

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

ANNUAL FINANCIAL REPORT

2005

CITY OF TERRE HAUTE

VIGO COUNTY, INDIANA



**FILED**  
09/19/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	William P. Long	01-01-05 to 12-31-06
Mayor	Kevin D. Burke	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	William D. Lower	01-01-05 to 12-31-06
President of the Common Council	Richard F. Dunkin George J. Azar	01-01-05 to 12-31-05 01-01-06 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO 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 Terre Haute (City), as of and for the year ended December 31, 2005, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 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.

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.

STATE BOARD OF ACCOUNTS

August 9, 2006



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

TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO COUNTY, INDIANA

We have audited the financial statements of the City of Terre Haute (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

STATE BOARD OF ACCOUNTS

August 9, 2006

CITY OF TERRE HAUTE  
STATEMENT OF NET ASSETS  
December 31, 2005

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 3,932,537	\$ 4,771,545	\$ 8,704,082
Receivables (net of allowances for uncollectibles):			
Taxes	990,210	-	990,210
Accounts	569,613	1,312,218	1,881,831
Other	246,566	-	246,566
Intergovernmental	642,000	-	642,000
Loans	541,952	-	541,952
Prepaid expense	139,774	23,331	163,105
Deferred debits	890,117	954,374	1,844,491
Restricted assets:			
Cash and cash equivalents	32,016,451	32,680,939	64,697,390
Investments	228,707	-	228,707
Interest receivable	50,565	94,172	144,737
Capital assets:			
Land, improvements and construction in progress	10,928,626	1,729,210	12,657,836
Other capital assets, net of depreciation	23,978,877	55,956,318	79,935,195
<b>Total assets</b>	<b>75,155,995</b>	<b>97,522,107</b>	<b>172,678,102</b>
 <u>Liabilities</u>			
Accounts payable	149,397	34,322	183,719
Accrued payroll and withholdings payable	1,141,085	59,111	1,200,196
Contracts payable	296,324	-	296,324
Accrued interest payable	114,739	-	114,739
Deferred revenue	1,072,067	22,184	1,094,251
Noncurrent liabilities:			
Due within one year:			
General obligation bonds payable	1,400,000	-	1,400,000
Revenue bonds payable	195,273	375,000	570,273
City's share of fire protection district bonds payable	35,040	-	35,040
Capital lease obligations	594,846	-	594,846
Notes and loans payable	890,482	-	890,482
Due in more than one year:			
General obligation bonds payable (net of discounts or premiums)	33,270,000	-	33,270,000
Compensated absences	2,484,584	79,977	2,564,561
Revenue bonds payable (net of discounts or premiums)	4,063,838	28,975,000	33,038,838
City's share of fire protection district bonds payable (net of discounts or premiums)	18,240	-	18,240
Capital lease obligations	826,506	-	826,506
Notes and loans payable	110,131	-	110,131
Net pension obligation	20,982,951	-	20,982,951
<b>Total liabilities</b>	<b>67,645,503</b>	<b>29,545,594</b>	<b>97,191,097</b>
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	(3,272,193)	28,335,528	25,063,335
Restricted for:			
Public safety	2,103,754	-	2,103,754
Highways and streets	2,099,822	-	2,099,822
Sanitation	17,678,432	32,775,111	50,453,543
Economic development	2,192,147	-	2,192,147
Culture and recreation	472,777	-	472,777
Debt service	2,166,831	-	2,166,831
Other purposes	7,303,686	-	7,303,686
Unrestricted	(23,234,764)	6,865,874	(16,368,890)
<b>Total net assets</b>	<b>\$ 7,510,492</b>	<b>\$ 67,976,513</b>	<b>\$ 75,487,005</b>

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

CITY OF TERRE HAUTE  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 16,560,472	\$ 970,470	\$ 997,484	\$ 33,966	\$ (14,558,552)	\$ -	\$ (14,558,552)
Public safety	16,097,203	1,032,298	220,193	32,933	(14,811,779)	-	(14,811,779)
Highways and streets	4,283,326	105,232	2,321,261	900,965	(955,868)	-	(955,868)
Sanitation	313,755	-	-	385,225	71,470	-	71,470
Economic development	410,448	-	-	-	(410,448)	-	(410,448)
Culture and recreation	4,150,171	1,209,548	50,184	-	(2,890,439)	-	(2,890,439)
Urban redevelopment and housing	3,451,963	137,187	1,679,411	103,516	(1,531,849)	-	(1,531,849)
Interest on long-term debt	1,862,610	-	-	-	(1,862,610)	-	(1,862,610)
Total governmental activities	<u>47,129,948</u>	<u>3,454,735</u>	<u>5,268,533</u>	<u>1,456,605</u>	<u>(36,950,075)</u>	<u>-</u>	<u>(36,950,075)</u>
Business-type activities:							
Wastewater	<u>7,766,145</u>	<u>11,147,519</u>	<u>-</u>	<u>912,787</u>	<u>-</u>	<u>4,294,161</u>	<u>4,294,161</u>
Total primary government	<u>\$ 54,896,093</u>	<u>\$ 14,602,254</u>	<u>\$ 5,268,533</u>	<u>\$ 2,369,392</u>	<u>(36,950,075)</u>	<u>4,294,161</u>	<u>(32,655,914)</u>
General revenues:							
Property taxes					26,504,320	-	26,504,320
Intergovernmental revenues:							
Financial institutions tax					481,311	-	481,311
Auto and aircraft excise tax					1,648,933	-	1,648,933
Commercial vehicle excise tax					162,298	-	162,298
County adjusted gross income tax					4,312,838	-	4,312,838
Tax increments for redevelopment districts					726,018	-	726,018
Economic development income tax					3,620,507	-	3,620,507
Surtax and wheel tax					532,944	-	532,944
ABC excise tax					43,611	-	43,611
ABC gallonage tax					144,000	-	144,000
State cigarette tax					50,259	-	50,259
Gaming tax revenue					375,910	-	375,910
Contributions by City and employees to health self-insurance plan					3,823,264	-	3,823,264
Unrestricted investment earnings					686,175	-	686,175
Other:							
Miscellaneous revenues					577,444	-	577,444
Transfers to Levy Excess Fund					(752,619)	-	(752,619)
Total general revenues and transfers					<u>42,937,213</u>	<u>-</u>	<u>42,937,213</u>
Change in net assets					5,987,138	4,294,161	10,281,299
Net assets - beginning					1,568,713	68,610,240	70,178,953
Prior period adjustment, Note IV.J.					<u>(45,359)</u>	<u>(4,927,888)</u>	<u>(4,973,247)</u>
Net assets - beginning, as restated					<u>1,523,354</u>	<u>63,682,352</u>	<u>65,205,706</u>
Net assets - ending					<u>\$ 7,510,492</u>	<u>\$ 67,976,513</u>	<u>\$ 75,487,005</u>

