \$ 120,204 |
| Non-major governmental | 326,894 | - | - | 11,389 | 338,283 |
| Electric Utility | - | 537 | 6,902 | - | 7,439 |
| Water Utility | - | - | 6,681 | 27,166 | 33,847 |
| Wastewater Utility | - | - | - | 26,662 | 26,662 |
| Totals | \$ 326,894 | \$ 537 | \$ 13,583 | \$ 185,421 | \$ 526,435 |

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

B. Interfund Transfers

Interfund transfers at December 31 were as follows:

| Transfer From | Transfer To | |
|------------------------|------------------------|---------------------|
| | Non-major Governmental | Total |
| General | \$ 1,022,083 | \$ 1,022,083 |
| Non-major governmental | 987,000 | 987,000 |
| Total | \$ 2,009,083 | \$ 2,009,083 |

The primary government typically uses transfers to fund ongoing operating subsidies and to transfer the portion of tax levy excess revenues from the general fund to various other funds.

Note 9. Receivables and Deferred Revenue

Receivables as of December 31 consist of the following:

| | General Fund | Non-major Governmental Funds | Water Utility | Wastewater Utility | Electric Utility | Internal Service Funds | Fiduciary Funds | Totals |
|-----------------------------------|---------------------|------------------------------------|-------------------|-----------------------|---------------------|------------------------------|--------------------|----------------------|
| Receivables: | | | | | | | | |
| Interest | | | | | | | | |
| Current | \$ 58,464 | \$ - | \$ - | \$ - | \$ 5,614 | \$ 17,801 | \$ - | \$ 81,879 |
| Restricted | - | - | - | 13,099 | 28,069 | - | - | 41,168 |
| Taxes | 2,023,953 | 618,436 | - | - | - | - | 156,873 | 2,799,262 |
| Accounts | 237,860 | 888,817 | 771,685 | 1,420,961 | 4,396,926 | - | - | 7,716,249 |
| Special Assessments | - | - | - | - | - | - | 139,456 | 139,456 |
| Intergovernmental | 1,860,563 | 655,788 | - | - | - | - | - | 2,516,351 |
| Loans | - | 723,109 | - | - | - | - | - | 723,109 |
| Gross receivables | <u>4,180,840</u> | <u>2,886,150</u> | <u>771,685</u> | <u>1,434,060</u> | <u>4,430,609</u> | <u>17,801</u> | <u>296,329</u> | <u>14,017,474</u> |
| Less allowance for uncollectibles | <u>-</u> | <u>(531,879)</u> | <u>(291,717)</u> | <u>-</u> | <u>(1,076,294)</u> | <u>-</u> | <u>-</u> | <u>(1,899,890)</u> |
| Net total receivables | <u>\$ 4,180,840</u> | <u>\$ 2,354,271</u> | <u>\$ 479,968</u> | <u>\$ 1,434,060</u> | <u>\$ 3,354,315</u> | <u>\$ 17,801</u> | <u>\$ 296,329</u> | <u>\$ 12,117,584</u> |

The City has various loan programs where funds are loaned to eligible recipients and recorded as loans receivable. The City has reported outstanding loans in the amount of \$723,109. In addition, a reservation of fund balance in the amount of \$722,530 has been shown on the governmental fund financial statements relating to these loans.

The City charges fees for ambulance services. Uncollected charges at year's end totaling \$888,817 are reported as a portion of accounts receivable. The City has a \$531,879 allowance for uncollectible accounts relating to the ambulance fee receivables.

In connection with certain receivables presented above, the City has reported deferred revenue due to the nature of those receivables. Deferred revenue as reported in the fund financial statements of December 31 is as follows:

| General Fund | Non-major Governmental | Totals |
|---------------------|---------------------------|---------------------|
| <u>\$ 1,673,929</u> | <u>\$ 623,337</u> | <u>\$ 2,297,266</u> |

Note 10. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks errors and omissions, as related to official bonds are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illness or Injuries to Employees

The primary government has chosen to establish a risk financing fund for risks associated with job related illness or injuries to employees (workers' compensation benefits). The risk financing fund is accounted for in the Insurance Loss Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per incident and in excess of \$850,000 in aggregate per year loss. Settles claims resulting from this risk did not exceed commercial insurance coverage in the past three years. An annual premium is charged to each fund for the annual aggregate amount not covered by the commercial insurance excess policy.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred.

Changes in the balance of claim liabilities are as follows:

| | <u>2004</u> | <u>2005</u> |
|--|------------------|-------------------|
| Unpaid claims, beginning of fiscal year | \$ -- | \$ 34,056 |
| Incurred claims and changes in estimates | 507,066 | 567,617 |
| Claim payments | <u>473,010</u> | <u>496,754</u> |
| Unpaid claims, end of fiscal year | <u>\$ 34,056</u> | <u>\$ 104,919</u> |

Medical Benefits to Employees (Excluding Postemployment Benefits)

The City has chosen to establish a risk-financing fund for risks associated with the medical expenses of its' employees. The risk-financing fund is accounted for in the Medical Health Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 for out of pocket expenses per year per individual and a group aggregate amount of \$8,100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A monthly premium is charged to each fund that accounts for employee payroll based upon the number of employees participating.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred.

Changes in the balance of claim liabilities are as follows:

| | <u>2004</u> | <u>2005</u> |
|--|---------------------|---------------------|
| Unpaid claims, beginning of fiscal year | \$ 175,640 | \$ 1,193,930 |
| Incurred claims and changes in estimates | 12,016,211 | 9,552,186 |
| Claim payments | <u>10,997,921</u> | <u>9,691,263</u> |
| Unpaid claims, end of fiscal year | <u>\$ 1,193,930</u> | <u>\$ 1,054,853</u> |

Note 11. Assets Held for Resale

The Redevelopment TIF Capital Bond Fund, a governmental (capital projects) fund, holds the following assets (lower of cost or market value) for resale:

| | |
|-------------------------|---------------------|
| 6 Commercial Properties | \$ 988,819 |
| 1 Parking Lot | <u>21,413</u> |
| Total | <u>\$ 1,020,232</u> |

Note 12. Restricted Assets

The City has restricted assets for the following Proprietary (Enterprise) fund accounts:

Bond and Interest (Sinking)

The Sewage Works Revenue Refunding Bonds of 1994, Sewage Works Improvement Revenue Bonds of 1998, and Sewage Works Revenue Bonds of 2002 require monthly deposits into a sinking fund account of net revenues of the wastewater utility in an amount equal to at least one-twelfth (1/12) of the amount required for such payments of all interest, fiscal charge, and principal payments, during the then current bond year ending on November 1.

The Electric Utility Improvement Bonds of 1995, Electric Utility Revenue Bonds of 1999, and Electric Utility Revenue Bonds of 2003 require monthly deposits into a sinking fund account of net revenues of the electric utility in an amount equal to at least one-twelfth (1/12) of the amount required for such payments of all interest, fiscal charge, and principal payments, during the next succeeding twelve (12) calendar months.

Additionally, the Electric and Wastewater Utilities accumulate resources equal to the maximum annual debt service, one and one-quarter (1-1/4) times the average annual debt service, or 10% of the bond proceeds for the various bond issues as a reserve requirement in these accounts.

Construction

Bond issue proceeds used in the construction of capital assets are in this account.

Customer Deposit

Customer deposits are refundable amounts received from Water and Electric Utility customers to insure against nonpayment of billings.

Depreciation

Any excess revenues of the Wastewater and Electric Utilities after making any necessary deposits to Bond and Interest (Sinking) accounts and Reserve accounts are paid into Depreciation accounts to be expended for repairs, replacements, additions, improvements, and extensions to the respective utilities.

As required by the Indiana Utility Regulatory Commission (IURC), the Water Utility Depreciation account holds funds to be expended for repairs, replacements, additions, improvements, and extensions to the Water Utility.

Garage

Resources for underground fuel tank maintenance and replacement are in this account.

Improvement

Any excess revenues of the Wastewater Utilities after making any necessary deposits to Bond and Interest (Sinking) account and Depreciation account, and deposits to the Depreciation account, are paid into the Improvement account to be expended for repairs, replacements additions, and extensions to the Wastewater Utility.

Replacement

This account, required by the U. S. Environmental Protection Agency (EPA), exists to provide resources to maintain capacity and performance of the Wastewater Utility.

Revolving

This account is used to account for tap fees collected by the Wastewater Utility to be used to connect new customers to the sewer system.

Well and Tank

Resources for well and elevated tank maintenance are accumulated in this account as required by the Indiana Utility Regulatory Commission (IURC).

The balances of restricted asset accounts, which are comprised of cash and cash equivalents, investments, and interest receivable, in the enterprise funds are as follows:

| <u>Fund Name</u> | <u>Water Utility</u> | <u>Wastewater Utility</u> | <u>Electric Utility</u> |
|-----------------------------|--------------------------|-------------------------------|-----------------------------|
| <u>Current:</u> | | | |
| Bond and Interest (Sinking) | \$ - | \$ 2,151,452 | \$ 1,796,295 |
| Customer Deposit | <u>23,655</u> | <u>-</u> | <u>642,220</u> |
| Total Current | <u>23,655</u> | <u>2,151,452</u> | <u>2,438,515</u> |
| <u>Noncurrent:</u> | | | |
| Bond and Interest (Sinking) | - | 481,641 | - |
| Construction | - | 2,832,826 | 4,650,883 |
| Depreciation | 763,955 | 814,436 | 1,765,585 |
| Garage | - | - | 69,286 |
| Improvement | - | 86,778 | - |
| Replacement | - | 445,710 | - |
| Revolving | - | 166,543 | - |
| Well and Tank | <u>1,222,693</u> | <u>-</u> | <u>-</u> |
| Total Noncurrent | <u>1,986,648</u> | <u>4,827,934</u> | <u>6,485,754</u> |
| Total restricted assets | <u>\$ 2,010,303</u> | <u>\$ 6,979,386</u> | <u>\$ 8,924,269</u> |

Note 13. Special Assessment Bonds Payable

Special Assessment Bonds Payable are not reported as a direct obligation of the City in the financial statements. Special assessment bonds are financed by assessments against the property owners benefiting from the proceeds of the bonds. The City is obligated to bondholders only to the extent of assessments collected to pay current debt service requirements of the bonds. Special assessment bonds outstanding at December 31 totaled \$282,967.

Note 14. Postemployment Benefits

In addition to the pension benefits described in Note 16, the City provides postemployment health benefits, as authorized by IC 5-10-8, to all employees who retire from the City with at least fifteen years of service. Currently, 311 retirees meet these eligibility requirements. The City and retirees provide 35% to 80% and 65% to 20%, respectively, of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31 expenditures of \$1,205,163 were recognized for postemployment benefits.

Note 15. Conduit Debt

From time to time, the City has issued Economic Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31 there were eleven series of bonds outstanding. The aggregate principal amount outstanding for ten of the issues was \$24,673,476. The aggregate principal amount outstanding of one issue cannot be determined; however, the original authorized issue amount was \$8,500,000.

Note 16. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available.

2. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. Administrative costs of the plan are included in the annual operating budget of the fund. The Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is reflected in the Statement of Net Assets.

3. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. Administrative costs of the plan are included in the annual operating budget of the fund. The Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is reflected in the Statement of Net Assets.

Actuarial Information for the Above Plans

| | PERF | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|---|-----------------------|-------------------------------------|----------------------------------|
| Annual required contribution | \$ 1,399,261 | \$ 5,471,900 | \$ 5,724,600 |
| Interest on net pension obligation | (141,204) | 1,131,000 | 1,302,800 |
| Adjustment to annual required contribution | <u>160,913</u> | <u>(1,975,900)</u> | <u>(2,276,000)</u> |
| Annual pension cost | 1,418,970 | 4,627,000 | 4,751,400 |
| Contributions made | <u>1,584,430</u> | <u>2,641,938</u> | <u>2,811,840</u> |
| Increase (decrease) in net pension obligation | (165,460) | 1,985,062 | 1,939,560 |
| Net pension obligation, beginning of year | <u>(1,947,642)</u> | <u>16,755,226</u> | <u>19,300,297</u> |
| Net pension obligation (asset), end of year | <u>\$ (2,113,102)</u> | <u>\$ 18,740,288</u> | <u>\$ 21,239,857</u> |

| | PERF | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|---------------------------------|--|--|--|
| Contribution rates | | | |
| Government | 6.75% | 1192% | 776% |
| Plan Members | 3% | 6% | 6% |
| Actuarial valuation date | 07-01-05 | 01-01-05 | 01-01-05 |
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level | Level | Level |
| | percentage of projected payroll, closed | percentage of projected payroll, closed | percentage of projected payroll, closed |
| Amortization period | 40 years | 30 years | 30 years |
| Amortization period (from date) | 07-01-97 | 01-01-05 | 01-01-05 |
| Asset valuation method | 75% of expected actuarial value plus 25% of market value | 4 year phase in of unrealized and realized capital | 4 year phase in of unrealized and realized capital |

4. Financial Statement Information for Defined Benefit Plans

| | | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|--|-------|-------------------------------------|----------------------------------|
| <u>Statement of fiduciary net assets</u> | | | |
| Assets: | | | |
| Cash and cash equivalents | | \$ 1,199,276 | \$ 1,099,533 |
| Investment in external pool | | 1,567,124 | 1,714,172 |
| Receivables: | | | |
| Taxes | | <u>76,764</u> | <u>80,109</u> |
| Total assets | | <u>2,843,164</u> | <u>2,893,814</u> |
| Net assets: | | | |
| Reserved for employees' pension benefits | | <u>\$ 2,843,164</u> | <u>\$ 2,893,814</u> |
| <u>Statements of changes in fiduciary net assets</u> | | | |
| Additions: | | | |
| Employer contributions | | \$ 2,606,126 | \$ 2,757,473 |
| Plan members contributions | | <u>15,024</u> | <u>19,876</u> |
| Total contributions | | <u>2,621,150</u> | <u>2,777,349</u> |
| Investment income | | <u>41,150</u> | <u>45,013</u> |
| Total additions | | <u>2,662,300</u> | <u>2,822,362</u> |
| Deductions: | | | |
| Benefits | | 2,625,792 | 2,899,061 |
| Administrative expenses | | <u>10,639</u> | <u>12,802</u> |
| Total deductions | | <u>2,636,431</u> | <u>2,911,863</u> |
| Change in net assets | | 25,869 | (89,501) |
| Net assets - January 1 | | <u>2,817,295</u> | <u>2,983,315</u> |
| Net assets - December 31 | | <u>\$ 2,843,164</u> | <u>\$ 2,893,814</u> |
| <hr/> | | | |
| | | 1925 Police | 1937 |
| | | Officers; | Firefighters' |
| Actuarial Assumptions | PERF | Pension | Pension |
| Investment rate of return | 7.25% | 6% | 6% |
| Projected future salary increases: | | | |
| Total | 5% | 4% | 4% |
| Attributed to inflation | 4% | 4% | 4% |
| Attributed to merit/seniority | 1% | 0% | 0% |
| Cost-of-living adjustments | 2% | 2.75/4%* | 2.75/4%* |
| 2.75% converted members; 4% Non converted members | | | |

Three Year Trend Information

| PERF | | | |
|--------------------|----------------------------------|--------------------------------------|--------------------------|
| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Asset</u> |
| 06-30-03 | \$ 1,477,312 | 109% | \$ (1,531,640) |
| 06-30-04 | 1,216,487 | 134% | (1,947,642) |
| 06-30-05 | 1,418,970 | 130% | (2,113,102) |

| 1925 Police Officers' Pension Plan | | | |
|------------------------------------|----------------------------------|--------------------------------------|-------------------------------|
| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
| 12-31-02 | \$ 4,347,500 | 75% | \$ 16,317,748 |
| 12-31-03 | 4,427,800 | 90% | 16,755,226 |
| 12-31-04 | 4,627,000 | 57% | 18,740,288 |

| 1937 Firefighters' Pension Plan | | | |
|---------------------------------|----------------------------------|--------------------------------------|-------------------------------|
| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
| 12-31-02 | \$ 4,786,200 | 74% | \$ 18,933,029 |
| 12-31-03 | 4,646,500 | 92% | 19,300,297 |
| 12-31-04 | 4,751,400 | 59% | 21,239,857 |

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1 was comprised of the following:

| | <u>1925 Police Officers' Pension</u> | <u>1937 Firefighters' Pension</u> |
|---|--------------------------------------|-----------------------------------|
| Retirees and beneficiaries currently receiving benefits | 128 | 136 |
| Current active employees | 8 | 12 |

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age fifty-five with twenty years of service. An employee with twenty years of service may leave service, but will not receive benefits until reaching age fifty-five. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004 and 2003 were \$ 1,938,667, \$1,906,123 and \$1,832,303, respectively, equal to the required contributions for each year.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANDERSON, INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For The Year Ended December 31, 2005

| | General Fund | | | |
|---------------------------------|---------------------|---------------------|---|--|
| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 20,875,500 | \$ 20,875,500 | \$ 20,967,802 | \$ 92,302 |
| Licenses and permits | 249,500 | 249,500 | 378,586 | 129,086 |
| Intergovernmental | 10,140,963 | 10,140,963 | 9,334,879 | (806,084) |
| Charges for services | 2,334,452 | 2,334,452 | 2,556,453 | 222,001 |
| Fines and forfeits | 383,000 | 372,212 | 145,109 | (227,103) |
| Other | 402,480 | 402,480 | 1,134,420 | 731,940 |
| Total revenues | <u>34,385,895</u> | <u>34,375,107</u> | <u>34,517,249</u> | <u>142,142</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 6,460,695 | 6,790,819 | 6,273,656 | 517,163 |
| Public safety | 22,248,712 | 21,900,162 | 21,367,611 | 532,551 |
| Highways and streets | 2,907,518 | 2,579,408 | 2,283,359 | 296,049 |
| Sanitation | 1,780,000 | 1,780,000 | 1,778,741 | 1,259 |
| Economic development | 312,574 | 303,874 | 234,521 | 69,353 |
| Total expenditures | <u>33,709,499</u> | <u>33,354,263</u> | <u>31,937,888</u> | <u>1,416,375</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(1,115,000)</u> | <u>(1,115,000)</u> | <u>(1,022,083)</u> | <u>(92,917)</u> |
| Total other financing uses | <u>(1,115,000)</u> | <u>(1,115,000)</u> | <u>(1,022,083)</u> | <u>(92,917)</u> |
| Net change in fund balances | (438,604) | (94,156) | 1,557,278 | (1,367,150) |
| Fund balances - January 1 | <u>2,060,304</u> | <u>2,060,304</u> | <u>2,060,304</u> | <u>-</u> |
| Fund balances - December 31 | <u>\$ 1,621,700</u> | <u>\$ 1,966,148</u> | <u>\$ 3,617,582</u> | <u>\$ (1,367,150)</u> |

The accompanying notes to Required Supplementary Information (RSI) are an integral part of RSI.

