COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF SOUTH BEND, INDIANA

For The Year Ended December 31, 2006

Prepared By:

Department of Administration and Finance

M. Catherine Fanello, City Controller

City of South Bend, Indiana
Comprehensive Annual Financial Report
For The Year Ending December 31, 2006
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CITY OFFICIALS

Office	Official	Term
Mayor	Stephen J. Luecke	01-01-04 to 12-31-07
Controller	M. Catherine Fanello	04-18-05 to 12-31-07
City Clerk	John Voorde	01-01-04 to 12-31-07
President of the Board of Public Works	Gary Gilot	01-01-06 to 12-31-07
Common Council Members		
1st District	Derek D. Dieter	01-01-04 to 12-31-07
2nd District	Charlotte Pfeifer	01-01-04 to 12-31-07
3rd District	Roland Kelly	01-01-04 to 12-31-07
4th District	Ann Puzzello	01-01-04 to 12-31-07
5th District	David Varner	01-01-04 to 12-31-07
6th District	Ervin Kuspa	01-01-04 to 12-31-07
At Large	Karen L. White	01-01-04 to 12-31-07
At Large	Timothy A. Rouse	01-03-05 to 12-31-07
At Large	Al (Buddy) Kirsits	01-01-04 to 12-31-07

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City of South Bend Stephen J. Luecke, Mayor

Department of Administration and Finance

M. Catherine Fanello
Controller

June 18, 2007

To the Honorable Mayor Stephen J. Luecke,
Members of the City Council and
Residents of the City of South Bend:

The comprehensive annual financial report of the City of South Bend, Indiana (the "City") for the year ended **December 31, 2006** is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of South Bend's MD&A can be found immediately following the independent auditors report.

The comprehensive annual financial report is presented in four sections: introductory information, financial information, statistical information and federal awards supplemental information. The **introductory section** includes this transmittal letter, the City's organizational chart, a list of principal City officials and the Certificate of Achievement for Excellence in Financial Reporting awarded to the City of South Bend for the year ended December 31, 2005. The **financial section** begins with the independent auditors' report on the City's financial statements and schedules, the City's management and analysis report, followed by the City's basic financial statements and accompanying footnotes. The remaining portion of this section includes the combining and individual fund and account group financial statements and schedules. The **statistical section** includes selected financial and demographic information generally presented on a multi-year basis, which has been provided to give the reader a broader understanding of the City. This document ends with the **federal awards** compliance section, which includes the results of the supplemental audit of the City's federal awards and the internal controls necessary for compliance.

The City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, the provisions of Indiana Code section 5-11-1-9 and the requirements of the Indiana State Board of Accounts. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and the auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in this document.

The following pages of this transmittal letter begin with a general overview of South Bend and the surrounding area. Also summarized are the key financial, budgetary and property tax controls with which the City is required to comply. The remainder includes a discussion of the prior year's financial challenges and accomplishments, the City's goals and objectives for this year and beyond and other key issues the City is facing along with the impact they may have on current and future budgets.

GENERAL INFORMATION

The City of South Bend is the county seat of St. Joseph County, Indiana, and is the fourth largest city in the state. Its 2000 U.S. Bureau of the Census population of 107,789 classifies it as a "City of the Second Class" under Indiana statues (cities with a population of 35,000 to 250,000). It operates with a mayor as chief executive and a nine-member City Common Council composed of six members elected from districts and three members at-large.

The City provides a full range of traditional general governmental services to its citizens. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events. In addition to general governmental activities, the Common Council or City Board of Public Works exercises oversight over the South Bend Water Works, the South Bend Wastewater Treatment Facility, the Century Center, the College Football Hall of Fame, the Studebaker Collection, the South Bend Redevelopment Authority and several downtown parking facilities.

Location

St. Joseph County lies within the heartland of the manufacturing belt and metropolitan regions of the Upper Midwest and Canada. The City of South Bend is located in the north central part of Indiana, ten miles south of the Michigan state line, and is commonly known to be within the "Michiana" area. The Michiana area is a vibrant and diverse area with a strong economy based on a mix of agricultural, service, manufacturing, other commercial and tourism industries. This diverse economic mix creates varied employment opportunities for the area's residents while providing insulation via diversification from future economic downturns.

The City is approximately 90 miles east of Chicago and 140 miles north of Indianapolis. Accessibility to transportation, including Interstate 80/90, a regional airport (which is the second busiest in the State of Indiana), the South Shore rail line and a port on Lake Michigan, has supported economic growth within the community. Proximity to Chicago, the largest rail and intermodal (rail/truck/ocean/inland waterway) transfer point in the country, is a significant

advantage to the City of South Bend.

St. Joseph County / South Bend - Economic Conditions and Outlook

St. Joseph County, with its 2000 U.S. Bureau of the Census population of 265,559, boasts a strong history of manufacturing which continues today. As a complement to that, the service industry and retail trade has also flourished, creating a balance that serves the community well. The County has experienced a net growth in population of 26,945 (11.3% increase) between 1960 and 2000. After experiencing a reduction of 2.6% during 1969 to 1983, at which time the entire Midwest was at the depth of its economic restructuring and recess, the County's population increased 4.0% between 1983 and 1990 and another 7.5% between 1990 and 2000.

The total resident labor force in December 2006 of 136,217 in St. Joseph County is typical of the Midwest: well trained with a strong work ethic. Approximately 77.7% of the area's adult population are high school graduates or higher (as compared to the national average of 75%) with an estimated 20.3% with a Bachelor's Degree or higher. There are nine colleges, universities and technical schools within South Bend and the surrounding area including the University of Notre Dame, Indiana University of South Bend, Saint Mary's College, Bethel College and Ivy Tech State College. At the high school level, there are school-to-work transition programs that help prepare students for the world of work. St. Joseph County is currently experiencing an average unemployment rate of around 5.1%, which compares to the December 2006 State of Indiana unemployment rate of 5.0%.

The employment profile for St. Joseph County provides a good overview of the economic make-up of this community. Employment statistics for the County's major economic sectors are as follows:

Economic Sector	Number Employed	% of Total
Construction	8,097	5.1%
Manufacturing	18,845	11.8%
Health Care/Social Services	19,021	11.9%
Wholesale Trade	7,427	4.7%
Retail Trade	18,439	11.6%
Professional/Technical Services	7,828	4.9%
Accommodations/Food Service	10,493	6.6%
Governmental	15,498	9.7%

St. Joseph County presently has an estimated 100,743 households with an average per capita personal income of $32,354, which compares favorably to the State of Indiana average per capita income of $31,173.

Health and education lead the employment statistics for St. Joseph County. The largest employers in St. Joseph County as of December 2006 were as follows: University of Notre Dame (4,200); Memorial Health Systems (3,600); South Bend Community School Corporation (3,338); Saint Joseph Regional Medical (3,260); AM General (2,292); St. Joseph County (2,025); The Diocese of Fort Wayne/South Bend (1,750); Indiana University of South Bend (1,400); The City

of South Bend (1,288); and Madison Center (1,239).

The following provides a profile of the residents of St. Joseph County:

Gender:	47.7% male; 52.3% female
Age:	37.9% 0-24 years of age; 25.5% 25-44 years of age; 23.6%% 45-64 years of age; and 13.0% 65 years of age and older.
Race:	80.1% White; 12.0% Black/African American; 5.8% Hispanic/Latino; 1.6% Asian; and .5% Other
Marital Status:	50% Married; 18% Widowed/Divorced/Separated; and 32% Single
Home Ownership:	67.5% own; 32.5% rent/other
Type of Dwelling:	78.6% single unit; 21.4% other

The cost of living continues to be one of the greatest advantages of living in this community. The housing costs in South Bend are well below the national and regional averages. Per a report compiled by the National Realtor's Association in the first quarter of 2007, the median sales price for a single family home in the South Bend-Mishawaka Statistical Area was $85,600 as compared to a median sales price of $267,300 in Chicago and $112,500 in Indianapolis. The national median sales price is $218,000.00. South Bend's ACCRA cost of living index was 97.8. A further breakdown of South Bend's cost of living index is as follows: grocery items - 87.8; housing costs - 102.8; utilities - 103.8; transportation – 97.1; health care - 97.9; and miscellaneous goods and services - 97.9.

The City of South Bend continues to place high emphasis on a growing and diversified local economy. It has been active in developing ten industrial parks, offering itself as a low-cost alternative to the Chicago metropolitan area to companies engaged in light manufacturing, distribution and services. More than 240 businesses operate in South Bend's industrial parks, including companies engaged in metalworking, plastics, warehousing and distribution, and professional services.

The South Bend Community School Corporation serves the entire City and some of the surrounding area and has a current enrollment of approximately 21,926 students in grades kindergarten through high school. An estimated 4,441 students attend private or parochial schools within the City. The nine institutions of higher education and technical training located within the South Bend area have a total enrollment of approximately 31,388. Over the years, the University of Notre Dame has provided a stabilizing influence on the economy with a very significant economic impact upon the community.

South Bend has continued to progress in its growth since 1842, when Father Edward Sorin named his rustic log chapel "Notre Dame du Lac" and began to teach the local Indians. Today,

the chapel has grown into the University of Notre Dame. In 1852, H.C. Studebaker started the industry of making wagons and horse drawn buggies that evolved into the manufacturing of the Studebaker automobile. It made the name Studebaker synonymous with the area of South Bend.

Another industrial firm that would later become the area's largest began in 1923 when Vincent Bendix began manufacturing automotive brakes. In 1929, the company became the Bendix Aviation Corporation, and now, as Honeywell (formerly AlliedSignal Inc.), is a leading manufacturer of automotive and aerospace products.

Other special attractions within the South Bend area include the Olympic-class East Race Waterway and the East Bank area; the newly renovated Morris Performing Arts Center, which provides for the Broadway Theater League, the South Bend Symphony Orchestra with the Chamber and Pops Orchestras and the Southold Dance Theater and Patchwork Dance Company; the South Bend Civic Theater; the Studebaker National Museum; the South Bend Regional Museum of Art; the Snite Museum of Art at Notre Dame; the Northern Indiana Center for History; Copshaholm/The Oliver Mansion; the College Football Hall of Fame; Century Center; Potawatomi Zoo; the Morris Conservatory/Muessel-Ellison Tropical Gardens; Healthworks! Kids Museum; the Farmers' Market; and the Belleville Softball Complex. The Coveleski Regional Baseball Stadium (named after South Bend native and Hall of Fame pitcher Stanley Coveleski) is a 5,000-seat facility which opened in 1987 and is rated among the best in minor league baseball. It had record crowds during its seasons of play with the South Bend Silver Hawks, a minor league team of the Chicago White Sox through the 1997 season. During 1997, the team signed on with the Arizona Diamondbacks and had continued success. During 2006, a group of local businessmen led by former South Bend Mayor and Indiana Governor Joe Kernan acquired ownership of the team.

Additional miscellaneous information about the City of South Bend can be found in the statistical section of this report.

Financial, Budgetary and Property Tax Controls

The City's Management Team is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City. As part of the City's single audit described earlier, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine

that the City has complied with applicable laws and regulations. The results of the City's single audit for the year ended December 31, 2006 disclosed no instances of significant material weaknesses in the internal control structure and no significant violations of applicable laws and regulations.

Budgetary Controls. In accordance with Indiana statutes, the City maintains budgetary controls integrated within the accounting system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget (prepared on a cash basis) which is adopted by the City Council and then reviewed and approved by the Indiana's Department of Local Government and Finance. Activities of the general fund, certain special revenue and capital projects funds and debt service funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major budget classification within funds. The City Council may transfer appropriations from one major budget classification to another within a department by ordinance as long as the total appropriations for that department are not exceeded. Transfers from one department to another, or additional appropriations in excess of the original budget, must be submitted to and approved by the Department of Local Government and Finance after these appropriations have been approved by the City Council.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts do not lapse at year end and are carried over to the subsequent year as a part of the subsequent year's budget.

Property Tax Controls. In addition to budgetary and other controls established by Indiana statute, the City must operate within specific and rigid controls governing the amount of property tax it may levy. The property tax control program, which began in 1973, limits the amount of property tax that may be levied by each unit of government in its legally budgeted funds. The total amount of property tax levied by the unit may increase by the six year average annual growth in Indiana personal non-farm income, as calculated by the U.S. Bureau of Economic Analysis, with a 6% maximum. In addition, if a unit determines that it cannot maintain basic governmental services for its residents within the property tax "freeze," it may appeal to the State Local Government Tax Control Board for an "excess levy" in certain specific instances. As a part of the property tax control program, the state transfers an amount generally equal to 20% of the total property tax levy (except for debt service levies as described below) to the County Auditor to be distributed to each taxing unit as a replacement for 20% of the property taxes levied. This "property tax replacement" is funded through the state sales tax.

The levy for Debt Service funds is controlled via a review and approval process by the Government Tax Control Board (with a subsequent review and approval by the Department of Local Government and Finance) for each issuance of general obligation indebtedness (or lease-purchase) entered into by a taxing unit. In addition, all indebtedness incurred after 1983 no longer receives the 20% state property tax replacement funds mentioned above.

A historical view of the City's tax rate and its net assessed valuation has been included in the statistical section of this document.

Citywide Goals and Objectives for 2006 and Beyond

The City has developed eight broad goals that focus on the following areas: economy, safety, quality of life, trust, responsiveness, infrastructure, finance and workforce. The City has identified various objectives that are tied directly to these goals which, if achieved, will result in the attainment of these goals. The eight goals are listed below.

GOAL: The Community's Economy

Improve South Bend's economy to ensure a vigorous local business climate; ample employment, business and investment opportunities for all our customers; and a tax base that is sufficient to meet the needs of the City, its residents and other customers.

GOAL: The Community's Public Safety and Civility

Improve South Bend's public safety and civility to ensure that every resident and other customers can live, work, play, run a business and raise a family in a humane, pleasant and safe environment; have adequate, affordable and timely access to all forms of emergency services; and can contribute and participate in a community where people of different backgrounds live in mutual respect and harmony.

GOAL: The Community's Quality of Life

Improve South Bend's quality of life to ensure that every resident and every family can earn an adequate income; secure adequate housing; live in a safe, pleasant and humane neighborhood; enjoy a wide range of social, cultural and recreational opportunities; and have access to quality educational and medical services within an excellent natural and manmade environment.

GOAL: Trust in City Government

Improve residents' trust in City government to ensure that South Bend has a broad base of consensus and support on which to build the future, a strong foundation for collaborative action and community partnerships; and an increase in resident and customer participation in the daily public life of the community.

GOAL: The City's Responsiveness, Efficiency, and Effectiveness

Improve the responsiveness, efficiency, and effectiveness of City government to ensure that the City's customers get the value they expect and deserve.

GOAL: The City's Infrastructure

Improve the City's infrastructure to ensure that South Bend can support physical growth and

economic development; and offer an excellent quality of life to all of its residents and other customers.

GOAL: The City's Financial Condition

Improve the financial condition of City government to ensure that South Bend has the financial resources necessary to achieve all its goals for the next five years.

GOAL: The City's Workforce

Improve the City government's existing workforce, work environment and human development systems to ensure that South Bend has the human resources necessary to achieve all its goals for the next five years.

City Mission Statement and Department Purpose Statements

The City provides services to its customers through thirteen administrative departments. These departments have unique purposes that are intended to support the citywide mission statement which is "**to be recognized as a model city.**" Each department has developed a purpose statement which identifies their specific role.

Mayor's Office: Leading the community to become a model city through formulating policy, directing operations and responding to customer concerns.

Common Council: Making certain that our City government is always responsive to the needs of our residents and that the betterment of South Bend is always our highest priority.

City Clerk's Office: Preserving all City Ordinances and Council meeting minutes for generations yet to be, and providing fair and consistent treatment of our Ordinance Violations Bureau customers.

Administration and Finance: Providing financial and organizational stability for the City through sound financial management while ensuring the existence of a safe work environment, quality employee benefits and equal treatment for all City employees.

Legal Department: Providing superior, professional and ethical legal services for our client, the City of South Bend.

Police Department: Protecting the life, property and personal liberties of all individuals; improving the overall quality of life by deterring criminal activity and respecting cultural diversity; delivering fair and impartial law enforcement services to all residents.

Fire Department: Providing the highest level of Fire and Emergency Medical Services possible to all of our customers, saving lives and property, and striving to become a model Fire Department for other cities in an efficient and cost-effective manner.

Code Enforcement: Maintaining and improving the physical quality of life in our neighborhoods.

Parks and Recreation: Offering all residents and guests of South Bend the highest quality of recreational and leisure activities, while providing well-managed parks and recreational facilities with updated programming and friendly productive service.

Community and Economic Development: Creating and expanding opportunities through partnerships in neighborhood revitalization, commercial and industrial development and community enhancement.

Public Works: Providing leadership in the development and delivery of engineering, fleet, transportation, sanitation, wastewater, water and other services as called upon by our customers.

Building Department: Serving our customers by inspecting, informing and ensuring a safe place to work, play and live.

Century Center: Providing a state-of-the-art facility with excellent services to customers while generating maximum economic benefit to our community.

Building South Bend in 2006 and beyond

Mayor Stephen Luecke's theme for the past several years has been "We're Building South Bend." That theme has had a major influence on the development of the 2007 budget. There were five areas of concentration that became or remained budget priorities for 2007.