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

CITY OF TERRE HAUTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2005

<u>Assets</u>	General	Motor Vehicle Highway	Local Road and Street	Cemetery	Transit	Park and Recreation	Sanitary District Bond Fund	Sanitary District Project No. 19
Cash and cash equivalents	\$ 3,932,537	\$ 1,315,202	\$ 583,557	\$ 434,991	\$ 922,340	\$ 426,179	\$ 1,470,136	\$ 4,645,099
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	2	-	-	-	-
Taxes	721,301	19,715	-	31,520	40,690	90,435	175,827	-
Accounts	-	-	-	1,383	-	-	-	-
Other	239,044	103	-	-	-	6,629	-	-
Intergovernmental	62,693	211,929	91,346	645	223,393	1,849	3,596	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loans	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 4,955,575</u></b>	<b><u>\$ 1,546,949</u></b>	<b><u>\$ 674,903</u></b>	<b><u>\$ 468,541</u></b>	<b><u>\$ 1,186,423</u></b>	<b><u>\$ 525,092</u></b>	<b><u>\$ 1,649,559</u></b>	<b><u>\$ 4,645,099</u></b>
 <u>Liabilities and fund balances.</u>								
Liabilities:								
Accounts payable	\$ 66,669	\$ 6,154	\$ 7,654	\$ 2,451	\$ 5,751	\$ 34,163	\$ -	\$ -
Accrued payroll and withholdings payable	985,913	45,540	-	15,364	42,917	30,258	-	-
Contracts payable	-	-	-	-	-	-	-	269,495
Interfund payable:								
Interfund loans	-	-	-	-	-	-	-	-
Accrued interest payable	14,479	-	-	-	-	3,935	-	-
Deferred revenue	749,283	20,118	-	32,165	41,522	92,285	179,423	-
<b>Total liabilities</b>	<b><u>1,816,344</u></b>	<b><u>71,812</u></b>	<b><u>7,654</u></b>	<b><u>49,980</u></b>	<b><u>90,190</u></b>	<b><u>160,641</u></b>	<b><u>179,423</u></b>	<b><u>269,495</u></b>
Fund balances:								
Unreserved, reported in:								
General fund	3,139,231	-	-	-	-	-	-	-
Special revenue funds	-	1,475,137	667,249	418,561	1,096,233	364,451	-	-
Capital projects funds	-	-	-	-	-	-	-	4,375,604
Debt service funds	-	-	-	-	-	-	1,470,136	-
Permanent funds	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b><u>3,139,231</u></b>	<b><u>1,475,137</u></b>	<b><u>667,249</u></b>	<b><u>418,561</u></b>	<b><u>1,096,233</u></b>	<b><u>364,451</u></b>	<b><u>1,470,136</u></b>	<b><u>4,375,604</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,955,575</u></b>	<b><u>\$ 1,546,949</u></b>	<b><u>\$ 674,903</u></b>	<b><u>\$ 468,541</u></b>	<b><u>\$ 1,186,423</u></b>	<b><u>\$ 525,092</u></b>	<b><u>\$ 1,649,559</u></b>	<b><u>\$ 4,645,099</u></b>

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

CITY OF TERRE HAUTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2005  
(Continued)

<u>Assets</u>	Sanitary District Project No. 20	Sanitary District Project No. 21	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income Tax	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 12,225,931	\$ 2,277	\$ 1,047,477	\$ 278,168	\$ 1,788,468	\$ 6,465,059	\$ 35,537,421
Investments	-	-	-	-	-	228,707	228,707
Receivables (net of allowances for uncollectibles):							
Interest	40,001	41	-	-	-	6,287	46,331
Taxes	-	-	19,714	-	-	1,032	1,100,234
Accounts	-	-	-	-	-	631,367	632,750
Other	-	-	-	-	-	-	245,776
Intergovernmental	-	-	12,884	33,644	-	21	642,000
Loans	-	-	-	-	-	541,952	541,952
Interfund receivable:							
Interfund loans	-	-	-	-	-	27,947	27,947
<b>Total assets</b>	<b><u>\$ 12,265,932</u></b>	<b><u>\$ 2,318</u></b>	<b><u>\$ 1,080,075</u></b>	<b><u>\$ 311,812</u></b>	<b><u>\$ 1,788,468</u></b>	<b><u>\$ 7,902,372</u></b>	<b><u>\$ 39,003,118</u></b>
 <u>Liabilities and fund balances</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 9,000	\$ -	\$ 3,284	\$ 14,271	\$ 149,397
Accrued payroll and withholdings payable	-	-	-	-	-	21,093	1,141,085
Contracts payable	-	-	26,829	-	-	-	296,324
Interfund payable:							
Interfund loans	-	-	-	-	-	27,947	27,947
Accrued interest payable	-	12,474	-	-	-	83,851	114,739
Deferred revenue	-	-	32,598	33,644	-	1,053	1,182,091
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>12,474</u></b>	<b><u>68,427</u></b>	<b><u>33,644</u></b>	<b><u>3,284</u></b>	<b><u>148,215</u></b>	<b><u>2,911,583</u></b>
Fund balances:							
Unreserved, reported in:							
General fund	-	-	-	-	-	-	3,139,231
Special revenue funds	-	-	-	-	-	4,096,729	8,118,360
Capital projects funds	12,265,932	(10,156)	1,011,648	278,168	1,785,184	3,231,311	22,937,691
Debt service funds	-	-	-	-	-	-	1,470,136
Permanent funds	-	-	-	-	-	426,117	426,117
<b>Total fund balances</b>	<b><u>12,265,932</u></b>	<b><u>(10,156)</u></b>	<b><u>1,011,648</u></b>	<b><u>278,168</u></b>	<b><u>1,785,184</u></b>	<b><u>7,754,157</u></b>	<b><u>36,091,535</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 12,265,932</u></b>	<b><u>\$ 2,318</u></b>	<b><u>\$ 1,080,075</u></b>	<b><u>\$ 311,812</u></b>	<b><u>\$ 1,788,468</u></b>	<b><u>\$ 7,902,372</u></b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,907,503
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,029,891
Allowances for doubtful accounts are recognized for governmental activities in the statement of net assets, but are not reported in the funds.	(63,137)
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	416,591
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(43,888,940)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(20,982,951)</u>

Net assets of governmental activities \$ 7,510,492

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

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

	General	Motor Vehicle Highway	Local Road and Street	Cemetery	Transit	Park and Recreation	Sanitary District Bond Fund	Sanitary District Project No. 19
<b>Revenues:</b>								
Taxes	\$ 17,464,794	\$ 477,230	\$ -	\$ 763,568	\$ 985,139	\$ 2,368,737	\$ 4,532,560	\$ -
Licenses and permits	190,899	5,080	-	-	-	-	-	-
Intergovernmental	5,736,039	2,390,326	555,398	63,552	949,752	-	-	-
Charges for services	238,713	-	-	139,026	140,339	40,122	-	-
Fines and forfeits	329,930	-	-	-	-	-	-	-
Other	725,272	44,905	-	6,803	-	10,562	-	-
<b>Total revenues</b>	<b>24,685,647</b>	<b>2,917,541</b>	<b>555,398</b>	<b>972,949</b>	<b>2,075,230</b>	<b>2,419,421</b>	<b>4,532,560</b>	<b>-</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	11,931,809	-	-	704,286	1,617,840	-	-	-
Public safety	15,824,215	-	-	-	-	-	-	-
Highways and streets	-	2,848,705	713,064	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	2,377,569	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
<b>Debt service:</b>								
Principal	-	-	-	-	-	-	3,700,000	-
Interest	-	-	-	-	-	-	1,533,393	-
<b>Capital outlay:</b>								
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	1,712,184
Urban redevelopment	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>27,756,024</b>	<b>2,848,705</b>	<b>713,064</b>	<b>704,286</b>	<b>1,617,840</b>	<b>2,377,569</b>	<b>5,233,393</b>	<b>1,712,184</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,070,377)</b>	<b>68,836</b>	<b>(157,666)</b>	<b>268,663</b>	<b>457,390</b>	<b>41,852</b>	<b>(700,833)</b>	<b>(1,712,184)</b>
<b>Other financing sources (uses):</b>								
Transfers in	1,192,672	-	-	15,496	-	-	-	380,661
Transfers out	(1,151,148)	-	-	-	-	(76,910)	-	-
Bond anticipation note proceeds	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>41,524</b>	<b>-</b>	<b>-</b>	<b>15,496</b>	<b>-</b>	<b>(76,910)</b>	<b>-</b>	<b>380,661</b>
<b>Special item:</b>								
Proceeds from sale of general obligation bonds	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>(3,028,853)</b>	<b>68,836</b>	<b>(157,666)</b>	<b>284,159</b>	<b>457,390</b>	<b>(35,058)</b>	<b>(700,833)</b>	<b>(1,331,523)</b>
<b>Fund balances - beginning</b>	<b>6,168,084</b>	<b>1,406,301</b>	<b>824,915</b>	<b>134,402</b>	<b>638,843</b>	<b>399,509</b>	<b>2,170,969</b>	<b>5,707,127</b>
<b>Fund balances - ending</b>	<b>\$ 3,139,231</b>	<b>\$ 1,475,137</b>	<b>\$ 667,249</b>	<b>\$ 418,561</b>	<b>\$ 1,096,233</b>	<b>\$ 364,451</b>	<b>\$ 1,470,136</b>	<b>\$ 4,375,604</b>

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

CITY OF TERRE HAUTE  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005  
(Continued)