CITY OF ANDERSON, INDIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 7/1/2003 | \$ 25,948,801 | \$ 29,631,371 | \$ (3,682,570) | 88% | \$ 21,122,931 | (17%) |
| 7/1/2004 | 26,579,308 | 31,979,361 | (5,400,053) | 83% | 22,226,554 | (24%) |
| 7/1/2005 | 27,863,394 | 33,644,244 | (5,780,850) | 83% | 22,331,297 | (26%) |

1925 Police Officers' Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 1/1/2000 | \$ 318,590 | \$ 47,092,000 | \$ (46,773,410) | 1% | \$ 668,300 | (6999%) |
| 1/1/2001 | 194,135 | 45,915,400 | (45,721,265) | 0% | 492,500 | (9284%) |
| 1/1/2002 | 268,743 | 46,487,100 | (46,218,357) | 1% | 447,300 | (10333%) |
| 1/1/2003 | 1,135,850 | 44,065,600 | (42,929,750) | 3% | 618,800 | (6938%) |
| 1/1/2004 | 2,689,845 | 46,872,400 | (44,182,555) | 6% | 487,300 | (9067%) |
| 1/1/2005 | 2,817,295 | 44,810,600 | (41,993,305) | 6% | 459,000 | (9149%) |

1937 Firefighters' Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 1/1/2000 | \$ 380,930 | \$ 49,226,800 | \$ (48,845,870) | 1% | \$ 1,012,400 | (4825%) |
| 1/1/2001 | 115,200 | 52,783,300 | (52,668,100) | 0% | 867,900 | (6068%) |
| 1/1/2002 | 234,628 | 50,810,100 | (50,575,472) | 0% | 857,400 | (5899%) |
| 1/1/2003 | 1,161,677 | 45,432,800 | (44,271,123) | 3% | 1,149,800 | (3850%) |
| 1/1/2004 | 2,847,956 | 48,379,400 | (45,531,444) | 6% | 795,200 | (5726%) |
| 1/1/2005 | 2,983,315 | 47,046,900 | (44,063,585) | 6% | 737,700 | (5973%) |

The accompanying notes to Required Supplementary Information (RSI) are an integral part of RSI.

CITY OF ANDERSON, INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan

| Year Ending | Annual Required Contribution (ARC) | Percentage of ARC Contributed | |
|----------------|---|----------------------------------|-------|
| | | City | State |
| 12/31/1999 | \$ 4,642,400 | 20% | 25% |
| 12/31/2000 | 4,753,500 | 18% | 26% |
| 12/31/2001 | 4,743,000 | 22% | 29% |
| 12/31/2002 | 4,966,400 | 27% | 39% |
| 12/31/2003 | 5,164,000 | 17% | 60% |
| 12/31/2004 | 5,471,900 | 16% | 32% |

1937 Firefighters' Pension Plan

| Year Ending | Annual Required Contribution (ARC) | Percentage of ARC Contributed | |
|----------------|---|----------------------------------|-------|
| | | City | State |
| 12/31/1999 | \$ 5,070,100 | 14% | 26% |
| 12/31/2000 | 5,035,100 | 16% | 28% |
| 12/31/2001 | 5,516,000 | 21% | 27% |
| 12/31/2002 | 5,504,700 | 27% | 37% |
| 12/31/2003 | 5,500,600 | 17% | 61% |
| 12/31/2004 | 5,724,600 | 16% | 33% |

The accompanying notes to Required Supplementary
 Information (RSI) are an integral part of RSI.

CITY OF ANDERSON, INDIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2005

Note 1. Budgets and Budgetary Accounting

A. Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end unless encumbered by a purchase order or contract. Encumbered appropriations are carried over and added to the subsequent year's budget.

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

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

Formal budgetary integration is required by state statute and is employed as a management control device. An annual budget was legally adopted for the following funds:

Major Fund:
General

Non-major Governmental Funds:

Special Revenue:

- Motor Vehicle Highway
- Local Road and Street
- Municipal Transportation
- Airport
- Community Development
- Parks and Recreation
- Park Non-reverting Operating
- Sanitary District Commission
- City Court Probation
- Clean Air Non-Reverting
- Local Law Enforcement Continuing Education

Debt Service:

- Corporation Bonds
- Sanitary District Bonds
- COIT Principal and Interest
- Redevelopment Bond and Interest

Capital Projects:

- Cumulative Capital Improvement
- City Economic Development
- Redevelopment Capital Improvement
- Redevelopment TIF
- Fire Building and Equipment

Except for the Redevelopment Bond and Interest Fund, expenditures did not exceed appropriations for any funds or any departments within the General Fund, which required legally approved budgets.

B. Expenditures in Excess of Appropriations

For the year ended December 31, expenditures exceeded budgeted appropriations in the following fund, by the amount below:

| <u>Fund</u> | <u>Amount</u> |
|---------------------------------|------------------|
| Redevelopment Bond and Interest | <u>\$ 81,441</u> |

Note 2. Budgetary to GAAP reconciliation

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
- c. Interfund loans are treated as cash transfers (budgetary), but are reported only on the balance sheet of the fund statements (GAAP).

SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General fund is used to account for all financial resources of the City of Anderson, Indiana except those required to be accounted for in another fund.

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 GENERAL FUND
 For The Year Ended December 31, 2005

| Function and department | General Fund | | | |
|----------------------------|------------------|------------|---|--|
| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
| | Original | Final | | |
| General government: | | | | |
| Mayor: | | | | |
| Personal services | \$ 152,182 | \$ 148,496 | \$ 146,046 | \$ 2,450 |
| Supplies | 2,500 | 2,500 | 1,998 | 502 |
| Other services and charges | 27,300 | 29,453 | 26,198 | 3,255 |
| Common council: | | | | |
| Personal services | 57,036 | 57,036 | 54,951 | 2,085 |
| Other services and charges | 15,000 | 3,620 | 2,620 | 1,000 |
| Capital outlay | - | 11,380 | 7,332 | 4,048 |
| Controller: | | | | |
| Personal services | 338,537 | 344,537 | 340,539 | 3,998 |
| Supplies | 4,300 | 4,300 | 4,297 | 3 |
| Other services and charges | 2,079,400 | 2,053,880 | 1,965,742 | 88,138 |
| Capital outlay | 119,806 | 118,945 | 115,929 | 3,016 |
| Information services: | | | | |
| Personal services | 166,701 | 156,701 | 148,261 | 8,440 |
| Supplies | 250 | 250 | 32 | 218 |
| Other services and charges | 94,224 | 99,748 | 97,662 | 2,086 |
| City attorney: | | | | |
| Personal services | 148,954 | 141,254 | 137,289 | 3,965 |
| Supplies | 10,000 | 8,500 | 7,873 | 627 |
| Other services and charges | 12,600 | 11,800 | 7,478 | 4,322 |
| Capital outlay | - | 1,500 | - | 1,500 |
| Board of works: | | | | |
| Personal services | 76,701 | 80,701 | 80,028 | 673 |
| Supplies | 720 | 720 | 701 | 19 |
| Other services and charges | 568,685 | 1,020,595 | 795,612 | 224,983 |
| Capital outlay | 5,000 | 748 | 747 | 1 |
| City hall maintenance: | | | | |
| Supplies | 27,000 | 27,000 | 17,000 | 10,000 |
| Other services and charges | 71,100 | 71,100 | 68,534 | 2,566 |
| Capital outlay | 27,000 | 31,855 | 26,302 | 5,553 |
| City clerk: | | | | |
| Personal services | 301,965 | 297,966 | 288,585 | 9,381 |
| Supplies | 6,754 | 6,893 | 4,821 | 2,072 |
| Other services and charges | 25,339 | 22,514 | 14,200 | 8,314 |
| Capital outlay | 4,500 | 4,500 | 3,774 | 726 |
| City court: | | | | |
| Personal services | 409,193 | 373,985 | 348,096 | 25,889 |
| Supplies | 2,097 | 2,097 | 2,042 | 55 |
| Other services and charges | 26,980 | 25,347 | 23,664 | 1,683 |
| Capital outlay | 28,000 | 45,727 | 45,725 | 2 |
| Council of governments: | | | | |
| Other services and charges | 32,000 | 32,000 | 32,000 | - |
| Human relations: | | | | |
| Personal services | 173,157 | 171,957 | 164,723 | 7,234 |
| Supplies | 2,059 | 2,059 | 1,003 | 1,056 |
| Other services and charges | 10,968 | 10,968 | 7,153 | 3,815 |
| Capital outlay | 3,152 | 1,652 | 369 | 1,283 |
| Personnel and insurance: | | | | |
| Personal services | 151,609 | 149,609 | 141,975 | 7,634 |
| Supplies | 500 | - | - | - |
| Capital outlay | 1,500 | - | - | - |
| Public communications: | | | | |
| Personal services | 1,166,285 | 1,146,285 | 1,113,656 | 32,629 |
| Supplies | 5,610 | 5,610 | 3,038 | 2,572 |
| Other services and charges | 94,231 | 63,231 | 23,882 | 39,349 |
| Capital outlay | 9,800 | 1,800 | 1,779 | 21 |
| Total general government | 6,460,695 | 6,790,819 | 6,273,656 | 517,163 |

Continued on Next Page

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 GENERAL FUND
 For The Year Ended December 31, 2005
 (continued)

| Function and department | General Fund | | | |
|----------------------------|-------------------|-------------------|---|--|
| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
| | Original | Final | | |
| Public safety: | | | | |
| Building commissioner: | | | | |
| Personal services | \$ 543,874 | \$ 502,121 | \$ 485,577 | \$ 16,544 |
| Supplies | 18,136 | 22,154 | 17,810 | 4,344 |
| Other services and charges | 110,165 | 133,353 | 124,325 | 9,028 |
| Capital outlay | 9,300 | 5,963 | 5,577 | 386 |
| Weights and measures: | | | | |
| Personal services | 46,892 | 46,892 | 44,599 | 2,293 |
| Supplies | 3,200 | 2,400 | 2,213 | 187 |
| Other services and charges | 7,300 | 6,900 | 6,592 | 308 |
| Emergency management: | | | | |
| Personal services | 21,604 | 14,304 | 14,180 | 124 |
| Supplies | 8,120 | 6,420 | 4,037 | 2,383 |
| Other services and charges | 15,796 | 14,996 | 14,483 | 513 |
| Capital outlay | - | 20,490 | - | 20,490 |
| Planning: | | | | |
| Personal services | 591,625 | 508,965 | 503,375 | 5,590 |
| Supplies | 8,512 | 6,012 | 4,345 | 1,667 |
| Other services and charges | 91,035 | 164,521 | 85,647 | 78,874 |
| Capital outlay | 9,000 | 9,600 | 8,501 | 1,099 |
| Police department: | | | | |
| Personal services | 10,068,902 | 9,660,121 | 9,507,384 | 152,737 |
| Supplies | 303,210 | 313,710 | 245,650 | 68,060 |
| Other services and charges | 337,255 | 411,534 | 387,931 | 23,603 |
| Capital outlay | 104,216 | 139,116 | 132,604 | 6,512 |
| Fire department: | | | | |
| Personal services | 8,427,471 | 8,377,277 | 8,377,277 | - |
| Supplies | 197,233 | 191,024 | 188,896 | 2,128 |
| Other services and charges | 575,169 | 600,945 | 565,693 | 35,252 |
| Capital outlay | 14,000 | 15,108 | 12,738 | 2,370 |
| Parking authority: | | | | |
| Supplies | 4,681 | 4,681 | 2,093 | 2,588 |
| Other services and charges | 70,544 | 74,034 | 56,869 | 17,165 |
| Capital outlay | 7,000 | 7,000 | 6,156 | 844 |
| Animal shelter: | | | | |
| Personal services | 409,531 | 391,533 | 375,313 | 16,220 |
| Supplies | 49,500 | 51,204 | 39,466 | 11,738 |
| Other services and charges | 72,125 | 74,468 | 45,503 | 28,965 |
| Capital outlay | 21,000 | 21,000 | 3,442 | 17,558 |
| Air management: | | | | |
| Personal services | 94,116 | 94,116 | 91,262 | 2,854 |
| Other services and charges | 8,200 | 8,200 | 8,073 | 127 |
| Total public safety | <u>22,248,712</u> | <u>21,900,162</u> | <u>21,367,611</u> | <u>532,551</u> |

Continued on Next Page

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 GENERAL FUND
 For The Year Ended December 31, 2005
 (continued)

| Function and department | General Fund | | | |
|----------------------------|----------------------|----------------------|---|--|
| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
| | Original | Final | | |
| Highways and streets: | | | | |
| City engineer: | | | | |
| Personal services | \$ 1,094,825 | \$ 1,074,825 | \$ 987,739 | \$ 87,086 |
| Supplies | 53,450 | 53,450 | 42,193 | 11,257 |
| Other services and charges | 202,683 | 225,573 | 188,320 | 37,253 |
| Capital outlay | 9,500 | 9,500 | 8,298 | 1,202 |
| Street department: | | | | |
| Personal services | 503,100 | 398,500 | 336,605 | 61,895 |
| Supplies | 232,792 | 232,792 | 225,484 | 7,308 |
| Other services and charges | 11,168 | 24,768 | 23,591 | 1,177 |
| Capital outlay | 800,000 | 560,000 | 471,129 | 88,871 |
| Total highways and streets | <u>2,907,518</u> | <u>2,579,408</u> | <u>2,283,359</u> | <u>296,049</u> |
| Sanitation: | | | | |
| Sanitation: | | | | |
| Other services and charges | <u>1,780,000</u> | <u>1,780,000</u> | <u>1,778,741</u> | <u>1,259</u> |
| Total sanitation | <u>1,780,000</u> | <u>1,780,000</u> | <u>1,778,741</u> | <u>1,259</u> |
| Economic development: | | | | |
| Economic development: | | | | |
| Personal services | 254,829 | 249,429 | 217,696 | 31,733 |
| Supplies | 3,830 | 3,830 | 1,289 | 2,541 |
| Other services and charges | 48,915 | 48,115 | 15,536 | 32,579 |
| Capital outlay | <u>5,000</u> | <u>2,500</u> | - | <u>2,500</u> |
| Total economic development | <u>312,574</u> | <u>303,874</u> | <u>234,521</u> | <u>69,353</u> |
| Total general fund | <u>\$ 33,709,499</u> | <u>\$ 33,354,263</u> | <u>\$ 31,937,888</u> | <u>\$ 1,416,375</u> |

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds are used to account for revenues derived for a specific purpose. The title of the fund is intended to be descriptive of the activities involved. The City maintains the following special revenue funds:

Motor Vehicle Highway

To account for gasoline taxes received to be expended principally for the construction and maintenance of streets and alleys.