- ***We're Building Neighborhoods*** - Mayor Luecke and the City's elected officials continued their strong commitment to neighborhoods. The City will invest $4.7 million to fund or leverage state and federal funding for housing assistance, development and home ownership programs, neighborhood public works and parks, neighborhood development for social services and organizations, and public safety initiatives. Committing these resources will help us maintain, improve and support strong neighborhood development.

- ***We're Building a Safe City*** - Public safety is the foundation of all the City's efforts to build South Bend. Through the targeted and creative use of available resources, the City is working to provide quality police, fire and ambulance services for the community. The crime

rate has increased in several significant categories over past year. South Bend has 2.4 police officers and 2.3 firefighters per thousand population. These ratios are among the highest in the state and well above the national average. We believe that these extra officers are important for officer safety and community safety. The City's Fire Departments is rated one of the best in the State. We have recently refurbished three main fire trucks to like-new status. The Mayor's top initiatives will focus on regional policing, providing in-car cameras for all patrol cars and placing more emphasis on training and recruitment for the Police and Fire Departments.

- ***We're Building an Attractive City*** - We are working to enhance the natural and man-made beauty of our city through effective City programs. For the sixth year in a row we were named a Tree City USA. The Building Block Grant Program helps residents spruce up their neighborhoods, and aggressive Code Enforcement will continue to address deteriorated and nuisance properties. The Commercial Corridors Improvement Fund provides much needed funding to address a variety of needs along five of the City's major corridors. The City is funding major programs for curb & sidewalks, neighborhood centers, weed & seed program, and transforming a former dump into a model outdoor environmental lab.

- ***We're Building Opportunity*** - A key issue for any city is education and opportunity for young people. The City is committed to keeping schools open in our neighborhoods and to maximizing their use by the community. We are building partnerships that will create new strategies for enhancing our formal education system. Working together with families, student groups, school officials, neighborhoods, the faith community and civic organizations, we can support our local schools and improve the level of individual student performance.

- ***We're Building a Strong Economy*** - Local government plays a key role in economic development. By providing adequate infrastructure and offering targeted assistance, the City can stimulate private investment, creating business opportunities and jobs. The City's policies encourage new start-up businesses, strengthen existing business, attract new jobs, increase assessed value and emphasize direct investment in hard-to-develop areas. Efforts have been and will continue to focus on implementing the comprehensive plans for downtown and the East Bank. The City's administration will vigorously pursue the revitalization of older industrial sites, as well as the expansion of the Blackthorn area.

Proprietary Operations. The City's proprietary operations comprise several separate and distinct activities accounted for in both Enterprise and Internal Service funds.

The Enterprise Fund operations include the following: the City's downtown parking garages, water utility services, wastewater utility services, solid waste services, the Century Center, the consolidated St. Joseph County/South Bend Building Department and, Blackthorn Golf Course.

The Internal Service Fund operations include the City's self-funded liability insurance program, the City's self-funded employee benefits program, and Central Services (a department that accounts for the expenses related to fuel, vehicle repairs and various other services and supplies provided to City departments on a cost-reimbursement basis).

Fiduciary Funds. The City's fiduciary duties are accounted for in both Trust and Agency Funds.

The primary trust funds are the Police and Fire Pension Funds (explained below). The Agency Fund is for payroll and related employee deductions.

Pension Trust Fund Operations. Most City employees are covered by the Public Employees Retirement Fund and the 1977 Police Officers' and Firefighters' Pension Fund, both administered by the State of Indiana. However, certain police officers and firefighters hired before May 1, 1977, who did not opt into the 1977 fund, continue to be members of the 1925 Police Pension Fund and the 1937 Firefighters' Pension Fund. These two funds are administered by the City. This group of police officers and firefighters will continue to decline in the future both as a total number and as a percentage of total payroll of both the police and fire departments and of the City as a whole.

The 1925 and 1937 Plans are funded through a combination of property taxes levied by the City and distributions from the State Pension Relief Fund. As a result of the requirements of the state statute that created these funds, the City is legally prevented from funding them in any other way than a "pay-as-you-go" basis. The City has received an actuarial survey on these funds to provide the proper disclosures required by generally accepted accounting principles. This information is included in the financial section of this report.

Cash Management. In accordance with state statute, cash temporarily idle during the year is invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and repurchase agreements that are fully collateralized by U.S. Government or U.S. Government Agency obligations.

In addition to the insurance available to all depositors through the Federal government, all deposits of the City are covered by the Public Deposits Insurance Fund maintained by the State Board for Depositories. That fund, established in 1937, covers both principal and interest of all deposits and investments made by an Indiana governmental unit with approved public depositories in accordance with the Public Deposits and Investments Law.

Risk Management. The City has established two self-insurance funds: the Self-Funded Employee Benefits Fund and the Liability Insurance Premium Reserve Fund. As previously mentioned, these self-insurance funds are accounted for as Internal Service Funds. The purpose of the Self-Funded Employee Benefits Fund is to pay medical claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims exceeding $125,000 per insured on an annual basis are covered through a private carrier. In addition to medical claims, the fund pays premiums for life insurance and long term disability benefits for employees. The Liability Insurance Premium Reserve Fund covers automobile and comprehensive liability as well as workers' compensation costs. The City's liability for self-insurance is limited to $300,000 per person and $5,000,000 in the aggregate per occurrence in accordance with Indiana Tort Law. The accrued liability for estimated insurance claims represents an estimate of the probable loss on unpaid claims arising prior to year end.

Other Information

Independent Audit. In accordance with the state statute, the City is required to be audited

annually by the Indiana State Board of Accounts, an agency of the State of Indiana. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133 as mentioned earlier. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. For the past sixteen years (years ended December 31, 1990 through 2005) the City has received an unqualified audit opinion. The auditors' reports related specifically to the single audit are included in a separately filed report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Bend for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the sixteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the City's fiscal officers and the entire staff of the Department of Administration and Finance. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. In addition, we would like to thank the Field Examiners of the State Board of Accounts (led by Doug Wiese and Bruce Snyder) for their hard work and dedication in this effort.

In closing, without the leadership and support of Mayor Stephen J. Luecke, the City's Department Heads, and the members of the City Council, preparation of this report would not have been possible.

Sincerely,

M. Catherine Fanello

M. Catherine Fanello, CPA
City Controller

John H. Murphy

John H. Murphy
Assistant City Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Bend Indiana

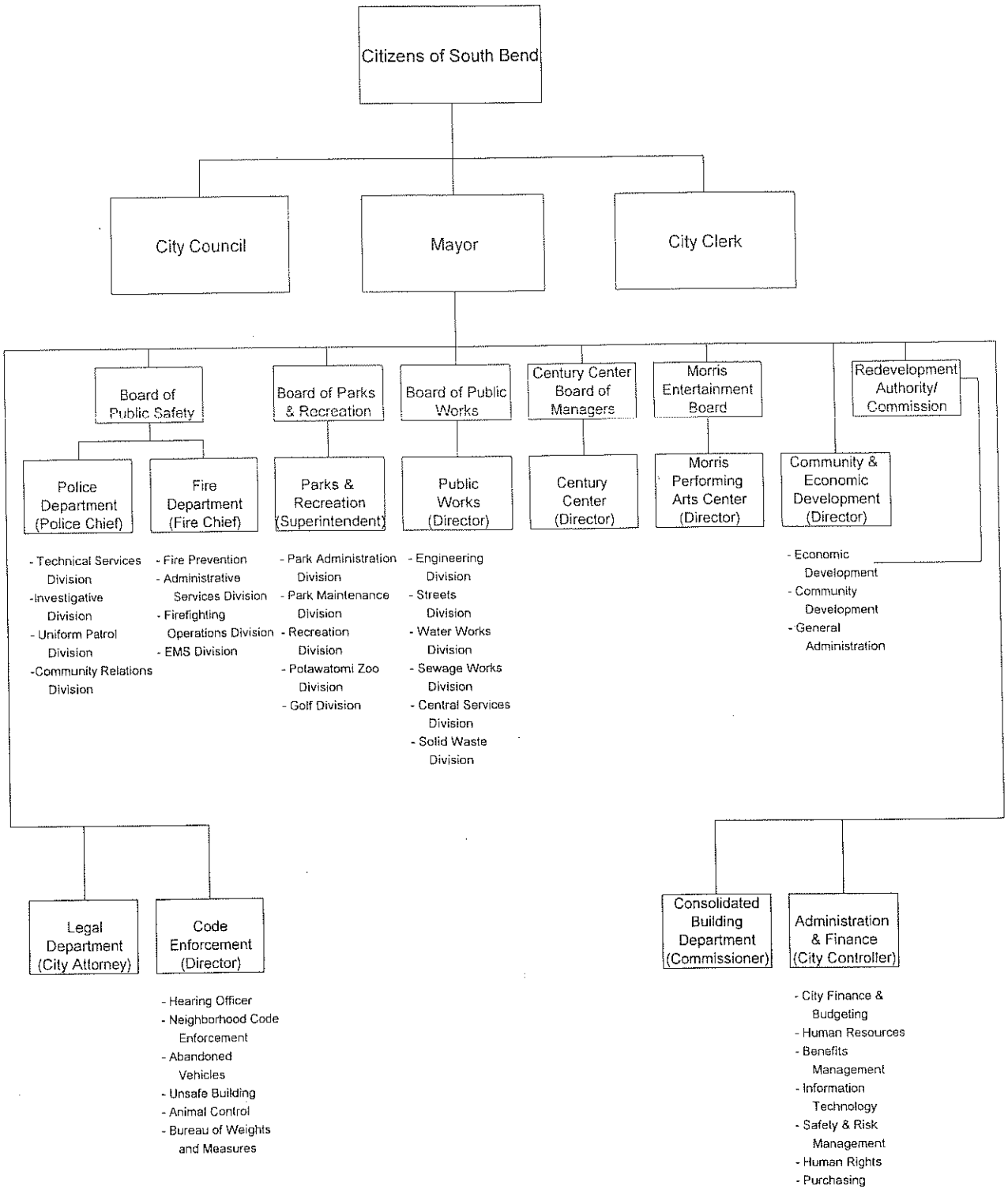
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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

President

Executive Director

CITY OF SOUTH BEND ORGANIZATIONAL CHART



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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 SOUTH BEND, ST. JOSEPH 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 South Bend (City), as of and for the year ended December 31, 2006, 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 opinions.

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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities and Budgetary Comparison Schedules, as listed in the Table of Contents, are not required parts 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 May 25, 2007, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements, other budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 25, 2007

Management's Discussion and Analysis

As management of the **City of South Bend**, we offer readers of the City of South Bend's financial statements this narrative overview and analysis of the financial activities of the City of South Bend for the fiscal year ended **December 31, 2006**. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

As with other sections of this financial report, the information contained within this Management's Discussion and Analysis (MD&A) should be considered only a part of a greater whole. The readers of this statement should take the time to read and evaluate all sections of this report, including the notes to the financial statements and the other Required Supplemental Information.

Financial Highlights

The assets of the City of South Bend exceeded its liabilities at December 31, 2006 by $366,010,498. The majority of these net assets ($306,180,110) are invested in capital assets and are, therefore, not available for current spending. Of the remaining net assets, $32,068,888 is in unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.

Total net assets increased by $7,691,643. Of this amount, net assets of governmental activities increased by $1,844,644 and net assets of business-type activities increased by $5,846,999.

The total cost of all City programs was $176 million dollars. This is a decrease of $1 million dollars from 2005.

At the end 2006, the unreserved fund balance in the General Fund was $21.7 million dollars, which is 31% of total General Fund expenditures. This is a healthy General Fund balance. The unreserved fund balance for all governmental funds was $101.5 million dollars at December 31, 2006. The majority of this unreserved fund balance was accounted for in Capital Projects funds ($60,447,079).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of South Bend's basic financial statements. The City of South Bend's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of South Bend's finances using "accrual accounting", which is a method of accounting used by many private-sector businesses.

Statement of net assets. This statement reports all assets and liabilities of the City as of December 31, 2006. The difference between total assets and total liabilities is reported as "net assets," and can generally be thought of as the net worth of the City. Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

Statement of activities. This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended December 31, 2006. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of the related revenues, as well as a separate presentation of revenues available for general purposes such as property and county option income taxes.

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (business-type activities). The major governmental activities of the City of South Bend include police and fire, highways and streets, community and economic development and general government. The major business-type activities of the City include the wastewater utility, water utility and solid waste.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Bend can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. Governmental funds use the modified accrual accounting, an accounting method that is different from many private-sector companies. The City maintains four major governmental funds (General, Parks and Recreation, TIF Airport, County Option Income Tax) and 66 non-major governmental funds.

General Governmental Revenue - The following schedule presents a summary of general governmental revenue for the year ended December 31, 2006:

Revenue		2006 Amount	% of Total
Taxes:			
General Property	$	72,289,253	51.2%
County Option Income		6,410,405	4.5%
County Economic Development		4,013,475	2.8%
Professional Sports Development		336,281	0.2%
Community Revitalization District		1,000,000	0.7%
Licenses and Permits		186,470	0.1%
Intergovernmental		31,275,541	22.2%
Charges for Services		16,931,744	12.0%
Fines and Forfeits		444,861	0.3%
Interest		4,762,484	3.4%
Donations		137,535	0.1%
Other		3,277,196	2.5%
Total Revenue	**$**	**141,065,245**	**100.0%**

As shown above, taxes continue to represent a significant source of revenue needed to support the services provided by the City. The City's single largest source of revenue is generated by property taxation. This revenue calculation is based on a relationship between two variables. The first variable is the assessed property valuation of industrial, commercial and residential parcels for both real and personal property. The second variable is the application of a tax rate to arrive at the total tax levy. Taxable property is assessed at 100% of the true tax value. The above general property tax revenue includes taxes collected on behalf of the following funds: General Fund, Park and Recreation Fund, Cumulative Capital Development Fund, various capital funds for the City's Redevelopment Tax Incremental Financing (TIF) Funds and a special levy to cover debt service on general obligation bonds.

One of the major focuses for the City continues to be the need to diversify its revenue stream. This is necessary to reduce the dependency on general property taxes and to ensure that a broad base of users, including nonresidents who work in the City, share in the funding of basic City services.

Currently the City's property taxpayers carry a disproportionate share of the cost of public safety (police and fire services) and general government functions (elected officials, legal, code enforcement and administration/finance). Approximately 73% of the General Fund's 2006 total revenue was derived from property taxes. Public safety accounts for approximately 72% of total 2006 General Fund expenditures. Clearly, the Mayor and Common Council of South Bend have public safety at the top of their priority lists. In order to shift part of the financial burden for these services away from the City's homeowners, new sources of revenue need to be identified. In an attempt to accomplish this, two types of income taxes have been enacted to shift this financial tax burden.

- **Economic Development Income Tax (EDIT)** - This tax was first enacted as of July 1, 1995 at the rate of one tenth of one percent (0.1%) on the adjusted gross income of City residents (and some nonresident). EDIT generated $1,382,670 and $1,466,029 for the City of South Bend in 1996 and 1997, respectively. The Common Council and St. Joseph County Council passed respective ordinances that increased the rate to two tenths of one percent (0.2%), which effectively doubled the City's distribution beginning in 1998. The City received $5,462,867, $3,689,202, $3,448,688 and $3,464,152 of EDIT distributions in 2002, 2003, 2004 and 2005, respectively, and received $4,013,475 from this tax in 2006. EDIT taxes are collected and administered by the Indiana Department of Revenue. The EDIT distribution is then remitted to St. Joseph County, which allocates these tax receipts between the county and the cities and towns in the county based on the proportionate amounts of property tax levy for each unit. The City's portion of the total county's EDIT ranged from 35.6% to 39.3% over the past 10 years as the proportionate property tax levies have changed. The EDIT rate will remain at the current level (0.2%) unless further action is taken by the respective councils. The EDIT rate can legally be raised to four tenths of one percent (0.4%).

- **County Option Income Tax (COIT)** - The Common Council and St. Joseph County Council enacted this tax effective July 1, 1997 at a rate of two tenths of one percent (0.2%), with an increase of one tenth of one percent (0.1%) per year during the next four years. In 2002 the rate was set at its legal limit of six tenths of one percent (0.6%). The City would not have supported the new County Option Income Tax if it had not been accompanied by an accompanying ordinance which established an additional 6% homestead credit for property taxpayers. This additional homestead credit increased to 7% in 1999 and to 8% in 2000 (where it will remain at this level). Thus, as a result of the passage of this new tax, City property taxpayers were provided relief through a reduction in their property tax bills while the City was provided with an additional source of revenue that will eventually slow the growth of future property tax rate increases. The City received $9,458,584 (2002), $8,015,301 (2003), $7,001,199 (2004), $5,490,218 (2005) and $6,410,405 (2006) from the County Option Income Tax. The City is anticipating the receipt of $5.7 million from this tax in 2007. In 2002, a one-time adjustment of $2,318,375 for conservative distribution estimates in the early years of the tax was transferred. These countywide taxes are allocated (net of homestead credits) between all taxing units within the county based on the proportionate amounts of property tax levy for each taxing unit. COIT taxes are collected and administered by the Indiana Department of Revenue.

As mentioned earlier, the City is looking for other sources of revenue that will reduce its reliance on property taxes. A viable source of revenue is from user fees and/or charges for services currently being performed. It is the City's desire to establish all user charges and fees at a level closely related to the full cost of providing the services while taking into consideration similar charges/fees being levied by other public and private providers. The City recalculates, on an annual basis, the full costs of activities supported by user fees (including Parks and Recreation Department programs and EMS ambulance services) to identify the impact of inflation and other cost increases. It then revises user fees accordingly. As a result, overall charges for services and user fee revenues are anticipated to increase in line with annual operating and capital costs.