	Sanitary District Project No. 20	Sanitary District Project No. 21	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ 516,950	\$ -	\$ -	\$ 1,418,301	\$ 28,527,279
Licenses and permits	-	-	-	-	-	78,241	274,220
Intergovernmental	-	-	160,935	184,283	3,620,507	1,619,187	15,279,979
Charges for services	-	-	-	-	-	2,896,262	3,454,462
Fines and forfeits	-	-	-	-	-	67,925	397,855
Other	385,184	41	-	348	-	809,975	1,983,090
<b>Total revenues</b>	<b>385,184</b>	<b>41</b>	<b>677,885</b>	<b>184,631</b>	<b>3,620,507</b>	<b>6,889,891</b>	<b>49,916,885</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	-	-	-	-	-	441,796	14,695,731
Public safety	-	-	-	-	-	272,988	16,097,203
Highways and streets	-	-	-	-	-	451,077	4,012,846
Sanitation	-	-	-	-	-	466,453	466,453
Economic development	-	-	-	-	2,721,709	-	2,721,709
Culture and recreation	-	-	-	-	-	1,587,462	3,965,031
Urban redevelopment and housing	-	-	-	-	-	2,840,693	2,840,693
<b>Debt service:</b>							
Principal	-	-	-	-	-	191,072	3,891,072
Interest	-	-	-	-	-	329,217	1,862,610
<b>Capital outlay:</b>							
Highways and streets	-	-	1,001,889	175,765	-	803,541	1,981,195
Sanitation	2,439,270	865,197	-	-	-	98,424	5,115,075
Urban redevelopment	-	-	-	-	-	975,970	975,970
<b>Total expenditures</b>	<b>2,439,270</b>	<b>865,197</b>	<b>1,001,889</b>	<b>175,765</b>	<b>2,721,709</b>	<b>8,458,693</b>	<b>58,625,588</b>
Excess (deficiency) of revenues over (under) expenditures	(2,054,086)	(865,156)	(324,004)	8,866	898,798	(1,568,802)	(8,708,703)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	1,691,872	3,280,701
Transfers out	-	-	(16,253)	-	(900,000)	(2,380,701)	(4,525,012)
Bond anticipation note proceeds	-	855,000	-	-	-	-	855,000
<b>Total other financing sources and uses</b>	<b>-</b>	<b>855,000</b>	<b>(16,253)</b>	<b>-</b>	<b>(900,000)</b>	<b>(688,829)</b>	<b>(389,311)</b>
<b>Special item:</b>							
Proceeds from sale of general obligation bonds	14,176,800	-	-	-	-	-	14,176,800
<b>Net change in fund balances</b>	<b>12,122,714</b>	<b>(10,156)</b>	<b>(340,257)</b>	<b>8,866</b>	<b>(1,202)</b>	<b>(2,257,631)</b>	<b>5,078,786</b>
<b>Fund balances - beginning</b>	<b>143,218</b>	<b>-</b>	<b>1,351,905</b>	<b>269,302</b>	<b>1,786,386</b>	<b>10,011,788</b>	<b>31,012,749</b>
<b>Fund balances - ending</b>	<b>\$ 12,265,932</b>	<b>\$ (10,156)</b>	<b>\$ 1,011,648</b>	<b>\$ 278,168</b>	<b>\$ 1,785,184</b>	<b>\$ 7,754,157</b>	<b>\$ 36,091,535</b>

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

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

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

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ 5,078,786
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,790,260
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(1,285)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(8,799,463)
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	559,466
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>359,374</u>
Change in net assets of governmental activities (statement of activities)	<u>\$ 5,987,138</u>

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

CITY OF TERRE HAUTE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2005

<u>Assets</u>	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Wastewater Utility</u>	
Current assets:		
Cash and cash equivalents	\$ 4,771,545	\$ 411,566
Accounts receivable (net of allowance)	1,312,218	-
Interest receivable	-	4,235
Other receivable	-	790
Prepaid items	23,331	-
	<u>6,107,094</u>	<u>416,591</u>
Total current assets		
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Revenue bond covenant accounts	32,680,939	-
Interest receivable	94,172	-
	<u>32,775,111</u>	<u>-</u>
Total restricted assets		
Deferred debits	954,374	-
Capital assets:		
Land, improvements to land and construction in progress		
Other capital assets (net of accumulated depreciation)	1,729,210	-
	<u>55,956,318</u>	<u>-</u>
Total capital assets		
	<u>57,685,528</u>	<u>-</u>
Total noncurrent assets		
	<u>91,415,013</u>	<u>-</u>
Total assets		
	<u>97,522,107</u>	<u>416,591</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	34,322	-
Accrued payroll and withholdings payable	59,111	-
Deferred revenue	22,184	-
Current liabilities payable from restricted assets:		
Revenue bonds payable	375,000	-
	<u>490,617</u>	<u>-</u>
Total current liabilities		
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts or premiums)		
Compensated absences payable	28,975,000	-
	79,977	-
	<u>29,054,977</u>	<u>-</u>
Total noncurrent liabilities		
Total liabilities		
	<u>29,545,594</u>	<u>-</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	28,335,528	-
Restricted for debt service	4,141,881	-
Restricted for construction	28,633,230	-
Restricted for employee health benefits	-	416,591
Unrestricted	6,865,874	-
	<u>67,976,513</u>	<u>416,591</u>
Total net assets		
	<u>\$ 67,976,513</u>	<u>\$ 416,591</u>

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

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

	Enterprise Funds	
	Wastewater Utility	Internal Service Fund
Operating revenues:		
Measured revenue:		
Residential	\$ 10,762,743	\$ -
Other	<u>384,776</u>	<u>3,823,264</u>
Total operating revenues	<u>11,147,519</u>	<u>3,823,264</u>
Operating expenses:		
Collection system - operations and maintenance	357,475	-
Pumping - operations and maintenance	208,311	-
Treatment and disposal expense - operations and maintenance	870,046	-
Treatment plant - overtime expense	202,263	-
Customer accounts	101,093	-
Administration and general	184,543	-
Insurance claims and premiums	-	3,974,967
Employee pensions and benefits	494,365	-
Materials and supplies	869,297	-
Contractual services	604,709	-
Insurance expense	124,886	-
Bad debt expense	38,355	-
Depreciation and amortization	1,470,253	-
Miscellaneous expenses	<u>1,299,226</u>	<u>-</u>
Total operating expenses	<u>6,824,822</u>	<u>3,974,967</u>
Operating income (loss)	<u>4,322,697</u>	<u>(151,703)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	912,370	19,385
Miscellaneous revenue	417	-
Interest expense	(901,557)	-
Amortization of bond issuance costs	<u>(39,766)</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>(28,536)</u>	<u>19,385</u>
Income (loss) before contributions and transfers	4,294,161	(132,318)
Transfers in	<u>-</u>	<u>491,692</u>
Change in net assets	4,294,161	359,374
Total net assets - beginning	68,610,240	57,217
Prior period adjustment, Note IV.J.	<u>(4,927,888)</u>	<u>-</u>
Total net assets - beginning, as restated	<u>63,682,352</u>	<u>57,217</u>
Total net assets - ending	<u>\$ 67,976,513</u>	<u>\$ 416,591</u>

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

CITY OF TERRE HAUTE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2005

	Enterprise Funds	
	Wastewater Utility	Internal Service Fund
Cash flows from operating activities:		
Receipts from customers and users	\$ 10,379,190	\$ -
Payments to suppliers	(5,317,888)	-
Employer and employee contributions	-	3,826,583
Insurance claims	-	(3,976,966)
Other receipts	<u>410,277</u>	<u>622</u>
Net cash provided (used) by operating activities	<u>5,471,579</u>	<u>(149,761)</u>
Cash flows from noncapital financing activities:		
Other receipts	<u>417</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	29,799,000	-
Capital contributions	(158,175)	-
Purchase of capital assets	(1,384,770)	-
Acquisition and construction of capital assets	(1,750,000)	-
Principal paid on capital debt	(1,213,518)	-
Interest paid on capital debt	(994,140)	-
Transfer in from other funds	<u>-</u>	<u>491,692</u>
Net cash provided by capital and related financing activities	<u>24,298,397</u>	<u>491,692</u>
Cash flows from investing activities:		
Interest received	<u>818,198</u>	<u>15,150</u>
Net increase in cash and cash equivalents	30,588,591	357,081
Cash and cash equivalents, January 1 (Including \$2,263,264 for the Wastewater Utility reported in restricted accounts)	<u>6,863,893</u>	<u>54,485</u>
Cash and cash equivalents, December 31 (Including \$32,680,939 for the Wastewater Utility reported in restricted accounts)	<u>\$ 37,452,484</u>	<u>\$ 411,566</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 4,322,697</u>	<u>\$ (151,703)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,470,253	-
(Increase) decrease in assets:		
Accounts receivable	(354,704)	4,731
Allowance for uncollectible accounts	31,247	-
Other receivables	-	(790)
Prepaid items	(1,652)	-
Increase (decrease) in liabilities:		
Accounts payable	(51,240)	(1,999)
Accrued payroll and withholdings payable	59,111	-
Deferred revenue	3,761	-
Compensated absence payable	<u>(7,894)</u>	<u>-</u>
Total adjustments	<u>1,148,882</u>	<u>1,942</u>
Net cash provided (used) by operating activities	<u>\$ 5,471,579</u>	<u>\$ (149,761)</u>

