

B27827

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

ANNUAL FINANCIAL REPORT

2005

CITY OF ELKHART

ELKHART COUNTY, INDIANA



**FILED**  
08/30/2006



TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials.....  | 2           |
| Independent Auditor's Report on Financial Statements and<br>Supplementary Schedule of Expenditures of Federal Awards .....  | 3-4         |
| Independent Auditor's Report on Compliance and on Internal Control Over<br>Financial Reporting Based on an Audit of Financial Statements<br>Performed in Accordance With Government Auditing Standards..... | 5-6         |
| Basic Financial Statements:   |             |
| Government-Wide Financial Statements:   |             |
| Statement of Activities and Net Assets – Cash and Investment Basis .....  | 7           |
| Fund Financial Statements:  |             |
| Governmental Funds:   |             |
| Statement of Assets and Fund Balances and Receipts, Disbursements,<br>and Changes in Fund Balances – Cash and Investment Basis<br>– Governmental Funds.....   | 8           |
| Proprietary Funds:  |             |
| Statement of Assets and Fund Balances and Receipts, Disbursements,<br>and Changes in Fund Balances – Cash and Investment Basis<br>– Proprietary Funds.....  | 9           |
| Fiduciary Funds:  |             |
| Statement of Additions, Deductions, and Changes in Cash and<br>Investment Balances – Fiduciary Funds .....  | 10          |
| Notes to Financial Statements .....   | 11-22       |
| Required Supplementary Information:   |             |
| Schedules of Funding Progress.....  | 23          |
| Schedule of Contributions From the Employer and Other Contributing Entities.....  | 24          |
| Supplementary Information:  |             |
| Combining Schedule of Assets and Fund Balances and Receipts, Disbursements,<br>and Changes in Fund Balances – Cash and Investment Basis – Other<br>Governmental Funds.....                                  | 25-34       |
| Combining Schedule of Additions, Deductions, and Changes in Cash and<br>Investment Balances – Pension Trust Funds.....  | 35          |
| Combining Schedule of Additions, Deductions, and Changes in Cash and<br>Investment Balances – Private-Purpose Trust Funds.....  | 36          |
| Combining Schedule of Additions, Deductions, and Changes in Cash and<br>Investment Balances – Agency Funds.....   | 37          |
| Schedule of Capital Assets.....   | 38          |
| Schedule of Long-Term Debt.....   | 39          |
| Audit Results and Comments:   |             |
| Condition of Financial Records (Applies to Controller).....   | 40          |
| Cash Balance Deficits (Applies to Controller).....  | 40          |
| Prescribed Forms (Applies to City Clerk).....   | 40          |
| City Clerk's Subsidiary Trust and Cash Bond Registers (Applies to City Clerk).....  | 41          |
| Supplemental Audit of Federal Awards:   |             |
| Independent Auditor's Report on Compliance With Requirements<br>Applicable to Each Major Program and Internal Control Over<br>Compliance in Accordance With OMB Circular A-133 .....                        | 44-45       |
| Schedule of Expenditures of Federal Awards.....   | 46          |
| Notes to Schedule of Expenditures of Federal Awards .....   | 47          |
| Schedule of Findings and Questioned Costs.....  | 48-49       |
| Auditee Prepared Schedules:   |             |
| Summary Schedule of Prior Audit Findings.....   | 50          |
| Corrective Action Plan.....   | 51          |
| Exit Conference.....  | 52          |
| Official Response .....   | 53-54       |

SCHEDULE OF OFFICIALS

| <u>Office</u>                              | <u>Official</u>                 | <u>Term</u>                                  |
|--|---------------------------------|--|
| Controller                                 | Stephen J. Malone               | 01-01-05 to 12-31-06                         |
| Mayor                                      | David L. Miller                 | 01-01-00 to 12-31-07                         |
| President of the Board of<br>Public Safety | Jean Mayes<br>N. Dean Hupp      | 01-01-05 to 12-31-05<br>01-01-06 to 12-31-06 |
| President of the Board of<br>Public Works  | James Beattie                   | 01-01-05 to 12-31-06                         |
| President of the Common Council            | James Pettit<br>Brian A. Thomas | 01-01-05 to 12-31-05<br>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](http://www.in.gov/sboa)

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

TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elkhart (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were not able to obtain sufficient evidential matter to substantiate the fund balances at year end due to bank reconciliation problems. The cash balances of the individual funds exceed the control account by \$325,238. This difference could represent an amount necessary to balance or represent an overstatement of fund balances.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, except for the effect of the unreconciled cash balances as noted in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances 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 cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 20, 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.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 20, 2006



**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 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 ELKHART, ELKHART COUNTY, INDIANA

We have audited the financial statements of the City of Elkhart (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 20, 2006. The opinion to the financial statements was qualified due to the City not reconciling all City funds to the bank account balances at year end. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

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  
(Continued)

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

July 20, 2006

CITY OF ELKHART  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

| Functions/Programs  | Program Receipts     |                         |  |  | Net (Disbursement) Receipt<br>and Changes in Net Assets |                             |                      |
|---|----------------------|-------------------------|--|--|---|-----------------------------|----------------------|
|   | Disbursements        | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                      |                             |                      |
|   |                      |                         |  |  | Governmental<br>Activities                              | Business-Type<br>Activities | Total                |
| Primary government:   |                      |                         |  |  |   |                             |                      |
| Governmental activities:  |                      |                         |  |  |   |                             |                      |
| General government  | \$ 18,040,673        | \$ 3,450,218            | \$ 1,685,311                             | \$ 178,481                             | \$ (12,726,663)   | \$ -                        | \$ (12,726,663)      |
| Public safety   | 16,923,716           | 288,262                 | 125,971                                  | 10,670                                 | (16,498,813)  | -                           | (16,498,813)         |
| Highways and streets  | 5,690,787            | 4,140                   | -  | 2,335,496                              | (3,351,151)   | -                           | (3,351,151)          |
| Sanitation  | 1,395,047            | -                       | -  | -                                      | (1,395,047)   | -                           | (1,395,047)          |
| Health and welfare  | 15,324               | -                       | -  | -                                      | (15,324)  | -                           | (15,324)             |
| Culture and recreation  | 3,692,262            | 749,136                 | 439,700                                  | 21,933                                 | (2,481,493)   | -                           | (2,481,493)          |
| Urban redevelopment and housing                                 | 1,640,524            | 375,022                 | 1,383,028                                | -                                      | 117,526   | -                           | 117,526              |
| Interest on long-term debt                                      | 438,132              | -                       | -  | -                                      | (438,132)   | -                           | (438,132)            |
| Total governmental activities                                   | <u>47,836,465</u>    | <u>4,866,778</u>        | <u>3,634,010</u>                         | <u>2,546,580</u>                       | <u>(36,789,097)</u>                                     | <u>-</u>                    | <u>(36,789,097)</u>  |
| Business-type activities:                                       |                      |                         |  |  |   |                             |                      |
| Water   | 6,125,340            | 6,266,641               | -  | -                                      | -   | 141,301                     | 141,301              |
| Wastewater  | 7,811,041            | 10,521,363              | -  | -                                      | -   | 2,710,322                   | 2,710,322            |
| Total business-type activities                                  | <u>13,936,381</u>    | <u>16,788,004</u>       | <u>-</u>                                 | <u>-</u>                               | <u>-</u>  | <u>2,851,623</u>            | <u>2,851,623</u>     |
| Total primary government  | <u>\$ 61,772,846</u> | <u>\$ 21,654,782</u>    | <u>\$ 3,634,010</u>                      | <u>\$ 2,546,580</u>                    | <u>(36,789,097)</u>                                     | <u>2,851,623</u>            | <u>(33,937,474)</u>  |
| General receipts:   |                      |                         |  |  |   |                             |                      |
| Property taxes  |                      |                         |  |  | 27,902,836  | -                           | 27,902,836           |
| Bonds and loans   |                      |                         |  |  | 1,792,080   | -                           | 1,792,080            |
| Grants and contributions not restricted<br>to specific programs |                      |                         |  |  | 12,999,569  | -                           | 12,999,569           |
| Unrestricted investment earnings                                |                      |                         |  |  | 227,374   | 129,714                     | 357,088              |
| Special items:  |                      |                         |  |  |   |                             |                      |
| Capital lease receivable payoff                                 |                      |                         |  |  | 6,693,281   | -                           | 6,693,281            |
| Advance refunding escrow  |                      |                         |  |  | (7,129,147)   | -                           | (7,129,147)          |
| Total general receipts and special items                        |                      |                         |  |  | <u>42,485,993</u>                                       | <u>129,714</u>              | <u>42,615,707</u>    |
| Change in net assets  |                      |                         |  |  | 5,696,896   | 2,981,337                   | 8,678,233            |
| Net assets - beginning  |                      |                         |  |  | <u>24,872,821</u>                                       | <u>10,462,720</u>           | <u>35,335,541</u>    |
| Net assets - ending   |                      |                         |  |  | <u>\$ 30,569,717</u>                                    | <u>\$ 13,444,057</u>        | <u>\$ 44,013,774</u> |
| <b>Assets</b>   |                      |                         |  |  |   |                             |                      |
| Cash and investments  |                      |                         |  |  | \$ 30,295,717   | \$ 3,818,778                | \$ 34,114,495        |
| Restricted assets:  |                      |                         |  |  |   |                             |                      |
| Cash and investments  |                      |                         |  |  | <u>274,000</u>  | <u>9,625,279</u>            | <u>9,899,279</u>     |
| Total assets  |                      |                         |  |  | <u>\$ 30,569,717</u>                                    | <u>\$ 13,444,057</u>        | <u>\$ 44,013,774</u> |
| <b>Net Assets</b>   |                      |                         |  |  |   |                             |                      |
| Restricted for:   |                      |                         |  |  |   |                             |                      |
| Debt service  |                      |                         |  |  | \$ 274,000  | \$ 3,930,483                | \$ 4,204,483         |
| Other purposes  |                      |                         |  |  | -   | 5,694,796                   | 5,694,796            |
| Unrestricted  |                      |                         |  |  | <u>30,295,717</u>                                       | <u>3,818,778</u>            | <u>34,114,495</u>    |
| Total net assets  |                      |                         |  |  | <u>\$ 30,569,717</u>                                    | <u>\$ 13,444,057</u>        | <u>\$ 44,013,774</u> |

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

CITY OF ELKHART  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

|   | General             | Motor<br>Vehicle<br>Highway | Park and<br>Recreation | Economic<br>Development<br>Income Tax | Other<br>Governmental<br>Funds | Totals               |
|---|---------------------|-----------------------------|------------------------|---------------------------------------|--------------------------------|----------------------|
| <b>Receipts:</b>  |                     |                             |                        |                                       |                                |                      |
| Taxes   | \$ 20,895,057       | \$ 830,549                  | \$ 2,117,076           | \$ -                                  | \$ 4,060,154                   | \$ 27,902,836        |
| Licenses and permits  | 203,672             | -                           | -                      | -                                     | 2,850                          | 206,522              |
| Intergovernmental   | 9,056,611           | 1,700,317                   | 177,064                | 2,542,723                             | 3,774,741                      | 17,251,456           |
| Charges for services  | 1,859,047           | 4,140                       | 105,454                | -                                     | 2,217,780                      | 4,186,421            |
| Fines and forfeits  | 408,771             | -                           | -                      | -                                     | 64,836                         | 473,607              |
| Other   | 1,626,612           | 73,302                      | 2,412                  | -                                     | 453,979                        | 2,156,305            |
| <b>Total receipts</b>   | <b>34,049,770</b>   | <b>2,608,308</b>            | <b>2,402,006</b>       | <b>2,542,723</b>                      | <b>10,574,340</b>              | <b>52,177,147</b>    |
| <b>Disbursements:</b>   |                     |                             |                        |                                       |                                |                      |
| General government  | 11,032,837          | -                           | -                      | 1,812,153                             | 4,582,566                      | 17,427,556           |
| Public safety   | 16,040,748          | -                           | -                      | -                                     | 539,937                        | 16,580,685           |
| Highways and streets  | -                   | 3,065,140                   | -                      | -                                     | 2,388,220                      | 5,453,360            |
| Sanitation  | 1,395,047           | -                           | -                      | -                                     | -                              | 1,395,047            |
| Health and welfare  | -                   | -                           | -                      | -                                     | 15,324                         | 15,324               |
| Culture and recreation  | 266,775             | -                           | 2,153,475              | -                                     | 1,155,642                      | 3,575,892            |
| Urban redevelopment and housing   | -                   | -                           | -                      | -                                     | 1,640,524                      | 1,640,524            |
| <b>Debt service:</b>  |                     |                             |                        |                                       |                                |                      |
| Principal   | -                   | -                           | -                      | -                                     | 350,000                        | 350,000              |
| Interest  | -                   | -                           | -                      | -                                     | 438,132                        | 438,132              |
| Advance refunding escrow  | -                   | -                           | -                      | -                                     | 7,129,147                      | 7,129,147            |
| <b>Capital outlay:</b>  |                     |                             |                        |                                       |                                |                      |
| General government  | 37,909              | -                           | -                      | 68,233                                | 156,975                        | 263,117              |
| Public safety   | 8,823               | -                           | -                      | -                                     | 334,208                        | 343,031              |
| Highways and streets  | -                   | 3,087                       | -                      | -                                     | 234,340                        | 237,427              |
| Culture and recreation  | -                   | -                           | 1,580                  | -                                     | 114,790                        | 116,370              |
| <b>Total disbursements</b>  | <b>28,782,139</b>   | <b>3,068,227</b>            | <b>2,155,055</b>       | <b>1,880,386</b>                      | <b>19,079,805</b>              | <b>54,965,612</b>    |
| Excess (deficiency) of revenue over<br>(under) disbursements  | 5,267,631           | (459,919)                   | 246,951                | 662,337                               | (8,505,465)                    | (2,788,465)          |
| <b>Other financing sources (uses)</b>   |                     |                             |                        |                                       |                                |                      |
| Bond proceeds   | -                   | -                           | -                      | -                                     | 1,792,080                      | 1,792,080            |
| Capital lease   | -                   | -                           | -                      | -                                     | 6,693,281                      | 6,693,281            |
| Transfers in  | 876,500             | -                           | -                      | -                                     | 2,399,534                      | 3,276,034            |
| Transfers out   | (72,000)            | -                           | -                      | (267,101)                             | (2,936,933)                    | (3,276,034)          |
| <b>Total other financing sources (uses)</b>   | <b>804,500</b>      | <b>-</b>                    | <b>-</b>               | <b>(267,101)</b>                      | <b>7,947,962</b>               | <b>8,485,361</b>     |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | 6,072,131           | (459,919)                   | 246,951                | 395,236                               | (557,503)                      | 5,696,896            |
| Cash and investment fund balance - beginning  | 3,235,511           | 485,065                     | 490,030                | 4,856,225                             | 15,805,990                     | 24,872,821           |
| Cash and investment fund balance - ending   | \$ 9,307,642        | \$ 25,146                   | \$ 736,981             | \$ 5,251,461                          | \$ 15,248,487                  | \$ 30,569,717        |
| <b>Cash and Investment Assets - December 31</b>   |                     |                             |                        |                                       |                                |                      |
| Cash and investments  | \$ 9,307,642        | \$ 25,146                   | \$ 736,981             | \$ 5,251,461                          | \$ 14,974,487                  | \$ 30,295,717        |
| <b>Restricted assets:</b>   |                     |                             |                        |                                       |                                |                      |
| Cash and investments  | -                   | -                           | -                      | -                                     | 274,000                        | 274,000              |
| <b>Total cash and investment assets - December 31</b>   | <b>\$ 9,307,642</b> | <b>\$ 25,146</b>            | <b>\$ 736,981</b>      | <b>\$ 5,251,461</b>                   | <b>\$ 15,248,487</b>           | <b>\$ 30,569,717</b> |
| <b>Cash and Investment Fund Balance - December 31</b>   |                     |                             |                        |                                       |                                |                      |
| <b>Restricted for:</b>  |                     |                             |                        |                                       |                                |                      |
| Debt service  | -                   | -                           | -                      | -                                     | 274,000                        | 274,000              |
| Unrestricted  | 9,307,642           | 25,146                      | 736,981                | 5,251,461                             | 14,974,487                     | 30,295,717           |
| <b>Total cash and investment fund balance - December 31</b>   | <b>\$ 9,307,642</b> | <b>\$ 25,146</b>            | <b>\$ 736,981</b>      | <b>\$ 5,251,461</b>                   | <b>\$ 15,248,487</b>           | <b>\$ 30,569,717</b> |