Local Road and Street

To account for financial resources held for the building and maintenance of local roads and arterial streets of the City.

Municipal Transportation

To account for financial resources held for public transportation.

Airport

To account for financial resources held for the municipal airport, supported by tax dollars and federal grants.

Community Development

To account for federal grant revenues restricted for community development activities.

Parks and Recreation

To account for financial resources held for park maintenance.

Park Non-reverting Operating

To account for funds received for park maintenance.

Operation Clean

To account for financial resources used for weed and trash clean up around the City.

Sanitary District Commission

To account for financial resources used for Sanitary District improvements around the City.

Property Tax Abatement

To account for financial resources held for application fees for property tax abatements.

City Court Probation

To account for financial resources held for these activities in accordance with state law.

Local Law Enforcement Continuing Education

To account for costs assessed by the City Court to be expended for law enforcement education

Police – Vice Intelligence and Narcotics

To account for financial resources restricted for Police Department equipment and supplies, which, are funded by the City's General fund and grants.

Police Multi-Agency Narcotics Units

To account for financial resources restricted for Police Department equipment and supplies, which, are funded by the City's General fund and grants.

Building Non-reverting

To account for applicant testing fees for HVAC, Electrical (Journeymen, Linemen, Master Wiremen).

NON-MAJOR GOVERNMENTAL FUNDS

(Continued)

Unsafe Building

To account for funds used to remove unsafe and severely deteriorated buildings from residential neighborhoods throughout the City.

Clean Air Non-reverting

To account for funds used to monitor air pollutants.

Loan Guarantee Assistance Program

To account for repayment to the City of a loan of federal Housing and Urban Development (HUD) funds to Electric Vehicles International (EVI) with subsequent repayment to HUD.

Grants and Donations

To account for various grants and donations received and administered by the City.

Court Administrative Fee

To account for 10% of cash bonds collected by the City Court Clerk.

Court Supplement Public Defender

To account for amounts assessed to defendants for a public defender.

Clerk Records Perpetuation

To account for monies derived from automated court costs used to preserve records of the City Court Clerk.

Firefighters Exam

To account for firefighter applicant examinations fees, which are held to reimburse the City's General fund or are refunded to the successful firefighter applicant based on tenure criteria.

Anderson Preservation Project

To account for loans made to and repayments from Anderson Preservation, LLC for revitalization projects in the East Central/South Redevelopment Area.

Economic Development Revolving Loan

To account for the loans made and payments received from economic development loans.

HOME

To account for funds granted to the City under the U.S. Department of Housing and Urban Development HOME program, which are to be used to rehabilitate single and multi-single housing units.

Local Law Enforcement Continuing Education Fee

To account for police department expenditures related to the keeping of accident records, training of law enforcement officers in the proper use of firearms and maintaining records for the prevention of street and highway accidents. Fees charged for providing accident reports, handgun applications and court fees provide continuing education funding.

Barrett Law Surplus

To account for surplus property owner assessment receipts related to the administration of Barrett Law program.

NON-MAJOR GOVERNMENTAL FUNDS
(Continued)

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources for and payment of general long-term debt principal and interest. The City maintains the following non-major debt service funds:

Corporation Bonds

To account for the accumulation of resources for and payment of general long-term debt of the Corporation

Sanitary District Bonds

To account for the accumulation of resources for and payment of general long-term debt of the Sanitary District

COIT Principal and Interest

To account for the accumulation of resources for and payment of general long-term debt of the public safety communications project

COIT Reserve

To account for financial resources accumulated for the COIT Bond reserve requirement.

Twenty-Ninth Street TIF Bond and Interest

To account for Financial resources accumulated for the payment of general long-term debt of the Twenty-Ninth Street TIF District

Redevelopment Bond and Interest

To account for the accumulation of resources for and payment of general long-term debt of the Redevelopment TIF District

Redevelopment TIF Reserve

To account for money accumulated for the Redevelopment TIF Bond reserve requirement.

Police Station Sinking

To account for the accumulation of resources for and payment of general long-term debt and the accumulation of reserve requirement of the Redevelopment Authority Lease Rental Revenue Bonds for the Police Station.

Fire Station Sinking

To account for the accumulation of resources for and payment of general long-term debt and the accumulation of reserve requirement of the Anderson City Fire Station Building Corporation First Mortgage Bonds for the Fire Station.

NON-MAJOR GOVERNMENTAL FUNDS
(Continued)

CAPITAL PROJECTS FUNDS

These funds are used to account for financial resources to be used for the acquisition or construction of capital projects. The City maintains the following non-major capital projects funds:

Cumulative Capital Improvement

To account for resources derived from cigarette taxes to provide for the cost of major capital improvements.

City Economic Development

To account for resources derived from food and beverage taxes to provide for the cost of economic growth.

Redevelopment Capital Improvement

To account for financial resources related to improvements for redevelopment projects.

Redevelopment TIF

To account for property tax increment funds collected for redevelopment projects.

Fire Building and Equipment

To account for financial resources derived from ambulance fees for the purchase of Fire Department equipment or improvements to buildings.

COIT Bond Construction

To account for financial resources related to projects for the Shadyside Bond issue, monies can be utilized for other various improvements.

Redevelopment TIF Capital Bond

To account for financial resources related to projects for the Redevelopment TIF Bond issue.

City Court/Main Street Bond

To account for financial resources related to projects for the City Court/Main Street Bond issue.

Urban Park Construction

To account for financial resources related to the Urban Park project.

Airport Grant

To account for financial resources from federal and state grants related to construction at the Airport.

EDA Flagship

To account for financial resources related to the Flagship project.

NON-MAJOR GOVERNMENTAL FUNDS
(Continued)

Sanitary District Construction

The Sanitary District Construction Fund is used to account for financial resources from the City of Anderson Sanitary District Bond issue of 2004 related to improvement projects in the sanitary district. Appropriations for this fund are on a project length basis and are not presented in this section.

Certified Tech Park

The Certified Tech Park Fund is used to account for financial resources related to the Certified Tech Park project.

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CITY OF ANDERSON, INDIANA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2005

| <u>Assets</u> | Non-major Special Revenue Funds | Non-major Debt Service Funds | Non-major Capital Projects Funds | Totals |
|---|---------------------------------------|------------------------------------|--|----------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 3,716,306 | \$ 3,872,763 | \$ 18,055,306 | \$ 25,644,375 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Taxes | 246,012 | 207,546 | 164,878 | 618,436 |
| Accounts | 30,947 | - | 325,991 | 356,938 |
| Intergovernmental | 346,926 | 88,572 | 220,290 | 655,788 |
| Loans | 723,109 | - | - | 723,109 |
| Interfund receivables | - | 26,894 | 300,000 | 326,894 |
| Assets held for resale | - | - | 1,020,232 | 1,020,232 |
| Total assets | <u>\$ 5,063,300</u> | <u>\$ 4,195,775</u> | <u>\$ 20,086,697</u> | <u>\$ 29,345,772</u> |
| <u>Liabilities and fund balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 422,683 | \$ 14,541 | \$ 240,093 | \$ 677,317 |
| Accrued payroll and withholdings payable | 53,522 | - | - | 53,522 |
| Contracts payable | 14,980 | - | 378,231 | 393,211 |
| Interfund payable | 11,389 | 26,894 | 300,000 | 338,283 |
| Deferred revenue | 202,188 | 170,573 | 250,576 | 623,337 |
| Notes and loans payable - current | 115,000 | - | - | 115,000 |
| Total liabilities | <u>819,762</u> | <u>212,008</u> | <u>1,168,900</u> | <u>2,200,670</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | 8,454 | - | 11,434,936 | 11,443,390 |
| Loans receivable | 722,530 | - | - | 722,530 |
| Debt service | - | 3,983,767 | - | 3,983,767 |
| Assets held for resale | - | - | 402,755 | 402,755 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 3,512,554 | - | - | 3,512,554 |
| Capital projects funds | - | - | 7,080,106 | 7,080,106 |
| Total fund balances | <u>4,243,538</u> | <u>3,983,767</u> | <u>18,917,797</u> | <u>27,145,102</u> |
| Total liabilities and fund balances | <u>\$ 5,063,300</u> | <u>\$ 4,195,775</u> | <u>\$ 20,086,697</u> | <u>\$ 29,345,772</u> |

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

| | Non-major Special Revenue Funds | Non-major Debt Service Funds | Non-major Capital Projects Funds | Totals |
|--|---------------------------------------|------------------------------------|--|----------------------|
| Revenues: | | | | |
| Taxes | \$ 2,594,961 | \$ 4,079,780 | \$ 1,383,342 | \$ 8,058,083 |
| Licenses and permits | 6,320 | - | - | 6,320 |
| Intergovernmental | 6,159,602 | 577,287 | 3,603,133 | 10,340,022 |
| Charges for services | 760,960 | - | 632,139 | 1,393,099 |
| Fines and forfeits | 474,914 | - | - | 474,914 |
| Other | 1,339,592 | 106,617 | 698,490 | 2,144,699 |
| Total revenues | <u>11,336,349</u> | <u>4,763,684</u> | <u>6,317,104</u> | <u>22,417,137</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 3,507,200 | - | - | 3,507,200 |
| Public safety | 195,510 | - | - | 195,510 |
| Highways and streets | 2,831,244 | - | - | 2,831,244 |
| Economic development | 2,750,485 | - | - | 2,750,485 |
| Culture and recreation | 2,847,468 | - | - | 2,847,468 |
| Debt service: | | | | |
| Principal retirement | - | 2,185,000 | - | 2,185,000 |
| Interest and fiscal charges | - | 1,801,288 | - | 1,801,288 |
| Capital outlay | - | - | 12,258,869 | 12,258,869 |
| Total expenditures | <u>12,131,907</u> | <u>3,986,288</u> | <u>12,258,869</u> | <u>28,377,064</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(795,558)</u> | <u>777,396</u> | <u>(5,941,765)</u> | <u>(5,959,927)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,022,083 | 987,000 | - | 2,009,083 |
| Transfers out | - | (987,000) | - | (987,000) |
| Financing by capital lease | 228,122 | - | 800,000 | 1,028,122 |
| Total other financing sources | <u>1,250,205</u> | <u>-</u> | <u>800,000</u> | <u>2,050,205</u> |
| Net change in fund balances | 454,647 | 777,396 | (5,141,765) | (3,909,722) |
| Fund balances - January 1 | <u>3,788,891</u> | <u>3,206,371</u> | <u>24,059,562</u> | <u>31,054,824</u> |
| Funds balances - December 31 | <u>\$ 4,243,538</u> | <u>\$ 3,983,767</u> | <u>\$ 18,917,797</u> | <u>\$ 27,145,102</u> |

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CITY OF ANDERSON, INDIANA
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2005

| <u>Assets</u> | Motor Vehicle Highway | Local Road and Street | Municipal Transportation | Airport | Community Development |
|---|-----------------------------|--------------------------|-----------------------------|-------------------|--------------------------|
| Cash and cash equivalents | \$ 479,673 | \$ 90,674 | \$ 573,622 | \$ 341,420 | \$ 22,405 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Taxes | - | - | - | 36,793 | - |
| Accounts | - | - | - | 18,639 | - |
| Intergovernmental | 211,952 | 97,140 | - | - | 36,097 |
| Loans | - | - | - | - | 33,139 |
| Total assets | <u>\$ 691,625</u> | <u>\$ 187,814</u> | <u>\$ 573,622</u> | <u>\$ 396,852</u> | <u>\$ 91,641</u> |
| <u>Liabilities and fund balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 41,174 | \$ 145,301 | \$ 14,743 | \$ 81,654 | \$ 52,981 |
| Accrued payroll and withholdings payable | 13,969 | - | 16,422 | 2,209 | 3,477 |
| Contracts payable | - | - | - | 14,980 | - |
| Interfund payable | - | - | 2,555 | - | 2,755 |
| Deferred revenue | - | - | - | 30,239 | - |
| Notes and loans payable - current | - | - | - | - | - |
| Total liabilities | <u>55,143</u> | <u>145,301</u> | <u>33,720</u> | <u>129,082</u> | <u>59,213</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | \$ - | \$ - | \$ 8,310 | \$ - | \$ - |
| Loans receivable | - | - | - | - | 32,560 |
| Unreserved, undesignated | 636,482 | 42,513 | 531,592 | 267,770 | (132) |
| Total fund balances | <u>636,482</u> | <u>42,513</u> | <u>539,902</u> | <u>267,770</u> | <u>32,428</u> |
| Total liabilities and fund balances | <u>\$ 691,625</u> | <u>\$ 187,814</u> | <u>\$ 573,622</u> | <u>\$ 396,852</u> | <u>\$ 91,641</u> |

| Parks and Recreation | Park Nonreverting Operating | Operation Clean | Sanitary District Commission | Property Tax Abatement | City Court Probation | Local Law Enforcement Continuing Education |
|----------------------|-----------------------------|------------------|------------------------------|------------------------|----------------------|--|
| \$ 375,853 | \$ 235,719 | \$ 8,825 | \$ 9,731 | \$ 5,021 | \$ 401,852 | \$ 44,314 |
| 207,881 | - | - | 1,338 | - | - | - |
| - | - | 12,308 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 583,734</u> | <u>\$ 235,719</u> | <u>\$ 21,133</u> | <u>\$ 11,069</u> | <u>\$ 5,021</u> | <u>\$ 401,852</u> | <u>\$ 44,314</u> |
| | | | | | | |
| \$ 31,664 | \$ 18,201 | \$ - | \$ 36,965 | \$ - | \$ - | \$ - |
| 17,445 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 6,079 | - | - | - | - | - | - |
| 170,849 | - | - | 1,100 | - | - | - |
| - | - | - | - | - | - | - |
| <u>226,037</u> | <u>18,201</u> | <u>-</u> | <u>38,065</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 144 |
| - | - | - | - | - | - | - |
| 357,697 | 217,518 | 21,133 | (26,996) | 5,021 | 401,852 | 44,170 |
| <u>357,697</u> | <u>217,518</u> | <u>21,133</u> | <u>(26,996)</u> | <u>5,021</u> | <u>401,852</u> | <u>44,314</u> |
| <u>\$ 583,734</u> | <u>\$ 235,719</u> | <u>\$ 21,133</u> | <u>\$ 11,069</u> | <u>\$ 5,021</u> | <u>\$ 401,852</u> | <u>\$ 44,314</u> |

Continued on Next Page

CITY OF ANDERSON, INDIANA
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2005

| <u>Assets</u> | Police - Vice Intelligence and Narcotics | Police Multi-Agency Narcotics Units | Building Nonreverting | Unsafe Building | Clean Air Nonreverting |
|---|--|---|--------------------------|--------------------|---------------------------|
| Cash and cash equivalents | \$ 1,427 | \$ 216,721 | \$ 50 | \$ 1,821 | \$ 43,875 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Taxes | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Intergovernmental | - | - | - | - | 1,737 |
| Loans | - | - | - | - | - |
| Total assets | \$ 1,427 | \$ 216,721 | \$ 50 | \$ 1,821 | \$ 45,612 |
| <u>Liabilities and fund balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll and withholdings payable | - | - | - | - | - |
| Contracts payable | - | - | - | - | - |
| Interfund payable | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - |
| Notes and loans payable - current | - | - | - | - | - |
| Total liabilities | - | - | - | - | - |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | \$ - | \$ - | \$ - | \$ - | \$ - |
| Loans receivable | - | - | - | - | - |
| Unreserved, undesignated | 1,427 | 216,721 | 50 | 1,821 | 45,612 |
| Total fund balances | 1,427 | 216,721 | 50 | 1,821 | 45,612 |
| Total liabilities and fund balances | \$ 1,427 | \$ 216,721 | \$ 50 | \$ 1,821 | \$ 45,612 |

| Loan Guarantee Assistance Program | Grants and Donations | Court Administrative Fee | Court Supplemental Public Defender | Clerk Records Perpetuation | Firefighters Exam | Anderson Preservation Project |
|--|-------------------------|--------------------------------|---|----------------------------------|----------------------|-------------------------------------|
| \$ 378,669 | \$ 48,602 | \$ 29,325 | \$ 14,312 | \$ 11,265 | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 378,669</u> | <u>\$ 48,602</u> | <u>\$ 29,325</u> | <u>\$ 14,312</u> | <u>\$ 11,265</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 115,000 | - | - | - | - | - | - |
| <u>115,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| 263,669 | 48,602 | 29,325 | 14,312 | 11,265 | - | - |
| <u>263,669</u> | <u>48,602</u> | <u>29,325</u> | <u>14,312</u> | <u>11,265</u> | <u>-</u> | <u>-</u> |
| <u>\$ 378,669</u> | <u>\$ 48,602</u> | <u>\$ 29,325</u> | <u>\$ 14,312</u> | <u>\$ 11,265</u> | <u>\$ -</u> | <u>\$ -</u> |