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

CITY OF TERRE HAUTE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2005

<u>Assets</u>	Pension Trust Funds	Agency Funds
Cash and cash equivalents	\$ 1,285,323	\$ 1,000,660
Receivables:		
Interest and dividends	-	171
Taxes	41,366	-
Intergovernmental	940	-
Total receivables	42,306	171
Investments at fair value:		
External investment pool	1,257,491	-
Total assets	2,585,120	\$ 1,000,831
 <u>Liabilities</u>		
Accrued payroll and withholdings payable	18,319	\$ -
Due to State	-	35,258
Trust payable	-	965,573
Deferred revenue - unavailable	42,306	-
Total liabilities	60,625	\$ 1,000,831
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	2,524,495	
Total net assets	\$ 2,524,495	

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

CITY OF TERRE HAUTE  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
For The Year Ended December 31, 2005

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
Employer	\$ 3,665,710
Plan members	<u>107,460</u>
Total contributions	<u>3,773,170</u>
Investment income:	
Interest	<u>33,020</u>
Total additions	<u>3,806,190</u>
 <u>Deductions</u>	
Benefits	4,471,558
Administrative expense	22,809
Transfers out	<u>23,044</u>
Total deductions	<u>4,517,411</u>
Changes in net assets	(711,221)
Net assets - beginning	<u>3,235,716</u>
Net assets - ending	<u><u>\$ 2,524,495</u></u>

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Terre Haute (primary government) was established under the laws of the State of Indiana. The primary government operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health, culture and recreation, public improvements, planning and zoning, general administrative services, public transportation, sewer, and urban redevelopment and housing.

The accompanying financial statements present the activities of the primary government. There are no significant component units which require inclusion.

Related Organizations

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments. The primary government appoints the board members of the Terre Haute Housing Authority and the Crossroads of America Youth Orchestra.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental 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.

The motor vehicle highway fund is used to account for state motor vehicle highway distributions. It is principally used for the construction and maintenance of streets and alleys.

The local road and street fund is used to account for state gasoline tax distributions. It is principally used for the direct expenses incurred in the construction, reconstruction, or maintenance of arterial and local roads and streets.

The cemetery fund is used to account for the operating receipts and disbursements in connection with the city owned cemeteries.

The transit fund is used to account for the operating receipts and disbursements made in connection with the primary government providing public transportation services.

The park and recreation fund is used account for the operating receipts and disbursements made in connection with the primary government providing recreation programs and facilities.

The sanitary district bond fund is used to account for those funds used to accumulate resources for, and the payment of, long-term debt principal and interest issued by the primary government's sanitary district.

The sanitary district project no. 19 fund is used to account for the financial resources to be used for the purpose of paying the costs of improvements and extensions to the sewage system of the primary government's sanitary district.

The sanitary district project no. 20 fund is used to account for the financial resources to be used for the purpose of paying the costs of improvements and extensions to the sewage system of the primary government's sanitary district.

The sanitary district project no. 21 fund is used to account for the financial resources to be used for the purpose of paying the costs of improvements and extensions to the sewage system of the primary government's sanitary district.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The cumulative capital development fund is used to account for the receipts and disbursements of taxes levied under state statute for capital project uses. It is principally used for the acquisition and construction of major capital facilities.

The cumulative capital improvement fund is used to account for the receipts and disbursements of state cigarette tax distributions. It is principally used for the acquisition and construction of major capital facilities, other than major movable equipment.

The economic development income tax fund is used to account for the receipts and disbursements of the City's share of the county economic development income tax revenues. It is principally used for economic development projects, but may also be used for the construction or acquisition of capital projects for which the City is empowered to issue general obligation bonds or establish a fund under any statute listed in Indiana Code 6-1.1-18.5-9.8.

The primary government reports the following major proprietary fund:

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

Additionally, the primary government reports the following fund types:

The internal service fund accounts for general liability and employee health insurance coverage provided to other departments on a cost-reimbursement basis.

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

Agency funds account for assets held by the primary government as an agent for the State of Indiana, Vigo County, and various individuals.

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

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

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

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

The City has invested \$1,257,491 in an external investment pool administered by the Public Employees Retirement Board of Trustees in accordance with Indiana Code 5-11-10.3-4.7. The fair value of the position of the pool is the same as the value of the pool shares.

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

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

2. Interfund Transactions and Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31 of the year collected. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is restricted by bond covenants.

6. Capital Assets

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	40 to 44 years
Improvements other than buildings	5,000	Straight-line	25 to 67 years
Machinery and equipment	5,000	Straight-line	5 to 44 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government in its business-type activities during the current year was \$301,615. Of the amount, \$301,615 was included as part of the cost of capital assets under construction in connection with the Combined Sewage Overflow Project.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

7. Compensated Absences

Vacation, sick and personal leave policies for primary government employees are described as follows:

Street Department Employees (Union Members)

(a) Sick Leave – Employees earn sick leave at the rate of 8 days per year after completing a 90 day period of employment. Unused sick leave may be accumulated to a maximum of 45 days. Unused sick days over the accumulated 30 days can be paid for by the City the last pay period in December, at the employee's request, not to exceed 8 days in any one year. Accumulated sick leave is paid to employees through cash payments upon termination.

(b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

(c) Personal Leave – Employees earn personal leave at the rate of 6 days per year, not to exceed 2 days per month. All unused personal days will be rolled over to unused sick days.

Cemetery Employees (Union Members)

(a) Sick Leave – Employees earn sick leave at the rate of 6 days per year after completing a 30 day period of employment. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is paid to employees through cash payments upon termination.

(b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

(c) Personal Leave – Employees earn personal leave at the rate of 6 days per year, not to exceed 2 days per each four month period. Personal leave does not accumulate from year to year.

Department of Redevelopment Employees

(a) Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 30 days. Accumulated sick leave is not paid to employees.

(b) Vacation Leave – Employees earn vacation leave at rates from 10 days to 15 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 30 days. Accumulated vacation leave is paid to employees through cash payments upon termination.

(c) Personal Leave – Employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Firefighters

(a) Sick Leave – Employees earn sick leave at the rate of 1 shift day (8 hours) per month for 8 hour shift employees or ½ of a shift day (12 hours) per month for 24 hour shift employees. Unused sick leave may be accumulated to a maximum of 720 hours for 8 hour shift employees or 1,080 hours for 24 hour shift employees. Accumulated sick leave is paid to employees through cash payments upon termination at the last earned hourly rate times ⅔ of the accumulated sick leave.

(b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 12 days per year based upon the number of years of service. Each vacation day shall represent 1 full duty shift day of 24 hours. Vacation leave does not accumulate from year to year.

(c) Personal Leave – Employees earn personal leave at the rate of 3 shift days per year. Personal leave does not accumulate from year to year.

Police Officers

(a) Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave is paid to employees through cash payments upon termination at the rate of 1 sick day for every 3 accumulated sick days.

(b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

(c) Personal Leave – Employees earn personal leave at the rate of 3 days per year. In addition, any officer who is on call and has his or her off-duty actions restricted for 15 days or more a year shall receive an additional 4 personal days for a total of seven. Personal leave does not accumulate from year to year.

Transportation System Employees (Union Members)

(a) Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 36 days. Accumulated sick leave is paid to employees through cash payments on December 20<sup>th</sup> at their option.

(b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

(c) Personal Leave – Employees do not earn personal leave.

Wastewater Utility Employees (Union Members)

(a) Sick Leave – Employees earn sick leave at the rate of 8 days per year. Accumulated sick leave in excess of 30 days is paid to employees through cash payments upon termination.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

(b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 27 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

(c) Personal Leave – Employees earn personal leave at the rate of 4 days per year. Personal leave does not accumulate from year to year.