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

CITY OF ELKHART  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2005

|  | Water<br>Utility     | Wastewater<br>Utility  | Total                  |
|--|----------------------|------------------------|------------------------|
| Operating receipts:  |                      |                        |                        |
| Metered water receipts   | \$ 4,857,679         | \$ -                   | \$ 4,857,679           |
| Measured revenue   | -                    | 7,887,156              | 7,887,156              |
| Other  | <u>1,408,962</u>     | <u>2,634,207</u>       | <u>4,043,169</u>       |
| <br>Total operating receipts   | <br><u>6,266,641</u> | <br><u>10,521,363</u>  | <br><u>16,788,004</u>  |
| Operating disbursements:   |                      |                        |                        |
| Salaries and wages   | 1,151,694            | 1,989,192              | 3,140,886              |
| Employee pensions and benefits   | 353,781              | 623,093                | 976,874                |
| Purchased power  | 277,646              | 427,023                | 704,669                |
| Chemicals  | 55,374               | 85,964                 | 141,338                |
| Material and supplies  | 275,355              | 478,263                | 753,618                |
| Contractual services   | 1,490,326            | 1,344,308              | 2,834,634              |
| Rents  | 1,294                | 2,112                  | 3,406                  |
| Transportation disbursements   | 908                  | 970                    | 1,878                  |
| Insurance disbursements  | 120,000              | 130,000                | 250,000                |
| Sales tax  | 259,403              | -                      | 259,403                |
| U.R. tax   | 138,872              | -                      | 138,872                |
| Payment in lieu of tax   | 550,000              | 487,500                | 1,037,500              |
| Capital outlay   | 441,787              | 813,242                | 1,255,029              |
| Miscellaneous  | <u>122,200</u>       | <u>303,048</u>         | <u>425,248</u>         |
| <br>Total operating disbursements                                      | <br><u>5,238,640</u> | <br><u>6,684,715</u>   | <br><u>11,923,355</u>  |
| <br>Excess of receipts over disbursements                              | <br><u>1,028,001</u> | <br><u>3,836,648</u>   | <br><u>4,864,649</u>   |
| Nonoperating receipts (disbursements):                                 |                      |                        |                        |
| Interest and investment receipts                                       | 46,345               | 83,369                 | 129,714                |
| Debt service of principal  | (785,000)            | (965,000)              | (1,750,000)            |
| Interest and investment disbursement                                   | <u>(101,700)</u>     | <u>(161,326)</u>       | <u>(263,026)</u>       |
| <br>Total nonoperating receipts (disbursements)                        | <br><u>(840,355)</u> | <br><u>(1,042,957)</u> | <br><u>(1,883,312)</u> |
| <br>Excess of receipts over disbursements and<br>nonoperating receipts | <br>187,646          | <br>2,793,691          | <br>2,981,337          |
| Cash and investment fund balance - beginning                           | <u>4,850,721</u>     | <u>5,611,999</u>       | <u>10,462,720</u>      |
| Cash and investment fund balance - ending                              | <u>\$ 5,038,367</u>  | <u>\$ 8,405,690</u>    | <u>\$ 13,444,057</u>   |
| <br><u>Cash and Investment Assets - December 31</u>                    |                      |                        |                        |
| Cash and investments   | \$ 869,335           | \$ 2,949,443           | \$ 3,818,778           |
| Restricted assets:   |                      |                        |                        |
| Cash and investments   | <u>4,169,032</u>     | <u>5,456,247</u>       | <u>9,625,279</u>       |
| Total cash and investment assets - December 31                         | <u>\$ 5,038,367</u>  | <u>\$ 8,405,690</u>    | <u>\$ 13,444,057</u>   |
| <br><u>Cash and Investment Fund Balance - December 31</u>              |                      |                        |                        |
| Restricted for:  |                      |                        |                        |
| Debt service   | \$ 1,360,880         | \$ 2,569,603           | \$ 3,930,483           |
| Other purposes   | 2,808,152            | 2,886,644              | 5,694,796              |
| Unrestricted   | <u>869,335</u>       | <u>2,949,443</u>       | <u>3,818,778</u>       |
| Total cash and investment fund balance - December 31                   | <u>\$ 5,038,367</u>  | <u>\$ 8,405,690</u>    | <u>\$ 13,444,057</u>   |

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

CITY OF ELKHART  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2005

|   | Pension<br>Trust Funds | Private-Purpose<br>Trust Funds | Agency<br>Funds   |
|---|------------------------|--------------------------------|-------------------|
| Additions:  |                        |                                |                   |
| Charges for services  | \$ -                   | \$ 8,380                       | \$ -              |
| Contributions:  |                        |                                |                   |
| Employer  | 3,293,457              | -                              | -                 |
| Plan members  | 77,991                 | -                              | -                 |
| Private donations   | -                      | 192,579                        | -                 |
| Other   | -                      | 3,419                          | -                 |
| Total contributions   | <u>3,371,448</u>       | <u>195,998</u>                 | <u>-</u>          |
| Investment returned from 'Pension Relief Fund Sub-Account'              | <u>2,220,958</u>       | <u>-</u>                       | <u>-</u>          |
| Agency fund additions   | <u>-</u>               | <u>-</u>                       | <u>7,110,800</u>  |
| Total additions   | <u>5,592,406</u>       | <u>204,378</u>                 | <u>7,110,800</u>  |
| Deductions:   |                        |                                |                   |
| Benefits  | 4,272,637              | -                              | -                 |
| Administrative and general  | 39,388                 | -                              | -                 |
| Payments in accordance with trust agreements                            | -                      | 169,138                        | -                 |
| Agency fund deductions  | <u>-</u>               | <u>-</u>                       | <u>7,277,271</u>  |
| Total deductions  | <u>4,312,025</u>       | <u>169,138</u>                 | <u>7,277,271</u>  |
| Excess (deficiency) of total additions<br>over (under) total deductions | 1,280,381              | 35,240                         | (166,471)         |
| Cash and investment fund balance - beginning                            | <u>1,142,550</u>       | <u>735,713</u>                 | <u>940,236</u>    |
| Cash and investment fund balance - ending                               | <u>\$ 2,422,931</u>    | <u>\$ 770,953</u>              | <u>\$ 773,765</u> |

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

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City 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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water and wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Elkhart

The City does not have any component units.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. 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.

The City reports the following major governmental funds:

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.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The motor vehicle highway fund accounts for state motor vehicle highway distributions. Funds are used principally for the construction and maintenance of streets and alleys.

The park and recreation fund accounts for the operating receipts and disbursements made in connection with the city providing recreation programs and facilities.

The economic development income tax fund accounts for economic income taxes distributed by the County. Funds are used for financing public improvements.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

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

Additionally, the City reports the following fund types:

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

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the city cemeteries and for donations from private donors.

Agency funds account for assets held by the City as an agent for other governmental units and city employees.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

In financial statements issued prior to January 1, 2005, the City utilized the basis of accounting recognized as generally accepted. The fund financial statements for governmental funds used the modified accrual basis of accounting, while the fund financial statements for proprietary fund types used the accrual basis of accounting. All government-wide financials were presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund 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 enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds).

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

CITY OF ELKHART  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the City submits to the governing board 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 governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/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 fiscal officer of the City 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 governing board. 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.

B. Cash and Investment Balance Deficits

At December 31, 2005, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

| Fund                | 2005              |
|---------------------|-------------------|
| NYC Railroad Museum | <u>\$ 231,544</u> |

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. 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, 2005, the bank balance held at 1<sup>st</sup> Source Bank in the amount of \$48,190,304 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.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

| Transfer From                   | Transfer To        | 2005                    |
|---------------------------------|--------------------|-------------------------|
| General Fund                    | Other Governmental | \$ 72,000               |
| Economic Development Income Tax | Other Governmental | 267,101                 |
| Other Governmental              | General Fund       | 876,500                 |
|                                 | Other Governmental | <u>2,060,433</u>        |
| <br>Total                       |                    | <br><u>\$ 3,276,034</u> |

The City typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

C. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. New Funds represents the inclusion of existing funds which were not presented in the prior report.

| Opinion Unit | Balance<br>as Reported<br>December 31,<br>2004 | New Funds         | Balance<br>as Restated<br>January 1,<br>2005 |
|--------------|--|-------------------|--|
| Net assets   | <u>\$ 24,652,711</u>                           | <u>\$ 220,110</u> | <u>\$ 24,872,821</u>                         |

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Capital Lease Receivable Paid Off and Advance Refunding of Debt

In 2003, the City issued \$7,530,000 in revenue bonds to fund the purchase of the APG, Inc., building at 19199 Superior Street in Elkhart. APG, Inc., then leased the building from the City. Lease payments from APG, Inc., would be utilized to pay all costs of issuance, principal and interest on the bond issue over the 15 year life of the bonds. In 2005, the capital lease was paid off and the City used the \$6,693,281 proceeds to defease the remaining debt through an advance refunding escrow account in the amount of \$7,129,147.

C. Subsequent Events

In 2006, the State of Indiana entered into a 75 year lease for the Indiana toll road. The State will receive \$3.8 billion in proceeds from the lease. Each county through which the toll road runs will receive an allocation of \$40 million to be split among all the taxing units receiving motor vehicle highway distributions. Elkhart City's portion of the County's \$40 million is estimated at over \$8 million and is expected to be received in September 2006.

On May 18, 2006, the City sold general obligation bonds in the amount of \$1,990,000. The funds will be used to enhance neighborhoods and improve public health and safety. The Garfield and Cleveland Avenue project will replace failing sewer and water mains, improve fire fighting capabilities and also rehabilitate the streets, sidewalks and curbs. The estimated cost of the project is \$1,924,387.

On May 18, 2006, the City sold general obligation bonds for the park department in the amount of \$1,850,000. The funds will be used to finance the Pierre Moran Pool Renovation Project and replace playground equipment at various City parks. The estimated cost of the project is \$1,790,000.

In 2007, there will be 14 firefighters that have elected to retire under the Deferred Retirement Option Plan (DROP Program). On their retirement date, each firefighter will receive a distribution equal to the total amount of retirement benefits that have been deferred for the past 3 year. The City will pay \$1,212,768 in total to the retirees under the DROP program.

D. Conduit Debt Obligation

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 notes to the financial statements.

As of December 31, 2005, there were 27 series of Economic Development Revenue Bonds outstanding. The aggregate principal amount payable for 6 series issued after July 1, 1995, could not be determined; however, their original issue amount totaled \$14,605,000. The aggregate principal amount payable for the 21 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$57,905,200.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on December 22, 1993.

Wastewater Utility

The current rate structure was approved by the City Council on December 12, 1994.

F. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City 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 City 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 3% 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 City'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 City and the Utilities is not available.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The 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. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The 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. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan.