General Government Expenditures - The City breaks its general government expenditures into eight categories: general government, public safety, highways and streets, health and welfare, economic development, culture and recreation, debt service and capital outlay.

The following schedule presents a summary of general governmental expenditures for the year ended December 31, 2006:

Expenditures		2006 Amount	% of Total
General Government	$	11,244,734	8.7%
Public Safety		51,050,640	39.4%
Highways and Streets		13,583,761	10.5%
Economic Development		9,752,254	7.5%
Health and Welfare		75,000	0.1%
Culture and Recreation		13,849,622	10.7%
Debt Service		13,580,333	10.5%
Capital Outlay		16,391,192	12.6%
Total Expenditures	$	**129,527,536**	**100.0%**

As one can see, the City spends more on public safety than any other activity, with 39.4% of all general governmental expenditures spent for this purpose. This is followed by spending on culture and recreation (i.e. parks) at 10.7% and highways and streets (10.5%).

Proprietary funds. The City of South Bend maintains two different types of proprietary funds-enterprise and internal service funds. **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains seven enterprise funds. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expense and changes in fund net assets for the Water Utility, Wastewater Utility and Century Center, which are considered major enterprise funds. Data from the other four non-major enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report. **Internal service funds** are used to accumulate and allocate costs internally among the City's various functions and funds. The City maintains three internal service funds. The City of South Bend uses internal service funds to account for its self-funded liability insurance program, employee health benefits program and central services (a department that accounts for the expenses related to fuel, vehicle repairs, printing and other services provided to City departments on a cost-reimbursement basis). Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs.. The City maintains four fiduciary funds. The City has two pension trust funds (1925 Police Pension and 1937 Firefighter's Pension), one agency fund (Payroll) and one private-purpose trust fund (Cemetery).

Pension Trust Fund Operations - Most City employees are covered by the Public Employees Retirement Fund (PERF) and the 1977 Police Officers' and Firefighters' Pension Fund, both of which are administered by the State of Indiana. However, certain police officers and firefighters hired before May 1, 1977, (who did not opt into the 1977 fund) continue to be members of the 1925 Police Officer's Pension Fund or the 1937 Firefighters' Pension Fund. These two funds are administered by the City. The number of police officers and firefighters in the City-managed pension trust funds will continue to decline in the future as current participants retire.

The 1925 and 1937 Pension plans are funded through a combination of property taxes levied by the City and distributions from the State of Indiana Pension Relief Fund. As a result of State statutes that created these funds, the City is legally prevented from funding them in any other way than a "pay-as-you-go" basis. As of January of 2005, the City received an actuarial survey on these funds to provide the proper disclosures required by generally accepted accounting principles. At December 31, 2006, the net assets in the 1925 Police Officer's Pension and 1937 Firefighter's Pension funds were $1,188,997 and $1,624,421, respectively.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report presents certain supplementary information. The combining statements referred to earlier in connection with non-major governmental, enterprise, internal service and fiduciary funds are presented immediately after the basic financial statements.

Government-wide Financial Analysis

The financial analysis will focus on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2006, the City's assets exceeded liabilities by $366,010,498, an increase of $7,691,643 from 2005. The majority of this increase can be attributed to an increase in Water and Sewer rates during 2006 which helped increase the net assets from business-type activities by $5,846,999. The largest portion of the City's net assets, $306,180,110 or 84%, reflect its investment in capital assets (e.g. land, roads, storm sewers, water and sewer systems, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens, and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of South Bend
Net Assets
Table 1

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	$146,134,848	$163,711,075	$31,884,533	$38,455,791	$178,019,381	$202,166,866
Capital assets (net)	292,361,379	281,074,888	152,993,751	160,195,768	445,355,130	441,270,656
Total assets	438,496,227	444,785,963	184,878,284	198,651,559	623,374,511	643,437,522
Long-term liabilities outstanding	180,566,351	181,691,782	55,792,377	62,446,829	236,358,728	244,138,611
Other liabilities	21,139,265	24,458,926	7,557,663	8,829,487	28,696,928	33,288,413
Total liabilities	201,705,616	206,150,708	63,350,040	71,276,316	265,055,656	277,427,024

City of South Bend
Net Assets
Table 1 (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Net assets:						
Invested in capital assets, net of related debt	203,694,695	208,509,577	94,833,960	97,670,533	298,528,655	306,180,110
Restricted	6,138,257	5,225,642	17,942,700	22,535,858	24,080,957	27,761,500
Unrestricted	26,957,659	24,900,036	8,751,584	7,168,852	35,709,243	32,068,888
Total net assets	**$236,790,611**	**$238,635,255**	**$121,528,244**	**$127,375,243**	**$358,318,855**	**$366,010,498**

At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The net assets for government activities increased by $1,844,644 from $236,790,611 in 2005 to $238,635,255 in 2006. This increase is due, in part, to revenue exceeding expenses for the TIF Airport program during 2006. The net assets for the business-type net assets activities increased by $5,846,999 from $121,528,244 in 2005 to $127,375,243 in 2006. This increase is due to an increase in water and sewer rates during 2006.

City of South Bend
Change in Net Assets
Table 2

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenue:						
Program Revenue:						
Charges for services	$6,823,577	$17,563,075	$35,764,874	$44,179,287	$42,588,451	$61,742,362
Operating grants and Contributions	12,916,362	12,452,463	1,282,780	0	14,199,142	12,452,463
Capital grants and Contributions	9,447,723	13,793,363	1,479,581	1,413,861	10,927,304	15,207,224
General Revenue:						
Property taxes	72,743,697	68,256,602	0	0	72,743,697	68,256,602

Other taxes	10,510,375	11,760,161	0	0	10,510,375	11,760,161
Grants and contributions not restricted to specific programs	5,160,298	5,063,541	0	0	5,160,298	5,063,541
Investment Earnings	3,543,469	4,762,484	745,966	906,056	4,289,435	5,668,540
Other Revenue	10,790,170	3,520,138	1,990,515	0	12,780,685	3,520,138
Total Revenue	131,935,671	137,171,827	41,263,716	46,499,204	173,199,387	183,671,031
Expenses:						
General government	15,033,018	17,194,920	0	0	15,033,018	17,194,920
Public safety	72,450,941	56,600,175	0	0	72,450,941	56,600,175
Highways and streets	9,010,971	21,813,189	0	0	9,010,971	21,813,189
Health and welfare	75,352	114,131	0	0	75,352	114,131
Culture and recreation	8,840,970	14,994,300	0	0	8,840,970	14,994,300
Economic Development	22,436,802	18,813,636	0	0	22,436,802	18,813,636
Interest on long-term debt	5,943,021	5,841,032	0	0	5,943,021	5,841,032
Water	0	0	12,447,141	11,916,504	12,447,141	11,916,504
Wastewater	0	0	18,452,785	16,972,401	18,452,785	16,972,401
Civic center	0	0	3,478,359	3,355,531	3,478,359	3,355,531
Building department	0	0	1,047,007	1,102,164	1,047,007	1,102,164
Parking	0	0	1,165,502	1,261,942	1,165,502	1,261,942
Solid waste	0	0	4,920,464	4,187,706	4,920,464	4,187,706
Golf course	0	0	1,736,939	1,811,757	1,736,939	1,811,757
Total expenses	133,791,075	135,371,383	43,248,197	40,608,005	177,039,272	175,979,388
Changes in net assets before Transfers	(1,855,404)	1,800,444	(1,984,481)	5,891,199	(3,839,885)	7,691,643
Transfers	33,589	44,200	(33,589)	(44,200)	0	0
Change in net assets	(1,821,815)	1,844,644	(2,018,070)	5,846,999	(3,839,885)	7,691,643
Beginning net assets (restated)	238,612,426	236,790,611	123,546,314	121,528,244	362,158,740	358,318,855
Ending net assets	**$236,790,611**	**$238,635,255**	**$121,528,244**	**$127,375,243**	**$358,318,855**	**$366,010,498**

Governmental Activities

Governmental activities net assets increased by $1.84 million dollars during 2006. Total revenue increased by $5.2 million dollars, an increase of 4.0%. Expenses increased by $1.58 million dollars, an increase of only 1.2%., The majority of the revenue increase is due higher charges for services and reclassifications of certain other revenue line items to the charges for services category. The increases in expenses are due primarily to higher health insurance costs which are charged to each activity using an Internal Service Fund.

Business-type Activities

Business-type activities had an increase in net assets of $5.8 million dollars during 2006. The majority of the increase is due to higher charges for services in the Wastewater and the Water Works departments through higher utility charges to customers. This increased revenue will finance a long-term capital development plan at the Wastewater and Water Works utilities. Total expenses at the Wastewater and Water Works utilities were lower during 2006 than in 2005.

Financial Analysis of the Governments' Funds

As noted earlier, the City of South Bend uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: government funds, proprietary funds and fiduciary funds.

Governmental funds. The purpose of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2006, the City's governmental funds reported a combined ending fund balance of $139,890,912. Of this amount, $101,476,539, or 72.5%, was in unreserved fund balance, which is available for spending at the City's discretion. The majority of this unreserved fund balance is for major capital projects that have been designated by the Common Council. The remainder of the fund balance ($38,414,373) is reserved and is not available for new spending because it has already been dedicated for various commitments.

The General Fund is the City's chief operating fund. At the end of 2006, the total General Fund balance was $25,851,295, a decrease of $2,892,899, or 10.1%, from 2005. This use of General Fund balance was planned for in the 2006 budget. The unreserved fund balance of the General Fund was $21,688,442 at December 31, 2006. Unreserved General Fund balance is approximately 31% of total General Fund expenditures at December 31, 2006.

The Parks and Recreation Fund had an increase in fund balance of $493,495 during 2006. The reason for this increase is that revenue (primarily due to property taxes and user charges) exceeded expenditures during the year. The ending fund balance in the Parks and Recreation Fund was $2,136,982 at December 31, 2006. Of this amount, $2,075,034 is unreserved fund balance.

The TIF Airport and County Option Income Tax (COIT) funds are used to account for major capital construction projects. The fund balance in the TIF Airport Fund increased by $5,843,279 during 2006, while the fund balance in the COIT fund decreased by $573,737 during 2006. At December 31, 2006, the fund balances in the TIF Airport and COIT funds were $24,185,065 and $8,625,221, respectively. These fund balances represent resources that City has to meet some of its future capital construction needs.

Individual fund data for each of the non-major governmental funds is provided in the form of the combining statements in the Supplemental Information portion.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to account for services provided to other City departments and funds on a cost-reimbursement basis. The City maintains seven enterprise funds and three internal service funds. The basic proprietary fund financial statements can be found later in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City has four fiduciary funds. The basic fiduciary funds financial statements can be found later in this report.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for its General Fund. The City prepares its budgets using the cash basis of accounting. For 2006, the original expenditure budget was $71,549,331. During the year, budget adjustments of $6,566,641 were made, resulting in an ending General Fund expenditure budget of $78,115,972. The General Fund budget is reviewed on a monthly basis by staff and adjustments are approved as needed by the Common Council. Throughout the year, actual expenditures are monitored and projected and the budget is amended to prevent any budget overruns. The City tries to work within its original budget by increasing categories that will exceed the budget while decreasing other categories that are under budget. Actual General Fund expenditures on a cash basis were $75,165,815 during 2006, which was $2,950,157 (3.8%) under the amended budget.

General Fund revenue was originally budgeted at $65,550,889 for 2006. During the year, the revenue budget projection was reduced to $65,485,484. Actual General Fund revenues were $67,381,869 for 2006 and exceeded the amended revenue budget by $1,896,385, or 2.9%. The major reason for the higher revenue was that interest earnings were budgeted conservatively at $300,000 for 2006 while actual interest earnings were $1,525,832. Taking this difference into account, the revenue projections for the General Fund were very accurate, only $670,553 (1%) less than budgeted. All cities have limited resources and, thus, limited numbers of programs and services that can be provided. The City of South Bend is proud to say that it has done well in terms of maintaining a solid, financially sound organization by spending within its means.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities was $441,270,656 (net accumulated depreciation) at December 31, 2006. This investment in capital assets includes land, buildings, roads, improvements, service lines, automobiles and equipment, and street lights. A detailed explanation of these capital assets can be found in the Notes to the Basic Financial Statement.

Major capital asset additions during the current fiscal year include the following:

- Major road renovation at $1.63 million.
- 37 new or replacement vehicles at a cost of $1.1 million.
- Paving Program at $1.84 million
- Riverside bikeway/walkway project - $510 thousand
- Began construction of Fire Station No. 2 - $656 thousand expended in 2006. Total project cost - $2.6 million.
- Raw sewage pump replacement and drive on scales - $183 thousand.

City of South Bend's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Capital assets not being depreciated:						
Land	$11,564,931	$11,539,931	$3,020,575	$3,020,575	$14,585,506	$14,560,506
Construction in Progress	6,214,193	1,584,399	3,938,589	12,366,687	10,152,782	13,951,086
Total capital assets not being depreciated	17,779,124	13,124,330	6,959,164	15,387,262	24,738,288	28,511,592

City of South Bend's Capital Assets (Continued)

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Capital assets being depreciated:						
Building	102,625,262	102,679,770	92,513,376	92,509,056	195,138,638	195,188,826
Improvements other than buildings	8,713,737	9,450,060	88,019,697	91,700,161	96,733,434	101,150,221
Machinery & equipment	37,623,047	38,555,497	43,446,609	44,026,474	81,069,656	82,581,971
Roads	360,945,625	366,085,762	0	0	360,945,625	366,085,762
Totals	509,907,671	516,771,089	223,979,682	228,235,691	733,887,353	745,006,780
Less accumulated depreciation for:						
Buildings	22,006,922	23,268,734	30,768,132	32,983,954	52,775,054	56,252,688
Improvements other than buildings	4,489,950	4,852,946	19,158,662	20,749,345	23,648,612	25,602,291
Machinery & equipment	18,890,331	21,283,375	28,018,301	29,693,886	46,908,632	50,977,261
Roads	190,339,299	199,415,476	0	0	190,339,299	199,415,476
Totals	235,726,502	248,820,531	77,945,095	83,427,185	313,671,597	332,247,716
Total capital assets, being depreciated, net	274,181,169	267,950,558	146,034,587	144,808,506	420,215,756	412,759,064
Total activity capital assets, net	$291,960,293	$281,074,888	$152,993,751	$160,195,768	$444,954,044	$441,270,656

During 2006, the City implemented GASB Statement No. 34 for retroactive reporting of infrastructure capital assets. The above cost and accumulated depreciation for Roads in 2005 and 2006 have been adjusted accordingly.

Debt Administration. At December 31, 2006, the City had a number of debt issues outstanding. The following is a summary of outstanding debt transactions during 2006:

Type	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation	$320,000	-0	$320,000	-0-
Revenue Bonds	120,215,000	22,220,000	15,645,000	126,790,000
Mortgage Bonds	30,010,037	-0--	1,700,598	28,309,439
Notes/Loans	30,291,729	3,262,691	2,537,435	31,016,985
Capital Leases	5,164,660	1,127,036	1,234,915	5,056,781
Total	**$186,001,426**	**$26,609,727**	**$21,437,948**	**$191,173,205**

During 2006, the City issued revenue bonds for improvements at the Wastewater Utility ($7,630,000) and Water Utility ($4,710,000). The new capital lease of $1,127,036 during 2006 was used for the purchase of police patrol and other vehicles. During 2006, the City also issued Economic Development Income Tax refunding bonds for $7,440,000 at the Leighton Parking

Garage and $3,222,000 in Section 108 Housing and Urban Development notes for economic development projects. The General Obligation bond that was retired during 2006 was used for improvements in the Studebaker Corridor near downtown. The City's debt increased by a net of $5.2 million dollars during 2006.

Under the Indiana Constitution and State statute, the City's general obligation bonded debt issuances are subject to a legal limitation based upon 2% of total assessed value of real and personal property. Since Indiana's assessment statutes call for an assessed valuation of one-third of cost less depreciation, its general obligation debt limitation is one of the most conservative in the United States. The City had no general obligation bonded debt outstanding at December 31, 2006.

A detailed listing of this debt can be found in the Notes to the Basic Financial Statements. A calculation of the City's legal debt limitation can be found in the statistical section of this document.

Economic Factors and Next Year's Budgets

As noted earlier, property taxes are the City's largest source of revenue. Under current legislation all Indiana cities assessed values are based on market values. Under this method some properties are still being re-assessed to reflect the changes in values. This process as well as the overwhelming amount of appeals is still affecting the amount of property taxes received by the City. Due to these current changes, the percentage increase the City is anticipating in 2007 will be less than in previous years. In addition, the State of Indiana General Assembly has enacted property tax legislation to limit property taxes paid to 2% of gross assessed value for residential properties and 3% of gross assessed value for business properties. The impact of this legislation (known as "circuit breaker" legislation) will be significant for the City of South Bend beginning in fiscal year 2010.

The City enacted new water and sewer rates during 2006 These rates will continue to be revised to assure that the municipal water and sewer system has sufficient revenue to cover operating, capital and debt service funding requirements.

Many major capital projects are slated for construction in 2007, including southside retail development, water and sewer infrastructure upgrades and the continuation of major road enhancements. The City is also looking forward to the private development of the Hall of Fame Gameday Center, a 189-unit hotel/condominium/parking garage project to be located in the heart of the City's downtown. In addition, the City is providing certain infrastructure support for the exciting Innovation Park, a mixed-use residential and research development located near the campus of the University of Notre Dame.