All Other Employees

(a) Sick Leave – Employees earn sick leave at the rate of 8 days per year. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is not paid to employees.

(b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 30 days. Accumulated vacation leave is paid to employees through cash payments upon termination.

(c) Personal Leave – Employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

8. Long-Term Obligations

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

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

9. Fund Equity

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Prepaid expenses	\$	139,774
Deferred debits		890,117
 Total	 \$	 <u>1,029,891</u>

Long-term liabilities are not due and payable in the current audit period and, therefore, are not reported in the funds:

General obligation bonds payable	\$	(34,670,000)
Compensated absences		(2,484,584)
Revenue bonds payable		(4,259,111)
City's share of fire protection district bonds payable		(53,280)
Capital lease obligations		(1,421,352)
Notes and loans payable		(1,000,613)
 Total	 \$	 <u>(43,888,940)</u>

III. 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. All annual appropriations lapse at fiscal year end.

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

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Expenditures did not exceed appropriations for any funds or any departments within the General Fund, which required legally, approved budgets.

B. Deficit Fund Equity

At December 31, 2005, the following funds reported deficits in fund equity, which are violations of State statute:

	Deficit
Governmental funds:	
Rea Park Nonreverting Fund	\$ (31,402)
Recreation Nonreverting Fund	(79,608)
Engineer Nonreverting Fund	(74,009)
Hulman Links Nonreverting Fund	(205,841)
Skate Park Nonreverting Fund	(18,945)
Cherry Street Project	(39,691)

Fund equity deficits arose primarily from expenditures or expenses exceeding revenues due to the underestimate of current requirements; these deficits will be repaid from future revenues.

IV. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the City had the following investments:

Investment Type	Primary Government Market Value
Certificates of deposit	\$ 2,584,707
Corporate debenture stock	1,000
External investment pool	1,257,491
Total	\$ 3,843,198

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Policies

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

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

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

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

Investment Type	Investment Maturities (in Years)	
	Less Than 1	1-2
Certificates of deposit	\$ 2,384,000	\$ 200,707

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City's corporate debenture stock and external investment pools do not have stated maturities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

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

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable.

Type	Funds	Amount
Loans receivable:		
	Community development	\$ 30,027
	Nonfederal income	108,913
	HOME Program Grant	403,012
Total		\$ 541,952

C. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,439,124	\$ -	\$ -	\$ 5,439,124
Construction in progress	365,951	5,123,551	-	5,489,502
Total capital assets, not being depreciated	5,805,075	5,123,551	-	10,928,626

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities (continued):				
Capital assets, being depreciated:				
Buildings	16,302,584	-	-	16,302,584
Improvements other than buildings	12,335,096	-	-	12,335,096
Machinery and equipment	<u>10,766,440</u>	<u>5,586,051</u>	<u>209,755</u>	<u>16,142,736</u>
Totals	<u>39,404,120</u>	<u>5,586,051</u>	<u>209,755</u>	<u>44,780,416</u>
Less accumulated depreciation for:				
Buildings	7,897,797	352,564	-	8,250,361
Improvements other than buildings	3,253,307	569,032	-	3,822,339
Machinery and equipment	<u>7,939,563</u>	<u>997,746</u>	<u>208,470</u>	<u>8,728,839</u>
Totals	<u>19,090,667</u>	<u>1,919,342</u>	<u>208,470</u>	<u>20,801,539</u>
Total capital assets, being depreciated, net	<u>20,313,453</u>	<u>3,666,709</u>	<u>1,285</u>	<u>23,978,877</u>
Total governmental activities capital assets, net	<u>\$ 26,118,528</u>	<u>\$ 8,790,260</u>	<u>\$ 1,285</u>	<u>\$ 34,907,503</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 42,825	\$ -	\$ -	\$ 42,825
Construction in progress	-	<u>1,686,385</u>	-	<u>1,686,385</u>
Total capital assets, not being depreciated	<u>42,825</u>	<u>1,686,385</u>	<u>-</u>	<u>1,729,210</u>
Capital assets, not being depreciated:				
Land	\$ 42,825	\$ -	\$ -	\$ 42,825
Construction in progress	-	<u>1,686,385</u>	-	<u>1,686,385</u>
Total capital assets, not being depreciated	<u>42,825</u>	<u>1,686,385</u>	<u>-</u>	<u>1,729,210</u>
Capital assets, being depreciated:				
Buildings	2,645,107	-	-	2,645,107
Improvements other than buildings	78,177,189	-	-	78,177,189
Machinery and equipment	<u>4,746,615</u>	<u>158,176</u>	<u>-</u>	<u>4,904,791</u>
Totals	<u>85,568,911</u>	<u>158,176</u>	<u>-</u>	<u>85,727,087</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	2,599,500	15,202	-	2,614,702
Improvements other than buildings	23,625,241	1,185,762	-	24,811,003
Machinery and equipment	<u>2,075,775</u>	<u>269,289</u>	-	<u>2,345,064</u>
Totals	<u>28,300,516</u>	<u>1,470,253</u>	-	<u>29,770,769</u>
Total capital assets, being depreciated, net	<u>57,268,395</u>	<u>(1,312,077)</u>	-	<u>55,956,318</u>
Total business-type activities capital assets, net	<u>\$ 57,311,220</u>	<u>\$ 374,308</u>	<u>\$ -</u>	<u>\$ 57,685,528</u>

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

Governmental activities:

General government/public safety*	\$ 850,947
Public works, including depreciation of general infrastructure assets	615,791
Cemetery	4,432
Culture and recreation	286,082
Community development	<u>162,090</u>

Total depreciation expense - governmental activities \$ 1,919,342

Business-type activities:

Wastewater	<u>\$ 1,470,253</u>
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\*Information to segregate depreciation expense between general government and public safety was not available.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Sanitary District Project No. 19	\$ 6,300,000	\$ 2,469,598	\$ 3,830,402	\$ -
Sanitary District Project No. 20	14,320,000	2,199,209	12,120,791	-
Sanitary District Project No. 21	20,000,000	820,695	19,179,305	-
Combined Sewage Overflow Study	<u>30,100,000</u>	<u>1,686,385</u>	<u>28,413,615</u>	<u>-</u>
Totals	<u>\$ 70,720,000</u>	<u>\$ 7,175,887</u>	<u>\$ 63,544,113</u>	<u>\$ -</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2005, is as follows:

Due To	Due From Nonmajor Governmental
Nonmajor governmental	<u>\$ 27,947</u>

Interfund balances resulted from the time lag between the dates that (1) Interfund loans are repaid, (2) Interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

2. Interfund Transfers

Interfund transfers at December 31, 2005, were as follows:

Transfer From	Transfer To					Total
	General Fund	Major Funds	Nonmajor Governmental	Internal Service Fund	All Others	
General fund	\$ -	\$ -	\$ -	\$ 491,692	\$ 659,456	\$ 1,151,148
Major funds	-	-	900,000	-	93,163	993,163
Nonmajor governmental	1,192,672	396,157	791,872	-	-	2,380,701
Internal service	-	-	-	-	-	-
All others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,044</u>	<u>23,044</u>
Totals	<u>\$ 1,192,672</u>	<u>\$ 396,157</u>	<u>\$ 1,691,872</u>	<u>\$ 491,692</u>	<u>\$ 775,663</u>	<u>\$ 4,548,056</u>

The primary government typically uses transfers to fund ongoing operating subsidies.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Leases

1. Operating Leases

The primary government has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for a postage machine, copiers, computers and a building. Rental expenditures for these leases were \$8,507, \$93,359, \$50,220, and \$144,000, respectively. The following is a schedule by years of future minimum rental payments as of December 31, 2005:

	2006	\$	141,847
	2007		123,344
	2008		30,292
	2009		<u>603</u>
	Total	\$	<u>296,086</u>

2. Capital Leases

The primary government has entered into various capital leases for equipment, vehicles and guaranteed energy savings. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2005 are as follows:

	2006	\$	690,369
	2007		590,554
	2008		68,957
	2009		68,957
	2010		68,957
	2011-2015		<u>68,957</u>
	Total minimum lease payments		1,556,751
	Less amount representing interest		<u>135,399</u>
	Present value of net minimum lease payments	\$	<u>1,421,352</u>

Assets acquired through capital leases still in effect are as follows:

		<u>Governmental</u>	
		Activities	
Improvements other than buildings	\$		540,314
Machinery and equipment			1,631,175
Transportation equipment			<u>1,929,426</u>
Total	\$		<u>4,100,915</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