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

|  | PERF   | 1925 Police<br>Officers'<br>Pension                | 1937<br>Firefighters'<br>Pension                   |
|--|--|--|--|
| Annual required contribution               | \$ 671,366   | \$ 3,629,300                                       | \$ 4,956,900                                       |
| Interest on net pension obligation         | (40,649)   | 648,600  | 1,035,800  |
| Adjustment to annual required contribution | <u>46,322</u>  | <u>(1,082,100)</u>                                 | <u>(1,728,100)</u>                                 |
| Annual pension cost                        | 677,039  | 3,195,800  | 4,264,600  |
| Contributions made                         | <u>616,848</u>   | <u>1,495,891</u>                                   | <u>1,720,538</u>                                   |
| Increase in net pension obligation         | 60,191   | 1,699,909  | 2,544,062  |
| Net pension obligation, beginning of year  | <u>(560,671)</u>   | <u>9,609,074</u>                                   | <u>15,345,650</u>                                  |
| Net pension obligation, end of year        | <u>\$ (500,480)</u>                                      | <u>\$ 11,308,983</u>                               | <u>\$ 17,889,712</u>                               |
| Contribution rates:                        |  |  |  |
| City                                       | 4.75%  | 11.09%   | 10.31%   |
| 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 percentage of projected payroll, closed            | Level percentage of projected payroll, closed      | Level 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 |

Actuarial Assumptions

|                                    |       |          |          |
|------------------------------------|-------|----------|----------|
| 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% nonconverted members

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

|                                       | Year<br>Ending | Annual<br>Pension Cost<br>(APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|---------------------------------------|----------------|---------------------------------|-------------------------------------|------------------------------|
| PERF                                  | 06-30-03       | \$ 651,732                      | 88%                                 | \$ (481,742)                 |
|                                       | 06-30-04       | 538,182                         | 115%                                | (560,671)                    |
|                                       | 06-30-05       | 677,039                         | 115%                                | (500,480)                    |
| 1925 Police Officers'<br>Pension Plan | 12-31-01       | 3,091,000                       | 57%                                 | 8,687,953                    |
|                                       | 12-31-02       | 3,072,000                       | 70%                                 | 9,609,074                    |
|                                       | 12-31-03       | 3,195,800                       | 47%                                 | 11,308,983                   |
| 1937 Firefighters'<br>Pension Plan    | 12-31-01       | 4,355,000                       | 38%                                 | 13,641,739                   |
|                                       | 12-31-02       | 4,307,900                       | 60%                                 | 15,345,650                   |
|                                       | 12-31-03       | 4,264,600                       | 40%                                 | 17,889,712                   |

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

|   | 1925 Police<br>Officers'<br>Pension | 1937<br>Firefighters'<br>Pension |
|---|-------------------------------------|----------------------------------|
| Retirees and beneficiaries currently receiving benefits | 92                                  | 102                              |
| Current active employees                                | 3                                   | 9                                |

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. 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:

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 City 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 City 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 \$1,817,305, \$1,820,094, and \$1,726,334, respectively, equal to the required contributions for each year.

CITY OF ELKHART  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Excess of Assets Over AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------------|--------------------|---------------------|--|
| 07-01-03                 | \$ 12,208,469                 | \$ 11,560,881                         | \$ 647,588                      | 106%               | \$ 12,950,882       | 5%   |
| 07-01-04                 | 12,381,963                    | 12,850,184                            | (468,221)                       | 96%                | 13,907,410          | (3%)   |
| 07-01-05                 | 12,868,962                    | 14,405,379                            | (1,536,417)                     | 89%                | 13,003,857          | (12%)  |

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) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 01-01-00                 | \$ -                          | \$ 32,209,700                         | \$(32,209,700)     | 0%                 | \$ 516,200          | (6,240%)  |
| 01-01-01                 | 711,578                       | 32,542,000                            | (31,830,422)       | 2%                 | 460,400             | (6,914%)  |
| 01-01-02                 | 620,665                       | 32,542,000                            | (31,921,335)       | 2%                 | 269,000             | (11,867%)   |
| 01-01-03                 | 985,869                       | 30,058,900                            | (29,073,031)       | 3%                 | 478,000             | (6,082%)  |
| 01-01-04                 | 633,305                       | 32,706,500                            | (32,073,195)       | 2%                 | 289,800             | (11,067%)   |
| 01-01-05                 | *                             | *                                     | *                  | *                  | *                   | *   |

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) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 01-01-00                 | \$ 165,335                    | \$ 41,958,300                         | \$(41,792,965)     | 0%                 | \$ 1,204,300        | (3,470%)  |
| 01-01-01                 | 1,124,010                     | 44,575,100                            | (43,451,090)       | 3%                 | 1,149,600           | (3,780%)  |
| 01-01-02                 | 954,376                       | 44,035,500                            | (43,081,124)       | 2%                 | 1,149,300           | (3,748%)  |
| 01-01-03                 | 1,377,908                     | 35,953,200                            | (34,575,292)       | 4%                 | 1,396,800           | (2,475%)  |
| 01-01-04                 | 1,060,320                     | 43,021,900                            | (41,961,580)       | 2%                 | 1,152,600           | (3,641%)  |
| 01-01-05                 | *                             | *                                     | *                  | *                  | *                   | *   |

\*Information not available

CITY OF ELKHART  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

| 1925 Police Officers' Pension Plan |   |                                  |       |
|------------------------------------|---|----------------------------------|-------|
| Year<br>Ending                     | Annual<br>Required<br>Contribution<br>(ARC) | Percentage of ARC<br>Contributed |       |
|                                    |   | City                             | State |
| 12-31-98                           | \$ 3,558,600                                | 31%                              | 24%   |
| 12-31-99                           | 3,223,300                                   | 8%                               | 24%   |
| 12-31-00                           | 3,244,400                                   | 56%                              | 23%   |
| 12-31-01                           | 3,360,300                                   | 32%                              | 21%   |
| 12-31-02                           | 3,425,000                                   | 19%                              | 44%   |
| 12-31-03                           | 3,629,300                                   | 11%                              | 30%   |

| 1937 Firefighters' Pension Plan |   |                                  |       |
|---------------------------------|---|----------------------------------|-------|
| Year<br>Ending                  | Annual<br>Required<br>Contribution<br>(ARC) | Percentage of ARC<br>Contributed |       |
|                                 |   | City                             | State |
| 12-31-98                        | \$ 4,421,200                                | 29%                              | 21%   |
| 12-31-99                        | 4,247,200                                   | 12%                              | 19%   |
| 12-31-00                        | 4,377,200                                   | 43%                              | 19%   |
| 12-31-01                        | 4,755,000                                   | 19%                              | 16%   |
| 12-31-02                        | 4,861,900                                   | 20%                              | 33%   |
| 12-31-03                        | 4,956,900                                   | 10%                              | 25%   |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