During 2006, the City received $12.8 million dollars from the State of Indiana for the City's share of the proceeds from the State's lease of the Indiana Toll Road to a private corporation. Although controversial, all municipalities in Indiana have benefited financially from this transaction. The City has deposited the proceeds into a separate capital project fund (Major Moves Capital Project) and has elected to use only the interest earned for current capital projects. During 2006, the Major Moves fund earned $179,049 in interest.

Requests for Information

This financial report is designed to provide a general overview of the City of South Bend's finances for all those who are interested. Questions concerning any of the information provided in this report or a request for additional financial information should be addressed to:

M. Catherine Fanello, City Controller
City of South Bend
Department of Administration and Finance
227 W. Jefferson Boulevard, 14th Floor
South Bend, Indiana 46601

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
December 31, 2006

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	$ 105,658,207	$ 7,514,074	$ 113,172,281
Cash with fiscal agent	398,038	-	398,038
Investments	12,387,500	-	12,387,500
Receivables (net of allowances for uncollectibles):			
Interest	396,037	-	396,037
Taxes	6,294,087	-	6,294,087
Accounts	2,985,814	2,443,884	5,429,698
Intergovernmental	1,476,968	-	1,476,968
Loans	9,526,473	-	9,526,473
Internal balances	2,638,570	(2,638,570)	-
Inventories	1,212,813	388,428	1,601,241
Prepaid expense	24,433	-	24,433
Deferred debits	1,337,273	6,099,921	7,437,194
Restricted assets:			
Cash and cash equivalents	5,461,831	23,450,534	28,912,365
Cash with fiscal agent	-	16,139	16,139
Investments	1,787,219	1,009,945	2,797,164
Interest receivable	4,544	5,951	10,495
Taxes receivable	87,434	-	87,434
Accounts receivable	-	165,485	165,485
Intergovernmental receivable	2,989	-	2,989
Property held for resale	12,030,845	-	12,030,845
Capital assets:			
Land and construction in progress	13,124,330	15,387,262	28,511,592
Other capital assets, net of depreciation	267,950,558	144,808,506	412,759,064
Total assets	444,785,963	198,651,559	643,437,522

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
December 31, 2006
(Continued)

	Primary Government		
Liabilities	Governmental Activities	Business-Type Activities	Total
Accounts payable	4,382,902	811,768	5,194,670
Accrued payroll payable	1,031,759	206,121	1,237,880
Unearned revenue	1,200,000	221,875	1,421,875
Contracts payable	2,887,509	-	2,887,509
Taxes payable	12,351	47,628	59,979
Customer deposits	1,081,705	151,543	1,233,248
Accrued interest payable	837,184	6,473	843,657
Estimate of unfiled claims	649,147	-	649,147
Other current payables	8,437	-	8,437
Payable from restricted assets:			
Accounts payable	-	412,797	412,797
Contracts payable	-	1,400,731	1,400,731
Customer deposits	-	1,353,918	1,353,918
Accrued interest payable	1,353,375	205,470	1,558,845
Noncurrent liabilities:			
Due within one year:			
Mortgage bonds payable	1,379,285	45,510	1,424,795
Compensated absences	3,412,851	538,080	3,950,931
Revenue bonds payable	3,875,000	1,680,000	5,555,000
Capital lease obligations	845,153	446,073	1,291,226
Notes and loans payable	1,502,268	1,301,500	2,803,768
Due in more than one year:			
Mortgage bonds payable (net of discounts or premiums)	26,405,098	914,883	27,319,981
Compensated absences	1,322,325	-	1,322,325
Revenue bonds payable (net of discounts or premiums)	77,611,927	42,471,066	120,082,993
Capital lease obligations	2,688,034	1,077,521	3,765,555
Notes and loans payable	10,256,284	17,956,933	28,213,217
Unamortized gain on sale/leaseback	-	26,426	26,426
Net pension obligation	63,408,114	-	63,408,114
Total liabilities	206,150,708	71,276,316	277,427,024
Net Assets			
Invested in capital assets, net of related debt	208,509,577	97,670,533	306,180,110
Restricted for:			
Debt service	5,225,642	6,177,849	11,403,491
Capital outlay	-	16,358,009	16,358,009
Unrestricted	24,900,036	7,168,852	32,068,888
Total net assets	$ 238,635,255	$ 127,375,243	$ 366,010,498

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

CITY OF SOUTH BEND
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 17,194,920	$ 6,883,104	$ 147,864	$ 461,944	$ (9,702,008)	$ -	$ (9,702,008)
Public safety	56,600,175	5,132,285	223,402	-	(51,244,488)	-	(51,244,488)
Highways and streets	21,813,189	44,250	7,104,545	12,976,476	(1,687,918)	-	(1,687,918)
Economic development	18,813,636	562,807	4,315,608	-	(13,935,221)	-	(13,935,221)
Health and welfare	114,131	-	-	-	(114,131)	-	(114,131)
Culture and recreation	14,994,300	4,940,629	661,044	354,943	(9,037,684)	-	(9,037,684)
Interest on long-term debt	5,841,032	-	-	-	(5,841,032)	-	(5,841,032)
Total governmental activities	135,371,383	17,563,075	12,452,463	13,793,363	(91,562,482)	-	(91,562,482)
Business-type activities:							
Water	11,916,504	14,757,819	-	1,091,135	-	3,932,450	3,932,450
Wastewater	16,972,401	18,725,903	-	-	-	1,753,502	1,753,502
Civic Center	3,355,531	3,113,264	-	322,726	-	80,459	80,459
Building department	1,102,164	1,039,405	-	-	-	(62,759)	(62,759)
Parking	1,261,942	799,350	-	-	-	(462,592)	(462,592)
Solid waste	4,187,706	4,177,897	-	-	-	(9,809)	(9,809)
Golf course	1,811,757	1,565,649	-	-	-	(246,108)	(246,108)
Total business-type activities	40,608,005	44,179,287	-	1,413,861	-	4,985,143	4,985,143
Total primary government	$ 175,979,388	$ 61,742,362	$ 12,452,463	$ 15,207,224	(91,562,482)	4,985,143	(86,577,339)
General revenues:							
Property taxes					68,256,602	-	68,256,602
County option income tax					6,410,405	-	6,410,405
Economic development income tax					4,013,475	-	4,013,475
Professional sports development tax					336,281	-	336,281
Community revitalization enhancement district tax					1,000,000	-	1,000,000
Grants and contributions not restricted to specific programs					5,063,541	-	5,063,541
Unrestricted investment earnings					4,762,484	906,056	5,668,540
Other					3,520,138	-	3,520,138
Transfers					44,200	(44,200)	-
Total general revenues and transfers					93,407,126	861,856	94,268,982
Change in net assets					1,844,644	5,846,999	7,691,643
Net assets - beginning					236,790,611	121,528,244	358,318,855
Net assets - ending					$ 238,635,255	$ 127,375,243	$ 366,010,498

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

CITY OF SOUTH BEND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

Assets	General	Park and Recreation	TIF Airport	COIT	Other Governmental Funds	Totals
Cash and cash equivalents	$ 26,178,975	$ 2,345,079	$ 18,894,529	$ 7,535,967	$ 51,142,597	$ 106,097,147
Cash with fiscal agent	250,000	-	-	-	148,038	398,038
Investments	-	-	-	-	14,174,719	14,174,719
Receivables (net of allowances for uncollectibles):						
Interest	127,109	-	-	-	272,643	399,752
Taxes	4,750,387	814,500	206,108	-	610,526	6,381,521
Accounts	419,294	17,846	-	-	847,384	1,284,524
Intergovernmental	430,011	27,841	-	-	1,012,868	1,470,720
Loans	-	-	-	266,667	9,259,806	9,526,473
Interfund receivable:						
Interfund loans	1,524,099	-	2,083,000	-	241,872	3,848,971
Interfund services provided and used	42,987	-	-	61,880	7,221	112,088
Inventories	-	61,948	-	-	-	61,948
Advances to other funds	1,750,000	-	-	-	506,448	2,256,448
Property held for resale	240,432	-	3,294,367	1,081,247	7,414,799	12,030,845
Total assets	$ 35,713,294	$ 3,267,214	$ 24,478,004	$ 8,945,761	$ 85,638,921	$ 158,043,194
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 1,836,672	$ 152,040	$ 27,648	$ 73,475	$ 921,761	$ 3,011,596
Accrued payroll payable	801,366	105,922	-	-	82,875	990,163
Contracts payable	494,325	-	3,709	245,957	2,143,518	2,887,509
Interfund payable:						
Interfund loans	-	-	-	-	249,700	249,700
Interfund services provided and used	350,447	28,467	1,872	1,108	143,885	525,779
Taxes payable	11,989	362	-	-	-	12,351
Customer deposits	858,521	-	-	-	-	858,521
Deferred revenue	5,462,854	842,341	206,108	-	617,291	7,128,594
Performance deposits payable	45,825	-	53,602	-	123,757	223,184
Other current payables	-	1,100	-	-	7,337	8,437
Advances from other funds	-	-	-	-	2,256,448	2,256,448
Total liabilities	9,861,999	1,130,232	292,939	320,540	6,546,572	18,152,282
Fund balances:						
Reserved for:						
Encumbrances	2,172,421	-	193,868	3,006,241	3,088,010	8,460,540
Noncurrent loans receivable	-	-	-	233,333	8,180,461	8,413,794
Inventory	-	61,948	-	-	-	61,948
Property held for resale	240,432	-	3,294,367	1,081,247	7,414,799	12,030,845
Debt service	-	-	-	-	7,190,798	7,190,798
Advances to other funds	1,750,000	-	-	-	506,448	2,256,448
Unreserved, reported in:						
General fund	21,688,442	-	-	-	-	21,688,442
Special revenue funds	-	2,075,034	-	-	17,273,812	19,348,846
Debt service funds	-	-	-	-	(7,828)	(7,828)
Capital projects funds	-	-	20,696,830	4,304,400	35,445,849	60,447,079
Total fund balances	25,851,295	2,136,982	24,185,065	8,625,221	79,092,349	139,890,912
Total liabilities and fund balances	$ 35,713,294	$ 3,267,214	$ 24,478,004	$ 8,945,761	$ 85,638,921	

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

Continued on next page

CITY OF SOUTH BEND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Totals
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.	279,615,833
Prepaid expenses ($8,168) and Deferred debits ($1,337,273) are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,345,441
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.	5,929,644
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred revenues	6,628,594
Bonds payable	(109,782,124)
Less: Deferred charge on refunding (to be amortized as interest expense)	730,306
Less: Issuance discount or (premium) (to be amortized as interest expense)	(219,492)
Capital leases payable	(3,533,187)
Notes payable	(11,758,552)
Net pension obligation	(63,408,114)
Short-term liabilities that are not recognized in governmental funds until due:	
Accrued interest payable	(2,190,559)
Compensated absences payable	(4,613,447)
Net assets of governmental activities	$ 238,635,255

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

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Park and Recreation	TIF Airport	COIT	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	$ 49,514,044	$ 8,363,955	$ 7,515,744	$ -	$ 6,895,510	$ 72,289,253
County option income	-	-	-	6,410,405	-	6,410,405
County economic development income	-	-	-	-	4,013,475	4,013,475
Professional sports development tax	-	-	-	-	336,281	336,281
Community revitalization enhancement district	-	-	-	-	1,000,000	1,000,000
Licenses and permits	186,470	-	-	-	-	186,470
Intergovernmental	5,183,049	601,078	-	-	25,491,414	31,275,541
Charges for services	10,233,118	2,537,687	-	-	4,160,939	16,931,744
Fines and forfeits	232,877	-	-	-	211,984	444,861
Interest	1,543,778	-	606,063	226,073	2,386,570	4,762,484
Donations	4,273	-	-	-	133,262	137,535
Sale of property	19,025	-	214,758	-	-	233,783
Other	494,367	111,315	-	614,725	1,823,006	3,043,413
Total revenues	67,411,001	11,614,035	8,336,565	7,251,203	46,452,441	141,065,245
Expenditures:						
Current:						
General government	10,944,891	-	-	-	299,843	11,244,734
Public safety	50,314,860	-	-	-	735,780	51,050,640
Highways and streets	6,927,124	-	-	-	6,656,637	13,583,761
Economic development	-	-	-	-	9,752,254	9,752,254
Health and welfare	75,000	-	-	-	-	75,000
Culture and recreation	1,523,093	10,844,744	-	-	1,481,785	13,849,622
Debt service:						
Principal	-	163,719	505,000	617,365	6,149,638	7,435,722
Interest and fiscal charges	-	13,228	586,866	209,573	5,125,844	5,935,511
Debt issuance costs	-	-	-	-	209,100	209,100
Capital outlay:						
General government	-	-	-	4,325,447	1,268,909	5,594,356
Public safety	-	-	-	-	1,562,936	1,562,936
Economic development	-	-	1,096,812	-	7,886,671	8,983,483
Culture and recreation	-	-	-	-	250,417	250,417
Total expenditures	69,784,968	11,021,691	2,188,678	5,152,385	41,379,814	129,527,536
Excess (deficiency) of revenues over (under) expenditures	(2,373,967)	592,344	6,147,887	2,098,818	5,072,627	11,537,709
Other financing sources (uses):						
Transfers in	351,101	-	79,313	37,151	8,460,975	8,928,540
Transfers out	(870,033)	(98,849)	(383,921)	(2,709,706)	(4,821,831)	(8,884,340)
Premium on debt issuance	-	-	-	-	46,521	46,521
Debt issuance	-	-	-	-	6,564,036	6,564,036
Issuance of refunding bonds	-	-	-	-	7,440,000	7,440,000
Payment to refunded bond escrow agent	-	-	-	-	(8,371,711)	(8,371,711)
Total other financing sources and uses	(518,932)	(98,849)	(304,608)	(2,672,555)	9,317,990	5,723,046
Net change in fund balances	(2,892,899)	493,495	5,843,279	(573,737)	14,390,617	17,260,755
Fund balances - beginning	28,744,194	1,643,487	18,341,786	9,198,958	64,701,732	122,630,157
Fund balances - ending	$ 25,851,295	$ 2,136,982	$ 24,185,065	$ 8,625,221	$ 79,092,349	$ 139,890,912

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

CITY OF SOUTH BEND
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, 2006

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 Other Changes in Fund Balances).	$ 17,260,755
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:	
Capital outlay	3,910,345
Depreciation expense	(14,741,912)
Gain on disposal of assets	105,407
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,998,825)
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.	
Long-term debt incurred during the current period:	
Bonds	(9,880,000)
Premium on bonds	(46,521)
Loans	(3,222,000)
Capital leases	(902,036)
Principal debt payments:	
Bonds	5,516,933
Loans	1,095,313
Capital leases	823,476
Payment to refunded bond escrow agent	8,371,711
Amortization expenses	75,627
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.	
Prepaid expense	(21,641)
Interest expense	227,952
Compensated absences	(73,246)
Change in net pension asset and net pension obligation	(3,320,723)
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.	664,029
Change in net assets of governmental activities (statement of activities)	$ 1,844,644

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

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities
Assets	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Funds
Current assets:						
Cash and cash equivalents	$ 2,268,303	$ 4,428,154	$ 85,372	$ 732,245	$ 7,514,074	$ 5,022,891
Interest receivable	-	-	-	-	-	829
Accounts receivable (net of allowance)	754,375	1,131,840	36,130	346,863	2,269,208	1,001,290
Accounts receivable - other	19,161	27,893	123,299	4,323	174,676	-
Interfund receivables:						
Interfund services provided and used	77,205	142,572	-	350	220,127	349,226
Intergovernmental receivable	-	-	-	-	-	9,237
Inventories	108,089	268,033	-	12,306	388,428	1,150,865
Prepaid items	-	-	-	-	-	16,265
Restricted assets:						
Cash, cash equivalents and investments:						
Repair fund	25,496	135,132	-	-	160,628	-
Customer deposits	1,304,879	-	-	-	1,304,879	-
Revenue bond covenant accounts	1,654,237	3,441,355	-	1,291,411	6,387,003	-
Capital outlay accounts	4,470,729	10,832,723	265,592	28,980	15,598,024	-
Capital outlay accounts - investments	-	-	1,009,945	-	1,009,945	-
Cash with fiscal agent	-	16,139	-	-	16,139	-
Accounts receivable	66,103	99,382	-	-	165,485	-
Interest receivable	-	-	4,685	1,266	5,951	-
Total current assets	10,748,577	20,523,223	1,525,023	2,417,744	35,214,567	7,550,603
Noncurrent assets:						
Deferred charges:						
Unamortized debt issue costs	683,247	326,109	-	26,735	1,036,091	-
Unamortized loss on sale/leaseback	-	-	-	5,063,830	5,063,830	-
Total deferred charges	683,247	326,109	-	5,090,565	6,099,921	-
Capital assets:						
Land and construction in progress	1,063,821	12,040,018	702,934	1,580,489	15,387,262	-
Other capital assets (net of accumulated depreciation)	55,669,941	70,150,915	13,135,607	5,852,043	144,808,506	1,459,055
Total capital assets	56,733,762	82,190,933	13,838,541	7,432,532	160,195,768	1,459,055
Total noncurrent assets	57,417,009	82,517,042	13,838,541	12,523,097	166,295,689	1,459,055
Total assets	68,165,586	103,040,265	15,363,564	14,940,841	201,510,256	9,009,658