Continued on Next Page

CITY OF ANDERSON, INDIANA
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2005

| Assets | Economic Development Revolving Loan | HOME | Law Enforcement Continuing Education Fee | Barrett Law Surplus | Totals |
|---|---|-------------------|--|---------------------------|---------------------|
| Cash and cash equivalents | \$ 152,652 | \$ 102,931 | \$ 28,735 | \$ 96,812 | \$ 3,716,306 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Taxes | - | - | - | - | 246,012 |
| Accounts | - | - | - | - | 30,947 |
| Intergovernmental | - | - | - | - | 346,926 |
| Loans | 689,970 | - | - | - | 723,109 |
| Total assets | \$ 842,622 | \$ 102,931 | \$ 28,735 | \$ 96,812 | \$ 5,063,300 |
| Liabilities and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 422,683 |
| Accrued payroll and withholdings payable | - | - | - | - | 53,522 |
| Contracts payable | - | - | - | - | 14,980 |
| Interfund payable | - | - | - | - | 11,389 |
| Deferred revenue | - | - | - | - | 202,188 |
| Notes and loans payable - current | - | - | - | - | 115,000 |
| Total liabilities | - | - | - | - | 819,762 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | \$ - | \$ - | \$ - | \$ - | \$ 8,454 |
| Loans receivable | 689,970 | - | - | - | 722,530 |
| Unreserved, undesignated | 152,652 | 102,931 | 28,735 | 96,812 | 3,512,554 |
| Total fund balances | 842,622 | 102,931 | 28,735 | 96,812 | 4,243,538 |
| Total liabilities and fund balances | \$ 842,622 | \$ 102,931 | \$ 28,735 | \$ 96,812 | \$ 5,063,300 |

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CITY OF ANDERSON, INDIANA
 COMBINING BALANCE SHEET
 NON-MAJOR DEBT SERVICE FUNDS
 December 31, 2005

| <u>Assets</u> | <u>Corporation Bonds</u> | <u>Sanitary District Bonds</u> | <u>COIT Principal and Interest</u> | <u>COIT Reserve</u> | <u>Twenty-Ninth Street TIF Bond and Interest</u> |
|---|------------------------------|--|--|-------------------------|--|
| Cash and cash equivalents | \$ 65,545 | \$ 397,634 | \$ - | \$ 352,700 | \$ 49,650 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Taxes | 81,446 | 126,100 | - | - | - |
| Intergovernmental | - | - | 88,572 | - | - |
| Interfund receivable | - | - | - | 26,894 | - |
| Total assets | \$ 146,991 | \$ 523,734 | \$ 88,572 | \$ 379,594 | \$ 49,650 |
| <u>Liabilities and fund balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 14,541 | \$ - | \$ - | \$ - | \$ - |
| Interfund payable | - | - | 26,894 | - | - |
| Deferred revenue | 66,938 | 103,635 | - | - | - |
| Total liabilities | 81,479 | 103,635 | 26,894 | - | - |
| Fund balances: | | | | | |
| Reserved for debt service | 65,512 | 420,099 | 61,678 | 379,594 | 49,650 |
| Total fund balances | 65,512 | 420,099 | 61,678 | 379,594 | 49,650 |
| Total liabilities and fund balances | \$ 146,991 | \$ 523,734 | \$ 88,572 | \$ 379,594 | \$ 49,650 |

| Redevelopment Bond and Interest | Redevelopment TIF Reserve | Police Station Sinking | Fire Station Sinking | Totals |
|---------------------------------------|---------------------------------|------------------------------|----------------------------|---------------------|
| \$ 1,226,431 | \$ 834,171 | \$ 801,368 | \$ 145,264 | \$ 3,872,763 |
| - | - | - | - | 207,546 |
| - | - | - | - | 88,572 |
| - | - | - | - | 26,894 |
| <u>\$ 1,226,431</u> | <u>\$ 834,171</u> | <u>\$ 801,368</u> | <u>\$ 145,264</u> | <u>\$ 4,195,775</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 14,541 |
| - | - | - | - | 26,894 |
| - | - | - | - | 170,573 |
| - | - | - | - | 212,008 |
| 1,226,431 | 834,171 | 801,368 | 145,264 | 3,983,767 |
| 1,226,431 | 834,171 | 801,368 | 145,264 | 3,983,767 |
| <u>\$ 1,226,431</u> | <u>\$ 834,171</u> | <u>\$ 801,368</u> | <u>\$ 145,264</u> | <u>\$ 4,195,775</u> |

CITY OF ANDERSON, INDIANA
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 December 31, 2005

| <u>Assets</u> | <u>Cumulative Capital Improvement</u> | <u>City Economic Development</u> | <u>Redevelopment Capital Improvement</u> | <u>Redevelopment TIF</u> |
|---|---|--|--|------------------------------|
| Cash and cash equivalents | \$ 800,664 | \$ 660,248 | \$ 266,883 | \$ 5,405,344 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Taxes | - | 164,878 | - | - |
| Accounts | - | - | - | - |
| Intergovernmental | 18,216 | - | - | - |
| Interfund receivable | - | - | - | - |
| Assets held for resale | - | - | - | - |
| Total assets | <u>\$ 818,880</u> | <u>\$ 825,126</u> | <u>\$ 266,883</u> | <u>\$ 5,405,344</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 7,904 | \$ 24,357 | \$ - | \$ 7,299 |
| Contracts payable | - | - | - | - |
| Interfund payable | - | - | - | 300,000 |
| Deferred revenue | 18,216 | - | - | - |
| Total liabilities | <u>26,120</u> | <u>24,357</u> | <u>-</u> | <u>307,299</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | - | 183,810 | 178,680 | 3,690,368 |
| Assets held for resale | - | - | - | - |
| Unreserved, undesignated | 792,760 | 616,959 | 88,203 | 1,407,677 |
| Total fund balances | <u>792,760</u> | <u>800,769</u> | <u>266,883</u> | <u>5,098,045</u> |
| Total liabilities and fund balances | <u>\$ 818,880</u> | <u>\$ 825,126</u> | <u>\$ 266,883</u> | <u>\$ 5,405,344</u> |

| Fire Building and Equipment | COIT Bond Construction | Redevelopment TIF Capital Bond | City Court/ Main Street Bond | Urban Park Construction |
|-----------------------------|------------------------|--------------------------------|------------------------------|-------------------------|
| \$ 218,727 | \$ 13,053 | \$ 2,063,431 | \$ 30,801 | \$ 417,309 |
| - | - | - | - | - |
| 325,991 | - | - | - | - |
| - | - | 300,000 | - | - |
| - | - | 1,020,232 | - | - |
| <u>\$ 544,718</u> | <u>\$ 13,053</u> | <u>\$ 3,383,663</u> | <u>\$ 30,801</u> | <u>\$ 417,309</u> |

| | | | | |
|----------------|----------|----------------|----------|---------------|
| \$ - | \$ - | \$ 181,912 | \$ - | \$ 10,472 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>232,360</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>232,360</u> | <u>-</u> | <u>181,912</u> | <u>-</u> | <u>10,472</u> |

| | | | | |
|-------------------|------------------|---------------------|------------------|-------------------|
| 29,587 | - | 182,233 | - | - |
| - | - | 402,755 | - | - |
| <u>282,771</u> | <u>13,053</u> | <u>2,616,763</u> | <u>30,801</u> | <u>406,837</u> |
| <u>312,358</u> | <u>13,053</u> | <u>3,201,751</u> | <u>30,801</u> | <u>406,837</u> |
| <u>\$ 544,718</u> | <u>\$ 13,053</u> | <u>\$ 3,383,663</u> | <u>\$ 30,801</u> | <u>\$ 417,309</u> |

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CITY OF ANDERSON, INDIANA
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 December 31, 2005

| <u>Assets</u> | Airport Grant | EDA Flagship | Sanitary District Construction | Certified Tech Park | Totals |
|---|-------------------|-------------------|--------------------------------------|---------------------------|----------------------|
| Cash and cash equivalents | \$ 343,901 | \$ 47,562 | \$ 7,135,614 | \$ 651,769 | \$ 18,055,306 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Taxes | - | - | - | - | 164,878 |
| Accounts | - | - | - | - | 325,991 |
| Intergovernmental | 34,330 | 167,744 | - | - | 220,290 |
| Interfund receivable | - | - | - | - | 300,000 |
| Assets held for resale | - | - | - | - | 1,020,232 |
| Total assets | \$ 378,231 | \$ 215,306 | \$ 7,135,614 | \$ 651,769 | \$ 20,086,697 |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ 8,149 | \$ - | \$ - | \$ 240,093 |
| Contracts payable | 378,231 | - | - | - | 378,231 |
| Interfund payable | - | - | - | - | 300,000 |
| Deferred revenue | - | - | - | - | 250,576 |
| Total liabilities | 378,231 | 8,149 | - | - | 1,168,900 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | - | 34,644 | 7,135,614 | - | 11,434,936 |
| Assets held for resale | - | - | - | - | 402,755 |
| Unreserved, undesignated | - | 172,513 | - | 651,769 | 7,080,106 |
| Total fund balances | - | 207,157 | 7,135,614 | 651,769 | 18,917,797 |
| Total liabilities and fund balances | \$ 378,231 | \$ 215,306 | \$ 7,135,614 | \$ 651,769 | \$ 20,086,697 |

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CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
 IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

| | Motor Vehicle Highway | Local Road and Street | Municipal Transportation | Airport | Community Development |
|--|-----------------------------|--------------------------|-----------------------------|-------------------|--------------------------|
| Revenues: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 387,950 | \$ - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental | 1,965,676 | 591,610 | 1,229,055 | 156,194 | 1,270,643 |
| Charges for services | 99,667 | 12,151 | 160,107 | 18,639 | - |
| Fines and forfeits | - | - | - | - | - |
| Other | 18,237 | - | 15,190 | 176,006 | 161,047 |
| Total revenues | <u>2,083,580</u> | <u>603,761</u> | <u>1,404,352</u> | <u>738,789</u> | <u>1,431,690</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | - | - | 2,283,700 | 874,432 | - |
| Public safety | - | - | - | - | - |
| Highways and streets | 2,011,980 | 819,264 | - | - | - |
| Economic development | - | - | - | - | 1,609,786 |
| Culture and recreation | - | - | - | - | - |
| Total expenditures | <u>2,011,980</u> | <u>819,264</u> | <u>2,283,700</u> | <u>874,432</u> | <u>1,609,786</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>71,600</u> | <u>(215,503)</u> | <u>(879,348)</u> | <u>(135,643)</u> | <u>(178,096)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | 1,022,083 | - | - |
| Financing by capital lease | 168,620 | - | - | - | - |
| Total other financing sources (uses) | <u>168,620</u> | <u>-</u> | <u>1,022,083</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 240,220 | (215,503) | 142,735 | (135,643) | (178,096) |
| Fund balances - January 1 | <u>396,262</u> | <u>258,016</u> | <u>397,167</u> | <u>403,413</u> | <u>210,524</u> |
| Fund balances - December 31 | <u>\$ 636,482</u> | <u>\$ 42,513</u> | <u>\$ 539,902</u> | <u>\$ 267,770</u> | <u>\$ 32,428</u> |

| Parks and Recreation | Park Nonreverting Operating | Operation Clean | Sanitary District Commission | Property Tax Abatement | City Court Probation | Local Law Enforcement Continuing Education |
|----------------------|-----------------------------|------------------|------------------------------|------------------------|----------------------|--|
| \$ 2,192,904 | \$ - | \$ - | \$ 14,107 | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | 6,320 |
| 227,652 | 56,489 | - | 1,213 | - | - | - |
| 282,650 | 147,472 | - | - | - | - | 31,799 |
| - | - | 31,641 | - | - | 374,816 | 8,121 |
| 146,557 | 68,615 | - | 10 | 1,450 | 3,670 | 705 |
| <u>2,849,763</u> | <u>272,576</u> | <u>31,641</u> | <u>15,330</u> | <u>1,450</u> | <u>378,486</u> | <u>46,945</u> |
| - | - | 31,815 | - | - | 271,277 | - |
| - | - | - | - | - | - | 37,321 |
| - | - | - | - | - | - | - |
| - | - | - | - | 1,178 | - | - |
| 2,550,518 | 289,675 | - | - | - | - | - |
| <u>2,550,518</u> | <u>289,675</u> | <u>31,815</u> | <u>-</u> | <u>1,178</u> | <u>271,277</u> | <u>37,321</u> |
| 299,245 | (17,099) | (174) | 15,330 | 272 | 107,209 | 9,624 |
| - | - | - | - | - | - | - |
| 59,502 | - | - | - | - | - | - |
| <u>59,502</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 358,747 | (17,099) | (174) | 15,330 | 272 | 107,209 | 9,624 |
| (1,050) | 234,617 | 21,307 | (42,326) | 4,749 | 294,643 | 34,690 |
| <u>\$ 357,697</u> | <u>\$ 217,518</u> | <u>\$ 21,133</u> | <u>\$ (26,996)</u> | <u>\$ 5,021</u> | <u>\$ 401,852</u> | <u>\$ 44,314</u> |

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CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
 IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

| | Police - Vice Intelligence and Narcotics | Police Multi-Agency Narcotics Units | Building Nonreverting | Unsafe Building | Clean Air Nonreverting |
|--|--|---|--------------------------|--------------------|---------------------------|
| Revenues: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental | - | 50,287 | - | - | 8,737 |
| Charges for services | - | - | 75 | - | - |
| Fines and forfeits | - | - | - | - | 250 |
| Other | - | 125,920 | - | - | - |
| Total revenues | - | 176,207 | 75 | - | 8,987 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | - | - | 1,836 | - | - |
| Public safety | - | 90,549 | - | 11,464 | 31,642 |
| Highways and streets | - | - | - | - | - |
| Economic development | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Total expenditures | - | 90,549 | 1,836 | 11,464 | 31,642 |
| Excess (deficiency) of revenues over (under) expenditures | - | 85,658 | (1,761) | (11,464) | (22,655) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | - |
| Financing by capital lease | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balances | - | 85,658 | (1,761) | (11,464) | (22,655) |
| Fund balances - January 1 | 1,427 | 131,063 | 1,811 | 13,285 | 68,267 |
| Fund balances - December 31 | \$ 1,427 | \$ 216,721 | \$ 50 | \$ 1,821 | \$ 45,612 |

| Loan Guarantee Assistance Program | Grants and Donations | Court Administrative Fee | Court Supplemental Public Defender | Clerk Records Perpetuation | Firefighters Exam | Anderson Preservation Project |
|--|-------------------------|--------------------------------|---|----------------------------------|----------------------|-------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | 89,396 | - | - | - | - | - |
| - | - | 40,334 | 4,890 | 5,886 | - | - |
| 273,669 | 31,887 | - | - | - | 10 | - |
| <u>273,669</u> | <u>121,283</u> | <u>40,334</u> | <u>4,890</u> | <u>5,886</u> | <u>10</u> | <u>-</u> |
| - | - | 37,868 | 2,558 | 3,364 | - | - |
| - | 12,917 | - | - | - | 520 | - |
| - | - | - | - | - | - | - |
| 10,000 | 98,750 | - | - | - | - | 117,253 |
| - | 7,275 | - | - | - | - | - |
| <u>10,000</u> | <u>118,942</u> | <u>37,868</u> | <u>2,558</u> | <u>3,364</u> | <u>520</u> | <u>117,253</u> |
| 263,669 | 2,341 | 2,466 | 2,332 | 2,522 | (510) | (117,253) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 263,669 | 2,341 | 2,466 | 2,332 | 2,522 | (510) | (117,253) |
| - | 46,261 | 26,859 | 11,980 | 8,743 | 510 | 117,253 |
| <u>\$ 263,669</u> | <u>\$ 48,602</u> | <u>\$ 29,325</u> | <u>\$ 14,312</u> | <u>\$ 11,265</u> | <u>\$ -</u> | <u>\$ -</u> |