|   | Local Road<br>and Street | Cemetery<br>Operating | Mausoleum<br>Operating | Tolson Drug<br>Elimination<br>Grant | UMTA<br>Transportation<br>Grant | Aviation<br>Commission | Aviation<br>Federal |
|---|--------------------------|-----------------------|------------------------|-------------------------------------|---------------------------------|------------------------|---------------------|
| <b>Receipts:</b>  |                          |                       |                        |                                     |                                 |                        |                     |
| Taxes   | \$ -                     | \$ 194,636            | \$ -                   | \$ -                                | \$ -                            | \$ 486,046             | \$ -                |
| Licenses and permits  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Intergovernmental   | 561,877                  | 14,066                | -                      | -                                   | -                               | 34,760                 | -                   |
| Charges for services  | -                        | 227,858               | 8,114                  | -                                   | -                               | 216,306                | -                   |
| Fines and forfeits  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Other   | -                        | 599                   | -                      | -                                   | -                               | -                      | -                   |
| <b>Total receipts</b>   | <b>561,877</b>           | <b>437,159</b>        | <b>8,114</b>           | <b>-</b>                            | <b>-</b>                        | <b>737,112</b>         | <b>-</b>            |
| <b>Disbursements:</b>   |                          |                       |                        |                                     |                                 |                        |                     |
| General government  | -                        | 395,578               | 55,881                 | -                                   | -                               | 669,455                | -                   |
| Public safety   | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Highways and streets  | 100,000                  | -                     | -                      | -                                   | 75,833                          | -                      | -                   |
| Health and welfare  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Culture and recreation  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Urban redevelopment and housing   | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Debt service:   |                          |                       |                        |                                     |                                 |                        |                     |
| Principal   | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Interest  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Advance refunding escrow  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Capital outlay:   |                          |                       |                        |                                     |                                 |                        |                     |
| General government  | -                        | -                     | 5,966                  | -                                   | -                               | 11,910                 | -                   |
| Public safety   | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Highways and streets  | 231,580                  | -                     | -                      | -                                   | -                               | -                      | -                   |
| Culture and recreation  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| <b>Total disbursements</b>  | <b>331,580</b>           | <b>395,578</b>        | <b>61,847</b>          | <b>-</b>                            | <b>75,833</b>                   | <b>681,365</b>         | <b>-</b>            |
| Excess (deficiency) of revenue over<br>(under) disbursements  | <u>230,297</u>           | <u>41,581</u>         | <u>(53,733)</u>        | <u>-</u>                            | <u>(75,833)</u>                 | <u>55,747</u>          | <u>-</u>            |
| <b>Other financing sources (uses)</b>   |                          |                       |                        |                                     |                                 |                        |                     |
| Bond proceeds   | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Capital lease   | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| Transfers in  | -                        | -                     | -                      | -                                   | 72,000                          | -                      | -                   |
| Transfers out   | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| <b>Total other financing sources (uses)</b>   | <u>-</u>                 | <u>-</u>              | <u>-</u>               | <u>-</u>                            | <u>72,000</u>                   | <u>-</u>               | <u>-</u>            |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | <u>230,297</u>           | <u>41,581</u>         | <u>(53,733)</u>        | <u>-</u>                            | <u>(3,833)</u>                  | <u>55,747</u>          | <u>-</u>            |
| Cash and investment fund balance - beginning  | <u>601,286</u>           | <u>39,418</u>         | <u>455,432</u>         | <u>35</u>                           | <u>3,833</u>                    | <u>49,406</u>          | <u>7,839</u>        |
| Cash and investment fund balance - ending   | <u>\$ 831,583</u>        | <u>\$ 80,999</u>      | <u>\$ 401,699</u>      | <u>\$ 35</u>                        | <u>\$ -</u>                     | <u>\$ 105,153</u>      | <u>\$ 7,839</u>     |
| <b><u>Cash and Investment Assets - December 31</u></b>  |                          |                       |                        |                                     |                                 |                        |                     |
| Cash and investments  | \$ 831,583               | \$ 80,999             | \$ 401,699             | \$ 35                               | \$ -                            | \$ 105,153             | \$ 7,839            |
| Restricted assets:  |                          |                       |                        |                                     |                                 |                        |                     |
| Cash and investments  | -                        | -                     | -                      | -                                   | -                               | -                      | -                   |
| <b>Total cash and investment assets - December 31</b>   | <u>\$ 831,583</u>        | <u>\$ 80,999</u>      | <u>\$ 401,699</u>      | <u>\$ 35</u>                        | <u>\$ -</u>                     | <u>\$ 105,153</u>      | <u>\$ 7,839</u>     |
| <b><u>Cash and Investment Fund Balance - December 31</u></b>  |                          |                       |                        |                                     |                                 |                        |                     |
| Restricted for:   |                          |                       |                        |                                     |                                 |                        |                     |
| Debt service  | \$ -                     | \$ -                  | \$ -                   | \$ -                                | \$ -                            | \$ -                   | \$ -                |
| Unrestricted  | <u>831,583</u>           | <u>80,999</u>         | <u>401,699</u>         | <u>35</u>                           | <u>-</u>                        | <u>105,153</u>         | <u>7,839</u>        |
| <b>Total cash and investment fund balance - December 31</b>   | <u>\$ 831,583</u>        | <u>\$ 80,999</u>      | <u>\$ 401,699</u>      | <u>\$ 35</u>                        | <u>\$ -</u>                     | <u>\$ 105,153</u>      | <u>\$ 7,839</u>     |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|   | D.E.A.<br>Asset<br>Sharing | Park<br>Nonreverting<br>Operating | Washington<br>Gardens | Human<br>Relations<br>Grant | Insurance<br>Settlement | Arson<br>Investigation<br>Assistance | License<br>Examination |
|---|----------------------------|-----------------------------------|-----------------------|-----------------------------|-------------------------|--------------------------------------|------------------------|
| Receipts:   |                            |                                   |                       |                             |                         |                                      |                        |
| Taxes   | \$ -                       | \$ -                              | \$ -                  | \$ -                        | \$ -                    | \$ -                                 | \$ -                   |
| Licenses and permits  | -                          | -                                 | -                     | -                           | -                       | -                                    | 2,850                  |
| Intergovernmental   | 23,359                     | -                                 | 47,523                | 39,100                      | -                       | -                                    | -                      |
| Charges for services  | -                          | 284,615                           | -                     | -                           | -                       | -                                    | -                      |
| Fines and forfeits  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Other   | -                          | -                                 | -                     | -                           | 67,436                  | 360                                  | -                      |
| <b>Total receipts</b>   | <b>23,359</b>              | <b>284,615</b>                    | <b>47,523</b>         | <b>39,100</b>               | <b>67,436</b>           | <b>360</b>                           | <b>2,850</b>           |
| Disbursements:  |                            |                                   |                       |                             |                         |                                      |                        |
| General government  | -                          | -                                 | 41,843                | 83,514                      | 9,539                   | -                                    | 2,430                  |
| Public safety   | 4,261                      | -                                 | -                     | -                           | 25,378                  | -                                    | -                      |
| Highways and streets  | -                          | -                                 | -                     | -                           | 25,264                  | -                                    | -                      |
| Health and welfare  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Culture and recreation  | -                          | 281,003                           | -                     | -                           | -                       | -                                    | -                      |
| Urban redevelopment and housing   | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Debt service:   |                            |                                   |                       |                             |                         |                                      |                        |
| Principal   | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Interest  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Advance refunding escrow  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Capital outlay:   |                            |                                   |                       |                             |                         |                                      |                        |
| General government  | -                          | -                                 | -                     | 365                         | -                       | -                                    | -                      |
| Public safety   | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Highways and streets  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Culture and recreation  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| <b>Total disbursements</b>  | <b>4,261</b>               | <b>281,003</b>                    | <b>41,843</b>         | <b>83,879</b>               | <b>60,181</b>           | <b>-</b>                             | <b>2,430</b>           |
| Excess (deficiency) of revenue over<br>(under) disbursements  | <u>19,098</u>              | <u>3,612</u>                      | <u>5,680</u>          | <u>(44,779)</u>             | <u>7,255</u>            | <u>360</u>                           | <u>420</u>             |
| Other financing sources (uses)  |                            |                                   |                       |                             |                         |                                      |                        |
| Bond proceeds   | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Capital lease   | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Transfers in  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| Transfers out   | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                   | <b>-</b>                          | <b>-</b>              | <b>-</b>                    | <b>-</b>                | <b>-</b>                             | <b>-</b>               |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | <u>19,098</u>              | <u>3,612</u>                      | <u>5,680</u>          | <u>(44,779)</u>             | <u>7,255</u>            | <u>360</u>                           | <u>420</u>             |
| Cash and investment fund balance - beginning  | <u>51,145</u>              | <u>134,020</u>                    | <u>4,284</u>          | <u>132,853</u>              | <u>136,278</u>          | <u>1,979</u>                         | <u>13,559</u>          |
| Cash and investment fund balance - ending   | <u>\$ 70,243</u>           | <u>\$ 137,632</u>                 | <u>\$ 9,964</u>       | <u>\$ 88,074</u>            | <u>\$ 143,533</u>       | <u>\$ 2,339</u>                      | <u>\$ 13,979</u>       |
| <u>Cash and Investment Assets - December 31</u>   |                            |                                   |                       |                             |                         |                                      |                        |
| Cash and investments  | \$ 70,243                  | \$ 137,632                        | \$ 9,964              | \$ 88,074                   | \$ 143,533              | \$ 2,339                             | \$ 13,979              |
| Restricted assets:  |                            |                                   |                       |                             |                         |                                      |                        |
| Cash and investments  | -                          | -                                 | -                     | -                           | -                       | -                                    | -                      |
| <b>Total cash and investment assets - December 31</b>   | <u>\$ 70,243</u>           | <u>\$ 137,632</u>                 | <u>\$ 9,964</u>       | <u>\$ 88,074</u>            | <u>\$ 143,533</u>       | <u>\$ 2,339</u>                      | <u>\$ 13,979</u>       |
| <u>Cash and Investment Fund Balance - December 31</u>   |                            |                                   |                       |                             |                         |                                      |                        |
| Restricted for:   |                            |                                   |                       |                             |                         |                                      |                        |
| Debt service  | \$ -                       | \$ -                              | \$ -                  | \$ -                        | \$ -                    | \$ -                                 | \$ -                   |
| Unrestricted  | <u>70,243</u>              | <u>137,632</u>                    | <u>9,964</u>          | <u>88,074</u>               | <u>143,533</u>          | <u>2,339</u>                         | <u>13,979</u>          |
| <b>Total cash and investment fund balance - December 31</b>   | <u>\$ 70,243</u>           | <u>\$ 137,632</u>                 | <u>\$ 9,964</u>       | <u>\$ 88,074</u>            | <u>\$ 143,533</u>       | <u>\$ 2,339</u>                      | <u>\$ 13,979</u>       |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|   | Probation<br>User Fees | Drunk<br>Driving<br>Assistance<br>Grant | Sidewalk<br>Improvement | NYC<br>Railroad<br>Museum | Railroad<br>Depot<br>Reserve | Law<br>Enforcement<br>Continuing<br>Education | Park<br>Grants  |
|---|------------------------|---|-------------------------|---------------------------|------------------------------|---|-----------------|
| Receipts:   |                        |   |                         |                           |                              |   |                 |
| Taxes   | \$ -                   | \$ -                                    | \$ -                    | \$ -                      | \$ -                         | \$ -  | \$ -            |
| Licenses and permits  | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Intergovernmental   | -                      | -                                       | -                       | -                         | -                            | -   | 7,644           |
| Charges for services  | 215,493                | -                                       | 9,723                   | -                         | -                            | 59,253  | -               |
| Fines and forfeits  | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Other   | -                      | -                                       | -                       | 16,381                    | -                            | -   | -               |
| <b>Total receipts</b>   | <b>215,493</b>         | <b>-</b>                                | <b>9,723</b>            | <b>16,381</b>             | <b>-</b>                     | <b>59,253</b>                                 | <b>7,644</b>    |
| Disbursements:  |                        |   |                         |                           |                              |   |                 |
| General government  | 147,099                | -                                       | -                       | 103                       | -                            | -   | -               |
| Public safety   | -                      | 36,192                                  | -                       | -                         | -                            | 54,313  | -               |
| Highways and streets  | -                      | -                                       | 101,252                 | -                         | -                            | -   | -               |
| Health and welfare  | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Culture and recreation  | -                      | -                                       | -                       | -                         | -                            | -   | 10,212          |
| Urban redevelopment and housing   | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Debt service:   |                        |   |                         |                           |                              |   |                 |
| Principal   | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Interest  | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Advance refunding escrow  | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Capital outlay:   |                        |   |                         |                           |                              |   |                 |
| General government  | 923                    | -                                       | -                       | -                         | -                            | -   | -               |
| Public safety   | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Highways and streets  | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Culture and recreation  | -                      | -                                       | -                       | -                         | -                            | -   | 2,932           |
| <b>Total disbursements</b>  | <b>148,022</b>         | <b>36,192</b>                           | <b>101,252</b>          | <b>103</b>                | <b>-</b>                     | <b>54,313</b>                                 | <b>13,144</b>   |
| Excess (deficiency) of revenue over<br>(under) disbursements  | <u>67,471</u>          | <u>(36,192)</u>                         | <u>(91,529)</u>         | <u>16,278</u>             | <u>-</u>                     | <u>4,940</u>                                  | <u>(5,500)</u>  |
| Other financing sources (uses)  |                        |   |                         |                           |                              |   |                 |
| Bond proceeds   | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Capital lease   | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| Transfers in  | -                      | -                                       | 103,443                 | -                         | -                            | -   | -               |
| Transfers out   | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| <b>Total other financing sources (uses)</b>   | <b>-</b>               | <b>-</b>                                | <b>103,443</b>          | <b>-</b>                  | <b>-</b>                     | <b>-</b>                                      | <b>-</b>        |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | <u>67,471</u>          | <u>(36,192)</u>                         | <u>11,914</u>           | <u>16,278</u>             | <u>-</u>                     | <u>4,940</u>                                  | <u>(5,500)</u>  |
| Cash and investment fund balance - beginning  | <u>288,708</u>         | <u>(23,375)</u>                         | <u>65,065</u>           | <u>(247,822)</u>          | <u>9,352</u>                 | <u>153,150</u>                                | <u>10,186</u>   |
| Cash and investment fund balance - ending   | <u>\$ 356,179</u>      | <u>\$ (59,567)</u>                      | <u>\$ 76,979</u>        | <u>\$ (231,544)</u>       | <u>\$ 9,352</u>              | <u>\$ 158,090</u>                             | <u>\$ 4,686</u> |
| <b><u>Cash and Investment Assets - December 31</u></b>  |                        |   |                         |                           |                              |   |                 |
| Cash and investments  | \$ 356,179             | \$ (59,567)                             | \$ 76,979               | \$ (231,544)              | \$ 9,352                     | \$ 158,090                                    | \$ 4,686        |
| Restricted assets:  |                        |   |                         |                           |                              |   |                 |
| Cash and investments  | -                      | -                                       | -                       | -                         | -                            | -   | -               |
| <b>Total cash and investment assets - December 31</b>   | <b>\$ 356,179</b>      | <b>\$ (59,567)</b>                      | <b>\$ 76,979</b>        | <b>\$ (231,544)</b>       | <b>\$ 9,352</b>              | <b>\$ 158,090</b>                             | <b>\$ 4,686</b> |
| <b><u>Cash and Investment Fund Balance - December 31</u></b>  |                        |   |                         |                           |                              |   |                 |
| Restricted for:   |                        |   |                         |                           |                              |   |                 |
| Debt service  | \$ -                   | \$ -                                    | \$ -                    | \$ -                      | \$ -                         | \$ -  | \$ -            |
| Unrestricted  | <u>356,179</u>         | <u>(59,567)</u>                         | <u>76,979</u>           | <u>(231,544)</u>          | <u>9,352</u>                 | <u>158,090</u>                                | <u>4,686</u>    |
| <b>Total cash and investment fund balance - December 31</b>   | <b>\$ 356,179</b>      | <b>\$ (59,567)</b>                      | <b>\$ 76,979</b>        | <b>\$ (231,544)</b>       | <b>\$ 9,352</b>              | <b>\$ 158,090</b>                             | <b>\$ 4,686</b> |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|   | High Dive<br>Park<br>Grant | Police<br>Grants | Victim<br>Assistance<br>Grant | Elkhart<br>Environmental<br>Center | Theft<br>Program<br>(TAP) | Unsafe<br>Building | Elco<br>Operating |
|---|----------------------------|------------------|-------------------------------|------------------------------------|---------------------------|--------------------|-------------------|
| <b>Receipts:</b>  |                            |                  |                               |                                    |                           |                    |                   |
| Taxes   | \$ -                       | \$ -             | \$ -                          | \$ -                               | \$ -                      | \$ -               | \$ -              |
| Licenses and permits  | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Intergovernmental   | -                          | 37,175           | 11,812                        | 14,292                             | -                         | -                  | -                 |
| Charges for services  | -                          | -                | -                             | -                                  | -                         | 47,091             | -                 |
| Fines and forfeits  | -                          | -                | -                             | -                                  | 23,486                    | -                  | -                 |
| Other   | -                          | -                | -                             | 12,769                             | -                         | 2,028              | 21,024            |
| <b>Total receipts</b>   | <b>-</b>                   | <b>37,175</b>    | <b>11,812</b>                 | <b>27,061</b>                      | <b>23,486</b>             | <b>49,119</b>      | <b>21,024</b>     |
| <b>Disbursements:</b>   |                            |                  |                               |                                    |                           |                    |                   |
| General government  | -                          | -                | -                             | -                                  | 14,335                    | -                  | 268,677           |
| Public safety   | -                          | 161,268          | -                             | -                                  | -                         | 22,826             | -                 |
| Highways and streets  | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Health and welfare  | -                          | -                | 15,324                        | -                                  | -                         | -                  | -                 |
| Culture and recreation  | -                          | -                | -                             | 78,630                             | -                         | -                  | -                 |
| Urban redevelopment and housing   | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Debt service:   |                            |                  |                               |                                    |                           |                    |                   |
| Principal   | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Interest  | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Advance refunding escrow  | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Capital outlay:   |                            |                  |                               |                                    |                           |                    |                   |
| General government  | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Public safety   | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Highways and streets  | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Culture and recreation  | -                          | -                | -                             | 6,384                              | -                         | -                  | -                 |
| <b>Total disbursements</b>  | <b>-</b>                   | <b>161,268</b>   | <b>15,324</b>                 | <b>85,014</b>                      | <b>14,335</b>             | <b>22,826</b>      | <b>268,677</b>    |
| Excess (deficiency) of revenue over (under) disbursements   | -                          | (124,093)        | (3,512)                       | (57,953)                           | 9,151                     | 26,293             | (247,653)         |
| <b>Other financing sources (uses)</b>   |                            |                  |                               |                                    |                           |                    |                   |
| Bond proceeds   | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Capital lease   | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Transfers in  | -                          | -                | -                             | 118,500                            | -                         | -                  | 437,101           |
| Transfers out   | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                   | <b>-</b>         | <b>-</b>                      | <b>118,500</b>                     | <b>-</b>                  | <b>-</b>           | <b>437,101</b>    |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | -                          | (124,093)        | (3,512)                       | 60,547                             | 9,151                     | 26,293             | 189,448           |
| Cash and investment fund balance - beginning  | 10,000                     | 157,143          | 19,913                        | 70,397                             | 102,535                   | 52,638             | (186,784)         |
| Cash and investment fund balance - ending   | <u>\$ 10,000</u>           | <u>\$ 33,050</u> | <u>\$ 16,401</u>              | <u>\$ 130,944</u>                  | <u>\$ 111,686</u>         | <u>\$ 78,931</u>   | <u>\$ 2,664</u>   |
| <u>Cash and Investment Assets - December 31</u>   |                            |                  |                               |                                    |                           |                    |                   |
| Cash and investments  | \$ 10,000                  | \$ 33,050        | \$ 16,401                     | \$ 130,944                         | \$ 111,686                | \$ 78,931          | \$ 2,664          |
| Restricted assets:  |                            |                  |                               |                                    |                           |                    |                   |
| Cash and investments  | -                          | -                | -                             | -                                  | -                         | -                  | -                 |
| Total cash and investment assets - December 31  | <u>\$ 10,000</u>           | <u>\$ 33,050</u> | <u>\$ 16,401</u>              | <u>\$ 130,944</u>                  | <u>\$ 111,686</u>         | <u>\$ 78,931</u>   | <u>\$ 2,664</u>   |
| <u>Cash and Investment Fund Balance - December 31</u>   |                            |                  |                               |                                    |                           |                    |                   |
| Restricted for:   |                            |                  |                               |                                    |                           |                    |                   |
| Debt service  | \$ -                       | \$ -             | \$ -                          | \$ -                               | \$ -                      | \$ -               | \$ -              |
| Unrestricted  | 10,000                     | 33,050           | 16,401                        | 130,944                            | 111,686                   | 78,931             | 2,664             |
| Total cash and investment fund balance - December 31  | <u>\$ 10,000</u>           | <u>\$ 33,050</u> | <u>\$ 16,401</u>              | <u>\$ 130,944</u>                  | <u>\$ 111,686</u>         | <u>\$ 78,931</u>   | <u>\$ 2,664</u>   |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|  | Central<br>Garage | Enhanced<br>911   | Community<br>Development | Community<br>Development<br>Rehab<br>Revolving Loan | Community<br>Development<br>Business<br>Loan Grant | Women's<br>Shelter<br>Grant | IDEM<br>State Grant -<br>Small<br>Mentor |
|--|-------------------|-------------------|--------------------------|---|--|-----------------------------|--|
| <b>Receipts:</b>   |                   |                   |                          |   |  |                             |  |
| Taxes  | \$ 1,216,354      | \$ -              | \$ -                     | \$ -  | \$ -   | \$ -                        | \$ -                                     |
| Licenses and permits   | -                 | -                 | -                        | -   | -  | -                           | -  |
| Intergovernmental  | 86,982            | 160,914           | 950,008                  | -   | 137,324  | 51,236                      | 78,603                                   |
| Charges for services   | 12,114            | -                 | -                        | -   | -  | -                           | -  |
| Fines and forfeits   | -                 | -                 | -                        | -   | -  | -                           | -  |
| Other  | 223               | -                 | 60,143                   | 140,001   | 95,552   | -                           | -  |
| <b>Total receipts</b>  | <b>1,315,673</b>  | <b>160,914</b>    | <b>1,010,151</b>         | <b>140,001</b>                                      | <b>232,876</b>                                     | <b>51,236</b>               | <b>78,603</b>                            |
| <b>Disbursements:</b>  |                   |                   |                          |   |  |                             |  |
| General government   | 1,220,148         | 146,571           | -                        | -   | 219,071  | -                           | -  |
| Public safety  | -                 | -                 | -                        | -   | -  | 51,236                      | 105,851                                  |
| Highways and streets   | -                 | -                 | -                        | -   | -  | -                           | -  |
| Health and welfare   | -                 | -                 | -                        | -   | -  | -                           | -  |
| Culture and recreation   | -                 | -                 | -                        | -   | -  | -                           | -  |
| Urban redevelopment and housing  | -                 | -                 | 1,116,733                | 157,074   | -  | -                           | -  |
| <b>Debt service:</b>   |                   |                   |                          |   |  |                             |  |
| Principal  | -                 | -                 | -                        | -   | -  | -                           | -  |
| Interest   | -                 | -                 | -                        | -   | -  | -                           | -  |
| Advance refunding escrow   | -                 | -                 | -                        | -   | -  | -                           | -  |
| <b>Capital outlay:</b>   |                   |                   |                          |   |  |                             |  |
| General government   | -                 | 2,811             | -                        | -   | -  | -                           | -  |
| Public safety  | -                 | -                 | -                        | -   | -  | -                           | -  |
| Highways and streets   | -                 | -                 | -                        | -   | -  | -                           | -  |
| Culture and recreation   | -                 | -                 | -                        | -   | -  | -                           | -  |
| <b>Total disbursements</b>   | <b>1,220,148</b>  | <b>149,382</b>    | <b>1,116,733</b>         | <b>157,074</b>                                      | <b>219,071</b>                                     | <b>51,236</b>               | <b>105,851</b>                           |
| <b>Excess (deficiency) of revenue over (under) disbursements</b>   | <b>95,525</b>     | <b>11,532</b>     | <b>(106,582)</b>         | <b>(17,073)</b>                                     | <b>13,805</b>                                      | <b>-</b>                    | <b>(27,248)</b>                          |
| <b>Other financing sources (uses)</b>  |                   |                   |                          |   |  |                             |  |
| Bond proceeds  | -                 | -                 | -                        | -   | -  | -                           | -  |
| Capital lease  | -                 | -                 | -                        | -   | -  | -                           | -  |
| Transfers in   | -                 | -                 | -                        | 12,559  | -  | -                           | -  |
| Transfers out  | -                 | -                 | (12,559)                 | -   | -  | -                           | -  |
| <b>Total other financing sources (uses)</b>  | <b>-</b>          | <b>-</b>          | <b>(12,559)</b>          | <b>12,559</b>                                       | <b>-</b>   | <b>-</b>                    | <b>-</b>                                 |
| <b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b> | <b>95,525</b>     | <b>11,532</b>     | <b>(119,141)</b>         | <b>(4,514)</b>                                      | <b>13,805</b>                                      | <b>-</b>                    | <b>(27,248)</b>                          |
| <b>Cash and investment fund balance - beginning</b>  | <b>130,208</b>    | <b>367,878</b>    | <b>(28,091)</b>          | <b>209,964</b>                                      | <b>25,857</b>                                      | <b>-</b>                    | <b>13,684</b>                            |
| <b>Cash and investment fund balance - ending</b>   | <b>\$ 225,733</b> | <b>\$ 379,410</b> | <b>\$ (147,232)</b>      | <b>\$ 205,450</b>                                   | <b>\$ 39,662</b>                                   | <b>\$ -</b>                 | <b>\$ (13,564)</b>                       |
| <b><u>Cash and Investment Assets - December 31</u></b>   |                   |                   |                          |   |  |                             |  |
| Cash and investments   | \$ 225,733        | \$ 379,410        | \$ (147,232)             | \$ 205,450  | \$ 39,662  | \$ -                        | \$ (13,564)                              |
| <b>Restricted assets:</b>  |                   |                   |                          |   |  |                             |  |
| Cash and investments   | -                 | -                 | -                        | -   | -  | -                           | -  |
| <b>Total cash and investment assets - December 31</b>  | <b>\$ 225,733</b> | <b>\$ 379,410</b> | <b>\$ (147,232)</b>      | <b>\$ 205,450</b>                                   | <b>\$ 39,662</b>                                   | <b>\$ -</b>                 | <b>\$ (13,564)</b>                       |
| <b><u>Cash and Investment Fund Balance - December 31</u></b>   |                   |                   |                          |   |  |                             |  |
| <b>Restricted for:</b>   |                   |                   |                          |   |  |                             |  |
| Debt service   | \$ -              | \$ -              | \$ -                     | \$ -  | \$ -   | \$ -                        | \$ -                                     |
| Unrestricted   | 225,733           | 379,410           | (147,232)                | 205,450   | 39,662   | -                           | (13,564)                                 |
| <b>Total cash and investment fund balance - December 31</b>  | <b>\$ 225,733</b> | <b>\$ 379,410</b> | <b>\$ (147,232)</b>      | <b>\$ 205,450</b>                                   | <b>\$ 39,662</b>                                   | <b>\$ -</b>                 | <b>\$ (13,564)</b>                       |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|   | Envirocorps      | Greater<br>Elkhart | Record<br>Perpetuation | Noise<br>Ordinance | State<br>Riverboat<br>Gambling | Tax<br>Abatement | Rainy<br>Day      |
|---|------------------|--------------------|------------------------|--------------------|--------------------------------|------------------|-------------------|
| <b>Receipts:</b>  |                  |                    |                        |                    |                                |                  |                   |
| Taxes   | \$ -             | \$ -               | \$ -                   | \$ -               | \$ -                           | \$ -             | \$ -              |
| Licenses and permits  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Intergovernmental   | 204,345          | -                  | -                      | -                  | 327,104                        | -                | -                 |
| Charges for services  | -                | 375,022            | 35,387                 | -                  | -                              | -                | 194,851           |
| Fines and forfeits  | -                | -                  | -                      | 41,350             | -                              | -                | -                 |
| Other   | 150              | -                  | -                      | -                  | -                              | 4,000            | -                 |
| <b>Total receipts</b>   | <b>204,495</b>   | <b>375,022</b>     | <b>35,387</b>          | <b>41,350</b>      | <b>327,104</b>                 | <b>4,000</b>     | <b>194,851</b>    |
| <b>Disbursements:</b>   |                  |                    |                        |                    |                                |                  |                   |
| General government  | -                | -                  | 3,631                  | -                  | 167,322                        | -                | -                 |
| Public safety   | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Highways and streets  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Health and welfare  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Culture and recreation  | 247,844          | -                  | -                      | -                  | -                              | -                | -                 |
| Urban redevelopment and housing   | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Debt service:   |                  |                    |                        |                    |                                |                  |                   |
| Principal   | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Interest  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Advance refunding escrow  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Capital outlay:   |                  |                    |                        |                    |                                |                  |                   |
| General government  | -                | -                  | -                      | -                  | 135,000                        | -                | -                 |
| Public safety   | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Highways and streets  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Culture and recreation  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| <b>Total disbursements</b>  | <b>247,844</b>   | <b>-</b>           | <b>3,631</b>           | <b>-</b>           | <b>302,322</b>                 | <b>-</b>         | <b>-</b>          |
| Excess (deficiency) of revenue over<br>(under) disbursements  | <b>(43,349)</b>  | <b>375,022</b>     | <b>31,756</b>          | <b>41,350</b>      | <b>24,782</b>                  | <b>4,000</b>     | <b>194,851</b>    |
| <b>Other financing sources (uses)</b>   |                  |                    |                        |                    |                                |                  |                   |
| Bond proceeds   | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Capital lease   | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Transfers in  | 95,000           | -                  | -                      | -                  | -                              | -                | -                 |
| Transfers out   | -                | -                  | -                      | -                  | (466,500)                      | -                | (410,000)         |
| <b>Total other financing sources (uses)</b>   | <b>95,000</b>    | <b>-</b>           | <b>-</b>               | <b>-</b>           | <b>(466,500)</b>               | <b>-</b>         | <b>(410,000)</b>  |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | 51,651           | 375,022            | 31,756                 | 41,350             | (441,718)                      | 4,000            | (215,149)         |
| Cash and investment fund balance - beginning  | (29,066)         | 202,671            | 70,242                 | 75,163             | 633,942                        | 4,500            | 440,435           |
| Cash and investment fund balance - ending   | <u>\$ 22,585</u> | <u>\$ 577,693</u>  | <u>\$ 101,998</u>      | <u>\$ 116,513</u>  | <u>\$ 192,224</u>              | <u>\$ 8,500</u>  | <u>\$ 225,286</u> |
| <b><u>Cash and Investment Assets - December 31</u></b>  |                  |                    |                        |                    |                                |                  |                   |
| Cash and investments  | \$ 22,585        | \$ 577,693         | \$ 101,998             | \$ 116,513         | \$ 192,224                     | \$ 8,500         | \$ 225,286        |
| Restricted assets:  |                  |                    |                        |                    |                                |                  |                   |
| Cash and investments  | -                | -                  | -                      | -                  | -                              | -                | -                 |
| Total cash and investment assets - December 31  | <u>\$ 22,585</u> | <u>\$ 577,693</u>  | <u>\$ 101,998</u>      | <u>\$ 116,513</u>  | <u>\$ 192,224</u>              | <u>\$ 8,500</u>  | <u>\$ 225,286</u> |
| <b><u>Cash and Investment Fund Balance - December 31</u></b>  |                  |                    |                        |                    |                                |                  |                   |
| Restricted for:   |                  |                    |                        |                    |                                |                  |                   |
| Debt service  | \$ -             | \$ -               | \$ -                   | \$ -               | \$ -                           | \$ -             | \$ -              |
| Unrestricted  | <u>22,585</u>    | <u>577,693</u>     | <u>101,998</u>         | <u>116,513</u>     | <u>192,224</u>                 | <u>8,500</u>     | <u>225,286</u>    |
| Total cash and investment fund balance - December 31  | <u>\$ 22,585</u> | <u>\$ 577,693</u>  | <u>\$ 101,998</u>      | <u>\$ 116,513</u>  | <u>\$ 192,224</u>              | <u>\$ 8,500</u>  | <u>\$ 225,286</u> |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|   | Wheel<br>Tax             | Oak Hills<br>Golf Course | Park<br>Bond               | Cumulative<br>Fire Fighting<br>Equipment | Cumulative<br>Capital<br>Improvement | Cumulative<br>Sewer      | Cumulative<br>Capital<br>Development |
|---|--------------------------|--------------------------|----------------------------|--|--------------------------------------|--------------------------|--------------------------------------|
| <b>Receipts:</b>  |                          |                          |                            |  |                                      |                          |                                      |
| Taxes   | \$ -                     | \$ -                     | \$ -                       | \$ 149,222                               | \$ -                                 | \$ 497,406               | \$ 845,589                           |
| Licenses and permits  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Intergovernmental   | 808,620                  | -                        | -                          | 10,670                                   | 65,441                               | 35,568                   | 60,466                               |
| Charges for services  | -                        | 358,839                  | -                          | 172,195                                  | -                                    | -                        | -                                    |
| Fines and forfeits  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Other   | -                        | 227                      | 10,407                     | -  | -                                    | -                        | -                                    |
| <b>Total receipts</b>   | <b>808,620</b>           | <b>359,066</b>           | <b>10,407</b>              | <b>332,087</b>                           | <b>65,441</b>                        | <b>532,974</b>           | <b>906,055</b>                       |
| <b>Disbursements:</b>   |                          |                          |                            |  |                                      |                          |                                      |
| General government  | 593,689                  | -                        | -                          | -  | 93,238                               | -                        | 450,442                              |
| Public safety   | -                        | -                        | -                          | 78,612                                   | -                                    | -                        | -                                    |
| Highways and streets  | -                        | -                        | -                          | -  | -                                    | 1,230,465                | -                                    |
| Health and welfare  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Culture and recreation  | -                        | 376,018                  | 63,888                     | -  | -                                    | -                        | -                                    |
| Urban redevelopment and housing   | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| <b>Debt service:</b>  |                          |                          |                            |  |                                      |                          |                                      |
| Principal   | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Interest  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Advance refunding escrow  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| <b>Capital outlay:</b>  |                          |                          |                            |  |                                      |                          |                                      |
| General government  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Public safety   | -                        | -                        | -                          | 293,058                                  | -                                    | -                        | 41,150                               |
| Highways and streets  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Culture and recreation  | -                        | 105,474                  | -                          | -  | -                                    | -                        | -                                    |
| <b>Total disbursements</b>  | <b>593,689</b>           | <b>481,492</b>           | <b>63,888</b>              | <b>371,670</b>                           | <b>93,238</b>                        | <b>1,230,465</b>         | <b>491,592</b>                       |
| Excess (deficiency) of revenue over (under) disbursements   | 214,931                  | (122,426)                | (53,481)                   | (39,583)                                 | (27,797)                             | (697,491)                | 414,463                              |
| <b>Other financing sources (uses)</b>   |                          |                          |                            |  |                                      |                          |                                      |
| Bond proceeds   | -                        | -                        | 1,792,080                  | -  | -                                    | -                        | -                                    |
| Capital lease   | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Transfers in  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| Transfers out   | -                        | -                        | -                          | -  | -                                    | -                        | (586,943)                            |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                 | <b>-</b>                 | <b>1,792,080</b>           | <b>-</b>                                 | <b>-</b>                             | <b>-</b>                 | <b>(586,943)</b>                     |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 214,931                  | (122,426)                | 1,738,599                  | (39,583)                                 | (27,797)                             | (697,491)                | (172,480)                            |
| Cash and investment fund balance - beginning  | 279,513                  | 220,110                  | -                          | 2,173,893                                | 221,701                              | 1,485,810                | 1,525,202                            |
| Cash and investment fund balance - ending   | <u>\$ 494,444</u>        | <u>\$ 97,684</u>         | <u>\$ 1,738,599</u>        | <u>\$ 2,134,310</u>                      | <u>\$ 193,904</u>                    | <u>\$ 788,319</u>        | <u>\$ 1,352,722</u>                  |
| <b><u>Cash and Investment Assets - December 31</u></b>  |                          |                          |                            |  |                                      |                          |                                      |
| Cash and investments  | \$ 494,444               | \$ 97,684                | \$ 1,738,599               | \$ 2,134,310                             | \$ 193,904                           | \$ 788,319               | \$ 1,352,722                         |
| <b>Restricted assets:</b>   |                          |                          |                            |  |                                      |                          |                                      |
| Cash and investments  | -                        | -                        | -                          | -  | -                                    | -                        | -                                    |
| <b>Total cash and investment assets - December 31</b>   | <b><u>\$ 494,444</u></b> | <b><u>\$ 97,684</u></b>  | <b><u>\$ 1,738,599</u></b> | <b><u>\$ 2,134,310</u></b>               | <b><u>\$ 193,904</u></b>             | <b><u>\$ 788,319</u></b> | <b><u>\$ 1,352,722</u></b>           |
| <b><u>Cash and Investment Fund Balance - December 31</u></b>  |                          |                          |                            |  |                                      |                          |                                      |
| <b>Restricted for:</b>  |                          |                          |                            |  |                                      |                          |                                      |
| Debt service  | \$ -                     | \$ -                     | \$ -                       | \$ -                                     | \$ -                                 | \$ -                     | \$ -                                 |
| Unrestricted  | 494,444                  | 97,684                   | 1,738,599                  | 2,134,310                                | 193,904                              | 788,319                  | 1,352,722                            |
| <b>Total cash and investment fund balance - December 31</b>   | <b><u>\$ 494,444</u></b> | <b><u>\$ 97,684</u></b>  | <b><u>\$ 1,738,599</u></b> | <b><u>\$ 2,134,310</u></b>               | <b><u>\$ 193,904</u></b>             | <b><u>\$ 788,319</u></b> | <b><u>\$ 1,352,722</u></b>           |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|  | Curb and<br>Gutter<br>Construction | Redevelopment      | Elco<br>Capital  | Park<br>Capital | Highway<br>Improvement | Horizon           | TIF<br>Allocation |
|--|------------------------------------|--------------------|------------------|-----------------|------------------------|-------------------|-------------------|
| <b>Receipts:</b>   |                                    |                    |                  |                 |                        |                   |                   |
| Taxes  | \$ -                               | \$ -               | \$ -             | \$ -            | \$ -                   | \$ -              | \$ -              |
| Licenses and permits   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Intergovernmental  | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Charges for services   | 919                                | -                  | -                | -               | -                      | -                 | -                 |
| Fines and forfeits   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Other  | -                                  | 746                | 21,933           | -               | -                      | -                 | -                 |
| <b>Total receipts</b>  | <b>919</b>                         | <b>746</b>         | <b>21,933</b>    | <b>-</b>        | <b>-</b>               | <b>-</b>          | <b>-</b>          |
| <b>Disbursements:</b>  |                                    |                    |                  |                 |                        |                   |                   |
| General government   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Public safety  | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Highways and streets   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Health and welfare   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Culture and recreation   | -                                  | -                  | 475              | -               | -                      | -                 | -                 |
| Urban redevelopment and housing  | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| <b>Debt service:</b>   |                                    |                    |                  |                 |                        |                   |                   |
| Principal  | -                                  | 200,000            | -                | -               | -                      | -                 | -                 |
| Interest   | -                                  | 160,447            | -                | -               | -                      | -                 | -                 |
| Advance refunding escrow   | -                                  | 7,129,147          | -                | -               | -                      | -                 | -                 |
| <b>Capital outlay:</b>   |                                    |                    |                  |                 |                        |                   |                   |
| General government   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Public safety  | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Highways and streets   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Culture and recreation   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| <b>Total disbursements</b>   | <b>-</b>                           | <b>7,489,594</b>   | <b>475</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>          | <b>-</b>          |
| <b>Excess (deficiency) of revenue over (under) disbursements</b>   | <b>919</b>                         | <b>(7,488,848)</b> | <b>21,458</b>    | <b>-</b>        | <b>-</b>               | <b>-</b>          | <b>-</b>          |
| <b>Other financing sources (uses)</b>  |                                    |                    |                  |                 |                        |                   |                   |
| Bond proceeds  | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| Capital lease  | -                                  | 6,693,281          | -                | -               | -                      | -                 | -                 |
| Transfers in   | -                                  | 184,555            | -                | -               | -                      | 100,000           | 665,291           |
| Transfers out  | -                                  | (716,843)          | -                | -               | -                      | -                 | (204,079)         |
| <b>Total other financing sources (uses)</b>  | <b>-</b>                           | <b>6,160,993</b>   | <b>-</b>         | <b>-</b>        | <b>-</b>               | <b>100,000</b>    | <b>461,212</b>    |
| <b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b> | <b>919</b>                         | <b>(1,327,855)</b> | <b>21,458</b>    | <b>-</b>        | <b>-</b>               | <b>100,000</b>    | <b>461,212</b>    |
| <b>Cash and investment fund balance - beginning</b>  | <b>23,991</b>                      | <b>1,598,884</b>   | <b>10,163</b>    | <b>6,524</b>    | <b>252,464</b>         | <b>350,000</b>    | <b>(461,212)</b>  |
| <b>Cash and investment fund balance - ending</b>   | <b>\$ 24,910</b>                   | <b>\$ 271,029</b>  | <b>\$ 31,621</b> | <b>\$ 6,524</b> | <b>\$ 252,464</b>      | <b>\$ 450,000</b> | <b>\$ -</b>       |
| <b><u>Cash and Investment Assets - December 31</u></b>   |                                    |                    |                  |                 |                        |                   |                   |
| Cash and investments   | \$ 24,910                          | \$ 271,029         | \$ 31,621        | \$ 6,524        | \$ 252,464             | \$ 450,000        | \$ -              |
| <b>Restricted assets:</b>  |                                    |                    |                  |                 |                        |                   |                   |
| Cash and investments   | -                                  | -                  | -                | -               | -                      | -                 | -                 |
| <b>Total cash and investment assets - December 31</b>  | <b>\$ 24,910</b>                   | <b>\$ 271,029</b>  | <b>\$ 31,621</b> | <b>\$ 6,524</b> | <b>\$ 252,464</b>      | <b>\$ 450,000</b> | <b>\$ -</b>       |
| <b><u>Cash and Investment Fund Balance - December 31</u></b>   |                                    |                    |                  |                 |                        |                   |                   |
| <b>Restricted for:</b>   |                                    |                    |                  |                 |                        |                   |                   |
| Debt service   | \$ -                               | \$ -               | \$ -             | \$ -            | \$ -                   | \$ -              | \$ -              |
| Unrestricted   | 24,910                             | 271,029            | 31,621           | 6,524           | 252,464                | 450,000           | -                 |
| <b>Total cash and investment fund balance - December 31</b>  | <b>\$ 24,910</b>                   | <b>\$ 271,029</b>  | <b>\$ 31,621</b> | <b>\$ 6,524</b> | <b>\$ 252,464</b>      | <b>\$ 450,000</b> | <b>\$ -</b>       |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|   | TIF<br>Southwest<br>Allocation | TIF<br>Aeroplex<br>Allocation | TIF<br>Downtown<br>Allocation | TIF<br>Downtown<br>Reserve | TIF<br>Downtown<br>District<br>Capital | Downtown<br>Development | Build<br>Indiana<br>Funds |
|---|--------------------------------|-------------------------------|-------------------------------|----------------------------|--|-------------------------|---------------------------|
| <b>Receipts:</b>  |                                |                               |                               |                            |  |                         |                           |
| Taxes   | \$ 104                         | \$ 899                        | \$ 667,342                    | \$ -                       | \$ 2,556                               | \$ -                    | \$ -                      |
| Licenses and permits  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Intergovernmental   | -                              | -                             | 3,052                         | -                          | -                                      | -                       | -                         |
| Charges for services  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Fines and forfeits  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Other   | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| <b>Total receipts</b>   | <b>104</b>                     | <b>899</b>                    | <b>670,394</b>                | <b>-</b>                   | <b>2,556</b>                           | <b>-</b>                | <b>-</b>                  |
| <b>Disbursements:</b>   |                                |                               |                               |                            |  |                         |                           |
| General government  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Public safety   | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Highways and streets  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Health and welfare  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Culture and recreation  | -                              | -                             | -                             | -                          | -                                      | -                       | 97,572                    |
| Urban redevelopment and housing   | -                              | -                             | 400                           | -                          | 257,531                                | 105,986                 | -                         |
| Debt service:   |                                |                               |                               |                            |  |                         |                           |
| Principal   | -                              | -                             | 75,000                        | -                          | 75,000                                 | -                       | -                         |
| Interest  | -                              | -                             | 137,244                       | -                          | 140,441                                | -                       | -                         |
| Advance refunding escrow  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Capital outlay:   |                                |                               |                               |                            |  |                         |                           |
| General government  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Public safety   | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Highways and streets  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Culture and recreation  | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| <b>Total disbursements</b>  | <b>-</b>                       | <b>-</b>                      | <b>212,644</b>                | <b>-</b>                   | <b>472,972</b>                         | <b>105,986</b>          | <b>97,572</b>             |
| Excess (deficiency) of revenue over (under) disbursements   | 104                            | 899                           | 457,750                       | -                          | (470,416)                              | (105,986)               | (97,572)                  |
| <b>Other financing sources (uses)</b>   |                                |                               |                               |                            |  |                         |                           |
| Bond proceeds   | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Capital lease   | -                              | -                             | -                             | -                          | -                                      | -                       | -                         |
| Transfers in  | 19,524                         | -                             | 357,495                       | -                          | 234,066                                | -                       | -                         |
| Transfers out   | -                              | -                             | (540,009)                     | -                          | -                                      | -                       | -                         |
| <b>Total other financing sources (uses)</b>   | <b>19,524</b>                  | <b>-</b>                      | <b>(182,514)</b>              | <b>-</b>                   | <b>234,066</b>                         | <b>-</b>                | <b>-</b>                  |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 19,628                         | 899                           | 275,236                       | -                          | (236,350)                              | (105,986)               | (97,572)                  |
| Cash and investment fund balance - beginning  | -                              | -                             | 623,432                       | 274,000                    | 916,183                                | 358,283                 | 545,000                   |
| Cash and investment fund balance - ending   | \$ 19,628                      | \$ 899                        | \$ 898,668                    | \$ 274,000                 | \$ 679,833                             | \$ 252,297              | \$ 447,428                |
| <b><u>Cash and Investment Assets - December 31</u></b>  |                                |                               |                               |                            |  |                         |                           |
| Cash and investments  | \$ 19,628                      | \$ 899                        | \$ 898,668                    | \$ -                       | \$ 679,833                             | \$ 252,297              | \$ 447,428                |
| Restricted assets:  |                                |                               |                               |                            |  |                         |                           |
| Cash and investments  | -                              | -                             | -                             | 274,000                    | -                                      | -                       | -                         |
| <b>Total cash and investment assets - December 31</b>   | <b>\$ 19,628</b>               | <b>\$ 899</b>                 | <b>\$ 898,668</b>             | <b>\$ 274,000</b>          | <b>\$ 679,833</b>                      | <b>\$ 252,297</b>       | <b>\$ 447,428</b>         |
| <b><u>Cash and Investment Fund Balance - December 31</u></b>  |                                |                               |                               |                            |  |                         |                           |
| Restricted for:   |                                |                               |                               |                            |  |                         |                           |
| Debt service  | \$ -                           | \$ -                          | \$ -                          | \$ 274,000                 | \$ -                                   | \$ -                    | \$ -                      |
| Unrestricted  | 19,628                         | 899                           | 898,668                       | -                          | 679,833                                | 252,297                 | 447,428                   |
| <b>Total cash and investment fund balance - December 31</b>   | <b>\$ 19,628</b>               | <b>\$ 899</b>                 | <b>\$ 898,668</b>             | <b>\$ 274,000</b>          | <b>\$ 679,833</b>                      | <b>\$ 252,297</b>       | <b>\$ 447,428</b>         |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