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006
(Continued)

	Business-Type Activities - Enterprise Funds					Governmental Activities
Liabilities	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Funds
Current liabilities:						
Accounts payable	158,669	270,178	58,958	323,963	811,768	1,371,306
Interfund payables:						
Interfund loans	-	-	-	2,707,296	2,707,296	891,975
Interfund services provided and used	24,059	36,074	2,644	40,363	103,140	4,261
Accrued payroll payable	63,859	76,846	24,077	41,339	206,121	41,596
Compensated absences	193,359	221,691	8,956	114,074	538,080	121,729
Unearned revenue	-	-	221,875	-	221,875	-
Taxes payable	47,011	-	617	-	47,628	-
Accrued interest payable	-	-	6,473	-	6,473	-
Customer deposits	-	-	151,543	-	151,543	-
Estimate of unfiled claims	-	-	-	-	-	649,147
Current liabilities payable from restricted assets:						
Accounts payable	273,059	139,738	-	-	412,797	-
Interfund payables:						
Interfund services provided and used	-	48,261	-	-	48,261	-
Contracts and retainage payable	41,585	1,343,146	16,000	-	1,400,731	-
Customer deposits	1,353,918	-	-	-	1,353,918	-
Mortgage bonds payable	-	45,510	-	-	45,510	-
Revenue bonds payable	-	1,215,000	-	465,000	1,680,000	-
Capital leases payable	-	86,120	-	359,953	446,073	-
Notes and loans payable	-	1,230,000	71,500	-	1,301,500	-
Accrued interest payable	-	131,558	-	73,912	205,470	-
Total current liabilities	2,155,519	4,844,122	562,643	4,125,900	11,688,184	3,080,014
Noncurrent liabilities:						
Mortgage bonds payable (net of unamortized discount)	-	914,883	-	-	914,883	-
Revenue bonds payable (net of unamortized discounts, premium, and deferred amount on refunding)	20,582,928	18,726,509	-	3,161,629	42,471,066	-
Capital leases payable	-	207,070	-	870,451	1,077,521	-
Notes and loans payable	2,006,310	15,579,498	371,125	-	17,956,933	-
Unamortized gain on sale/leaseback	-	-	-	26,426	26,426	-
Total noncurrent liabilities	22,589,238	35,427,960	371,125	4,058,506	62,446,829	-
Total liabilities	24,744,757	40,272,082	933,768	8,184,406	74,135,013	3,080,014
Net Assets						
Invested in capital assets, net of related debt	38,089,659	42,899,550	13,395,916	3,285,408	97,670,533	1,459,055
Restricted for debt service	1,654,237	3,309,797	-	1,213,815	6,177,849	-
Restricted for capital outlay	4,429,144	10,832,723	1,067,162	28,980	16,358,009	-
Unrestricted	(752,211)	5,726,113	(33,282)	2,228,232	7,168,852	4,470,589
Total net assets	$ 43,420,829	$ 62,768,183	$ 14,429,796	$ 6,756,435	$ 127,375,243	$ 5,929,644

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

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues:						
Metered revenue:						
Residential	$ 6,930,256	$ 10,316,147	$ -	$ -	$ 17,246,403	$ -
Commercial	3,119,505	4,014,999	-	-	7,134,504	-
Industrial	511,312	3,150,113	-	-	3,661,425	-
Fire protection revenue	1,809,223	-	-	-	1,809,223	-
Penalties	74,989	183,046	-	-	258,035	-
Convention fees	-	-	1,337,966	-	1,337,966	-
Licenses and permits	-	-	87,500	1,033,483	1,120,983	-
Parking fees	-	-	242,347	790,140	1,032,487	-
Solid waste fees	-	-	-	4,124,348	4,124,348	-
Golf course fees	-	-	-	1,565,649	1,565,649	-
Employee/employer contributions	-	-	-	-	-	16,335,049
Charges for sales and services	-	-	-	-	-	2,524,054
Other	720,881	394,310	32,523	65,946	1,213,660	-
Total operating revenues	13,166,166	18,058,615	1,700,336	7,579,566	40,504,683	18,859,103
Operating expenses:						
Source of supply and expense/collection system expense - operations and maintenance	860,883	3,762,256	-	-	4,623,139	-
Transmission and distribution/pumping expense - operations and maintenance	2,645,209	-	-	-	2,645,209	-
Treatment and disposal expense - operations and maintenance	771,768	4,248,840	-	-	5,020,608	-
Operations and maintenance	-	-	-	6,121,550	6,121,550	2,430,754
Customer accounts	1,445,440	58,374	7,300	-	1,511,114	-
Administration and general	2,839,749	3,221,082	2,752,117	966,517	9,779,465	625,291
Insurance claims and premiums	-	-	-	-	-	15,244,029
Depreciation	1,595,290	3,595,089	559,942	458,537	6,208,858	73,822
Total operating expenses	10,158,339	14,885,641	3,319,359	7,546,604	35,909,943	18,373,896
Operating income (loss)	3,007,827	3,172,974	(1,619,023)	32,962	4,594,740	485,207
Nonoperating revenues (expenses):						
Interest and investment revenue	193,805	612,455	40,222	59,574	906,056	178,822
Hotel/motel tax	-	-	1,247,928	-	1,247,928	-
Repair fund revenues	908,257	667,288	-	-	1,575,545	-
Management fees	668,913	-	-	-	668,913	-
Miscellaneous revenue	14,483	-	165,000	-	179,483	-
Interest expense	(953,855)	(1,340,050)	(29,352)	(252,289)	(2,575,546)	-
Amortization expense	(51,013)	(28,616)	-	(564,676)	(644,305)	-
Repair fund expenses	(734,472)	(605,020)	-	-	(1,339,492)	-
Gain (loss) on disposition of assets	(18,825)	(113,074)	(6,820)	2,735	(135,984)	-
Total nonoperating revenue (expenses)	27,293	(807,017)	1,416,978	(754,656)	(117,402)	178,822
Income (loss) before contributions and transfers	3,035,120	2,365,957	(202,045)	(721,694)	4,477,338	664,029
Capital contributions	1,091,135	-	322,726	-	1,413,861	-
Transfers out	-	-	-	(44,200)	(44,200)	-
Change in net assets	4,126,255	2,365,957	120,681	(765,894)	5,846,999	664,029
Total net assets - beginning	39,294,574	60,402,226	14,309,115	7,522,329	121,528,244	5,265,615
Total net assets - ending	$ 43,420,829	$ 62,768,183	$ 14,429,796	$ 6,756,435	$ 127,375,243	$ 5,929,644

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

CITY OF SOUTH BEND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	$ 13,948,509	$ 18,421,455	$ 2,034,042	$ 7,483,236	$ 41,887,242	$ 2,315,087
Receipts from interfund services provided	771,566	92,423	-	52,000	915,989	16,718,710
Payments to suppliers	(4,779,974)	(8,354,015)	(980,871)	(3,497,425)	(17,612,285)	(15,133,036)
Payments to employees	(4,093,276)	(324,759)	(1,350,457)	(2,085,426)	(7,853,918)	(2,132,153)
Payments for interfund services used	(388,579)	(3,844,430)	(471,002)	(1,470,770)	(6,174,781)	(712,883)
Net cash provided (used) by operating activities	5,458,246	5,990,674	(768,288)	481,615	11,162,247	1,055,725
Cash flows from noncapital financing activities:						
Advances from other funds	-	-	-	1,239,923	1,239,923	-
Repayments of advances from other funds	-	-	-	(799,442)	(799,442)	-
Interfund loan	-	-	-	-	-	6,522,464
Interfund loan repaid	-	-	-	-	-	(6,321,681)
Principal paid on short term loan	-	-	(50,000)	-	(50,000)	-
Hotel/motel tax	-	-	1,247,928	-	1,247,928	-
Transfer to other funds	-	-	-	(44,200)	(44,200)	-
Net cash provided by noncapital financing activities	-	-	1,197,928	396,281	1,594,209	200,783
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(1,039,483)	(9,506,745)	-	(102,407)	(10,648,635)	(49,995)
Bond issue costs paid	(269,524)	(38,793)	-	-	(308,317)	-
Proceeds from capital debt issued	4,638,728	7,730,836	-	-	12,369,564	-
Principal paid on capital debt	(2,485,622)	(2,481,626)	(71,500)	(793,478)	(5,832,226)	-
Interest paid on capital debt	(1,042,309)	(1,273,423)	(29,241)	(237,523)	(2,582,496)	-
Proceeds from sales of capital assets	837	3,999	-	4,278	9,114	-
Net cash used by capital and related financing activities	(197,373)	(5,565,752)	(100,741)	(1,129,130)	(6,992,996)	(49,995)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	-	865,743	-	865,743	-
Purchase of investments	-	-	(1,033,714)	-	(1,033,714)	-
Interest received	298,355	612,455	40,222	59,167	1,010,199	179,046
Net cash provided (used) by investing activities	298,355	612,455	(127,749)	59,167	842,228	179,046
Net increase (decrease) in cash and cash equivalents	5,559,228	1,037,377	201,150	(192,067)	6,605,688	1,385,559
Cash and cash equivalents, January 1 (Including $140,277, $1,244,351, $5,693,329 and $15,499,227 for the repair fund, customer deposits, revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	4,164,416	17,816,126	149,814	2,244,703	24,375,059	3,637,332
Cash and cash equivalents, December 31 (Including $160,628, $1,304,879, $6,387,003, and $15,598,024 for the repair fund, customer deposits, revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	$ 9,723,644	$ 18,853,503	$ 350,964	$ 2,052,636	$ 30,980,747	$ 5,022,891

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2006
(Continued)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 3,007,827	$ 3,172,974	$ (1,619,023)	$ 32,962	$ 4,594,740	$ 485,207
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	1,595,290	3,595,089	559,942	458,537	6,208,858	73,822
Bad debt expense	47,626	58,374	7,300	25,040	138,340	-
Bond proceeds used for operating expenses	-	48,100	-	-	48,100	-
Nonoperating revenues (expenses)	857,181	62,268	165,000	-	1,084,449	-
(Increase) decrease in assets:						
Accounts receivable	(149,924)	(338,735)	(8,676)	(68,723)	(566,058)	58,354
Accounts receivable - other	(13,469)	27,395	20,646	(297)	34,275	-
Intergovernmental receivables	-	-	-	-	-	14,742
Interfund receivables	(69,446)	40,941	1,354	(350)	(27,501)	101,598
Inventories	106,296	(63,457)	-	(2,710)	40,129	(248,814)
Prepaid items	-	-	-	-	-	(1,117)
Increase (decrease) in liabilities:						
Customer deposits	78,023	-	42,638	-	120,661	-
Accounts payable	10,198	(268,972)	13,168	107,983	(137,623)	765,817
Contracts payable	-	(338,310)	16,000	-	(322,310)	-
Accrued payroll payable	(1,352)	6,124	(2,992)	(783)	997	1,519
Interfund loan	-	-	-	(72,937)	(72,937)	3,038
Interfund services provided and used	(1,879)	(31,094)	(292)	-	(33,265)	-
Compensated absence payable	(1,516)	19,977	(76,097)	2,893	(54,743)	5,627
Taxes payable	(6,609)	-	244	-	(6,365)	-
Deferred revenue	-	-	112,500	-	112,500	-
Estimated unfiled claims	-	-	-	-	-	(204,068)
Total adjustments	2,450,419	2,817,700	850,735	448,653	6,567,507	570,518
Net cash provided (used) by operating activities	$ 5,458,246	$ 5,990,674	$ (768,288)	$ 481,615	$ 11,162,247	$ 1,055,725
Noncash investing, capital and financing activities:						
Capital assets contributed	$ 1,091,135	$ -	$ 322,726	$ -	$ 1,413,861	$ -
Capital assets acquired by lease	-	-	-	19,261	19,261	-
Capital assets acquired by loans	-	40,691	-	-	40,691	-
Purchase of capital assets on account	171,857	1,444,520	-	-	1,616,377	-
Capital asset disposals	62,340	698,537	127,139	-	888,016	7,800
Bond issue costs paid from bond proceeds	28,500	60,451	-	-	88,951	-
Trade in value of fixed assets	-	88,021	-	2,569	90,590	-

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

CITY OF SOUTH BEND
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2006

Assets	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Cash and cash equivalents	$ 4,315,946	$ 38,622	$ 1,152,287
Receivables:			
Taxes	287,439	-	-
Intergovernmental	9,825	-	-
Total receivables	297,264	-	-
Total assets	4,613,210	38,622	$ 1,152,287
Liabilities			
Current liabilities:			
Accounts payable	168	-	$ -
Accrued payroll and withholdings payable	-	-	1,152,287
Total current liabilities	168	-	1,152,287
Noncurrent liabilities:			
DROP payable - due within one year	1,763,414	-	-
DROP payable - long-term	36,210	-	-
Total noncurrent liabilities	1,799,624	-	-
Total liabilities	1,799,792	-	$ 1,152,287
Net Assets			
Held in trust for:			
Employees' pension benefits	2,813,418	-	
Individuals, organizations, and other governments	-	38,622	
Total net assets	$ 2,813,418	$ 38,622	

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

CITY OF SOUTH BEND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

Additions	Pension Trust Funds	Private-Purpose Trust Funds
Contributions:		
Employer	$ 5,442,996	$ -
State of Indiana	6,575,172	-
Plan members	51,514	-
Other	26,039	-
Total contributions	12,095,721	-
Investment income:		
Interest	298,593	828
Total additions	12,394,314	828
Deductions		
Benefits	10,178,704	-
Administrative expense	21,081	-
Interest expense	14,125	-
Total deductions	10,213,910	-
Changes in net assets	2,180,404	828
Net assets - beginning	633,014	37,794
Net assets - ending	$ 2,813,418	$ 38,622

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of South Bend (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, welfare and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, sewer, and urban redevelopment and housing.

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

Blended Component Units

The South Bend Redevelopment Authority, a legally separate entity, is a significant blended component unit of the primary government. The Redevelopment Authority's sole purpose is to finance and construct land, buildings and other improvements for use by the primary government. Financial statements for the Redevelopment Authority are available at the City Controller's Office, City of South Bend, 227 West Jefferson, 1400 County-City Building, South Bend, Indiana, 46601.

The Morris Entertainment, Inc., is also a legally separate nonprofit corporation, and is a significant blended component unit of the primary government. The Morris Entertainment, Inc., main purpose is to solicit donations for the restoration and renovation of the City's Morris Civic Auditorium and the City's Palais Royale Ballroom. Financial statements for the Morris Entertainment, Inc., are available at 211 North Michigan, South Bend, Indiana, 46601.

The South Bend Building Corporation, Inc., is also a legally separate nonprofit corporation, and is a significant blended component unit of the primary government. The Building Corporation's main purpose is to finance construction and remodeling of City buildings for the City of South Bend. Debt of the Building Corporation is repaid through lease payments from the City. Financial statements for the Building Corporation are available at the City Controller's Office.

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 Mayor and the Common Council appoint the board members of the South Bend Housing Authority, South Bend Public Transportation Corporation (TRANSPO), Urban Enterprise Association, and the Special Funds Board of Managers.

During 2006, the Special Funds Board of Managers provided $1,247,928 to the City's Century Center and $354,943 to the City's Professional Sports Development Fund, to finance capital costs of the College Football Hall of Fame.

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. 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 pension trust and private purpose trust fund financial statements. Agency funds, however, report only assets and liabilities. Since they do not report equity (or changes in equity), they have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 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 park and recreation fund is used to account for the operation of the City park system. Financing is provided by a specific annual property tax levy to the extent that user fees and miscellaneous revenues are insufficient to provide such financing.

The tax incremental financing (TIF) airport fund is used to account for public improvement projects in the airport economic development area. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.

The county option income tax (COIT) fund is used to account for the City's share of the county option income tax. Expenditures include land improvements and purchases of motor equipment.

The primary government reports the following major proprietary funds:

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

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

The Century Center fund accounts for the operation and maintenance of the City's convention center. Financing is received from various rental agreements and a subsidy from the St. Joseph County's Special Funds Board of Managers.

Additionally, the primary government reports the following fund types:

The internal service funds accounts for liability coverage, employee medical coverage, and central services such as fuel, vehicle repairs and various supplies 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.

The private-purpose trust fund reports a trust arrangement under which principal and income benefits cemetery maintenance.

Agency funds account for assets held by the primary government as an agent for employee payroll, pension, and payroll deductions.

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 payments-in-lieu of taxes and payments of administrative costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

When both restricted and unrestricted resources are available for use, it is the 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.

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

Open-end mutual funds are reported at fair value.

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

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

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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 usually distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31. 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 unearned 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 limited by applicable bond covenants.

6. Capital Assets

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

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 and improvements	$ 50,000	Straight-line	20 to 30
Equipment	5,000	Straight-line	5 to 20
Roads – collectors and residential	3,000,000	Straight-line	40 to 50
Utilities' Infrastructure (small)	75,000	Straight-line	30 to 99
Utilities' Infrastructure (large)	100,000	Straight-line	30 to 99

The City has implemented retroactive reporting of its infrastructure as of December 31, 2006.

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.