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CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
 IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

| | Economic Development Revolving Loan | HOME | Law Enforcement Continuing Education Fee | Barrett Law Surplus | Totals |
|--|--|----------------|--|---------------------------|-------------------|
| Revenues: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 2,594,961 |
| Licenses and permits | - | - | - | - | 6,320 |
| Intergovernmental | - | 512,650 | - | - | 6,159,602 |
| Charges for services | - | 8,400 | - | - | 760,960 |
| Fines and forfeits | - | - | 8,976 | - | 474,914 |
| Other | 147,463 | 165,051 | - | 4,105 | 1,339,592 |
| Total revenues | 147,463 | 686,101 | 8,976 | 4,105 | 11,336,349 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | - | - | - | 350 | 3,507,200 |
| Public safety | - | - | 11,097 | - | 195,510 |
| Highways and streets | - | - | - | - | 2,831,244 |
| Economic development | 240,035 | 673,483 | - | - | 2,750,485 |
| Culture and recreation | - | - | - | - | 2,847,468 |
| Total expenditures | 240,035 | 673,483 | 11,097 | 350 | 12,131,907 |
| Excess (deficiency) of revenues over (under) expenditures | (92,572) | 12,618 | (2,121) | 3,755 | (795,558) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | 1,022,083 |
| Financing by capital lease | - | - | - | - | 228,122 |
| Total other financing sources (uses) | - | - | - | - | 1,250,205 |
| Net change in fund balances | (92,572) | 12,618 | (2,121) | 3,755 | 454,647 |
| Fund balances - January 1 | 935,194 | 90,313 | 30,856 | 93,057 | 3,788,891 |
| Fund balances - December 31 | \$ 842,622 | \$ 102,931 | \$ 28,735 | \$ 96,812 | \$ 4,243,538 |

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CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
 IN FUND BALANCES
 NON-MAJOR DEBT SERVICE FUNDS
 For The Year Ended December 31, 2005

| | Corporation Bonds | Sanitary District Bonds | COIT Principal and Interest | COIT Reserve | Twenty-Ninth Street TIF Bond and Interest |
|--|----------------------|-------------------------------|-----------------------------------|-------------------|---|
| Revenues: | | | | | |
| Taxes | \$ 858,781 | \$ 1,329,613 | \$ - | \$ - | \$ 49,650 |
| Intergovernmental | 73,861 | 114,354 | 389,072 | - | - |
| Other | 12,944 | - | - | - | - |
| Total revenues | <u>945,586</u> | <u>1,443,967</u> | <u>389,072</u> | <u>-</u> | <u>49,650</u> |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| Principal retirement | 535,000 | 635,000 | 250,000 | - | - |
| Interest and fiscal charges | 227,707 | 363,703 | 100,955 | - | - |
| Total expenditures | <u>762,707</u> | <u>998,703</u> | <u>350,955</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>182,879</u> | <u>445,264</u> | <u>38,117</u> | <u>-</u> | <u>49,650</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | 250,000 | - | - | - | - |
| Transfers out | (117,000) | (250,000) | - | - | - |
| Total other financing sources (uses) | <u>133,000</u> | <u>(250,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 315,879 | 195,264 | 38,117 | - | 49,650 |
| Fund balances - January 1 | (250,367) | 224,835 | 23,561 | 379,594 | - |
| Fund balances - December 31 | <u>\$ 65,512</u> | <u>\$ 420,099</u> | <u>\$ 61,678</u> | <u>\$ 379,594</u> | <u>\$ 49,650</u> |

| Redevelopment Bond and Interest | Redevelopment TIF Reserve | Police Station Sinking | Fire Station Sinking | Totals |
|---------------------------------------|---------------------------------|------------------------------|----------------------------|---------------------|
| \$ 1,841,736 | \$ - | \$ - | \$ - | \$ 4,079,780 |
| - | - | - | - | 577,287 |
| 72,155 | - | 19,286 | 2,232 | 106,617 |
| <u>1,913,891</u> | <u>-</u> | <u>19,286</u> | <u>2,232</u> | <u>4,763,684</u> |
| 575,000 | - | 130,000 | 60,000 | 2,185,000 |
| 713,108 | - | 348,570 | 47,245 | 1,801,288 |
| <u>1,288,108</u> | <u>-</u> | <u>478,570</u> | <u>107,245</u> | <u>3,986,288</u> |
| 625,783 | - | (459,284) | (105,013) | 777,396 |
| - | - | 620,000 | 117,000 | 987,000 |
| (620,000) | - | - | - | (987,000) |
| <u>(620,000)</u> | <u>-</u> | <u>620,000</u> | <u>117,000</u> | <u>-</u> |
| 5,783 | - | 160,716 | 11,987 | 777,396 |
| <u>1,220,648</u> | <u>834,171</u> | <u>640,652</u> | <u>133,277</u> | <u>3,206,371</u> |
| <u>\$ 1,226,431</u> | <u>\$ 834,171</u> | <u>\$ 801,368</u> | <u>\$ 145,264</u> | <u>\$ 3,983,767</u> |

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
 IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2005

| | Cumulative Capital Improvement | City Economic Development | Redevelopment Capital Improvement | Redevelopment TIF | Fire Building and Equipment |
|--|--------------------------------------|---------------------------------|---|----------------------|-----------------------------------|
| Revenues: | | | | | |
| Taxes | \$ - | \$ 624,436 | \$ - | \$ 758,906 | \$ - |
| Intergovernmental | 301,239 | - | - | - | 112,176 |
| Charges for services | - | - | - | - | 632,139 |
| Other | - | - | 25,100 | - | 75,154 |
| Total revenues | 301,239 | 624,436 | 25,100 | 758,906 | 819,469 |
| Expenditures: | | | | | |
| Capital outlay | 383,544 | 357,275 | 7,608 | 7,632 | 2,104,925 |
| Total expenditures | 383,544 | 357,275 | 7,608 | 7,632 | 2,104,925 |
| Excess (deficiency) of revenues over (under) expenditures | (82,305) | 267,161 | 17,492 | 751,274 | (1,285,456) |
| Other financing sources (uses): | | | | | |
| Financing by capital lease | - | - | - | - | 800,000 |
| Total other financing sources (uses) | - | - | - | - | 800,000 |
| Net change in fund balances | (82,305) | 267,161 | 17,492 | 751,274 | (485,456) |
| Fund balances - January 1 | 875,065 | 533,608 | 249,391 | 4,346,771 | 797,814 |
| Fund balances - December 31 | \$ 792,760 | \$ 800,769 | \$ 266,883 | \$ 5,098,045 | \$ 312,358 |

| COIT Bond Construction | Redevelopment TIF Capital Bond | City Court/ Main Street Bond | Urban Park Construction |
|------------------------------|--------------------------------------|------------------------------------|-------------------------------|
| \$ - | \$ - | \$ - | \$ - |
| - | 250,000 | - | - |
| - | - | - | - |
| - | 592,842 | - | 1,500 |
| - | 842,842 | - | 1,500 |
| 761 | 2,715,423 | 35,786 | 173,165 |
| 761 | 2,715,423 | 35,786 | 173,165 |
| (761) | (1,872,581) | (35,786) | (171,665) |
| - | - | - | - |
| - | - | - | - |
| (761) | (1,872,581) | (35,786) | (171,665) |
| 13,814 | 5,074,332 | 66,587 | 578,502 |
| \$ 13,053 | \$ 3,201,751 | \$ 30,801 | \$ 406,837 |

Continued on Next Page

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
 IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2005

| | Airport Grant | EDA Flagship | Sanitary District Construction | Certified Tech Park | Totals |
|--|------------------|-------------------|--------------------------------------|---------------------------|----------------------|
| Revenues: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 1,383,342 |
| Intergovernmental | 467,648 | 1,820,301 | - | 651,769 | 3,603,133 |
| Charges for services | - | - | - | - | 632,139 |
| Other | - | 3,894 | - | - | 698,490 |
| Total revenues | 467,648 | 1,824,195 | - | 651,769 | 6,317,104 |
| Expenditures: | | | | | |
| Capital outlay | 513,496 | 3,499,251 | 2,460,003 | - | 12,258,869 |
| Total expenditures | 513,496 | 3,499,251 | 2,460,003 | - | 12,258,869 |
| Excess (deficiency) of revenues over (under) expenditures | (45,848) | (1,675,056) | (2,460,003) | 651,769 | (5,941,765) |
| Other financing sources (uses): | | | | | |
| Financing by capital lease | - | - | - | - | 800,000 |
| Total other financing sources (uses) | - | - | - | - | 800,000 |
| Net change in fund balances | (45,848) | (1,675,056) | (2,460,003) | 651,769 | (5,141,765) |
| Fund balances - January 1 | 45,848 | 1,882,213 | 9,595,617 | - | 24,059,562 |
| Fund balances - December 31 | <u>\$ -</u> | <u>\$ 207,157</u> | <u>\$ 7,135,614</u> | <u>\$ 651,769</u> | <u>\$ 18,917,797</u> |

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
|---------------------------------|---------------------------------|-------------------|---|--|------------------------------|-------------------|---|--|
| | Original | Final | | | Original | Final | | |
| | <u>Motor Vehicle Highway</u> | | | | <u>Local Road and Street</u> | | | |
| Revenues: | | | | | | | | |
| Intergovernmental | \$ 1,920,726 | \$ 1,920,726 | \$ 1,998,957 | \$ 78,231 | \$ 644,248 | \$ 644,248 | \$ 595,295 | \$ (48,953) |
| Other | 170,000 | 170,000 | 117,904 | (52,096) | - | - | 12,151 | 12,151 |
| Total revenues | <u>2,090,726</u> | <u>2,090,726</u> | <u>2,116,861</u> | <u>26,135</u> | <u>644,248</u> | <u>644,248</u> | <u>607,446</u> | <u>(36,802)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Highways and streets | 2,080,485 | 1,959,479 | 1,832,941 | 126,538 | 765,466 | 677,104 | 673,963 | 3,141 |
| Total expenditures | <u>2,080,485</u> | <u>1,959,479</u> | <u>1,832,941</u> | <u>126,538</u> | <u>765,466</u> | <u>677,104</u> | <u>673,963</u> | <u>3,141</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | 250,000 | 250,000 | - | - | - | - |
| Transfers out | - | - | (250,000) | (250,000) | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 10,241 | 131,247 | 283,920 | (100,403) | (121,218) | (32,856) | (66,517) | (39,943) |
| Fund balances - January 1 | 195,753 | 195,753 | 195,753 | - | 157,191 | 157,191 | 157,191 | - |
| Fund balances - December 31 | <u>\$ 205,994</u> | <u>\$ 327,000</u> | <u>\$ 479,673</u> | <u>\$ (100,403)</u> | <u>\$ 35,973</u> | <u>\$ 124,335</u> | <u>\$ 90,674</u> | <u>\$ (39,943)</u> |
| | <u>Municipal Transportation</u> | | | | <u>Airport</u> | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 379,000 | \$ 379,000 | \$ 381,396 | \$ 2,396 |
| Intergovernmental | 1,050,000 | 1,050,000 | 1,317,833 | 267,833 | 253,394 | 253,394 | 167,821 | (85,573) |
| Other | 125,000 | 125,000 | 175,297 | 50,297 | 114,478 | 114,478 | 176,007 | 61,529 |
| Total revenues | <u>1,175,000</u> | <u>1,175,000</u> | <u>1,493,130</u> | <u>318,130</u> | <u>746,872</u> | <u>746,872</u> | <u>725,224</u> | <u>(21,648)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 2,498,713 | 2,428,583 | 2,291,463 | 137,120 | 699,395 | 819,095 | 775,797 | 43,298 |
| Total expenditures | <u>2,498,713</u> | <u>2,428,583</u> | <u>2,291,463</u> | <u>137,120</u> | <u>699,395</u> | <u>819,095</u> | <u>775,797</u> | <u>43,298</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 1,115,000 | 1,115,000 | 1,022,083 | (92,917) | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources | <u>1,115,000</u> | <u>1,115,000</u> | <u>1,022,083</u> | <u>(92,917)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (208,713) | (138,583) | 223,750 | 88,093 | 47,477 | (72,223) | (50,573) | (64,946) |
| Fund balances - January 1 | 349,872 | 349,872 | 349,872 | - | 391,993 | 391,993 | 391,993 | - |
| Fund balances - December 31 | <u>\$ 141,159</u> | <u>\$ 211,289</u> | <u>\$ 573,622</u> | <u>\$ 88,093</u> | <u>\$ 439,470</u> | <u>\$ 319,770</u> | <u>\$ 341,420</u> | <u>\$ (64,946)</u> |

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
|--------------------------------------|------------------------------|---------------------|---|--|------------------------------|-------------------|---|--|
| | Original | Final | | | Original | Final | | |
| | Community Development | | | | Parks and Recreation | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 2,143,600 | \$ 2,143,600 | \$ 2,155,872 | \$ 12,272 |
| Intergovernmental | 1,586,000 | 1,586,000 | 1,411,599 | (174,401) | 305,536 | 305,536 | 311,144 | 5,608 |
| Other | 7,000 | 7,000 | 161,048 | 154,048 | 356,318 | 356,318 | 435,186 | 78,868 |
| Total revenues | <u>1,593,000</u> | <u>1,593,000</u> | <u>1,572,647</u> | <u>(20,353)</u> | <u>2,805,454</u> | <u>2,805,454</u> | <u>2,902,202</u> | <u>96,748</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Economic development | 2,036,000 | 2,036,271 | 1,557,197 | 479,074 | - | - | - | - |
| Culture and recreation | - | - | - | - | 2,884,417 | 2,639,819 | 2,481,437 | 158,382 |
| Total expenditures | <u>2,036,000</u> | <u>2,036,271</u> | <u>1,557,197</u> | <u>479,074</u> | <u>2,884,417</u> | <u>2,639,819</u> | <u>2,481,437</u> | <u>158,382</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 300,000 | 300,000 |
| Transfers out | - | - | - | - | - | - | (344,912) | (344,912) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(44,912)</u> | <u>(44,912)</u> |
| Net change in fund balances | (443,000) | (443,271) | 15,450 | (499,427) | (78,963) | 165,635 | 375,853 | (106,546) |
| Fund balances - January 1 | 6,955 | 6,955 | 6,955 | - | - | - | - | - |
| Fund balances - December 31 | <u>\$ (436,045)</u> | <u>\$ (436,316)</u> | <u>\$ 22,405</u> | <u>\$ (499,427)</u> | <u>\$ (78,963)</u> | <u>\$ 165,635</u> | <u>\$ 375,853</u> | <u>\$ (106,546)</u> |
| | Park Non-reverting Operating | | | | Sanitary District Commission | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 14,000 | \$ 14,000 | \$ 13,869 | \$ (131) |
| Intergovernmental | 105,000 | 105,000 | 56,489 | (48,511) | 1,598 | 1,598 | 1,213 | (385) |
| Other | 299,000 | 299,000 | 220,072 | (78,928) | - | - | 10 | 10 |
| Total revenues | <u>404,000</u> | <u>404,000</u> | <u>276,561</u> | <u>(127,439)</u> | <u>15,598</u> | <u>15,598</u> | <u>15,092</u> | <u>(506)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Sanitation | - | - | - | - | 16,267 | 16,267 | 7,808 | 8,459 |
| Culture and recreation | 466,413 | 470,443 | 309,166 | 161,277 | - | - | - | - |
| Total expenditures | <u>466,413</u> | <u>470,443</u> | <u>309,166</u> | <u>161,277</u> | <u>16,267</u> | <u>16,267</u> | <u>7,808</u> | <u>8,459</u> |
| Other financing sources (uses): | | | | | | | | |
| Operating transfers in | - | - | 44,912 | 44,912 | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>44,912</u> | <u>44,912</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (62,413) | (66,443) | 12,307 | (243,804) | (669) | (669) | 7,284 | (8,965) |
| Fund balances - January 1 | 223,412 | 223,412 | 223,412 | - | 2,447 | 2,447 | 2,447 | - |
| Fund balances - December 31 | <u>\$ 160,999</u> | <u>\$ 156,969</u> | <u>\$ 235,719</u> | <u>\$ (243,804)</u> | <u>\$ 1,778</u> | <u>\$ 1,778</u> | <u>\$ 9,731</u> | <u>\$ (8,965)</u> |