|   | St. Joseph<br>River<br>IDEM<br>Grant | Riverwalk<br>Commons | Railroad<br>Underpass | East<br>Jackson<br>Curb and<br>Drain | County Road 17<br>Corridor<br>and<br>Johnson Street | Cassopolis<br>Interlocal | Totals        |
|---|--------------------------------------|----------------------|-----------------------|--------------------------------------|---|--------------------------|---------------|
| Receipts:   |                                      |                      |                       |                                      |   |                          |               |
| Taxes   | \$ -                                 | \$ -                 | \$ -                  | \$ -                                 | \$ -  | \$ -                     | \$ 4,060,154  |
| Licenses and permits  | -                                    | -                    | -                     | -                                    | -   | -                        | 2,850         |
| Intergovernmental   | -                                    | 2,800                | -                     | -                                    | -   | -                        | 3,774,741     |
| Charges for services  | -                                    | -                    | -                     | -                                    | -   | -                        | 2,217,780     |
| Fines and forfeits  | -                                    | -                    | -                     | -                                    | -   | -                        | 64,836        |
| Other   | -                                    | -                    | -                     | -                                    | -   | -                        | 453,979       |
| Total receipts  | -                                    | 2,800                | -                     | -                                    | -   | -                        | 10,574,340    |
| Disbursements:  |                                      |                      |                       |                                      |   |                          |               |
| General government  | -                                    | -                    | -                     | -                                    | -   | -                        | 4,582,566     |
| Public safety   | -                                    | -                    | -                     | -                                    | -   | -                        | 539,937       |
| Highways and streets  | -                                    | -                    | 799,027               | -                                    | 56,379  | -                        | 2,388,220     |
| Health and welfare  | -                                    | -                    | -                     | -                                    | -   | -                        | 15,324        |
| Culture and recreation  | -                                    | -                    | -                     | -                                    | -   | -                        | 1,155,642     |
| Urban redevelopment and housing   | -                                    | 2,800                | -                     | -                                    | -   | -                        | 1,640,524     |
| Debt service:   |                                      |                      |                       |                                      |   |                          |               |
| Principal   | -                                    | -                    | -                     | -                                    | -   | -                        | 350,000       |
| Interest  | -                                    | -                    | -                     | -                                    | -   | -                        | 438,132       |
| Advance refunding escrow  | -                                    | -                    | -                     | -                                    | -   | -                        | 7,129,147     |
| Capital outlay:   |                                      |                      |                       |                                      |   |                          |               |
| General government  | -                                    | -                    | -                     | -                                    | -   | -                        | 156,975       |
| Public safety   | -                                    | -                    | -                     | -                                    | -   | -                        | 334,208       |
| Highways and streets  | -                                    | -                    | -                     | -                                    | -   | 2,760                    | 234,340       |
| Culture and recreation  | -                                    | -                    | -                     | -                                    | -   | -                        | 114,790       |
| Total disbursements   | -                                    | 2,800                | 799,027               | -                                    | 56,379  | 2,760                    | 19,079,805    |
| Excess (deficiency) of revenue over<br>(under) disbursements  | -                                    | -                    | (799,027)             | -                                    | (56,379)  | (2,760)                  | (8,505,465)   |
| Other financing sources (uses)  |                                      |                      |                       |                                      |   |                          |               |
| Bond proceeds   | -                                    | -                    | -                     | -                                    | -   | -                        | 1,792,080     |
| Capital lease   | -                                    | -                    | -                     | -                                    | -   | -                        | 6,693,281     |
| Transfers in  | -                                    | -                    | -                     | -                                    | -   | -                        | 2,399,534     |
| Transfers out   | -                                    | -                    | -                     | -                                    | -   | -                        | (2,936,933)   |
| Total other financing sources (uses)  | -                                    | -                    | -                     | -                                    | -   | -                        | 7,947,962     |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | -                                    | -                    | (799,027)             | -                                    | (56,379)  | (2,760)                  | (557,503)     |
| Cash and investment fund balance - beginning  | 17,292                               | 35,206               | 965,091               | 87,000                               | 60,825  | 6,775                    | 15,805,990    |
| Cash and investment fund balance - ending   | \$ 17,292                            | \$ 35,206            | \$ 166,064            | \$ 87,000                            | \$ 4,446  | \$ 4,015                 | \$ 15,248,487 |
| <u>Cash and Investment Assets - December 31</u>   |                                      |                      |                       |                                      |   |                          |               |
| Cash and investments  | \$ 17,292                            | \$ 35,206            | \$ 166,064            | \$ 87,000                            | \$ 4,446  | \$ 4,015                 | \$ 14,974,487 |
| Restricted assets:  |                                      |                      |                       |                                      |   |                          |               |
| Cash and investments  | -                                    | -                    | -                     | -                                    | -   | -                        | 274,000       |
| Total cash and investment assets - December 31  | \$ 17,292                            | \$ 35,206            | \$ 166,064            | \$ 87,000                            | \$ 4,446  | \$ 4,015                 | \$ 15,248,487 |
| <u>Cash and Investment Fund Balance - December 31</u>   |                                      |                      |                       |                                      |   |                          |               |
| Restricted for:   |                                      |                      |                       |                                      |   |                          |               |
| Debt service  | \$ -                                 | \$ -                 | \$ -                  | \$ -                                 | \$ -  | \$ -                     | \$ 274,000    |
| Unrestricted  | 17,292                               | 35,206               | 166,064               | 87,000                               | 4,446   | 4,015                    | 14,974,487    |
| Total cash and investment fund balance - December 31  | \$ 17,292                            | \$ 35,206            | \$ 166,064            | \$ 87,000                            | \$ 4,446  | \$ 4,015                 | \$ 15,248,487 |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2005