G. Long-Term Liabilities

1. General Obligation Bonds

The primary government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the primary government. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1986 \$6,550,000 Sanitary District bonds, improvements	7.25%	\$ 710,000
1995 \$5,500,000 Sanitary District bonds, improvements	4.4% to 4.45%	1,710,000
1996 \$4,140,000 Sanitary District bonds, improvements	4.85% to 5.45%	2,875,000
1997 \$7,610,000 Sanitary District bonds, improvements	4.5% to 4.6%	5,745,000
1999-2000 \$8,000,000 Sanitary District bonds, improvements	4.85%	3,730,000
2002 \$6,300,000 Sanitary District bonds, improvements	3% to 4.1%	6,300,000
2005 \$14,320,000 Sanitary District bonds, improvements	2.5% to 3.65%	<u>13,600,000</u>
Total		<u>\$ 34,670,000</u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 1,400,000	\$ 911,224
2007	4,335,000	1,270,271
2008	4,155,000	1,090,876
2009	4,330,000	924,050
2010	4,520,000	749,782
2011-2015	<u>15,930,000</u>	<u>1,240,407</u>
Totals	<u>\$ 34,670,000</u>	<u>\$ 6,186,610</u>

2. Revenue Bonds

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Purpose	Interest Rates	Amount
1998 \$4,000,000 Redevelopment district bonds, Center City project	6%	\$ 3,214,111
2004 \$1,100,000 Redevelopment district bonds, industrial park project	4%	1,045,000
2005 \$30,100,000 Sanitary district bonds, wastewater improvements	3% to 4.65%	<u>29,350,000</u>
Total		<u>\$ 33,609,111</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 195,273	\$ 234,572	\$ 375,000	\$ 605,209
2007	210,033	223,217	765,000	1,193,467
2008	225,388	211,162	785,000	1,170,368
2009	231,374	198,265	810,000	1,146,668
2010	248,029	184,803	840,000	1,121,624
2011-2015	1,476,375	691,867	4,685,000	5,152,406
2016-2020	1,407,639	229,552	5,740,000	4,167,495
2021-2025	265,000	23,056	7,190,000	2,806,262
2026-2030	-	-	8,160,000	977,329
Totals	<u>\$ 4,259,111</u>	<u>\$ 1,996,494</u>	<u>\$ 29,350,000</u>	<u>\$ 18,340,828</u>

3. Fire Protection District Bonds

The primary government annexed territory belonging to the Lost Creek Fire Protection District. The District had outstanding, unpaid revenue bonds at the time of annexation for which the primary government, upon completion of the annexation, is required by State statute to pay a percentage of. The percentage of the primary government's share has been calculated as 48%. The primary government's share of revenue bonds outstanding for the Fire Protection District at year end is as follows:

Purpose	Interest Rates	Amount
1996 \$600,000 Lost Creek Fire Protection District bonds, annexation	6.0% to 6.3%	<u>\$ 53,280</u>

Revenue bonds debt service requirements to maturity are as follows:

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 35,040	\$ 2,786
2007	18,240	575
Totals	<u>\$ 53,280</u>	<u>\$ 3,361</u>

4. Notes and Loans Payable

The primary government has entered into various notes/loans. Annual debt service requirements to maturity for the notes/loans, including interest of \$23,819, are as follows:

2006	\$ 907,464
2007	39,991
2008	32,990
2009	32,990
2010	<u>10,997</u>
Total	<u>\$ 1,024,432</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

<u>Primary Government</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	\$ 24,193,200	\$ 14,176,800	\$ 3,700,000	\$ 34,670,000	\$ 1,400,000
Revenue	4,450,183	-	191,072	4,259,111	195,273
Fire protection district:					
Revenue	<u>86,400</u>	<u>-</u>	<u>33,120</u>	<u>53,280</u>	<u>35,040</u>
Total bonds payable	28,556,983	14,176,800	3,857,952	38,875,831	1,630,313
Capital leases	2,225,269	-	803,917	1,421,352	594,846
Notes payable	21,000	1,005,000	25,387	1,000,613	890,482
Compensated absences	<u>2,902,576</u>	<u>-</u>	<u>417,992</u>	<u>2,484,584</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 33,705,828</u>	<u>\$ 15,181,800</u>	<u>\$ 5,105,248</u>	<u>\$ 43,782,380</u>	<u>\$ 3,115,641</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ 301,000	\$ 29,799,000	\$ 750,000	\$ 29,350,000	\$ 375,000
Notes payable	1,000,000	-	1,000,000	-	-
Compensated absences	<u>87,870</u>	<u>-</u>	<u>7,893</u>	<u>79,977</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 1,388,870</u>	<u>\$ 29,799,000</u>	<u>\$ 1,757,893</u>	<u>\$ 29,429,977</u>	<u>\$ 375,000</u>

Compensated absences for governmental activities typically have been liquidated from the general fund and special revenue funds.

H. Segment Information

The primary government issued revenue bonds to finance wastewater improvements. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the wastewater utility is presented below:

<u>Condensed Statement of Net Assets</u>	
Assets:	
Current assets	\$ 6,107,094
Restricted assets	32,775,111
Deferred debits	954,374
Capital assets	<u>57,685,528</u>
Total assets	<u>\$ 97,522,107</u>
Liabilities:	
Current liabilities	\$ 115,617
Current liabilities payable from restricted assets	375,000
Noncurrent liabilities	<u>29,054,977</u>
Total liabilities	<u>\$ 29,545,594</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 28,335,528
Restricted	32,775,111
Unrestricted	<u>6,865,874</u>
Total net assets	<u>\$ 67,976,513</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Charges (pledged against bonds)	\$ 11,147,519
Depreciation expense	1,470,253
Other operating expenses	<u>5,354,569</u>
Operating income	4,322,697
Nonoperating revenues (expenses):	
Investment earnings	912,370
Miscellaneous revenue	417
Interest expense	(901,557)
Amortization expense	<u>(39,766)</u>
Change in net assets	4,294,161
Beginning net assets	<u>63,682,352</u>
Ending net assets	<u>\$ 67,976,513</u>

Condensed Statement of Cash Flows

Net cash provided by:	
Operating activities	\$ 5,471,579
Noncapital financing activities	417
Capital and related financing activities	24,298,397
Investing activities	<u>818,198</u>
Net increase	30,588,591
Beginning cash and cash equivalents	<u>6,863,893</u>
Ending cash and cash equivalents	<u>\$ 37,452,484</u>

I. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Wastewater improvements account	\$ 4,141,881
Wastewater revenue bond construction account	28,539,058
Wastewater restricted interest receivable	<u>94,172</u>
Total restricted assets	<u>\$ 32,775,111</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

J. 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 primary government. The following schedule presents a summary of restated beginning balances by fund type. Prior period adjustments represent restatements of capital asset balances, including infrastructure assets, and the related accumulated depreciation accounts. The adjustments required the restatement of net assets for the government-wide financial statements and proprietary funds financial statements as of January 1, 2005.

<u>Fund Type</u>	<u>Balance as Reported December 31, 2004</u>	<u>Fund Reclassification</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2005</u>
Governmental activities	\$ 1,568,713	\$ -	\$ (45,359)	\$ 1,523,354
Business-type activities	68,610,240	-	(4,927,888)	63,682,352
Other governmental funds	8,830,942	1,180,846	-	10,011,788

V. Other Information

A. Risk Management

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

The risks 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.

Medical Benefits to Employees, Retirees and Dependents (Excluding Postemployment Benefits)

The primary government has chosen to establish a risk financing fund for risks associated with losses related to the medical benefits to employees, retirees and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Special Nonreverting Employee Health Benefit Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund from all departmental budgets in an amount equal to the claim level of prescriptions and employee deductibles. This includes the primary government's share of payroll deductions.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

However, claim liabilities cannot be reasonable estimated.

B. Subsequent Events

On January 24, 2006, the primary government received \$19,704,669 in net bond proceeds from the issuance of \$20,000,000 of Sanitary District Bonds, Series 2006. The bonds were issued for the purpose of paying the costs of improvements and extensions to the sewage system of the Terre Haute Sanitary District (Project 21), to refund a bond anticipation note of \$855,000, and to pay issuance costs. The bonds will be payable from a special tax to be levied annually on all taxable property of the Sanitary District. Interest on the bonds will be payable semiannually on January 1 and July 1, commencing July 1, 2006, at rates from 3.375% to 4%. Principal repayments begin on July 1, 2006, and end on January 1, 2016.