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
|--------------------------------------|-------------------------|-------------------|---|--|--|------------------|---|--|
| | Original | Final | | | Original | Final | | |
| | City Court Probation | | | | Local Law Enforcement Continuing Education | | | |
| Revenues: | | | | | | | | |
| Other | \$ 274,200 | \$ 274,200 | \$ 380,707 | \$ 106,507 | \$ 43,500 | \$ 43,500 | \$ 46,945 | \$ 3,445 |
| Total revenues | <u>274,200</u> | <u>274,200</u> | <u>380,707</u> | <u>106,507</u> | <u>43,500</u> | <u>43,500</u> | <u>46,945</u> | <u>3,445</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | 282,286 | 364,786 | 273,693 | 91,093 | 56,515 | 56,515 | 37,321 | 19,194 |
| Total expenditures | <u>282,286</u> | <u>364,786</u> | <u>273,693</u> | <u>91,093</u> | <u>56,515</u> | <u>56,515</u> | <u>37,321</u> | <u>19,194</u> |
| Net change in fund balances | (8,086) | (90,586) | 107,014 | 15,414 | (13,015) | (13,015) | 9,624 | (15,749) |
| Fund balances - January 1 | 294,838 | 294,838 | 294,838 | - | 34,690 | 34,690 | 34,690 | - |
| Fund balances - December 31 | <u>\$ 286,752</u> | <u>\$ 204,252</u> | <u>\$ 401,852</u> | <u>\$ 15,414</u> | <u>\$ 21,675</u> | <u>\$ 21,675</u> | <u>\$ 44,314</u> | <u>\$ (15,749)</u> |
| | Clean Air Non-Reverting | | | | Corporation Bonds | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 840,000 | \$ 840,000 | \$ 844,273 | \$ 4,273 |
| Intergovernmental | 57,000 | 57,000 | 23,465 | (33,535) | 86,383 | 86,383 | 73,861 | (12,522) |
| Other | - | - | 17,778 | 17,778 | - | - | 12,944 | 12,944 |
| Total revenues | <u>57,000</u> | <u>57,000</u> | <u>41,243</u> | <u>(15,757)</u> | <u>926,383</u> | <u>926,383</u> | <u>931,078</u> | <u>4,695</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | 37,487 | 37,487 | 31,642 | 5,845 | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | 570,000 | 570,000 | 570,000 | - |
| Interest and fiscal charges | - | - | - | - | 297,219 | 297,219 | 297,219 | - |
| Total expenditures | <u>37,487</u> | <u>37,487</u> | <u>31,642</u> | <u>5,845</u> | <u>867,219</u> | <u>867,219</u> | <u>867,219</u> | <u>-</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 50,000 | 50,000 |
| Transfers out | - | - | - | - | - | - | (50,000) | (50,000) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 19,513 | 19,513 | 9,601 | (21,602) | 59,164 | 59,164 | 63,859 | 4,695 |
| Fund balances - January 1 | 34,274 | 34,274 | 34,274 | - | 1,686 | 1,686 | 1,686 | - |
| Fund balances - December 31 | <u>\$ 53,787</u> | <u>\$ 53,787</u> | <u>\$ 43,875</u> | <u>\$ (21,602)</u> | <u>\$ 60,850</u> | <u>\$ 60,850</u> | <u>\$ 65,545</u> | <u>\$ 4,695</u> |

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
|--------------------------------------|---------------------------------|-------------------|---|--|--------------------------------|-------------------|---|--|
| | Original | Final | | | Original | Final | | |
| | Sanitary District Bonds | | | | COIT Principal and Interest | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 1,300,000 | \$ 1,300,000 | \$ 1,307,149 | \$ 7,149 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 133,698 | 133,698 | 114,354 | (19,344) | 350,955 | 350,955 | 350,922 | (33) |
| Other | - | - | - | - | - | - | - | - |
| Total revenues | <u>1,433,698</u> | <u>1,433,698</u> | <u>1,421,503</u> | <u>(12,195)</u> | <u>350,955</u> | <u>350,955</u> | <u>350,922</u> | <u>(33)</u> |
| Expenditures: | | | | | | | | |
| Debt Service: | | | | | | | | |
| Principal | 681,369 | 635,000 | 635,000 | - | 250,000 | 250,000 | 250,000 | - |
| Interest and fiscal charges | 718,631 | 364,342 | 363,703 | 639 | 101,956 | 101,956 | 100,955 | 1,001 |
| Total expenditures | <u>1,400,000</u> | <u>999,342</u> | <u>998,703</u> | <u>639</u> | <u>351,956</u> | <u>351,956</u> | <u>350,955</u> | <u>1,001</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 26,894 | 26,894 |
| Transfers out | - | - | (25,166) | (25,166) | - | - | (26,861) | (26,861) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(25,166)</u> | <u>(25,166)</u> | <u>-</u> | <u>-</u> | <u>33</u> | <u>33</u> |
| Net change in fund balances | 33,698 | 434,356 | 397,634 | (38,000) | (1,001) | (1,001) | - | (1,001) |
| Fund balances - January 1 | - | - | - | - | - | - | - | - |
| Fund balances - December 31 | <u>\$ 33,698</u> | <u>\$ 434,356</u> | <u>\$ 397,634</u> | <u>\$ (38,000)</u> | <u>\$ (1,001)</u> | <u>\$ (1,001)</u> | <u>\$ -</u> | <u>\$ (1,001)</u> |
| | Redevelopment Bond and Interest | | | | Cumulative Capital Improvement | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 600,000 | \$ 600,000 | \$ 1,841,736 | \$ 1,241,736 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | 220,000 | 220,000 | 301,239 | 81,239 |
| Other | - | - | 72,155 | 72,155 | 250,000 | 250,000 | - | (250,000) |
| Total revenues | <u>600,000</u> | <u>600,000</u> | <u>1,913,891</u> | <u>1,313,891</u> | <u>470,000</u> | <u>470,000</u> | <u>301,239</u> | <u>(168,761)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | 900,000 | 900,000 | 375,640 | 524,360 |
| Debt Service: | | | | | | | | |
| Principal | 770,000 | 770,000 | 942,500 | (172,500) | - | - | - | - |
| Interest and fiscal charges | 1,056,668 | 1,056,668 | 965,609 | 91,059 | - | - | - | - |
| Total expenditures | <u>1,826,668</u> | <u>1,826,668</u> | <u>1,908,109</u> | <u>(81,441)</u> | <u>900,000</u> | <u>900,000</u> | <u>375,640</u> | <u>524,360</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 300,000 | 300,000 |
| Transfers out | - | - | - | - | (150,000) | (450,000) | (300,000) | 150,000 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(150,000)</u> | <u>(450,000)</u> | <u>-</u> | <u>450,000</u> |
| Net change in fund balances | (1,226,668) | (1,226,668) | 5,782 | 1,395,332 | (580,000) | (880,000) | (74,401) | (243,121) |
| Fund balances - January 1 | 1,220,648 | 1,220,648 | 1,220,648 | - | 875,065 | 875,065 | 875,065 | - |
| Fund balances - December 31 | <u>\$ (6,020)</u> | <u>\$ (6,020)</u> | <u>\$ 1,226,430</u> | <u>\$ 1,395,332</u> | <u>\$ 295,065</u> | <u>\$ (4,935)</u> | <u>\$ 800,664</u> | <u>\$ (243,121)</u> |

CITY OF ANDERSON, INDIANA
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

| | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) | Budgeted Amounts | | Actual Budgetary Basis Amounts | Variance With Final Budget Positive (Negative) |
|--------------------------------------|---------------------------|--------------|---|--|-----------------------------------|--------------|---|--|
| | Original | Final | | | Original | Final | | |
| | City Economic Development | | | | Redevelopment Capital Improvement | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 600,000 | \$ 600,000 | \$ 552,058 | \$ (47,942) | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - | 25,000 | 25,000 | 25,100 | 100 |
| Total revenues | 600,000 | 600,000 | 552,058 | (47,942) | 25,000 | 25,000 | 25,100 | 100 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Economic development | 426,000 | 543,164 | 332,918 | 210,246 | 148,350 | 227,030 | 7,608 | 219,422 |
| Total expenditures | 426,000 | 543,164 | 332,918 | 210,246 | 148,350 | 227,030 | 7,608 | 219,422 |
| Net change in fund balances | 174,000 | 56,836 | 219,140 | (258,188) | (123,350) | (202,030) | 17,492 | (219,322) |
| Fund balances - January 1 | 441,108 | 441,108 | 441,108 | - | 249,391 | 249,391 | 249,391 | - |
| Fund balances - December 31 | \$ 615,108 | \$ 497,944 | \$ 660,248 | \$ (258,188) | \$ 126,041 | \$ 47,361 | \$ 266,883 | \$ (219,322) |
| | Redevelopment TIF | | | | Fire Building and Equipment | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 1,727,450 | \$ 1,727,450 | \$ 758,906 | \$ (968,544) | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - | - | 112,176 | 112,176 |
| Other | - | - | - | - | 420,000 | 420,000 | 689,406 | 269,406 |
| Total revenues | 1,727,450 | 1,727,450 | 758,906 | (968,544) | 420,000 | 420,000 | 801,582 | 381,582 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | - | - | - | - | 500,000 | 1,406,613 | 1,349,593 | 57,020 |
| Economic development | 2,500,000 | 333 | 333 | - | - | - | - | - |
| Total expenditures | 2,500,000 | 333 | 333 | - | 500,000 | 1,406,613 | 1,349,593 | 57,020 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | 300,000 | 300,000 | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | 300,000 | 300,000 | - | - | - | - |
| Net change in fund balances | (772,550) | 1,727,117 | 1,058,573 | (668,544) | (80,000) | (986,613) | (548,011) | 324,562 |
| Fund balances - January 1 | 4,346,771 | 4,346,771 | 4,346,771 | - | 766,738 | 766,738 | 766,738 | - |
| Fund balances - December 31 | \$ 3,574,221 | \$ 6,073,888 | \$ 5,405,344 | \$ (668,544) | \$ 686,738 | \$ (219,875) | \$ 218,727 | \$ 324,562 |

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NON-MAJOR PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City maintains the following non-major internal service funds:

Insurance Loss

To account for financial requirements to self-insure for workers' compensation benefits

Health Insurance

To account for revenues from employer, employee and retiree contributions for the City's health insurance

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR PROPRIETARY FUNDS
 December 31, 2005

| | <u>Governmental Activities - Internal Service Funds</u> | | |
|---|---|-----------------------------|---------------------|
| <u>Assets</u> | <u>Insurance Loss</u> | <u>Health Insurance</u> | <u>Totals</u> |
| Current assets: | | | |
| Cash and cash equivalents | \$ 785,669 | \$ 2,116,088 | \$ 2,901,757 |
| Cash with fiscal agent | 19,315 | 612 | 19,927 |
| Investments | - | 2,387,796 | 2,387,796 |
| Receivables (net of allowances for uncollectibles): | | | |
| Interest receivable | - | 17,801 | 17,801 |
| Total assets | <u>804,984</u> | <u>4,522,297</u> | <u>5,327,281</u> |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Deferred claims liability | <u>104,919</u> | <u>1,054,853</u> | <u>1,159,772</u> |
| Total liabilities | <u>104,919</u> | <u>1,054,853</u> | <u>1,159,772</u> |
| <u>Net assets</u> | | | |
| Unrestricted | <u>\$ 700,065</u> | <u>\$ 3,467,444</u> | <u>\$ 4,167,509</u> |

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET ASSETS
 NON-MAJOR PROPRIETARY FUNDS
 For The Year Ended December 31, 2005

| | <u>Governmental Activities - Internal Service Funds</u> | | |
|---------------------------------|---|-----------------------------|---------------------|
| | <u>Insurance Loss</u> | <u>Health Insurance</u> | <u>Totals</u> |
| Operating revenues: | | | |
| Employer/employee contributions | \$ 850,000 | \$ 10,731,149 | \$ 11,581,149 |
| Other | 307,874 | 375,173 | 683,047 |
| Total operating revenues | <u>1,157,874</u> | <u>11,106,322</u> | <u>12,264,196</u> |
| Operating expenses: | | | |
| Administration and general | - | 36,007 | 36,007 |
| Insurance claims and premiums | 849,449 | 9,597,142 | 10,446,591 |
| Total operating expenses | <u>849,449</u> | <u>9,633,149</u> | <u>10,482,598</u> |
| Operating income | <u>308,425</u> | <u>1,473,173</u> | <u>1,781,598</u> |
| Nonoperating revenues: | | | |
| Investment income | - | 184,888 | 184,888 |
| Net income | <u>308,425</u> | <u>1,658,061</u> | <u>1,966,486</u> |
| Change in net assets | <u>308,425</u> | <u>1,658,061</u> | <u>1,966,486</u> |
| Net assets - January 1 | <u>391,640</u> | <u>1,809,383</u> | <u>2,201,023</u> |
| Net assets - December 31 | <u>\$ 700,065</u> | <u>\$ 3,467,444</u> | <u>\$ 4,167,509</u> |

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR PROPRIETARY FUNDS
 For The Year Ended December 31, 2005

| | Governmental Activities - Internal Service Funds | | |
|--|--|---------------------|---------------------|
| | Insurance Loss | Health Insurance | Totals |
| Cash flows from operating activities: | | | |
| Receipts from employers/employees | \$ 850,000 | \$ 10,731,149 | \$ 11,581,149 |
| Other receipts | 307,874 | 141,161 | 449,035 |
| Payments for administration and general | - | (36,484) | (36,484) |
| Payments for insurance claims and premiums | (788,111) | (9,907,924) | (10,696,035) |
| Net cash provided by operating activities | <u>369,763</u> | <u>927,902</u> | <u>1,297,665</u> |
| Cash flows from investing activities: | | | |
| Proceeds from sales and maturities of investments | - | 4,299,540 | 4,299,540 |
| Purchase of investments | - | (4,026,473) | (4,026,473) |
| Investment income received | - | 184,903 | 184,903 |
| Net cash provided by investing activities | <u>-</u> | <u>457,970</u> | <u>457,970</u> |
| Increase in cash and cash equivalents | 369,763 | 1,385,872 | 1,755,635 |
| Cash and cash equivalents - January 1 | <u>435,221</u> | <u>730,828</u> | <u>1,166,049</u> |
| Cash and cash equivalents - December 31 | <u>\$ 804,984</u> | <u>\$ 2,116,700</u> | <u>\$ 2,921,684</u> |
| Reconciliation of operating income to net cash | | | |
| Provided by operating activities: | | | |
| Operating income | \$ 308,425 | \$ 1,473,173 | \$ 1,781,598 |
| Adjustments to reconcile operating income to | | | |
| net cash provided (used) by operating activities: | | | |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | (9,525) | (406,194) | (415,719) |
| Deferred claims liability | 70,863 | (139,077) | (68,214) |
| Total adjustments | <u>61,338</u> | <u>(545,271)</u> | <u>(483,933)</u> |
| Net cash provided by operating activities | <u>\$ 369,763</u> | <u>\$ 927,902</u> | <u>\$ 1,297,665</u> |
| Noncash investing activities: | | | |
| Change in fair value of investments | \$ - | \$ 17 | \$ 17 |
| Reconciliation of cash and cash equivalents as | | | |
| Presented on statement of net assets to statement of cash flows: | | | |
| Statement of net assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 785,669 | \$ 2,116,088 | \$ 2,901,757 |
| Cash with fiscal agent | <u>19,315</u> | <u>612</u> | <u>19,927</u> |
| Cash and cash equivalents per statement of cash flows | <u>\$ 804,984</u> | <u>\$ 2,116,700</u> | <u>\$ 2,921,684</u> |

FIDUCIARY FUNDS

PENSION TRUST FUNDS

These funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. The City maintains the following non-major pension trust funds:

Police Pension

To account for the provision of retirement and disability benefits to police officers hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members, state cigarette tax distributions, and a specific annual property tax levy.

Fire Pension

To account for the provision of retirement and disability benefits to firefighters hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members, state cigarette tax distributions, and a specific annual property tax levy.

AGENCY FUNDS

These funds are used to account for resources that are custodial in nature. They generally are amounts held by the City on behalf of third parties. The City maintains the following non-major agency funds:

Civil City Payroll

To account for withholdings that are payable

City Clerk

To account for funds held in a fiduciary capacity for the City Clerk's office.

Court Costs Due County

To account for the portion of court costs collected by the City Clerk due Madison County

Waivered Barrett Law

To account for property owner assessment receipts held by the City as agent for the repayment of related contractor Barrett Law Bonds.