7. Compensated Absences

   a. Sick Leave – primary government employees earn sick leave at the rate of two-thirds day for each completed month of service. Sick leave may accumulate to a maximum of 90 days for policemen, 100 days for firemen, 60 days for teamsters, and 65 days for all other employees. Accumulated sick leave is paid to firemen, to policemen, and to teamsters, upon termination of employment, at one-half their current pay rate, at a rate of one-half the corporal's rate of pay up to a maximum of 60 days, and $25 for each accumulated sick leave day, respectively, at the time of retirement.

   b. Vacation Leave – primary government employees earn vacation leave at rates from 9 days to 28 days per year based upon the number of years of service, employee classification, and hire date. Vacation leave does not accumulate from year to year, except in instances where special cases are approved. Employees earn vacation leave during the year to be used the following year. Unused vacation leave is paid to employees upon termination of employment.

   c. Personal Leave – primary government policemen earn personal leave at the rate of 7 days per year. Personal leave does not accumulate from year to year. Unused personal leave may be rolled into sick leave. City employees under the teamster contact can use their sick leave for personal leave.

   d. Compensatory Leave – Policemen and firemen have accumulated overtime-compensatory leave for a variety of reasons.

   Unused vacation leave for all City employees, and unused sick leave and compensatory leave of firemen, policemen and teamsters is accrued when incurred and reported as a liability in the Statement of Net Assets. Amounts due and payable at year end are included in the proprietary fund statements. No liability is recognized in the governmental fund statements.

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. Debt 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.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end. Annual budgets are adopted for the following governmental funds:

General

Major governmental funds:
Special revenue fund - park and recreation

Capital projects fund - county option income tax (COIT)

Nonmajor governmental funds:
Special revenue funds - motor vehicle highway, recreation nonreverting, community development, local road and street, human rights federal, special events professional sports development

Debt service funds - redevelopment bond-studebaker, college football hall of fame debt service

Capital projects funds - emergency medical services, professional sports development, park nonreverting capital, cumulative capital development, cumulative capital improvement, economic development income tax, major moves

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 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.

Expenditures did not exceed appropriations for any funds or any departments within the General Fund or within the Park and Recreation Fund, or within any other nonmajor governmental fund which required legally, approved budgets.

B. Deficit Fund Equity

At December 31, 2006, the following funds reported deficits in fund equity, which are violations of state statute:

	Deficit
Governmental funds:	
Redevelopment Bond - Studebaker	$ (7,828)
Football Hall of Fame Capital	(1,250,000)
Enterprise funds (net assets):	
Blackthorn Golf Course	(1,225,424)

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

III. 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. At December 31, 2006, the bank balances held at Wells Fargo Bank NA, The Bank of New York Trust Company, NA, LaSalle Bank, and at Deutsche Bank Trust Company Americas in the amounts of $2,126,247, $782,182, $381,946, and $160,316, respectively, were collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-City's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the City had the following investments:

	Primary Government	Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1-2	More Than 2
U.S. Treasuries and Securities	$ 1,787,219	$ 1,787,219	$ -	$ -

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. At December 31, 2006, the City held investments in U.S. Treasuries and Securities in the amount of $1,787,219. These investments were held by the counterparty's trust department or agent but not in the City's name.

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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. Treasury Securities are guaranteed by the full faith and credit of the U.S. government and are recognized as the safest investment available. The City does not have a formal investment policy for credit risk.

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. The City does not have any foreign currency.

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable. As of December 31, 2006, City funds recognized the following loan receivable balances. The schedule shows the total receivable and the portion that is not due within one year. These loans were for economic development projects.

Fund	Receivable	Noncurrent
Major governmental funds:		
County Option Income Tax	$ 266,667	$ 233,333
Nonmajor governmental funds:		
Economic Development State Grants	3,855,748	3,395,950
Community Development	1,417,914	1,241,432
Industrial Revolving	3,986,144	3,543,079
Totals	$ 9,526,473	$ 8,413,794

C. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 11,564,931	$ -	$ 25,000	$ 11,539,931
Construction in progress	6,214,193	1,796,967	6,426,761	1,584,399
Total capital assets, not being depreciated	17,779,124	1,796,967	6,451,761	13,124,330

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities (continued):				
Capital assets, being depreciated:				
Buildings	102,625,262	1,325,306	1,270,798	102,679,770
Improvements other than buildings	8,713,737	736,323	-	9,450,060
Machinery and equipment	37,623,047	1,732,951	800,501	38,555,497
Roads being depreciated	360,945,625	5,140,137	-	366,085,762
Totals	509,907,671	8,934,717	2,071,299	516,771,089
Less accumulated depreciation for:				
Buildings*	22,006,922	2,257,581	995,769	23,268,734
Improvements other than buildings	4,489,950	362,996	-	4,852,946
Machinery and equipment	18,890,331	3,118,981	725,937	21,283,375
Roads being depreciated	190,339,299	9,076,177	-	199,415,476
Totals	235,726,502	14,815,735	1,721,706	248,820,531
Total capital assets, being depreciated, net	274,181,169	(5,881,018)	349,593	267,950,558
Total governmental activity capital assets, net	$ 291,960,293	$ (4,084,051)	$ 6,801,354	$ 281,074,888

*The beginning balance has been restated to include $1,140,383 previously excluded.

Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 3,020,575	$ -	$ -	$ 3,020,575
Construction in progress	3,938,589	10,194,332	1,766,234	12,366,687
Total capital assets, not being depreciated	6,959,164	10,194,332	1,766,234	15,387,262
Capital assets, being depreciated:				
Buildings	92,513,376	79,398	83,718	92,509,056
Improvements other than buildings	88,019,697	3,972,210	291,746	91,700,161
Machinery and equipment	43,446,609	1,166,856	586,991	44,026,474
Totals	223,979,682	5,218,464	962,455	228,235,691
Less accumulated depreciation for:				
Buildings	30,768,132	2,242,471	26,649	32,983,954
Improvements other than buildings	19,158,662	1,807,236	216,553	20,749,345
Machinery and equipment	28,018,301	2,159,151	483,566	29,693,886
Totals	77,945,095	6,208,858	726,768	83,427,185
Total capital assets, being depreciated, net	146,034,587	(990,394)	235,687	144,808,506
Total business-type activity capital assets, net	$ 152,993,751	$ 9,203,938	$ 2,001,921	$ 160,195,768

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

Governmental activities:	
General government	$ 240,872
Public safety	2,309,672
Highways and streets, including depreciation of general infrastructure assets	9,870,951
Health and welfare	39,131
Culture and recreation	2,178,477
Economic development	102,810
Internal service funds*	73,822
Total depreciation expense - governmental activities	$ 14,815,735
Business-type activities:	
Water	$ 1,595,290
Wastewater	3,595,089
Civic center	559,942
Building permits	44,941
Parking garage	82,116
Solid waste	178,666
Golf course	152,814
Total depreciation expense - business-type activities	$ 6,208,858

*Capital assets held by the primary government's internal service funds are charged to the various functions based on their usage of the assets.

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Governmental activities:				
Riverwalk Sidewalk Repair	$ 293,431	$ 293,431	$ -	$ -
Riverside Bikeway/Walkway	509,744	509,744	-	-
New Fire Station No. 2	2,263,243	781,224	1,482,019	-
Total - governmental activities	$ 3,066,418	$ 1,584,399	$ 1,482,019	$ -

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Business-type activities:				
Water Utility:				
Cleveland Well Field	$ 300,430	$ 300,430	$ -	$ -
South Well Field Improvement	289,800	187,521	102,279	-
Other Water Projects	223,332	202,926	20,406	-
Wastewater Utility:				
Edison Park Separation	1,582,972	1,575,741	7,231	-
Harter Heights Separation	1,638,404	1,114,867	523,537	-
Kensington/Crest Manor Drainage	967,451	154,234	813,217	-
Managed Wetland CSO Water	666,003	63,847	602,156	-
Memorial Hospital/Lafayette Drainage	2,225,401	2,156,099	69,302	-
Angela River Crossing No. 5	260,933	227,211	33,722	-
Douglas Road Sewer Extension	307,371	307,371	-	-
Backwater Gate Replacement - Design	188,250	41,851	146,399	-
Notre Dame Sanitary Sewer	3,410,814	3,045,147	365,667	-
Twyckenham Drive Storm Sewer	340,000	13,600	326,400	-
Studebaker Trunk Storm Sewer	418,110	404,490	13,620	-
Raw Sewage Pump Engine	825,818	97,228	728,590	-
SRF Funded Wastewater Treatment Plant Rehabilitation	2,076,632	2,076,632	-	-
Other Wastewater Projects	437,510	397,492	40,018	-
Totals - business-type activities	$ 16,159,231	$ 12,366,687	$ 3,792,544	$ -

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2006, is as follows:

	Payable										
	Governmental Funds					Enterprise Funds					
Receivable	General	Park and Recreation	TIF - Airport	COIT	Nonmajor	Water	Wastewater	Century Center	Nonmajor Enterprise	Internal Service	Total
Governmental funds:											
General	$ -	$ 2,473	$ 1,872	$ 1,108	$ 41,647	$ 2,543	$ 30	$ 211	$ 624,569	$ 892,633	$ 1,567,086
TIF - Airport	-	-	-	-	-	-	-	-	2,083,000	-	2,083,000
COIT	-	-	-	-	13,787	-	48,093	-	-	-	61,880
Nonmajor governmental	1,258	-	-	-	247,835	-	-	-	-	-	249,093
Enterprise funds:											
Water	4,630	2,305	-	-	67,000	-	1,059	1,330	288	593	77,205
Wastewater	128,728	-	-	-	13,844	-	-	-	-	-	142,572
Nonmajor enterprise	-	-	-	-	350	-	-	-	-	-	350
Internal service	215,831	23,689	-	-	9,122	21,516	35,153	1,103	39,802	3,010	349,226
Totals	$ 350,447	$ 28,467	$ 1,872	$ 1,108	$ 393,585	$ 24,059	$ 84,335	$ 2,644	$ 2,747,659	$ 896,236	$ 4,530,412

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. Advances Between Funds

The advances included a loan balance due from the Hall of Fame Operating Fund, a nonmajor governmental fund, to the General Fund, $1,750,000. The loan was made during the years from 1996 to 1999. This loan is to be repaid from excess operating revenues of the College Football Hall of Fame. No payment schedule has been established.

The advances also include a loan balance, $506,448, due from the Economic Development State Grants Fund to the Industrial Revolving Fund, both nonmajor governmental funds. This loan was made during 2002 for an economic development project.

3. Interfund Transfers

Interfund transfers at December 31, 2006, were as follows:

	Transfer To				
Transfer From	General Fund	TIF - Airport	COIT	Nonmajor Governmental	Total
General	$ -	$ -	$ -	$ 870,033	$ 870,033
Park and recreation	-	-	-	98,849	98,849
TIF - Airport	-	-	-	383,921	383,921
COIT	-	-	-	2,709,706	2,709,706
Nonmajor governmental	351,101	35,113	37,151	4,398,466	4,821,831
Nonmajor enterprise	-	44,200	-	-	44,200
Totals	$ 351,101	$ 79,313	$ 37,151	$ 8,460,975	$ 8,928,540

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

F. Leases

1. Operating Leases

The primary government has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for golf cart global positioning systems, vehicles, copiers, and office space. Rental expenditures for these leases were $377,249. The following is a schedule by years of future minimum rental payments as of December 31, 2006:

2007	$ 361,222
2008	266,439
2009	255,459
2010	172,558
2011	73,492
2012	52,421
Total	$ 1,181,591

2. Capital Leases

The primary government has entered into various capital leases for various types of equipment, a softball complex, and a parking garage. The parking garage capital lease is being repaid from governmental funds. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

	Governmental Activities	Business-Type Activities
2007	$ 995,401	$ 493,420
2008	831,199	493,421
2009	658,014	393,349
2010	529,112	221,645
2011	300,106	24,970
2012-2016	800,000	-
Total minimum lease payments	4,113,832	1,626,805
Less amount representing interest	580,645	103,211
Present value of net minimum lease payments	$ 3,533,187	$ 1,523,594

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

	Governmental Activities	Business-Type Activities
Buildings	$ -	$ 1,960,044
Machinery and equipment	3,118,672	1,108,914
Totals	3,118,672	3,068,958
Accumulated depreciation	443,478	1,104,943
Totals	$ 2,675,194	$ 1,964,015

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. At December 31, 2006, there are no general obligation bonds outstanding.

2. Mortgage Bonds

Mortgage Bonds outstanding at year end are as follows:

Purpose	Rates	Issue	12-31-06
Governmental activities:			
2001 Public Works Service Center	4.63% to 5.3%	$ 8,112,250	$ 6,932,685
2003 New Fire Station/Police renovations	2% to 5%	21,335,000	19,645,000
2005 Park Fitness Center renovations	3.61%	920,000	759,439
Total - governmental activities		$ 30,367,250	$ 27,337,124
Business-type activities:			
2001 Public Works Service Center	4.63% to 5.3%	$ 1,137,750	$ 972,315

Mortgage bonds at year end include the following amounts of unamortized bond discount (premium):

Purpose	Balance at December 31	Unamortized Discount (Premium)	Adjusted Balance
Governmental activities:			
2001 Public Works Service Center	$ 6,932,685	$ 58,813	$ 6,873,872
2003 New Fire Station/Police renovations	19,645,000	(506,072)	20,151,072
2005 Park Fitness Center renovations	759,439	-	759,439
Total governmental activities	$ 27,337,124	$ (447,259)	$ 27,784,383
Business-type activities:			
2001 Public Works Service Center	$ 972,315	$ 11,922	$ 960,393

Mortgage debt service requirements to maturity are as follows:

Year Ended	Governmental Activities		Business-Type Activities	
December 31	Principal	Interest	Principal	Interest
2007	$ 1,379,285	$ 1,212,285	$ 45,510	$ 48,050
2008	1,423,375	1,165,421	47,970	45,859
2009	1,473,317	1,116,990	49,815	43,537
2010	1,522,892	1,064,546	52,275	41,112
2011	1,375,265	1,007,431	54,735	38,570
2012-2016	7,830,120	4,065,521	314,880	148,948
2017-2021	9,882,870	2,008,981	407,130	56,149
2022-2026	2,450,000	123,625	-	-
Totals	$ 27,337,124	$ 11,764,800	$ 972,315	$ 422,225

3. 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:

Purpose	Interest Rates	Original Issue	Outstanding 12-31-06
Governmental activities:			
Tax Incremental Financing Revenue Bonds:			
2002 TJX Special Taxing District	3.0% to 4.75%	$ 6,620,000	$ 5,580,000
2003 Airport TIF	1.6% to 5.20%	14,420,000	13,175,000
2003 SB Downtown Central Development TIF	1.6% to 5.20%	19,795,000	19,500,000
2005 Southside TIF	6.1% to 6.75%	5,485,000	5,485,000
2006 Erskine Commons	4.50% to 5.40%	2,440,000	2,440,000
Redevelopment Authority Revenue Bonds:			
1996 Central Development Refinancing	4% to 5.85%	3,790,000	2,545,000
1998 Morris Performing Arts Center	4.5% to 5.1%	13,300,000	9,255,000
2000 Hall of Fame Refinancing	4.45% to 6.0%	15,370,000	11,825,000
2001 Century Center Refinancing	2.9% to 5.0%	6,825,000	5,200,000
CEDIT Revenue Bonds:			
2006 CEDIT Refinancing Bonds	3.75% to 4%	7,440,000	7,440,000
Total governmental activities		$ 95,485,000	$ 82,445,000
Business-type activities:			
1993 Water Works Improvement	3.4% to 5.1%	$ 5,100,000	$ 1,030,000
1997 Water Works Improvement	4.35% to 4.75%	22,500,000	9,735,000
2002 Water Works Improvement	3.5% to 5.0%	5,975,000	5,160,000
2006 Water Works Improvement	4.25% to 4.50%	4,710,000	4,710,000
2001 Sewage Works Refinancing	3.0% to 4.25%	5,240,000	1,655,000
2004 Sewage Works Improvements	2.5% to 4.75%	11,425,000	10,640,000
2006 Sewage Works Improvements	3.6% to 4.625%	7,630,000	7,630,000
1998 Blackthorn Golf Course Refinancing	3.25% to 4.8%	6,135,000	3,785,000
Total business-type activities		$ 68,715,000	$ 44,345,000

Purpose	Balance at December 31	Unamortized Discount (Premium)	Unamortized Loss (Gain) on Refunding	Adjusted Balance
Governmental activities:				
Tax Incremental Financing Revenue Bonds:				
2002 TJX Special Taxing District	$ 5,580,000	$ 52,621	$ -	$ 5,527,379
2003 Airport TIF	13,175,000	-	-	13,175,000
2003 SB Downtown Central Development TIF	19,500,000	-	48,934	19,451,066
2005 Southside TIF	5,485,000	65,217	-	5,419,783
2006 Erskine Commons	2,440,000	-	-	2,440,000
Redevelopment Authority Revenue Bonds:				
1996 Central Development Area Refinancing	2,545,000	3,940	-	2,541,060
1998 Morris Performing Arts Center	9,255,000	73,500	-	9,181,500
2000 Hall of Fame Refinancing	11,825,000	39,691	(11,553)	11,796,862
2001 Century Center Refinancing	5,200,000	39,319	293,982	4,866,699
CEDIT Revenue Bonds:				
2006 CEDIT Refinancing Bonds	7,440,000	(46,521)	398,943	7,087,578
Total governmental activities	$82,445,000	$ 227,767	$ 730,306	$81,486,927
Business-type activities:				
1993 Water Works Improvement	$ 1,030,000	$ 937	$ -	1,029,063
1997 Water Works Improvement	9,735,000	8,413	-	9,726,587
2002 Water Works Improvement	5,160,000	(104)	-	5,160,104
2006 Water Works Improvement	4,710,000	42,826		4,667,174
2001 Sewage Works Refinancing	1,655,000	(15,235)	47,459	1,622,776
2004 Sewage Works Improvement	10,640,000	(62,073)	-	10,702,073
2006 Sewage Works Improvement	7,630,000	13,340	-	7,616,660
1998 Blackthorn Golf Course Refinancing	3,785,000	27,822	130,549	3,626,629
Total business-type activities	$44,345,000	$ 15,926	$ 178,008	$44,151,066