|  | <u>Police<br/>Pension</u> | <u>Firefighter's<br/>Pension</u> | <u>Total</u>            |
|--|---------------------------|----------------------------------|-------------------------|
| Additions:   |                           |                                  |                         |
| Contributions:   |                           |                                  |                         |
| Employer   | \$ 1,263,916              | \$ 2,029,541                     | \$ 3,293,457            |
| Plan members   | <u>16,441</u>             | <u>61,550</u>                    | <u>77,991</u>           |
| <br>Total contributions                                    | <br>1,280,357             | <br>2,091,091                    | <br>3,371,448           |
| Investment returned from 'Pension Relief Fund Sub-Account' | <u>1,060,938</u>          | <u>1,160,020</u>                 | <u>2,220,958</u>        |
| <br>Total additions  | <br><u>2,341,295</u>      | <br><u>3,251,111</u>             | <br><u>5,592,406</u>    |
| Deductions:  |                           |                                  |                         |
| Benefits   | 1,916,811                 | 2,355,826                        | 4,272,637               |
| Administrative and general                                 | <u>18,655</u>             | <u>20,733</u>                    | <u>39,388</u>           |
| <br>Total deductions                                       | <br><u>1,935,466</u>      | <br><u>2,376,559</u>             | <br><u>4,312,025</u>    |
| <br>Excess of total additions over total deductions        | <br>405,829               | <br>874,552                      | <br>1,280,381           |
| Cash and investment fund balance - beginning               | <u>394,974</u>            | <u>747,576</u>                   | <u>1,142,550</u>        |
| <br>Cash and investment fund balance - ending              | <br><u>\$ 800,803</u>     | <br><u>\$ 1,622,128</u>          | <br><u>\$ 2,422,931</u> |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2005