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 December 31, 2005

| <u>Assets</u> | <u>Police Pension</u> | <u>Fire Pension</u> | <u>Totals</u> |
|--|---------------------------|-------------------------|---------------------|
| Cash and cash equivalents | \$ 1,199,276 | \$ 1,099,533 | \$ 2,298,809 |
| Investment in external pool | 1,567,124 | 1,714,172 | 3,281,296 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes | 76,764 | 80,109 | 156,873 |
| Total assets | <u>\$ 2,843,164</u> | <u>\$ 2,893,814</u> | <u>\$ 5,736,978</u> |
| | | | |
| <u>Net assets</u> | | | |
| Reserved for employees' pension benefits | <u>\$ 2,843,164</u> | <u>\$ 2,893,814</u> | <u>\$ 5,736,978</u> |

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 December 31, 2005

| <u>Assets</u> | <u>Civil City Payroll</u> | <u>City Clerk</u> | <u>Court Costs Due County</u> | <u>Waivered Barrett Law</u> | <u>Totals</u> |
|---|-------------------------------|-----------------------|-----------------------------------|---------------------------------|---------------------|
| Cash and cash equivalents | \$ 909,744 | \$ 402,681 | \$ 7,199 | \$ 114,928 | \$ 1,434,552 |
| Receivables (net of allowance for uncollectibles): Special assessments | - | - | - | 139,456 | 139,456 |
| Total assets | \$ 909,744 | \$ 402,681 | \$ 7,199 | \$ 254,384 | \$ 1,574,008 |
| | | | | | |
| <u>Liabilities</u> | | | | | |
| Accrued payroll and withholdings payable | \$ 909,744 | \$ - | \$ - | \$ - | \$ 909,744 |
| Intergovernmental payable | - | 29,935 | 7,199 | - | 37,134 |
| Special assessments payable | - | - | - | 114,928 | 114,928 |
| Trust payable | - | 372,746 | - | 139,456 | 512,202 |
| Total liabilities | \$ 909,744 | \$ 402,681 | \$ 7,199 | \$ 254,384 | \$ 1,574,008 |

CITY OF ANDERSON, INDIANA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

| | Police Pension | Fire Pension | Totals |
|----------------------------|---------------------|---------------------|---------------------|
| Additions: | | | |
| Employer contributions | \$ 2,606,126 | \$ 2,757,473 | \$ 5,363,599 |
| Plan members contributions | 15,024 | 19,876 | 34,900 |
| Total contributions | <u>2,621,150</u> | <u>2,777,349</u> | <u>5,398,499</u> |
| Investment income | <u>41,150</u> | <u>45,013</u> | <u>86,163</u> |
| Total additions | <u>2,662,300</u> | <u>2,822,362</u> | <u>5,484,662</u> |
| Deductions: | | | |
| Benefits | 2,625,792 | 2,899,061 | 5,524,853 |
| Administrative expense | <u>10,639</u> | <u>12,802</u> | <u>23,441</u> |
| Total deductions | <u>2,636,431</u> | <u>2,911,863</u> | <u>5,548,294</u> |
| Change in net assets | 25,869 | (89,501) | (63,632) |
| Net assets - January 1 | <u>2,817,295</u> | <u>2,983,315</u> | <u>5,800,610</u> |
| Net assets - December 31 | <u>\$ 2,843,164</u> | <u>\$ 2,893,814</u> | <u>\$ 5,736,978</u> |

CITY OF ANDERSON, INDIANA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2005

| | Civil City Payroll | City Clerk | Court Costs Due County | Waivered Barrett Law | Totals |
|--|--------------------------|-------------------|---------------------------|-------------------------|---------------------|
| Assets: | | | | | |
| Cash and cash equivalents - January 1 | \$ 940,631 | \$ 356,931 | \$ 7,700 | \$ 145,630 | \$ 1,450,892 |
| Additions | 12,739,339 | 1,011,710 | 61,430 | 83,406 | 13,895,885 |
| Deductions | (12,770,226) | (965,960) | (61,931) | (114,108) | (13,912,225) |
| Cash and cash equivalents - December 31 | 909,744 | 402,681 | 7,199 | 114,928 | 1,434,552 |
| Interest receivable - January 1 | \$ - | \$ - | \$ - | \$ 1,777 | \$ 1,777 |
| Additions | - | - | - | - | - |
| Deductions | - | - | - | (1,777) | (1,777) |
| Interest receivable - December 31 | - | - | - | - | - |
| Special assessments receivable - January 1 | \$ - | \$ - | \$ - | \$ 194,328 | \$ 194,328 |
| Additions | - | - | - | 28,133 | 28,133 |
| Deductions | - | - | - | (83,005) | (83,005) |
| Special assessments receivable - December 31 | - | - | - | 139,456 | 139,456 |
| Total assets - December 31 | \$ 909,744 | \$ 402,681 | \$ 7,199 | \$ 254,384 | \$ 1,574,008 |
| Liabilities: | | | | | |
| Payroll withholdings payable - January 1 | \$ 940,631 | \$ - | \$ - | \$ - | \$ 940,631 |
| Additions | 12,739,339 | - | - | - | 12,739,339 |
| Deductions | (12,770,226) | - | - | - | (12,770,226) |
| Payroll withholdings payable - December 31 | 909,744 | - | - | - | 909,744 |
| Intergovernmental payable - January 1 | \$ - | \$ 21,242 | \$ 7,700 | \$ - | \$ 28,942 |
| Additions | - | 463,109 | 61,430 | - | 524,539 |
| Deductions | - | (454,416) | (61,931) | - | (516,347) |
| Intergovernmental payable - December 31 | - | 29,935 | 7,199 | - | 37,134 |
| Special assessments payable - January 1 | \$ - | \$ - | \$ - | \$ 145,630 | \$ 145,630 |
| Additions | - | - | - | - | - |
| Deductions | - | - | - | (30,702) | (30,702) |
| Special assessments payable - December 31 | - | - | - | 114,928 | 114,928 |
| Trust payable - January 1 | \$ - | \$ 335,689 | \$ - | \$ 196,105 | \$ 531,794 |
| Additions | - | 548,601 | - | - | 548,601 |
| Deductions | - | (511,544) | - | (56,649) | (568,193) |
| Trust payable - December 31 | - | 372,746 | - | 139,456 | 512,202 |
| Total liabilities - December 31 | \$ 909,744 | \$ 402,681 | \$ 7,199 | \$ 254,384 | \$ 1,574,008 |

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TABLE 1

CITY OF ANDERSON
 GOVERNMENT-WIDE EXPENSES BY FUNCTION
 LAST TEN YEARS (A)

| Fiscal Year Ended Dec 31 | General Government | Public Safety | Highways & Streets | Sanitation | Economic Development | Culture & Recreation | Interest on Long-term Debt | Water | Wastewater | Electric | Total |
|--------------------------|--------------------|---------------|--------------------|--------------|----------------------|----------------------|----------------------------|--------------|---------------|---------------|----------------|
| 2005 | \$ 16,115,043 | \$ 25,031,640 | \$ 3,524,009 | \$ 1,778,741 | \$ 3,350,916 | \$ 4,471,116 | \$ 1,958,598 | \$ 5,101,129 | \$ 10,863,998 | \$ 47,294,824 | \$ 119,490,014 |
| 2004 | \$ 14,125,121 | \$ 23,806,658 | \$ 3,995,669 | \$ 1,961,884 | \$ 723,270 | \$ 3,060,886 | \$ 1,590,361 | \$ 5,243,425 | \$ 10,839,178 | \$ 41,245,512 | \$ 106,591,964 |
| 2003 (A) | \$ 13,390,943 | \$ 24,109,746 | \$ 4,229,521 | \$ 1,787,092 | \$ 3,731,403 | \$ 4,254,061 | \$ 1,287,143 | \$ 4,818,496 | \$ 10,052,814 | \$ 38,145,172 | \$ 105,806,391 |

Data Source
 State Board Of Accounts Audit Report

(A) No information is available for prior years, since the accounting standard implementing Government-wide Financial Statements was first implemented during fiscal year 2003

TABLE 2

**CITY OF ANDERSON
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST TEN YEARS (A)**

| Fiscal Year Ended Dec 31 | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Property Taxes | Colt Taxes | Other Taxes | Grants & Contributions Not restricted | Unrestricted Investment Earnings | Total |
|-----------------------------------|-------------------------|--|--------------------------------------|-------------------|---------------|----------------|---|--|----------------|
| 2005 | \$ 75,426,181 | \$ 7,653,833 | \$ 5,653,363 | \$ 28,031,129 | \$ 7,593,939 | \$ 2,905,371 | \$ 459,965 | \$ 1,290,882 | \$ 129,014,663 |
| 2004 | \$ 69,492,691 | \$ 6,520,686 | \$ 7,138,974 | \$ 26,488,350 | \$ 6,495,046 | \$ 2,759,645 | \$ 2,550,671 | \$ 446,900 | \$ 121,892,963 |
| 2003 (A) | \$ 64,211,595 | \$ 6,416,159 | \$ 3,365,891 | \$ 24,641,005 | \$ 8,237,174 | \$ 4,460,320 | \$ 1,642,120 | \$ 420,960 | \$ 113,395,224 |

**Data Source
State Board Of Accounts Audit Report**

(A) No information is available for prior years, since the accounting standard implementing Government-wide Financial Statements was first implemented during fiscal year 2003

TABLE 5

**CITY OF ANDERSON
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (A)
LAST TEN FISCAL YEARS**

| | Property Taxes | Financial Institutions | | License Excise Tax | Commercial Vehicle Excise Tax | | Coit Tax | Total |
|------|----------------|------------------------|--------------|--------------------|-------------------------------|------------|------------|-------|
| | | Tax | Tax | | Excise Tax | Excise Tax | | |
| 2005 | \$ 29,958,262 | \$ 148,760 | \$ 2,030,462 | 209,784 | - | (B) | 32,347,268 | |
| 2004 | 27,639,518 | 158,569 | 2,378,710 | 99,897 | - | (B) | 30,276,694 | |
| 2003 | 26,572,146 | 159,720 | 2,426,123 | 176,846 | - | (B) | 29,334,836 | |
| 2002 | 26,144,919 | 148,132 | 2,323,771 | 181,218 | - | (B) | 28,798,040 | |
| 2001 | 23,837,232 | 144,828 | 2,466,026 | 172,588 | - | (B) | 26,620,674 | |
| 2000 | 23,196,731 | 144,643 | 2,440,833 | - | 5,068,527 | - | 30,850,734 | |
| 1999 | 22,204,191 | 162,705 | 2,450,519 | - | 4,827,350 | - | 29,644,765 | |
| 1998 | 22,711,725 | 146,186 | 2,284,562 | - | 4,007,244 | - | 29,149,718 | |
| 1997 | 21,712,961 | 152,048 | 2,202,654 | - | 2,018,017 | - | 26,085,681 | |
| 1996 | 20,647,023 | 160,621 | 2,196,110 | - | 2,384,513 | - | 25,388,266 | |

(A) Figures General, Special Revenue, Debt Service, Capital Projects, TIF and Pension Funds

(B) Effective 2001 COIT Taxes were reclassified as Intergovernmental Revenue

Data Source
Madison County Auditor's Office

TABLE 6

**CITY OF ANDERSON
PROPERTY TAXES LEVIED AND COLLECTED
LAST TEN YEARS**

| | <u>Taxes Levied (A)</u> | <u>Taxes Collected (B)</u> | <u>Total Collections as Percent of Taxes Levied</u> | <u>Total Collectible Delinquent Taxes (C)</u> |
|------|-----------------------------|--------------------------------|---|---|
| 2005 | \$ 31,318,506 | \$ 29,958,262 | 95.66% | \$ 6,191,927 |
| 2004 | 28,576,256 | 27,639,518 | 96.72% | 7,035,899 |
| 2003 | 28,197,211 | 26,572,146 | 94.24% | 6,072,856 |
| 2002 | 27,234,772 | 26,144,919 | 96.00% | 6,816,719 |
| 2001 | 24,553,584 | 23,837,232 | 97.08% | 3,934,086 |
| 2000 | 23,573,683 | 23,196,731 | 98.40% | 2,943,421 |
| 1999 | 23,127,541 | 22,204,191 | 96.01% | 2,952,847 |
| 1998 | 23,179,125 | 22,711,725 | 97.98% | 2,818,823 |
| 1997 | 22,467,673 | 21,712,961 | 96.64% | 3,427,655 |
| 1996 | 19,953,327 | 20,647,023 | 103.48% | 3,237,057 |

(A)&(B) Includes Tif Funds

(C) Includes Penalties and Interest

Data Source

Madison County Auditor's Office

TABLE 7

**CITY OF ANDERSON
 ASSESSED AND TRUE TAX VALUE OF TAXABLE PROPERTY (D)
 LAST TEN YEARS**

| | Real Property | | Personal Property | | Total | |
|----------|--------------------|------------------|--------------------|----------------|--------------------|------------------|
| | Assessed Value (C) | True Tax Value | Assessed Value (C) | True Tax Value | Assessed Value (C) | True Tax Value |
| 2005 (C) | \$ 1,371,356,525 | \$ 1,371,356,525 | \$ 269,166,080 | \$ 269,166,080 | \$ 1,640,522,605 | \$ 1,640,522,605 |
| 2004 (C) | 1,432,464,170 | 1,432,464,170 | 316,238,617 | 316,238,617 | 1,748,702,787 | 1,748,702,787 |
| 2003 (C) | 1,441,185,361 | 1,441,185,361 | 332,629,248 | 332,629,248 | 1,773,814,609 | 1,773,814,609 |
| 2002 (B) | 828,903,990 | 2,486,711,970 | 355,815,109 | 1,067,445,327 | 1,184,719,099 | 3,554,157,297 |
| 2001 (A) | 281,819,751 | 845,459,253 | 125,580,590 | 376,741,770 | 407,400,341 | 1,222,201,023 |
| 2000 (A) | 277,007,311 | 831,021,933 | 133,696,808 | 401,090,424 | 410,704,119 | 1,232,112,357 |
| 1999 (A) | 274,537,957 | 823,613,871 | 150,373,197 | 451,119,591 | 424,911,154 | 1,274,733,462 |
| 1998 (A) | 242,623,712 | 727,871,136 | 182,200,200 | 546,600,600 | 424,823,912 | 1,274,471,736 |
| 1997 (A) | 246,891,114 | 740,673,342 | 168,847,380 | 506,542,140 | 415,738,494 | 1,247,215,482 |
| 1996 (A) | 236,953,775 | 710,861,325 | 130,998,407 | 392,995,221 | 367,952,182 | 1,103,856,546 |

(A) For the years 1996-2001 the Assessed Value represents one-third of the True Tax Value.

(B) For 2002 the Assessed Value represents the Full True Tax Value.

(C) For the years 2003-2005 the Assessed Value is equal to the Market Value.

(D) Figures based on the Valuation Per Abstract from the Madison County Auditor's Office

TABLE 8

**CITY OF ANDERSON
PROPERTY TAX RATES-DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
(Per \$100 of Assessed Value)**

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Townships</u> | <u>Libraries</u> | <u>School Districts</u> | <u>County</u> | <u>Total</u> |
|----------|---------------------|------------------------------|---------------------------|------------------|------------------|-------------------------|---------------|--------------|
| 2005 (A) | \$1.2101 | \$0.2414 | \$0.1122 | \$ 0.0223 | \$0.1589 | \$1.8188 | \$0.6396 | \$ 4.2033 |
| 2004 (A) | \$1.1380 | \$0.2661 | \$0.1173 | \$ 0.0200 | \$0.1417 | \$1.3271 | \$0.5626 | \$ 3.5728 |
| 2003 (A) | \$1.0488 | \$0.2516 | \$0.0991 | \$ 0.0183 | \$0.1335 | \$1.1819 | \$0.5347 | \$ 3.2679 |
| 2002 (A) | 1.4500 | 0.4007 | 0.1320 | 0.0277 | 0.1970 | 1.7334 | 0.8129 | \$ 4.7537 |
| 2001 (B) | 4.1145 | 1.0086 | 0.3884 | 0.0905 | 0.5750 | 5.0403 | 2.0384 | \$13.2557 |
| 2000 (B) | 4.0163 | 0.8558 | 0.4601 | 0.0859 | 0.5231 | 5.0025 | 2.1082 | \$13.0519 |
| 1999 (B) | 3.7589 | 0.8163 | 0.4648 | 0.0856 | 0.5015 | 5.0177 | 2.1335 | \$12.7783 |
| 1998 (B) | 3.7690 | 0.8324 | 0.4386 | 0.0816 | 0.4950 | 4.8455 | 2.1227 | \$12.5848 |
| 1997 (B) | 3.7498 | 0.8586 | 0.4470 | 0.0780 | 0.5765 | 4.5810 | 2.1671 | \$12.4580 |
| 1996 (B) | 3.8802 | 0.7904 | 0.3825 | 0.0773 | 0.5751 | 4.5758 | 2.0453 | \$12.3266 |

(A) Change in Tax Rate is due to the Assessed Value Representing the True Tax Value for the year 2002 and Market based Assessed Value for 2003-2005

(B) Assessed Value was One Third True Tax Value 1996-2001

Data Source
Madison County Auditor's office

TABLE 9

**CITY OF ANDERSON
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA (A)
LAST TEN YEARS**

| | Assessed Value | Gross Bonded Debt | Debt Service Fund Balance | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita | Population Used |
|------|----------------------|-------------------|---------------------------|-----------------|--|----------------------------|-----------------|
| | | | | | | | |
| 2005 | \$ 1,640,522,605 (B) | \$ 39,136,946 | \$ 3,983,767 | \$ 35,153,179 | 2.14% | 606.70 | 57,942 |
| 2004 | 1,748,702,787 (B) | 41,306,786 | 3,206,371 | 38,100,415 | 2.18% | 652.47 | 58,394 |
| 2003 | 1,773,814,609 (B) | 29,597,530 | 3,103,526 | 26,494,004 | 1.49% | 443.53 | 59,734 |
| 2002 | 1,184,719,099 (B) | 29,735,000 | 2,701,444 | 27,033,556 | 2.28% | 452.57 | 59,734 |
| 2001 | 407,400,341 (C) | 15,220,000 | 159,395 | 15,060,605 | 3.70% | 252.13 | 59,734 |
| 2000 | 410,704,119 (C) | 16,770,000 | 72,924 | 16,697,076 | 4.07% | 280.82 | 59,459 |
| 1999 | 424,911,154 (C) | 18,560,000 | 35,838 | 18,524,162 | 4.36% | 311.55 | 59,459 |
| 1998 | 424,823,912 (C) | 20,265,000 | (22,664) | 20,287,664 | 4.78% | 341.20 | 59,459 |
| 1997 | 415,738,494 (C) | 15,530,000 | 1,032,812 | 14,497,188 | 3.49% | 243.82 | 59,459 |
| 1996 | 367,952,182 (C) | 16,770,000 | 1,093,017 | 15,676,983 | 4.26% | 263.66 | 59,459 |

(A) The year represents the year of assessment that is applicable to current year rate determination.