Revenue bonds debt service requirements to maturity are as follows:

Year Ended	Governmental Activities		Business-Type Activities	
December 31	Principal	Interest	Principal	Interest
2007	$ 3,875,000	$ 3,823,698	$ 1,680,000	$ 1,466,945
2008	3,985,000	3,783,917	4,395,000	1,820,179
2009	4,335,000	3,606,762	4,005,000	1,625,719
2010	4,835,000	3,404,278	3,630,000	1,459,572
2011	5,055,000	3,181,135	3,800,000	1,297,504
2012-2016	29,235,000	12,027,467	10,185,000	4,750,183
2017-2021	19,670,000	5,528,444	8,630,000	3,031,632
2022-2026	10,990,000	1,346,318	7,670,000	792,896
2027-2030	465,000	15,694	350,000	-
Totals	$ 82,445,000	$ 36,717,713	$ 44,345,000	$ 16,244,630

4. Notes and Loans Payable

The primary government has entered into various notes/loans. Annual debt service requirements to maturity for the notes/loans are as follows:

Year Ended	Governmental Activities		Business-Type Activities	
December 31	Principal	Interest	Principal	Interest
2007	$ 1,502,268	$ 517,953	$ 1,301,500	$ 525,924
2008	2,440,114	453,413	1,470,765	515,862
2009	1,786,270	341,805	1,509,514	473,619
2010	1,656,742	260,081	1,553,371	430,252
2011	1,133,550	183,519	1,592,340	385,613
2012-2016	1,463,750	554,052	8,388,014	1,225,720
2017-2021	1,058,844	304,229	3,442,929	152,851
2022-2026	717,014	82,986	-	-
Totals	$ 11,758,552	$ 2,698,038	$ 19,258,433	$ 3,709,841

5. Bond Refunding

On December 16, 2006, the City of South Bend issued $7,440,000 in refunding revenue bonds with an average interest rate of 3.9715% to advance refund $8,120,000 of outstanding Economic Development Income Tax Revenue Bonds of 1997 with an average interest rate of 4.44%. The net proceeds of $7,373,571 (after payment of $112,950 in bond issue costs and $46,521 in bond premium) and local contributions of $998,140 were used to purchase U.S. Government Securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The refunding resulted in the accounting loss of $398,943, which has been recognized as deferral of loss on refunding. This amount will be amortized using the straight-line method and charged to interest expense over the next 11 years. The City in effect reduced its aggregate debt service payment by $915,262 over the next 11 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $504,073.

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	$ 320,000	$ -	$ 320,000	$ -	$ -
Revenue	84,225,000	9,880,000	11,660,000	82,445,000	3,875,000
Mortgage	28,994,057	-	1,656,933	27,337,124	1,379,285
Total bonds payable	113,539,057	9,880,000	13,636,933	109,782,124	5,254,285
Notes and loans payable	9,631,865	3,222,000	1,095,313	11,758,552	1,502,268
Capital leases	3,454,627	902,036	823,476	3,533,187	845,153
Compensated absences	4,656,303	3,412,851	3,333,978	4,735,176	3,412,851
Net pension obligation	60,224,993	3,183,121	-	63,408,114	-
Total governmental activities long-term liabilities	$ 191,506,845	$ 20,600,008	$ 18,889,700	$ 193,217,153	$ 11,014,557

*The beginning balance of notes and loans payable has been increased $600,000 for a loan previously omitted and has been decreased $507,906 for a loan previously included that was satisfied during 2005 as part of a settlement.

Business-type activities:					
Revenue bonds payable:					
Water Utility	$ 18,285,000	$ 4,710,000	$ 2,360,000	$ 20,635,000	$ -
Wastewater Utility	13,475,000	7,630,000	1,180,000	19,925,000	1,215,000
Blackthorn Golf Course	4,230,000	-	445,000	3,785,000	465,000
Total revenue bonds payable	35,990,000	12,340,000	3,985,000	44,345,000	1,680,000
Mortgage bonds payable	1,015,980	-	43,665	972,315	45,510
Capital leases payable	1,710,033	225,000	411,439	1,523,594	446,073
Notes and loans payable	20,659,864	40,691	1,442,122	19,258,433	1,301,500
Total business-type activities long-term liabilities	$ 59,375,877	$ 12,605,691	$ 5,882,226	$ 66,099,342	$ 3,473,083

Compensated absences for governmental activities typically have been liquidated from the general fund and special revenue funds. All of the December 31, 2006, business-type activities' compensated absences are due within one year.

H. Segment Information

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

Condensed Statement of Net Assets

Assets:	
Current assets	$ 251,512
Deferred charges	26,735
Restricted assets	1,292,677
Capital assets	2,987,323
Total assets	$ 4,558,247
Liabilities:	
Current liabilities	$ 2,098,208
Current liabilities payable from restricted assets	523,834
Noncurrent liabilities	3,161,629
Total liabilities	$ 5,783,671
Net assets:	
Invested in capital assets, net of related debt	$ (639,306)
Restricted	1,213,815
Unrestricted	(1,799,933)
Total net assets	$ (1,225,424)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	$ 1,565,649
Depreciation expense	152,814
Other operating expenses	1,446,929
Operating income	(34,094)
Nonoperating revenues (expenses):	
Investment earnings	53,550
Interest expense	(207,678)
Amortization	(4,336)
Transfers	(44,200)
Change in net assets	(236,758)
Beginning net assets	(988,666)
Ending net assets	$ (1,225,424)

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$ 120,367
Noncapital financing activities	599,300
Capital and related financing activities	(698,088)
Investing activities	53,143
Net increase (decrease)	74,722
Beginning cash and cash equivalents	1,451,572
Ending cash and cash equivalents	$ 1,526,294

I. Restricted Assets

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

Cash, cash equivalents, and investments	
Repair funds	$ 160,628
Customer deposits	1,304,879
Revenue bond convenant accounts	6,387,003
Capital outlay accounts	15,598,024
Capital outlay accounts - investments	1,009,945
Cash with fiscal agent	16,139
Repair fund receivable	165,485
Interest receivable	5,951
Total restricted assets	$ 24,648,054

J. Restatements and Reclassifications

For the year ended December 31, 2006, 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. Prior period adjustments include: retroactively reporting infrastructure and corrections to capital asset values, ($167,380,945), to loans receivable, $300,000, to property held for resale, $328,597, and to loans payable, ($92,094).

Fund Type	Balance as Reported December 31, 2005	Prior Period Adjustments	Balance as Restated January 1, 2006
Governmental activities:			
Net Assets	$ 68,873,163	$ 167,917,448	$ 236,790,611

K. Loss on Sale/Leaseback of Leighton Parking Garage

During 2000, the City completed construction of the Leighton Parking Garage and capitalized the cost of the garage, $11,439,712, in the Parking Garage Fund, an enterprise fund. On December 1, 2000, the City sold the garage to the South Bend Transportation Company (TRANSPO) for $3,000,000 as part of a sale/leaseback agreement. The proceeds were receipted into the County Option Income Tax Fund. This fund is also making the future lease payments to TRANSPO.

The present value of the lease, $1,960,044, was the new basis for the parking garage. As part of this sale/leaseback, the Parking Garage Fund recognized a deferred loss of $8,439,712, which is being amortized over the 15 year life of the lease.

L. Property Held For Resale

The City's Redevelopment Commission has purchased properties in blighted areas for redevelopment and subsequent resale. At December 31, 2006, the market value of these properties was not known. These properties are recognized as assets in the funds that purchased the property.

IV. 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Liability Insurance

The primary government has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees, automobile liability, and comprehensive liability. The risk financing fund is accounted for in the Liability Insurance Premium Reserve 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 $250,000 per year for job related illnesses or injuries to employees and $50,000 per year for damage to and destruction of assets. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund based on a study of paid claims and based on the number of employees and percent of the total budget. Provisions are also made for unexpected and unusual claims.

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.

Changes in the balance of claim liabilities during the past two years are as follows:

	2005	2006
Unpaid claims, beginning of fiscal year	$ 756,221	$ 388,202
Incurred claims and changes in estimates	1,955,208	1,849,900
Claim payments	2,323,227	1,830,506
Unpaid claims, end of fiscal year	$ 388,202	$ 407,596

Group Health Insurance

The primary government has chosen to establish a risk financing fund for risks associated with medical benefits of employees and their covered dependents. The risk financing fund is accounted for in the Self-Funded Employee Benefits Fund, an internal service fund, where assets are set aside for benefit costs. An excess policy through commercial insurance covers individual claims in excess of $125,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund bases on the number of employees and estimated costs exceeding the employees' contributions. Provisions are also made for unexpected and unusual claims.

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.

Changes in the balance of claim liabilities during the past two years are as follows:

	2005	2006
Unpaid claims, beginning of fiscal year	$ 892,815	$ 814,321
Incurred claims and changes in estimates	10,107,876	13,394,129
Claim payments	10,186,370	12,741,654
Unpaid claims, end of fiscal year	$ 814,321	$ 1,466,796

During 2005, the City's former employee medical benefits' administrator, Healthcare Resources Group (HRG), failed to pay $1,111,899 in health care claims for City employees. The City had paid HRG for the claims. HRG was purchased by another business that has filed bankruptcy. The City has been notified by the bankruptcy court that the court has received approximately 70% of the total claims and the City has recognized a receivable for this percent of the total claims. The remaining claims, $333,570 have been recognized as a loss by the City in prior years. In the future, the City may receive more payments from the bankruptcy court. The City may also receive restitution from a pending criminal case.

B. Subsequent Events

During 2005, the City approved a loan from the U.S. Department of Housing and Urban Development for $9,180,000 to finance economic development activities. During 2006, the City received $3,222,000.

During 2006, the City approved a series of revenue bonds, total not to exceed $56,380,000, to finance improvements to the wastewater utility. The City sold $7,630,000 during 2006 and is in the planning stage of selling a portion of the bonds during 2007, estimated at $16.6 million.

Also during 2006, the City approved the sale of real estate commonly called the Studebaker Stamping Plant to the South Bend Transportation Company (TRANSPO). TRANSPO paid the City $1,000,000 during 2005 and will pay the $3,000,000 balance to the City after demolition and infrastructure improvements are completed (estimated late in 2007 or early in 2008).

During 2007, the Common Council approved Resolution 3705-07 authorizing the Board of Public Works to enter into a guaranteed energy savings contract with a contractor to upgrade traffic signals. This construction cost will be financed by an estimated one million dollar loan which the City will repay from anticipated energy savings resulting from the upgrade.

Effective January 1, 2007, the City's Century Center, an enterprise fund, will be operated and managed by a private business. The management agreement is for a three year period. All City employees working at Century Center become employees of this private business. The City's Common Council will continue to approve the annual budget for Century Center.

C. Contingent Liabilities

College Football Hall of Fame Operations

The City's General Fund has advanced a total of $1,750,000 to the College Football Hall of Fame Fund in various amounts during the years from 1996 to 1999. The City has always recognized that these advances would be repaid from excess operating revenues of the Hall of Fame. No payment schedule has been established. Beginning with 1996, the first full year of operations, through 2000, the Hall of Fame financial statements show net losses ranging from $521,345 to $1,481,657.

During 2001, the City turned over the operations of the Hall of Fame to the National Football Foundation and College Football Hall of Fame, Inc. (NFF). The second interim agreement authorizing the NFF to operate the Hall of Fame shows that NFF has contributed $1,900,000 to cover operating deficits of the Hall of Fame during the period prior to December 31, 2000.

Under the second interim agreement, the City is obligated to provide the NFF $600,000 in 2006 and in 2007, $550,000 in 2008 and in 2009, and $500,000 in 2010 in operating subsidies. The City is also obligated to pay capital expenditures and to maintain a $1,000,000 capital reserve fund.

The second interim agreement is in effect until December 31, 2010. At that time, the NFF can terminate their participation in the operations and the City shall reimburse the NFF the full amount of the NFF contributions towards operations during the period prior to December 31, 2000. The reimbursement will be made in five annual installments beginning December 31, 2005. If the NFF elects to continue their participation, then the City will resume operating the Hall of Fame as it had done from 1996 to 2001. The $1,900,000 contingent liability to the NFF is not recognized on the financial statements.

Lawsuits

There are several lawsuits pending in which the City is involved. The City is in various court proceedings' phases or settlement phase on lawsuits that the City Attorney estimates that the potential damages against the City may exceed $1,200,000.

D. Conduit Debt Obligation

From time to time, the primary government has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2006, there were several series of industrial revenue bonds outstanding. The aggregate principal amount payable is not available to the City. During 2006, the City approved one series of industrial revenue bonds in the amount of $8,500,000.

E. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment healthcare benefits, as authorized by Indiana Code 5-10-8, to retired police officers and firefighters who reach normal retirement while working for the City. Currently, 94 retirees meet these eligibility requirements and are covered by the postemployment program. The retirees must pay the employee and employer assessments. During the year ended December 31, 2006, expenditures of $554,567, net of employee assessments, were recognized for postemployment benefits.

F. 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 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 Net Pension Asset 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 of the proprietary funds.

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 statutes (IC 36-8-6 and IC 36-8-8.5). 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 Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from the fund. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan. On-behalf revenues from the State of Indiana as shown in the financial statements approximate an equal amount paid out for benefits.

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 statutes (IC 36-8-7 and IC 36-8-8.5). 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 Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from the fund. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan. On-behalf revenues from the State of Indiana as shown in the financial statements approximate an equal amount paid out for benefits.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	$ 1,577,300	$ 6,135,100	$ 5,384,500
Interest on net pension obligation	(9,976)	1,943,600	1,707,200
Adjustment to annual required contribution	11,369	(2,354,200)	(2,067,900)
Annual pension cost	1,578,693	5,724,500	5,023,800
Contributions made	1,210,421	4,280,491	4,138,501
Increase in net pension obligation	368,272	1,444,009	885,299
Net pension obligation, beginning of year	(137,602)	32,393,974	28,454,162
Net pension obligation, end of year	$ 230,670	$ 33,837,983	$ 29,339,461

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.5 %	1,154%	1,647%
Plan Members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75%/4%*	4%

*2.75% for converted members; 4% for nonconverted members

Three Year Trend Information

PERF

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-04	$ 940,596	98%	$ (245,325)
06-30-05	1,198,152	116%	(137,602)
06-30-06	1,578,693	101%	230,670

1925 Police Officers' Pension Plan

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-03	$ 7,884,400	53%	$ 28,372,366
12-31-04	8,192,700	51%	32,393,974
12-31-05	5,724,500	75%	33,837,983

1937 Firefighters' Pension Plan

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-03	$ 6,898,100	58%	$ 25,605,319
12-31-04	6,881,200	59%	28,454,162
12-31-05	5,023,800	82%	29,339,461

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	221	207
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	10	6

d. Financial Statements for Defined Benefit Plans

Statements of Fiduciary Net Assets

	1925 Police Officers' Pension	1937 Firefighters' Pension
Assets		
Cash and cash equivalents	$ 1,851,954	$ 2,463,992
Receivables:		
Taxes	136,069	151,370
Intergovernmental	4,651	5,174
Total assets	1,992,674	2,620,536
Liabilities		
Accounts payable	91	77
Noncurrent liabilities:		
DROP payable - due within one year	803,586	959,828
DROP payable - long-term	-	36,210
Total liabilities	803,677	996,115
Net Assets		
Held in trust for pension benefit obligations	$ 1,188,997	$ 1,624,421

Statements of Changes in Fiduciary Net Assets:

Additions		
Contributions:		
Employer	$ 2,740,595	$ 2,702,401
State of Indiana	3,462,401	3,112,771
Plan members	31,904	19,610
Other	26,039	-
Total contributions	6,260,939	5,834,782
Investment income:		
Interest	147,113	151,480
Total additions	6,408,052	5,986,262

Statements of Changes in Fiduciary Net Assets:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Deductions		
Benefits and refunds paid to plan members and beneficiaries	5,283,185	4,895,519
Administrative expenses	10,601	10,480
Interest expense	8,828	5,297
Total deductions	5,302,614	4,911,296
Changes in net assets	1,105,438	1,074,966
Net assets - beginning	83,559	549,455
Net assets – ending	$ 1,188,997	$ 1,624,421

Administrative expenses are paid from property taxes and state distributions. Both are a portion of employer contributions.

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 statutes (IC 36-8-8 and IC 36-8-8.5) regulate 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, 2006, 2005, and 2004, were $3,716,072, $3,540,711, and $3,068,934, respectively, equal to the required contributions for each year.