|   | Cemetery<br>Perpetual<br>Care | Mausoleum<br>Perpetual<br>Care | Prairie Street<br>Cemetery<br>Perpetual<br>Care | Donations         | Total             |
|---|-------------------------------|--------------------------------|---|-------------------|-------------------|
| Additions:                                      |                               |                                |   |                   |                   |
| Charges for services                            | \$ 8,380                      | \$ -                           | \$ -  | \$ -              | \$ 8,380          |
| Contributions:                                  |                               |                                |   |                   |                   |
| Private donations                               | -                             | -                              | -   | 192,579           | 192,579           |
| Other   | -                             | 1,046                          | -   | 2,373             | 3,419             |
| Total contributions                             | -                             | 1,046                          | -   | 194,952           | 195,998           |
| Total additions                                 | 8,380                         | 1,046                          | -   | 194,952           | 204,378           |
| Deductions:                                     |                               |                                |   |                   |                   |
| Payments in accordance with trust agreements    | 4,686                         | -                              | -   | 164,452           | 169,138           |
| Excess of total additions over total deductions | 3,694                         | 1,046                          | -   | 30,500            | 35,240            |
| Cash and investment fund balance - beginning    | 21,805                        | 434,041                        | 75,657  | 204,210           | 735,713           |
| Cash and investment fund balance - ending       | <u>\$ 25,499</u>              | <u>\$ 435,087</u>              | <u>\$ 75,657</u>                                | <u>\$ 234,710</u> | <u>\$ 770,953</u> |

CITY OF ELKHART  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005

|   | <u>Payroll</u> | <u>Flex Spending<br/>Account</u> | <u>Group<br/>Insurance</u> | <u>Sales<br/>Tax</u> | <u>County<br/>Court Fees</u> | <u>Elkhart<br/>City Court</u> | <u>Total</u>      |
|---|----------------|----------------------------------|----------------------------|----------------------|------------------------------|-------------------------------|-------------------|
| Additions:  |                |                                  |                            |                      |                              |                               |                   |
| Agency fund additions   | -              | 24,625                           | 4,663,021                  | 22,676               | 171,983                      | 2,228,495                     | 7,110,800         |
| Deductions:   |                |                                  |                            |                      |                              |                               |                   |
| Agency fund deductions  | 250,584        | 18,973                           | 4,708,572                  | 22,666               | 143,288                      | 2,133,188                     | 7,277,271         |
| Excess (deficiency) of total additions<br>over (under) total deductions | (250,584)      | 5,652                            | (45,551)                   | 10                   | 28,695                       | 95,307                        | (166,471)         |
| Cash and investment fund balance - beginning                            | 250,584        | 14,045                           | 463,553                    | 1                    | 1                            | 212,052                       | 940,236           |
| Cash and investment fund balance - ending                               | <u>\$ -</u>    | <u>\$ 19,697</u>                 | <u>\$ 418,002</u>          | <u>\$ 11</u>         | <u>\$ 28,696</u>             | <u>\$ 307,359</u>             | <u>\$ 773,765</u> |

CITY OF ELKHART  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
As of December 31, 2005

The City has not recorded any general infrastructure assets in governmental activities.

| <u>Primary Government</u>  | <u>Ending<br/>Balance</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net Ending<br/>Balance</u> |
|--|---------------------------|-------------------------------------|-------------------------------|
| Governmental activities:   |                           |                                     |                               |
| Capital assets, not being depreciated:                                 |                           |                                     |                               |
| Land   | \$ 7,938,412              | \$ -                                | \$ 7,938,412                  |
| Buildings  | 15,755,510                | *                                   | 15,755,510                    |
| Improvements other than buildings                                      | 16,116,926                | *                                   | 16,116,926                    |
| Machinery and equipment  | <u>20,306,097</u>         | <u>*</u>                            | <u>20,306,097</u>             |
| Total governmental activities, capital<br>assets not being depreciated | <u>\$ 60,116,945</u>      | <u>\$ -</u>                         | <u>\$ 60,116,945</u>          |

\*The City has not included depreciation on these capital assets.

| <u>Primary Government</u>                        | <u>Ending<br/>Balance</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net Ending<br/>Balance</u> |
|--|---------------------------|-------------------------------------|-------------------------------|
| Business-type activities:                        |                           |                                     |                               |
| Water Utility:                                   |                           |                                     |                               |
| Capital assets, not being depreciated:           |                           |                                     |                               |
| Land   | \$ 597,370                | \$ -                                | \$ 597,370                    |
| Construction in progress                         | 2,853,279                 | -                                   | 2,853,279                     |
| Buildings  | 460,953                   | 59,754                              | 401,199                       |
| Improvements other than buildings                | 37,780,588                | 8,131,878                           | 29,648,710                    |
| Machinery and equipment                          | <u>4,376,748</u>          | <u>2,863,065</u>                    | <u>1,513,683</u>              |
| Total Water Utility capital assets               | <u>46,068,938</u>         | <u>11,054,697</u>                   | <u>35,014,241</u>             |
| Wastewater Utility:                              |                           |                                     |                               |
| Capital assets, not being depreciated:           |                           |                                     |                               |
| Land   | 66,068                    | -                                   | 66,068                        |
| Construction in progress                         | 4,831,608                 | -                                   | 4,831,608                     |
| Buildings  | 29,868,000                | 9,967,777                           | 19,900,223                    |
| Improvements other than buildings                | 49,663,314                | 12,155,749                          | 37,507,565                    |
| Machinery and equipment                          | <u>7,764,353</u>          | <u>7,181,307</u>                    | <u>583,046</u>                |
| Total Wastewater Utility capital assets          | <u>92,193,343</u>         | <u>29,304,833</u>                   | <u>62,888,510</u>             |
| Total business-type activities<br>capital assets | <u>\$ 138,262,281</u>     | <u>\$ 40,359,530</u>                | <u>\$ 97,902,751</u>          |

CITY OF ELKHART  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
As of December 31, 2005

The City has entered into the following long-term debt:

| Description of Debt  | Ending<br>Balance   | Principal<br>Due Within<br>One Year |
|--|---------------------|-------------------------------------|
| <u>Governmental Activities</u>                             |                     |                                     |
| General obligation bonds:                                  |                     |                                     |
| 2005 Park District   | \$ 1,800,000        | \$ -                                |
| Revenue bonds:   |                     |                                     |
| 2001 Tax increment revenue refunding and improvement bonds | 2,335,000           | 155,000                             |
| 2002 Tax increment revenue bonds                           | 1,805,000           | -                                   |
| 2004 Tax increment revenue bonds                           | <u>1,415,000</u>    | <u>15,000</u>                       |
| Total revenue bonds  | <u>5,555,000</u>    | <u>170,000</u>                      |
| Total governmental activities long-term debt               | <u>\$ 7,355,000</u> | <u>\$ 170,000</u>                   |