C. Conduit Debt Obligation

From time to time, the primary government 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. The primary government, the State, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The aggregate principal amount payable for the one series issued in 2002 could not be determined as of December 31, 2005; however, the original issue amount was \$7,500,000.

D. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health and dental insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government on or after attaining age 52 with at least 20 years of service. Currently, 19 retirees meet these eligibility requirements. The primary government provides 100% of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, expenditures of \$83,125 were recognized for postemployment benefits.

E. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the primary government and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds. However, as of December 31, 2005, the City had no liability for Net Pension Obligation.

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government'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 primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds. However, the primary government does have an obligation to fund the plan and, therefore, the NPO is reflected in the government-wide financial statements.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The primary government'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 primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds. However, the primary government does have an obligation to fund the plan and, therefore, the NPO is reflected in the government-wide financial statements.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 339,034	\$ 3,811,200	\$ 3,576,500
Interest on net pension obligation	(16,820)	580,100	638,000
Adjustment to annual required contribution	<u>19,168</u>	<u>(967,800)</u>	<u>(1,064,300)</u>
Annual pension cost	341,382	3,423,500	3,150,200
Contributions made	<u>364,634</u>	<u>1,892,106</u>	<u>1,744,074</u>
Increase (decrease) in net pension (asset) obligation	(23,252)	1,531,394	1,406,126
Net pension (asset) obligation, beginning of year	<u>(232,001)</u>	<u>8,594,039</u>	<u>9,451,392</u>
Net pension (asset) obligation, end of year	<u>\$ (255,253)</u>	<u>\$ 10,125,433</u>	<u>\$ 10,857,518</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.38%	%	%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-04	01-01-04
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	40 years	40 years
Amortization period (from date)	07-1-97	12-31-77	12-31-77
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

<u>Actuarial Assumptions</u>	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	0%	0%

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 344,621	77%	\$ (206,992)
	06-30-04	292,893	109%	(232,001)
	06-30-05	341,382	124%	(255,253)
1925 Police Officers' Pension Plan	12-31-01	3,374,600	84%	7,370,487
	12-31-02	3,442,100	64%	8,594,039
	12-31-03	3,423,500	55%	10,125,433
1937 Firefighters' Pension Plan	12-31-01	3,206,500	67%	8,338,132
	12-31-02	3,219,500	65%	9,451,392
	12-31-03	3,150,200	55%	10,857,518

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	118	111
Current active employees	7	8

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 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:

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$2,046,486, \$1,943,032, and \$1,889,494, respectively, equal to the required contributions for each year.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Defined Contribution Pension Plan

The Government Agency Retirement Plan

Plan Description

The primary government has a defined contribution pension plan administered by Life Associates, Inc.; as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries of the City's Department of Redevelopment. The plan was established by written agreement between the governing board of the unit and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Life Associates, Inc.  
P.O. Box 111  
Sandwich, IL 60548  
Ph. 1-800-672-9192

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the governing board of the unit and the Plan Administrator. Plan members are required to contribute none of their annual covered salary. The primary government is required to contribute at an actuarially determined rate. The current rate is 13.7% of annual covered payroll. Employer and employee contributions to the plan were \$36,785 and \$0, respectively.

CITY OF TERRE HAUTE  
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 (Unfunded) 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	\$ 6,481,554	\$ 6,204,019	\$ 277,535	104%	\$ 7,027,156	4%
07-01-04	6,566,533	6,710,055	(143,522)	98%	7,227,860	(2%)
07-01-05	6,850,419	7,219,089	(368,670)	95%	8,148,756	(5%)

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	\$ 406,844	\$ 34,054,200	\$ (33,647,356)	1%	\$ 489,200	(6,878%)
01-01-01	440,277	34,872,200	(34,431,923)	1%	487,700	(7,060%)
01-01-02	1,539,459	34,741,400	(33,201,941)	4%	479,200	(6,929%)
01-01-03	1,603,340	32,305,200	(30,701,860)	5%	529,900	(5,794%)
01-01-04	1,549,919	34,283,700	(32,733,781)	5%	477,900	(6,850%)
01-01-05	1,841,105	*	*	*	*	*

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	\$ 313,831	\$ 32,210,100	\$ (31,896,269)	1%	\$ 611,600	(5,215%)
01-01-01	233,260	33,193,300	(32,960,040)	1%	552,800	(5,962%)
01-01-02	1,247,066	32,984,200	(31,737,134)	4%	479,200	(6,623%)
01-01-03	1,459,952	29,166,900	(27,706,948)	5%	706,500	(3,922%)
01-01-04	1,347,022	31,372,000	(30,024,978)	4%	437,100	(6,869%)
01-01-05	1,394,611	*	*	*	*	*

\*Information not available.

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

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-99	\$ 3,220,500	56%
12-31-00	3,430,600	54%
12-31-01	3,624,300	78%
12-31-02	3,741,400	59%
12-31-03	3,811,200	50%
12-31-04	*	*

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-99	\$ 3,166,500	56%
12-31-00	3,282,300	51%
12-31-01	3,472,500	62%
12-31-02	3,557,700	59%
12-31-03	3,576,500	49%
12-31-04	*	*

\*Information not available.

CITY OF TERRE HAUTE  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
For The Year Ended December 31, 2005

	General Fund				Motor Vehicle Highway Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 22,500,000	\$ 22,500,000	\$ 22,587,773	\$ 87,773	\$ 1,014,917	\$ 1,010,500	\$ 1,014,917	\$ 4,417
Licenses and permits	11,000	11,000	190,663	179,663	5,080	-	5,080	5,080
Intergovernmental	321,000	321,000	613,780	292,780	1,890,934	1,899,112	1,898,074	(1,038)
Charges for services	245,000	245,000	249,679	4,679	7,140	-	-	-
Fines and forfeits	200,000	200,000	341,585	141,585	-	-	-	-
Other	615,000	615,000	716,373	101,373	33,596	7,000	33,596	26,596
Total revenues	<u>23,892,000</u>	<u>23,892,000</u>	<u>24,699,853</u>	<u>807,853</u>	<u>2,951,667</u>	<u>2,916,612</u>	<u>2,951,666</u>	<u>35,054</u>
Expenditures:								
Current:								
General government	11,943,179	13,115,329	11,464,794	1,650,535	-	-	-	-
Public safety	14,944,248	15,702,894	15,379,407	323,487	-	-	-	-
Highways and streets	-	-	-	-	2,910,500	3,083,500	2,807,329	276,171
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	<u>26,887,427</u>	<u>28,818,223</u>	<u>26,844,201</u>	<u>1,974,022</u>	<u>2,910,500</u>	<u>3,083,500</u>	<u>2,807,329</u>	<u>276,171</u>
Other financing sources (uses):								
Operating transfers in	-	-	1,192,672	1,192,672	-	-	-	-
Operating transfers out	-	-	(1,151,148)	(1,151,148)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>41,524</u>	<u>41,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,995,427)	(4,926,223)	(2,102,824)	2,823,399	41,167	(166,888)	144,337	311,225
Fund balances - beginning	6,035,361	6,035,361	6,035,361	-	1,170,865	1,170,865	1,170,865	-
Fund balances - December 31	<u>\$ 3,039,934</u>	<u>\$ 1,109,138</u>	<u>\$ 3,932,537</u>	<u>\$ 2,823,399</u>	<u>\$ 1,212,032</u>	<u>\$ 1,003,977</u>	<u>\$ 1,315,202</u>	<u>\$ 311,225</u>

CITY OF TERRE HAUTE  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
For The Year Ended December 31, 2005  
(Continued)