(B) Change in Tax Rate is due to the Assessed Value Representing the True Tax Value for the year 2002 and Market based Assessed Value for 2003-2005

(C) Assessed value was one third true tax value.

TABLE 10

**CITY OF ANDERSON
COMPUTATION OF LEGAL DEBT MARGIN
December 31, 2005**

| | General Obligation | COIT (A) | Sanitary | Park | Redevelopment | Redevelopment Authority (B) | Economic Development (B) |
|-------------------|-----------------------|-----------|---------------|---------------|---------------|--------------------------------|-----------------------------|
| Assessed Value | 1,640,522,605 | - | 1,640,522,605 | 1,640,522,605 | 1,640,522,605 | N/A | N/A |
| Debt Limit % | 2% | | 12% | 2% | 2% | N/A | N/A |
| Debt Limit | 32,810,452 | - | 196,862,713 | 32,810,452 | 32,810,452 | N/A | N/A |
| Bonds Outstanding | 1,770,000 | 2,165,000 | 12,055,000 | 3,610,000 | 9,110,000 | 7,620,000 | 3,035,000 |
| Legal Debt Margin | 31,040,452 | - | 184,807,713 | 29,200,452 | 23,700,452 | 7,620,000 | 3,035,000 |

(A) COIT Limit Based Upon Actual Annual Revenue
 (B) Limit Based Upon Food and Beverage Revenue Projection

TABLE 11

CITY OF ANDERSON
 SCHEDULE OF DIRECT AND UNDERLYING DEBT
 DECEMBER 31, 2005

| | Total Bonder Debt (C) |
|--|--------------------------|
| <u>Direct debt</u> | |
| General Obligation Bonds of 2005 | \$ 1,770,000 |
| County Option Income Tax Bonds of 1998 | \$ 2,165,000 |
| Total Direct Debt and Lease Obligations | \$ 3,935,000 |
| <u>Overlapping and Underlying Direct Debt and Lease Obligations</u> | |
| City of Anderson Redevelopment District | 9,110,000 |
| Anderson Park District | 3,610,000 |
| Anderson Sanitary District | 12,055,000 |
| Anderson City Fire Station Building Corp | 640,000 |
| Anderson Aviation Commission | 588,003 (A) |
| Redevelopment Authority Lease Rental Revenue Bonds of 2002 | 7,620,000 |
| Southwest District TIF Bond Anticipation Notes | 1,695,000 (A) |
| Economic Development Revenue Bond Anticipation | 3,035,000 |
| Madison County | 1,763,708 (A) |
| Frankton-Lapel Community Schools | 757,125 (A) |
| South Madison Community Schools Corp. | 1,776,551 (A) |
| Elwood Public Library | 22,848 (A) |
| Pendleton Public Library | 60,000 |
| Anderson Community School Corp | 6,042,035 (A) |
| | - |
| Total Overlapping and Underlying Direct Debt and Lease Obligations | \$ 48,775,270 |
| Total Direct and Overlapping - Underlying Direct Debt and Lease Obligations | \$ 52,710,270 |

(A) Current year information was not available, figures are from prior year.

TABLE 12

**CITY OF ANDERSON
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES
LAST TEN YEARS**

| | Debt Service Requirements | | Total | Total General Expenditures | Ratio of Debt Service To General Expenditures |
|------|---------------------------|------------------------------|-----------|----------------------------------|--|
| | Principal | Interest & Fiscal Charges | | | |
| 2005 | 2,185,000 | 1,801,288 | 3,986,288 | 60,369,293 | 6.60% |
| 2004 | 7,795,100 | 1,292,202 | 9,087,302 | 61,991,204 | 14.66% |
| 2003 | 3,565,000 | 964,063 | 4,529,063 | 58,120,687 | 7.79% |
| 2002 | 2,965,000 | 964,057 | 3,929,057 | 57,159,768 | 6.87% |
| 2001 | 1,585,000 | 589,178 | 2,174,178 | 45,890,881 | 4.74% |
| 2000 | 1,715,000 | 845,254 | 2,560,254 | 48,695,469 | 5.26% |
| 1999 | 1,766,891 | 1,161,205 | 2,928,096 | 48,678,689 | 6.02% |
| 1998 | 2,203,875 | 1,356,765 | 3,560,640 | 42,869,546 | 8.31% |
| 1997 | 1,753,575 | 1,150,795 | 2,904,370 | 38,286,505 | 7.59% |
| 1996 | 1,514,138 | 1,219,059 | 2,733,197 | 36,824,965 | 7.42% |

NOTE: Includes General, Special Revenue, Debt Service, Capital Projects, Fiduciary Fund Type Expendable Trust

Data Source
State Board Of Accounts Audit Reports

TABLE 14

**CITY OF ANDERSON
SCHEDULE OF REVENUE BOND COVERAGE
WATER UTILITY
LAST TEN YEARS (CON'T)**

| | Net Operating Revenue | Operating Expenses (A) | Net Revenue Available For Debt Service | Debt Service Requirements | | | Coverage |
|------|-----------------------|------------------------|--|---------------------------|----------|---------|----------|
| | | | | Principal | Interest | Total | |
| 2005 | \$ 5,825,029 | \$ 5,105,066 | \$ 719,963 | \$ - | \$ - | \$ - | N/A |
| 2004 | 5,969,845 | 5,258,051 | 711,794 | - | - | - | N/A |
| 2003 | 5,842,860 | 4,259,105 | 1,583,755 | - | - | - | N/A |
| 2002 | 5,937,950 | 5,045,932 | 892,018 | - | - | - | N/A |
| 2001 | 5,846,995 | 4,747,953 | 1,099,042 | - | - | - | N/A |
| 2000 | 5,940,516 | 4,717,096 | 1,223,420 | - | - | - | N/A |
| 1999 | 6,175,240 | 4,643,880 | 1,531,360 | 545,000 | 27,250 | 572,250 | 268% |
| 1998 | 6,051,522 | 4,782,185 | 1,269,337 | 515,000 | 53,000 | 568,000 | 223% |
| 1997 | 6,049,033 | 4,688,577 | 1,360,456 | 490,000 | 77,500 | 567,500 | 240% |
| 1996 | 6,222,567 | 4,515,233 | 1,707,334 | 460,000 | 100,500 | 560,500 | 305% |

(A) Excludes depreciation and amortization.

TABLE 16

**CITY OF ANDERSON
PROPERTY VALUE AND CONSTRUCTION
LAST TEN YEARS**

| Fiscal Year | Actual Assessed Property Value (A) | Construction (B) | | | | | |
|-------------|------------------------------------|------------------|---------------|------------|---------------|-------|---------------|
| | | Residential | | Commercial | | Total | |
| | | Units | Value | Units | Value | Units | Value |
| 2005 | \$ 1,640,522,605 | 818 | \$ 17,210,728 | 352 | \$ 52,241,258 | 1,170 | \$ 69,451,986 |
| 2004 | 1,748,702,787 | 914 | 21,648,433 | 392 | 75,687,631 | 0 | 97,336,064 |
| 2003 | 1,773,814,609 | 1,020 | 19,451,820 | 366 | 46,398,428 | 1,386 | 65,850,248 |
| 2002 | 1,184,719,099 | 1,275 | 17,626,286 | 317 | 42,689,804 | 1,592 | 60,316,090 |
| 2001 | 407,400,341 | 3,291 | 26,337,008 | 612 | 34,999,130 | 3,903 | 61,336,138 |
| 2000 | 410,704,119 | 8,415 | 93,146,224 | 247 | 23,783,030 | 8,662 | 116,929,254 |
| 1999 | 424,911,154 | 1,144 | 23,469,089 | 272 | 27,754,880 | 1,416 | 51,223,969 |
| 1998 | 424,823,912 | 1,267 | 26,977,826 | 258 | 20,799,810 | 1,525 | 47,777,636 |
| 1997 | 415,738,494 | 1,425 | 23,336,687 | 261 | 14,968,209 | 1,686 | 38,304,896 |
| 1996 | 367,952,182 | 1,308 | 15,812,661 | 354 | 30,922,255 | 1,662 | 46,734,916 |

(A) Source: Madison County Auditor's Office

(B) Source: City of Anderson Building Department

TABLE 17

**CITY OF ANDERSON
PRINCIPAL TAXPAYERS AND EMPLOYERS
December 31, 2005**

| <u>Principal Taxpayers</u> | <u>Type of Business</u> | <u>Taxes</u> |
|--------------------------------|-------------------------|----------------------|
| General Motors Corp. | Automotive | 14,919,764 |
| Anderson Park Inc | Horse Track | 11,352,201 |
| Lowes Home Centers Inc | Hardware | 9,215,097 |
| Meijer Stores Limited Partners | Grocery | 9,012,173 |
| Precision Strip Inc | Factory | 8,705,265 |
| Bayview Malls, Inc. | Retail | 7,957,686 |
| Scatterfield Road Assoc. | Real Estate | 7,767,372 |
| Menard Inc | Hardware | 7,260,935 |
| Charles Street Associates II | Real Estate | 7,255,697 |
| Autum Ridge LP | Real Estate | 7,160,637 |
| Totals: | | \$ 90,606,827 |

| <u>Principal Employers</u> | <u>Type of Business</u> | <u>Number of Employees</u> |
|----------------------------------|-------------------------|----------------------------|
| Guide Corporation | Automotive Systems | 2,100 |
| St. John's Health Systems | Hospital | 1,580 |
| State Dept Correctional Facility | Reformatory | 1400 |
| Anderson Community Schools | Education | 1,190 |
| Delphi Automotive Systems(1) | Automotive Systems | 1,100 |
| Red Gold | Tomato Products | 900 |
| Community Hospital of Anderson | Hospital | 844 |
| City of Anderson | Government | 770 |
| Payless Kroger | Grocery Stores | 650 |
| Elsa Corporation | Automotive Systems | 600 |
| TOTALS | | 11,134 |

TABLE 18

**CITY OF ANDERSON
MISCELLANEOUS DEMOGRAPHIC STATISTICS**

| | | |
|------------------------------------|------------------------------------|--------------------------|
| Date of Founding | 1823 | |
| Date of Incorporation | 1839 | |
| Form of Government | Mayor and City Council (9 Members) | |
| Population | 58,394 | |
| Area (Square miles) | 36 Square Miles | |
| Estimated Miles of City Streets | 350 Miles | |
| Number of Employees | 756 Full Time Employees | 52 Part-time Employee |
| Police Protection | 130 Sworn Police Officers | 100 Vehicular Units |
| Fire Protection | 130 Sworn Firefighters | 15 EMS Response Vehicles |
| <u>Recreation and Culture:</u> | | |
| Number of Parks | 39 | Approx. 850 Acres |
| Paved Trails | 8 | Miles |
| Playgrounds | 15 | |
| Shelter Houses | 16 | |
| Community Centers | 2 | |
| Community Service Centers | 1 | |
| Golf Courses | 1 | Grandview |
| Swimming Pools | 2 | |
| Tennis Courts | 22 | |
| Baseball Fields | 8 | |
| Basketball Courts | 13 | |
| Fishing Marina | 2 | |
| Bait House | 1 | |
| Horse Tracks | 1 | Hoosier Park |
| Number of Libraries | 1 | |

**CITY OF ANDERSON
MISCELLANEOUS DEMOGRAPHIC STATISTICS (continued)**

| | |
|------------------------------|--|
| <u>Public Transportation</u> | |
| Number of Buses | 7 |
| Routes | 6 |
| Route Miles | 76.8 |
| Annual Rides | 177,000 |
| Annual Miles | 259,276.8 |
| Demand Response Service | 8 Nifty Lift |
| Annual Revenue Miles | 220,549 (Nifty Lift only) |
| Airports | 1 Anderson Municipal Airport 5,400 ft of runway |

Utilities

Electricity: Anderson Municipal Light & Power
Water/Sewer: Anderson City Utilities
Gas: Vectren
Telephone: SBC

Climate

37.6 inches of annual rainfall- average annual temperature of 61 degrees.

**CITY OF ANDERSON
MISCELLANEOUS DEMOGRAPHIC STATISTICS (continued)**

| | |
|--|-----------|
| <u>Anderson Municipal Light & Power</u> | |
| Customers | 37,073 |
| Miles of Lines | 535 miles |
| Service Area Square Miles | 70 |
| Peak Capacity | 178 MW |
| Power Supplier Indiana Municipal Power Agency | |
| <u>Anderson Water Utility</u> | |
| Customers | 23,593 |
| Wells/Pumps in Service | 15 |
| Pumping Capacity | 20 mgd |
| Daily Consumption | 11 mgd |
| Peak Demand | 13 mgd |
| Miles of Distribution Systems | 320 miles |
| <u>Anderson Sewage Treatment Utility</u> | |
| Customers | 21,249 |
| Dry Tons of Sludge (produced per year-metric) | 5,212 |
| Miles of Combined Sewer Lines | 218 miles |
| Miles of Sanitary Sewer Lines | 13 miles |
| <u>Anderson Stormwater Utility</u> | |
| Customers | 21,552 |
| Miles of Stormwater Sewer Lines | 167 miles |

TABLE 19

**CITY OF ANDERSON
ECONOMIC AND DEMOGRAPHIC INFORMATION**

| | <u>Labor Force</u> | <u>Employed</u> | <u>Unemployed</u> | <u>Unemployment Rate</u> |
|------|--------------------|-----------------|-------------------|--------------------------|
| 2005 | 27,670 | 25,620 | 2,050 | 7.4% |
| 2004 | 28,170 | 26,020 | 2,150 | 7.6% |
| 2003 | 29,920 | 27,700 | 2,220 | 7.4% |
| 2002 | 29,920 | 27,700 | 2,220 | 7.4% |
| 2001 | 30,390 | 28,630 | 1,760 | 5.8% |
| 2000 | 29,670 | 28,430 | 1,240 | 4.2% |
| 1999 | 29,040 | 27,840 | 1,200 | 4.1% |
| 1998 | 29,630 | 28,180 | 1,450 | 4.9% |
| 1997 | 29,750 | 28,330 | 1,420 | 4.8% |
| 1996 | 29,800 | 28,110 | 1,690 | 5.7% |

**POPULATION
CITY, COUNTY, STATE AND NATION
(Rounded to Nearest Thousand)**

| | 1960 | 1970 | 1980 | 1990 | 2000 |
|------------------|---------|---------|---------|---------|---------|
| City of Anderson | 49 | 70 | 64 | 59 | 59 |
| Madison County | 126 | 138 | 139 | 130 | 133 |
| State of Indiana | 4,662 | 5,195 | 5,490 | 5,441 | 6,080 |
| United States | 179,323 | 203,302 | 226,546 | 248,709 | 281,423 |

**CITY OF ANDERSON
ECONOMIC AND DEMOGRAPHIC INFORMATION (continued)**

| | <u>Number of Schools</u> | <u>Total Students</u> | <u>Number of Teachers</u> |
|---|------------------------------|---------------------------|-------------------------------|
| <u>Elementary and Secondary Education - Categories</u> | | | |
| Public Elementary Schools (Grades K-5) | 12 | 4,866 | 323 |
| Public Middle Schools (Grades 6-8) | 3 | 2,518 | 209 |
| Public High School (Grades 9-12) | 2 | 3,047 | 172 |
| Parochial | 2 | 379 | 32 |
| Totals | 19 | 10,810 | 736 |
| <u>Area Colleges</u> | | | |
| Anderson University | 1 | 2,800 | 135 |
| Purdue University (Anderson Campus) | 1 | 150 | 15 |
| Indiana Business College | 1 | 210 | 20 |
| IVY Tech College | 1 | 1800 | 110 |
| <u>Hospitals</u> | | | |
| Community Hospital of Anderson | | | 207 Beds |
| St. Johns Health System | | | 286 Beds |