Business-type Activities

Water Utility:

Revenue bonds:

    2003 Waterworks refunding

|  |              |            |
|--|--------------|------------|
|  | \$ 2,800,000 | \$ 805,000 |
|--|--------------|------------|

Wastewater Utility:

Revenue bonds:

    2004 Wastewater refunding

|  |           |           |
|--|-----------|-----------|
|  | 3,900,000 | 1,075,000 |
|--|-----------|-----------|

|                                |              |              |
|--------------------------------|--------------|--------------|
| Total business-type activities | \$ 6,700,000 | \$ 1,880,000 |
|--------------------------------|--------------|--------------|

Governmental Activities

Debt service requirements to maturity:

Year ended December 31:

|           | General Obligations Bonds |            | Revenue Bonds  |               |
|-----------|---------------------------|------------|----------------|---------------|
|           | Principal                 | Interest   | Principal      | Interest      |
| 2006-2010 | \$ 1,800,000              | \$ 114,597 | \$ 1,255,000   | \$ 1,245,692  |
| 2011-2015 | -                         | -          | 1,870,000      | 889,848       |
| 2016-2020 | -                         | -          | 2,025,000      | 367,876       |
| 2021-2022 | -                         | -          | <u>405,000</u> | <u>17,982</u> |

|  |              |            |              |              |
|--|--------------|------------|--------------|--------------|
| Total governmental activities long-term debt | \$ 1,800,000 | \$ 114,597 | \$ 5,555,000 | \$ 2,521,398 |
|--|--------------|------------|--------------|--------------|

Business-type Activities

Debt service requirements to maturity:

Year ended December 31

|           | Water Utility |            | Wastewater Utility |            |
|-----------|---------------|------------|--------------------|------------|
|           | Principal     | Interest   | Principal          | Interest   |
| 2006-2009 | \$ 2,800,000  | \$ 164,925 | \$ 3,900,000       | \$ 396,875 |

CITY OF ELKHART  
AUDIT RESULTS AND COMMENTS

CONDITION OF FINANCIAL RECORDS (Applies To Controller)

The City maintains eight bank accounts. Seven bank accounts are reconciled with individual City funds and are in balance at December 31, 2005. The eighth bank account includes all other City funds. A control account is maintained for these other City funds. The eighth bank account and the control account are in balance at December 31, 2005. However, the cash balances of the individual other City funds that comprise the control account exceed the control total by \$325,238. This difference could represent an amount necessary to balance the records or represent an overstatement of fund balances.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CASH BALANCE DEFICITS (Applies To Controller)

The cash balance of the NYC Railroad Museum Fund was overdrawn in the amount of \$231,544 at December 31, 2005.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS (Applies to City Clerk)

The computerized court and cash collection forms used from October 24, 2005, the date of converting to the new court software, have not been approved by the State Board of Accounts.

The Clerk was informed that approval should be obtained in writing for the new computerized forms.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF ELKHART  
AUDIT RESULTS AND COMMENTS  
(Continued)

CITY CLERK'S SUBSIDIARY TRUST AND CASH BOND REGISTERS (Applies to City Clerk)

The City Clerk did not present reconciled subsidiary trust and cash bond registers for the 2005 audit year. It cannot be determined if the trust and cash bond registers were in balance with the cash book balance at December 31, 2005.

The City Annual Audit Report B26104 for the year 2004 contained an audit result and comment indicating the Clerk's trust register did not agree with the Clerk's cash book at December 31, 2004. The trust register at December 31, 2004, totaled \$12,469.29 and the cash book balance for trust at December 31, 2004, was \$25,042.51, resulting in unidentified trust in the amount of \$12,573.22. Also, the City Clerk's cash bond register did not agree with the Clerk's cash book at December 31, 2004. The cash bond register at December 31, 2004, totaled \$76,560 and the cash book balance for cash bonds at December 31, 2004, was \$74,894.95, resulting in a shortage for cash bonds in the amount of \$1,665.85.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**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 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 ELKHART, ELKHART COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Elkhart (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 the 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.

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

July 20, 2006

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

| Federal Grantor Agency/Pass-Through Entity<br>Cluster Title/Program Title/Project Title                                 | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended |
|---|---------------------------|--|-------------------------------------|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>   |                           |  |                                     |
| Direct Grant  |                           |  |                                     |
| CDBG-Entitlement and (HUD - Administered) Small Cities Cluster<br>Community Development Block Grants/Entitlement Grants | 14.218                    | BBOOMC-25-0015<br>BBOOMC-26-0015                           | \$ 757,677<br><u>301,629</u>        |
| Total for cluster   |                           |  | <u>1,059,306</u>                    |
| Supportive Housing Program  | 14.235                    | IN36B103008<br>IN36B103012<br>IN36B402023                  | 9,645<br>40,377<br><u>33,403</u>    |
| Total for program   |                           |  | <u>83,425</u>                       |
| Fair Housing Assistance Program-State and Local   | 14.401                    | FF205K055036   | <u>39,100</u>                       |
| Pass-through Elkhart County Housing Authority<br>Public Housing Capital Fund  | 14.872                    |  | <u>47,523</u>                       |
| Total for federal grantor agency  |                           |  | <u>1,229,354</u>                    |
| <u>U.S. DEPARTMENT OF JUSTICE</u>   |                           |  |                                     |
| Direct Grant  |                           |  |                                     |
| Local Law Enforcement Block Grant Program   | 16.592                    | 2004-LB-BX-0488  | <u>12,411</u>                       |
| Pass-through Indiana Criminal Justice Institute<br>Crime Victim Assistance  | 16.575                    | 04VA168<br>04VA042<br>04VA031                              | 11,812<br>38,552<br><u>25,368</u>   |
| Total for program   |                           |  | <u>75,732</u>                       |
| Total for federal grantor agency  |                           |  | <u>88,143</u>                       |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u>  |                           |  |                                     |
| Pass-through Indiana Criminal Justice Institute<br>Highway Safety Cluster<br>State and Community Highway Safety         | 20.600                    | OP-05-02,T-03,P-42 (OPO)<br>PT-06-04-07-09 (BCC)           | 17,007<br><u>9,306</u>              |
| Total for program   |                           |  | <u>26,313</u>                       |
| Safety Incentive Grants for Use of Seatbelts  | 20.604                    | IN-05-02, T-03, P-9, (BCC)                                 | <u>8,246</u>                        |
| Total for federal grantor agency  |                           |  | <u>34,559</u>                       |
| <u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>   |                           |  |                                     |
| Direct Grant  |                           |  |                                     |
| Museum Assessment Program   | 45.302                    |  | <u>1,650</u>                        |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>   |                           |  |                                     |
| Pass-through Indiana Department of Environmental Management<br>Water Quality Cooperative Agreements                     | 66.463                    |  | <u>105,852</u>                      |
| <u>U.S. CORPORATION FOR NATIONAL SERVICE</u>  |                           |  |                                     |
| Pass-through Indiana Commission for Community Services<br>Americorps  | 94.006                    | 03AFHIN00100120  | <u>202,706</u>                      |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>   |                           |  |                                     |
| Pass-through Indiana Department of Homeland Security<br>Homeland Security Grant Program                                 | 97.004                    |  | <u>138,651</u>                      |
| Total federal awards expended   |                           |  | <u>\$ 1,800,915</u>                 |

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

CITY OF ELKHART  
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 Elkhart (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<br>CFDA<br>Number | Amount<br>Provided to<br>Subrecipients |
|---|---------------------------|--|
| CDBG – Entitlement and (HUD – Administered) |                           |  |
| Small Cities Cluster                        | 14.218                    | \$ 123,183                             |
| Crime Victim Assistance                     | 16.575                    | 51,236                                 |

CITY OF ELKHART  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

|   |               |
|---|---------------|
| Material weaknesses identified?   | yes           |
| Reportable conditions identified that are not considered to be material weaknesses? | none reported |

|   |     |
|---|-----|
| Noncompliance material to financial statements noted? | yes |
|---|-----|

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:

\_\_\_\_\_  
Name of Federal Program or Cluster

CDBG – Entitlement and (HUD – Administered) Small Cities Cluster

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

|  |     |
|--|-----|
| Auditee qualified as low-risk auditee? | yes |
|--|-----|

CITY OF ELKHART  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section II – Financial Statement Findings

FINDING 2005-1, CASH NOT RECONCILED

The City has a depository account referred to as the "Pooled Cash Bank Account" in which many of the City's cash funds are accounted for. The December 31, 2005, depository reconciliation of the "pooled cash bank account" balance to the total of all the City's cash fund balances that comprise pooled cash revealed that the fund balances exceeded the pooled cash account balance by \$325,238.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Failure to identify and correct differences in the bank reconciliations will result in the under or over stating of fund balances throughout the year.

We recommended that City officials initiate procedures to establish internal controls to identify and correct bank reconciliation differences in a timely manner.

Section III – Federal Award Findings and Questioned Cost

No matters are reportable.

CITY OF ELKHART  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



The city with a heart

## CORRECTIVE ACTION PLAN

### FINDING NO. 2005-1 CASH NOT RECONCILED

David L. Miller  
Mayor

Stephen J. Malone  
City Controller

City Controller

Municipal Building  
229 S. Second Street  
Elkhart, Indiana 46516

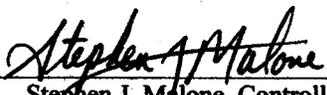
Phone: 574.294.5471  
Fax: 574.294.8491

The bank account reconciliation process occurred every month throughout the year as required. In fact, revenue, expense, and fund balance in all funds were in balance with claim on cash at year end. However, in the process of reconciling claim on cash with pooled cash, a series of journal entries inappropriately adjusted items in transit to pooled cash by artificially reducing pooled cash, thereby causing pooled cash to be out-of-balance with claim on cash at year end. The causative journal entries have been identified and provided to the State Board of Accounts. Corrective action has already been completed for an accurate pooled cash balance.

Similarly, two errors in another journal entry contributed to out-of-balance status at year end. The first error failed to reduce pooled cash when funds were moved from pooled cash in the Wastewater Operating Fund to the Water Revenue Fund. This error has been identified and corrective action has already been completed to reduce pooled cash as the original journal entry should have done.

The second error occurred when Payment In Lieu of Taxes was made from the Wastewater Operating Fund to the General Fund. The journal entry erroneously increased the Wastewater Operating Fund rather than reducing it. This error has been identified and corrective action has been completed to make the required reduction to the fund.

The corrective actions summarized herein reconcile pooled cash with claim on cash.

  
\_\_\_\_\_  
Stephen J. Malone, Controller  
City of Elkhart, Indiana

July 24, 2006  
Date

CITY OF ELKHART  
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2006, with Brian A. Thomas, President of the Common Council; Stephen J. Malone, Controller; and Christy Holman, Deputy Controller. The official response has been made a part of this report and may be found on pages 53 and 54.



The city with a heart

August 22, 2006

Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204-2738

David L. Miller  
Mayor

Re: Official Response to Audit Report – City of Elkhart FY 2005 Financial  
Records

Stephen J. Malone  
City Controller

Dear State Board of Accounts:

City Controller

Municipal Building  
229 S. Second Street  
Elkhart, Indiana 46516

Phone: 574.294.5471

Fax: 574.294.8491

On August 11, 2006 officials of the City of Elkhart met with field examiners from the Indiana State Board of Accounts regarding review of financial records of the City of Elkhart for the year 2005. This letter constitutes an official response to the audit report.

With regard to the City of Elkhart Civil records, the audit comment concerning the condition of financial records derived from errors that occurred in the bank account reconciliation process resulting in an understatement of pooled cash and from a separate journal entry error resulting in an overstatement of claim on cash. The bank account reconciliation process occurred every month throughout the year as required. In fact, revenue, expense, and fund balance in all funds were in balance with claim on cash at year end. However, in the process of reconciling claim on cash with pooled cash, a series of journal entries inappropriately adjusted items in transit to pooled cash by artificially reducing pooled cash, thereby causing pooled cash to be out-of-balance with claim on cash at year end. This contributed to an understatement of pooled cash. Corrective action has been completed after close of the fiscal year for an accurate pooled cash balance. Similarly, two errors in another journal entry contributed to out-of-balance status at year end. The first error failed to reduce pooled cash when funds were moved from pooled cash in the Wastewater Operating Fund to the Water Revenue Fund. This error has been identified and corrective action has been completed to reduce pooled cash as the original journal entry should have done. The second error occurred when Payment In Lieu of Taxes was made from the Wastewater Operating Fund to the General Fund. The journal entry erroneously increased the Wastewater Operating Fund rather than reducing it, thereby contributing to an overstatement of claim on cash. This error has been identified and corrective action has been completed after close of the fiscal year to make the required reduction to the fund. The causative journal entries have been provided to the field examiners. The corrective actions summarized herein reconcile pooled cash with claim on cash.

Indiana State Board of Accounts

August 22, 2006

Page 2 of 2

With regard to the City of Elkhart Civil records, the audit comment concerning cash balance deficits in the NYC Railroad Museum Fund derive from a deficit that occurred in 2004. A corrective action plan was developed in 2005 and projected that funding would be available to alleviate the deficit in 2006. The deficit was corrected in March of 2006.

Various accounting functions for the water and wastewater utilities are performed on a contractual basis with an independent accounting firm and the general ledger is maintained by the City of Elkhart. Coordination of the customer deposit asset account and the customer deposit liability account for the water and wastewater utilities is very important but has contributed to a disparity in the balance of the register. A joint effort will be pursued to review the balances and the procedures to coordinate these functions.

Sincerely,



Stephen J. Malone, Controller  
City of Elkhart, Indiana