	Local Road and Street Fund				Cemetery Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 551,361	\$ 551,361	\$ 558,097	\$ 6,736	\$ 820,000	\$ 820,000	\$ 827,120	\$ 7,120
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	63,552	63,552
Charges for services	-	-	-	-	80,000	80,000	78,727	(1,273)
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	6,802	6,802
<b>Total revenues</b>	<b>551,361</b>	<b>551,361</b>	<b>558,097</b>	<b>6,736</b>	<b>900,000</b>	<b>900,000</b>	<b>976,201</b>	<b>76,201</b>
Expenditures:								
Current:								
General government	-	-	-	-	829,634	829,634	687,645	141,989
Public safety	-	-	-	-	-	-	-	-
Highways and streets	551,000	947,027	712,266	234,761	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>551,000</b>	<b>947,027</b>	<b>712,266</b>	<b>234,761</b>	<b>829,634</b>	<b>829,634</b>	<b>687,645</b>	<b>141,989</b>
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	15,496	15,496
Operating transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,496</b>	<b>15,496</b>
Net change in fund balances	361	(395,666)	(154,169)	241,497	70,366	70,366	304,052	233,686
Fund balances - beginning	737,726	737,726	737,726	-	130,939	130,939	130,939	-
Fund balances - December 31	<u>\$ 738,087</u>	<u>\$ 342,060</u>	<u>\$ 583,557</u>	<u>\$ 241,497</u>	<u>\$ 201,305</u>	<u>\$ 201,305</u>	<u>\$ 434,991</u>	<u>\$ 233,686</u>

CITY OF TERRE HAUTE  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
For The Year Ended December 31, 2005  
(Continued)

	Transit Fund				Park and Recreation Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 975,000	\$ 975,000	\$ 985,139	\$ 10,139	\$ 2,500,000	\$ 2,500,000	\$ 2,368,737	\$ (131,263)
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	954,000	954,000	949,589	(4,411)	-	-	-	-
Charges for services	100,000	100,000	140,601	40,601	-	-	40,122	40,122
Fines and forfeits	-	-	-	-	-	-	-	-
Other	2,029,000	2,029,000	-	(2,029,000)	29,800	29,800	3,933	(25,867)
Total revenues	4,058,000	4,058,000	2,075,329	(1,982,671)	2,529,800	2,529,800	2,412,792	(117,008)
Expenditures:								
Current:								
General government	1,704,757	1,704,757	1,571,271	133,486	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	2,411,397	2,412,609	2,362,200	50,409
Total expenditures	1,704,757	1,704,757	1,571,271	133,486	2,411,397	2,412,609	2,362,200	50,409
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	(76,910)	(76,910)
Total other financing sources (uses)	-	-	-	-	-	-	(76,910)	(76,910)
Net change in fund balances	2,353,243	2,353,243	504,058	(1,849,185)	118,403	117,191	(26,318)	(143,509)
Fund balances - beginning	418,282	418,282	418,282	-	452,497	452,497	452,497	-
Fund balances - December 31	\$ 2,771,525	\$ 2,771,525	\$ 922,340	\$ (1,849,185)	\$ 570,900	\$ 569,688	\$ 426,179	\$ (143,509)

CITY OF TERRE HAUTE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET/GAAP RECONCILIATION  
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
 For The Year Ended December 31, 2005

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

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

	<u>General</u>	<u>Motor Vehicle Highway</u>	<u>Local Road and Street</u>	<u>Cemetery</u>	<u>Transit</u>	<u>Park and Recreation</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$(2,102,824)	\$ 144,337	\$ (154,169)	\$ 304,052	\$ 504,058	\$ (26,318)
Adjustments:						
To adjust revenues for accruals	(14,206)	(34,124)	(2,699)	(3,252)	(99)	6,629
To adjust expenditures for accruals	<u>(911,823)</u>	<u>(41,377)</u>	<u>(798)</u>	<u>(16,641)</u>	<u>(46,569)</u>	<u>(15,369)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u><u>\$(3,028,853)</u></u>	<u><u>\$ 68,836</u></u>	<u><u>\$ (157,666)</u></u>	<u><u>\$ 284,159</u></u>	<u><u>\$ 457,390</u></u>	<u><u>\$ (35,058)</u></u>

CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The following funds had overdrawn cash balances as of December 31, 2005:

<u>Fund</u>	<u>Amount</u>
Rea Park Nonreverting	\$ 21,956
Recreation Nonreverting	75,662
Engineer Nonreverting	74,009
Hulman Links Nonreverting	194,127
Skate Park Nonreverting	18,945
Cherry Street Project	39,691

As a result, the above funds reported deficit fund equity balances as of December 31, 2005.

City officials should identify the cause of the cash overdrafts and adopt policies and procedures to eliminate the conditions which lead to cash overdrafts. The City should also comply with generally accepted accounting principles regarding the proper procedures for accounting for cash overdrafts.

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)

Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires overdrafts of any fund within a pool to be reflected as an interfund liability rather than a credit balance in an asset account (negative cash). Likewise, an equivalent amount of some other fund's position in the pool should be reclassified as an interfund receivable.

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

Accounts receivable for emergency medical service billings due to the City, but deemed uncollectible, were deleted from the records. The minutes of the Board of Public Works and Safety meetings presented for audit did not indicate that the billings deemed uncollectible and deleted from the records were approved. Additionally, there was no documentation presented for audit concerning the procedures for determining which billings are uncollectible and written off as bad debts.

During 2005, \$240,634 was written off by Emergency Medical Service Department personnel upon notification from insurance companies that no additional reimbursement was eligible. An additional \$36,739 was written off when Department personnel determined that individuals were unable to pay balances due. None of the total \$277,373 was submitted for approval by the Board of Public Works and Safety.

As noted in prior Audit Report B25986, \$249,471 had been written off by Emergency Medical Service Department personnel upon notification from insurance companies that no additional reimbursement was eligible. An additional \$14,644 was written off when Department personnel determined that individuals were unable to pay balances due. None of the 2004 total of \$264,115 had been submitted for approval by the Board of Public Works and Safety.

CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

According to Chapter 4 Article 19 section 4-239 of the Terre Haute City Code, a Nonreverting Emergency Medical Service Fund was created. Part (c) of Section 4-239 states "Billing and recordkeeping shall be maintained by the City Controller's Office." Since the fund's inception in 2001, the billing and recordkeeping have been maintained at the City Fire Department office by an employee paid out of the Non-Reverting Emergency Medical Service Fund.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

REGISTER OF INVESTMENTS

Investment purchases and sales and interest earnings during 2005 were not posted to the Register of Investments, General Form 350. As noted in prior Audit Reports B25105, B22529, and B25986, investment transactions in 2002, 2003, and 2004, were also not posted to the proper prescribed form.

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, Chapter7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Terre Haute (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 its major federal program for the year ended December 31, 2005. The City's major federal program is 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 its major federal program 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 its major federal program 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 MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

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

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

August 9, 2006

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
Community Development Block Grants/Entitlement Grants	14.218		
		B-04-MC-18-0012	\$ 1,126,488
		B-05-MC-18-0012	<u>82,683</u>
Total for program			<u>1,209,171</u>
Emergency Shelter Grants Program	14.231		
		S-04-MC-18-0012	48,388
		S-05-MC-18-0012	<u>18,399</u>
Total for program			<u>66,787</u>
HOME Investment Partnerships Program	14.239		
		M-03-MC-18-0211	80,251
		M-04-MC-18-0211	72,921
		M-05-MC-18-0211	<u>9,469</u>
Total for program			<u>162,641</u>
Total for federal grantor agency			<u>1,438,599</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grants Program	16.592		
		2003-LB-BX-1941	780
		2004-LB-BX-1560	6,042
		2005-DJ-BX-0906	<u>8,000</u>
Total for federal grantor agency			<u>14,822</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster	20.205		
1st Street Project			84,500
National Road Heritage Trail Phase II			<u>16,132</u>
Total for program			<u>100,632</u>
Direct Grant			
Federal Transit Cluster			
Federal Transit-Formula Grants	20.507		
		IN-90-0478	33,966
		IN-90-4478	<u>667,700</u>
Total for program			<u>701,666</u>
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Operation Pullover			
		154AL-05-03-03-54	20,387
		OP-06-02-05-25	<u>8,739</u>
Total for program			<u>29,126</u>
Total for federal grantor agency			<u>831,424</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Emergency Management Agency			
State Domestic Preparedness Equipment Program	97.004		<u>14,064</u>
Total federal awards expended			<u>\$ 2,298,909</u>

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

CITY OF TERRE HAUTE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Terre Haute (primary government) 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.

CITY OF TERRE HAUTE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Terre Haute (primary government) 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.

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
----------------	------------------------------------

14.218	Community Development Block Grants/Entitlement Programs
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF TERRE HAUTE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2006, with Kevin D. Burke, Mayor; William P. Long, Controller; George J. Azar, President of the Common Council; Richard F. Dunkin, Councilmember; and Todd Nation, Councilmember. The officials concurred with our audit findings.