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	$ 27,133,131	$ 27,746,346	$ (613,215)	98%	$ 25,428,863	(2%)
07-01-05	27,989,986	32,020,638	(4,030,652)	87%	26,377,310	(15%)
07-01-06	31,378,895	33,798,361	(2,419,466)	93%	26,865,798	(9%)

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)
01-01-01	$ 375,258	$ 77,407,200	$ (77,031,942)	0.48%	$ 1,385,633	(5,559%)
01-01-02	3,060,517	77,938,200	(74,877,683)	3.93%	1,304,662	(5,739%)
01-01-03	2,497,147	77,865,600	(75,368,453)	3.21%	1,125,183	(6,698%)
01-01-04	1,969,813	80,550,800	(78,580,987)	2.45%	1,050,150	(7,455%)
01-01-05	914,732	81,009,600	(80,094,868)	1.13%	1,048,933	(7,636%)
01-01-06	83,559	81,958,600	(81,875,041)	0.10%	531,733	(15,398%)

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)
01-01-01	$ 923,076	$ 70,466,700	$ (69,543,624)	1.31%	$ 1,536,650	(4,526%)
01-01-02	2,821,371	70,084,800	(67,263,429)	4.03%	1,197,492	(5,617%)
01-01-03	2,443,239	68,555,100	(66,111,861)	3.56%	930,833	(7,102%)
01-01-04	2,057,175	67,862,200	(65,805,025)	3.03%	761,000	(8,593%)
01-01-05	840,644	69,468,900	(68,628,256)	1.21%	648,183	(10,588%)
01-01-06	549,455	69,066,200	(68,516,745)	0.80%	326,833	(20,964%)

CITY OF SOUTH BEND
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
12-31-00	$ 7,911,100	46%
12-31-01	8,210,600	64%
12-31-02	8,548,000	36%
12-31-03	8,996,100	46%
12-31-04	9,623,400	43%
12-31-05	6,135,100	70%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-00	$ 6,846,400	45%
12-31-01	7,576,500	63%
12-31-02	7,749,000	38%
12-31-03	7,921,600	50%
12-31-04	8,172,300	49%
12-31-05	5,384,500	77%

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Property	$ 49,058,785	$ 48,775,466	$ 48,768,150	$ (7,316)
Licenses and permits	190,690	190,690	187,523	(3,167)
Intergovernmental	7,561,700	7,779,614	7,855,241	75,627
Charges for services	2,913,740	2,913,740	3,298,880	385,140
Fines and forfeits	195,000	195,000	232,837	37,837
Other	5,630,974	5,630,974	7,039,238	1,408,264
Total revenues	65,550,889	65,485,484	67,381,869	1,896,385
Expenditures:				
Current:				
General Government:				
Mayor:				
Personal services	666,921	664,981	642,901	22,080
Supplies	22,343	25,983	23,955	2,028
Other services and charges	100,965	108,938	97,604	11,334
Other uses	288	288	288	-
City Clerk:				
Personal services	255,473	255,473	252,733	2,740
Supplies	8,600	8,600	6,781	1,819
Other services and charges	52,091	52,091	34,001	18,090
Other uses	136	136	136	-
Common Council:				
Personal services	226,797	221,897	209,592	12,305
Supplies	4,553	7,053	6,247	806
Other services and charges	119,801	122,201	79,528	42,673
Other uses	265	265	265	-
Controller:				
Personal services	1,291,508	1,291,508	1,144,398	147,110
Supplies	37,300	38,094	31,379	6,715
Other services and charges	303,608	553,608	538,740	14,868
Capital outlay	2,274,500	7,959,965	7,443,346	516,619
Other uses	3,784	3,784	784	3,000

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (continued):				
Current (continued):				
General Government (continued):				
City Attorney:				
Personal services	824,429	837,429	829,927	7,502
Supplies	15,543	19,265	18,688	577
Other services and charges	47,793	48,633	42,730	5,903
Other uses	141	141	141	-
Building Maintenance:				
Personal services	336,381	336,641	293,644	42,997
Supplies	41,131	41,131	27,206	13,925
Other services and charges	301,464	318,764	144,648	174,116
Other uses	847	847	847	-
Human Rights:				
Personal services	257,968	258,385	252,229	6,156
Supplies	5,131	5,131	2,686	2,445
Other services and charges	24,452	31,472	25,698	5,774
Other uses	85	85	85	-
Neighborhood Code Enforcement:				
Personal services	915,786	915,786	895,792	19,994
Supplies	133,974	139,581	113,586	25,995
Other services and charges	237,416	236,516	216,767	19,749
Other uses	52,933	53,833	52,933	900
Code Hearing Officer:				
Other services and charges	56,976	56,976	44,847	12,129
Total General Government	8,621,383	14,615,481	13,475,132	1,140,349
Public Safety:				
Board of Safety:				
Personal services	-	1,300	1,214	86
Other services and charges	17,000	17,000	15,862	1,138

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (continued):				
Current (continued):				
Public Safety (continued):				
Police Department:				
Personal services	22,174,932	21,796,632	21,540,377	256,255
Supplies	766,724	921,457	850,890	70,567
Other services and charges	2,235,520	2,405,838	2,149,026	256,812
Capital outlay	350,000	426,296	371,105	55,191
Other uses	1,307,074	1,307,074	1,307,074	-
Communication Center:				
Personal services	1,486,895	1,490,895	1,470,861	20,034
Supplies	4,029	4,029	2,040	1,989
Other services and charges	30,718	30,718	27,885	2,833
Capital outlay	8,000	8,000	7,000	1,000
Other uses	74	74	74	-
Fire Department:				
Personal services	19,147,083	18,881,203	18,520,195	361,008
Supplies	265,600	322,416	311,274	11,142
Other services and charges	1,225,496	1,283,022	1,199,434	83,588
Capital outlay	1,800,000	1,800,000	1,800,000	-
Other uses	1,102,963	1,102,963	1,102,963	-
Weights and Measures:				
Other services and charges	43,000	86,500	43,500	43,000
Junk Vehicle:				
Personal services	50,253	50,253	47,841	2,412
Supplies	3,768	3,768	2,916	852
Other services and charges	17,657	17,657	11,866	5,791
Animal Control :				
Personal services	348,461	349,461	348,549	912
Supplies	44,286	66,286	64,282	2,004
Other services and charges	72,765	75,765	66,188	9,577
Capital outlay	3,500	3,500	2,872	628
Other uses	261	261	261	-
Total Public Safety	52,506,059	52,452,368	51,265,549	1,186,819

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (continued):				
Current (continued):				
Highways and Streets:				
Engineering and Street:				
Personal services	1,711,497	1,714,757	1,613,396	101,361
Supplies	539,805	551,822	519,274	32,548
Other services and charges	2,402,751	2,901,916	2,878,005	23,911
Capital outlay	1,551,000	1,561,146	1,516,831	44,315
Other uses	1,310,657	1,310,657	1,064,855	245,802
Total Highways and Streets	7,515,710	8,040,298	7,592,361	447,937
Health and Welfare:				
Youth Service Bureau:				
Other services and charges	75,000	75,000	75,000	-
Culture and Recreation:				
Art Association:				
Other services and charges	65,000	65,000	65,000	-
Studebaker Museum:				
Other services and charges	206,179	206,179	196,248	9,931
Palais Royale:				
Personal services	261,460	262,973	205,297	57,676
Supplies	11,500	14,967	13,497	1,470
Other services and charges	243,978	256,754	245,799	10,955
Capital outlay	13,000	14,332	13,674	658
Other uses	534	534	534	-
Morris Civic:				
Personal services	523,153	523,773	489,059	34,714
Supplies	25,853	27,433	24,987	2,446
Other services and charges	306,659	327,342	321,944	5,398
Other uses	742	742	742	-
Total Culture and Recreation	1,658,058	1,700,029	1,576,781	123,248

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (continued):				
Current (continued):				
Urban Development and Housing:				
Economic Development:				
Other services and charges	978,121	978,121	978,121	-
Unsafe Building:				
Other services and charges	195,000	254,675	202,871	51,804
Total Urban Development and Housing	1,173,121	1,232,796	1,180,992	51,804
Total expenditures	71,549,331	78,115,972	75,165,815	2,950,157
Net change in fund balances	(5,998,442)	(12,630,488)	(7,783,946)	4,846,542
Fund balances - beginning	28,647,092	28,647,092	28,647,092	-
Fund balances - ending	$ 22,648,650	$ 16,016,604	$ 20,863,146	$ 4,846,542

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	Park and Recreation Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Property	$ 8,365,716	$ 8,363,031	$ 8,363,955	$ 924
Intergovernmental	602,061	601,809	601,078	(731)
Charges for services	2,691,845	2,691,845	2,495,156	(196,689)
Fines and forfeits	250	250	100	(150)
Other	68,500	68,500	144,029	75,529
Total revenues	11,728,372	11,725,435	11,604,318	(121,117)
Expenditures:				
Current:				
Culture and Recreation:				
Personal services	7,207,616	7,164,972	7,118,975	45,997
Supplies	1,338,947	1,354,163	1,277,845	76,318
Other services and charges	2,093,177	2,167,726	2,078,836	88,890
Other uses	267,458	267,458	267,458	-
Capital outlay	300,000	613,857	568,316	45,541
Total expenditures	11,207,198	11,568,176	11,311,430	256,746
Net change in fund balances	521,174	157,259	292,888	135,629
Fund balances - beginning	1,944,553	1,944,553	1,944,553	-
Fund balances - ending	$ 2,465,727	$ 2,101,812	$ 2,237,441	$ 135,629

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET/GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2006

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

a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).

b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

c. Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.

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:

	General	Park and Recreation
Net change in fund balances (budgetary basis)	$ (7,783,946)	$ 292,888
Adjustments:		
To adjust revenues for accruals	380,233	9,717
To adjust expenditures for accruals	(528,990)	93,328
To adjust expenditures for encumbrances	5,039,804	97,562
Net change in fund balances (GAAP basis)	$ (2,892,899)	$ 493,495

Special revenue funds

Motor Vehicle Highway -	To account for street construction and the operations of the street maintenance department. Financing is provided by state motor vehicle highway distributions.
Recreation Nonreverting -	To account for fees and related expenses from park department activities.
Housing Maintenance -	To account for a loan program financed by monies from the Housing Authority which are paid in lieu of property taxes. The loans may be for external maintenance needs of single-family rental units owned by the Housing Authority.
Studebaker/Oliver Revitalization Grants –	To account for expenditures related to the Studebaker and Oliver revitalization projects. Financing is provided by federal and state grants and loans and loans from other organizations.
Economic Development State Grants -	To account for expenditures related to projects promoting economic development. Financing is provided by state grants and loan payments. Expenditures include grants and related expenses.
Community Development -	To account for revenues received from the U.S. Department of Housing and Urban Development related to community improvement.
Police Federal Grant -	To account for expenditures relating to federal and state grants.
Police State Seizure -	To account for law enforcement expenditures financed by the authorized state or local agencies' sale of confiscated property.
Juvenile Positive Assistance -	To account for monies received from penalties paid for curfew violations. Expenditures include Drug Abuse Resistance Education and Juvenile Aid Bureau.
Law Enforcement Continuing Education -	To account for police fees collected to finance police officers' continuing education, training, and supplies and equipment.
Build Indiana -	To account for state grants used to finance various projects.
General Grant -	To account for grants and donations used solely for the purposes specified in the grant application or by the donor.
Local Road and Street -	To account for operation and maintenance of local and arterial road and street systems. Financing is provided by state gasoline tax distributions.
Human Rights - Federal -	To account for expenditures to prevent discrimination and to promote human rights. Financing is provided by federal grants.

Special revenue funds (continued)

East Race Waterway -	To account for donations for the promotion and development of the East Race Waterway.
Special Events -	To account for revenues and expenditures relating to the operation of special events sponsored or organized by the City.
Police Block Grants -	To account for a federal grant used to finance police activities.
Economic Development Commission -	To account for administrative expenditures of the Economic Development Commission. Financing is provided by fees from businesses applying for Economic Development Revenue Bonds.
Hazmat -	To account for monies generated by the South Bend Fire Department's response to hazardous materials incidents. Funds are used to purchase, repair, or replace hazmat equipment, or for training and supplies.
Indiana River Rescue -	To account for expenditures related to river rescue training. Financing is provided by registration fees.
COPS Block Grant II -	To account for federal grants which provide financing for police activities.
Regional Police Academy -	To account for revenues (tuition) and expenditures (seminars, travel, lectures, and career days) related to the advancement of present and future police officers.
COPS MORE Grant -	To account for a COPS MORE grant which provides financing for police activities.
Federal Drug Enforcement -	To account for expenditures for drug enforcement. Financing is provided by distributions from the authorized federal agencies' confiscated property sale.
Urban Development Action Grant -	To account for economic development expenditures which are financed by federal grants and loan repayments.
Leaf Collection and Removal -	To account for the expenditures of a program to remove leaves from the City each fall. Financing is provided by a monthly service fee charged to all City residents.
Police K-9 Unit -	To account for donations for development and maintenance of the K-9 unit.
Rainy Day -	To account for unused and unencumbered funds that are transferred from a fund that has a tax levy. Revenues in this fund also include special distributions of county option income tax (COIT) and county economic development income tax (CEDIT).

Special revenue funds (continued)

Industrial Revolving - To account for the revenue and expenditures of providing special loans to qualifying local firms. Financing was originally provided by a $5,000,000 Economic Adjustment Assistance Grant from the U.S. Department of Commerce.

Debt service funds

Redevelopment Bond - Studebaker - To accumulate monies for payment of Redevelopment District general obligation bonds, which are serial bonds due in annual installments through 2006. Financing is to be provided by an annual property tax levy.

College Football Hall of Fame Debt Service - To accumulate monies for the payment of Redevelopment Authority bonds issued to refinance bonds issued for construction of the College Football Hall of Fame. Financing is to be provided by an annual property tax levy.

Redevelopment District Bond - To accumulate monies as a reserve for the payment of Redevelopment Authority bonds.

EDIT Bond – Plaza Garage - Tax Exempt To accumulate monies to meet the required debt service reserve for the Series A, Economic Development Income Tax Revenue (EDIT) Bonds of 1997.

EDIT Bond – Plaza Garage - Taxable To accumulate monies to meet the required debt service reserve for the Series B, Taxable Economic Development Income Tax (EDIT) Revenue Bonds of 1997.

Redevelopment Authority Debt Service - To accumulate monies for the payment of Redevelopment Authority bonds issued to refinance bonds issued for construction of a parking garage facility, bonds issued for central development area land acquisition and construction of public improvements, bonds issued to purchase the Palais Royale, bonds issued to refinance bonds issued for construction of Century Center improvements, and bonds issued for renovations to the Morris Performing Art Center.

Erskine Commons TIF Debt Service - To account for Erskine Commons project debt retirement of the south side tax incremental financing (TIF) district. Financing is provided by transfers from the TIF south side development fund.

South Bend Building Corporation Debt Service - To account for debt retirement of the Building Corporation§s Mortgage Bonds. Funding is provided by transfers from other City funds.

TIF Erskine Village Debt Service - To account for Erskine Village project debt retirement of the south side tax incremental financing (TIF) district. Financing is provided by transfers from the TIF south side development fund.

Capital projects funds

Emergency Medical Services - To account for purchases of necessary equipment for the Fire Department and Emergency Medical Services Department. Financing is provided by ambulance fees.

Central Development Area Bond Proceeds - To account for expenses financed by a 2003 revenue bond issue.

Professional Sports Development - To account for Hotel/Motel Tax and Professional Sports Development Tax revenues dedicated towards the College Football Hall of Fame. Based on an agreement with the National Football Foundation (NFF), the City pays the NFF to assist with the operation and capital costs.

Coveleski Stadium Capital- To account for expenditures related to the maintenance and improvement of the baseball stadium. Financing is provided by a rental paid by the semi-pro baseball team.

Zoo Endowment - To account for construction projects at the City's zoo. Financing is provided by gifts and donations.

Park Nonreverting Capital - To account for specific revenues used to finance capital improvements at the City parks.

Cumulative Capital Development - To account for expenditures relating to the purchase or lease of capital improvements in the City. Financing is provided by a specific property tax levy.

Cumulative Capital Improvement - To account for state cigarette tax distributions used for improvement projects.

Economic Development Income Tax - To account for the City's share of the County Economic Development Tax. Expenditures include construction, acquisition and related costs for economic development projects.

Capital projects funds (continued)

Cumulative Sewer -	To account for financial resources for the construction or repairing of storm sewers or sewage disposal plants and sanitary sewers.
Tax Incremental Financing (TIF) - Sample/Ewing -	To account for expenditures for public improvements in the Sample/Ewing tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment (tax increment).
Morris Performing Art Center Capital -	To accumulate monies for major repairs and capital improvements to the Morris Civic Auditorium. Financing is provided by a surcharge on ticket sales for events held at the auditorium.
Tax Incremental Financing (TIF) - Downtown -	To account for expenditures for public improvements in the central business tax incremental district. Also, operating transfers are made to debt service funds to meet debt obligations as they mature. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) – West Washington -	To account for expenditures for public improvement projects in the West Washington Economic Development Area. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.
Redevelopment General -	To account for eligible redevelopment activities in the Studebaker Corridor financed by proceeds from land sales or leases.
Community Revitalization Enhancement District -	To account for public improvements in the Studebaker/Oliver Community Revitalization Enhancement District. Financing is provided by income tax and gross retail tax increments in the district.
Tax Incremental Financing (TIF) No. 1 – Southside Development -	To account for expenditures for improvements in the southside development tax incremental district no. 1. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) No. 2 – Southside Development -	To account for expenditures for improvements in the southside development tax incremental district no. 2. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.

Capital projects funds (continued)

Tax Incremental Financing (TIF) No. 3 – Southside Development -	To account for expenditures for improvements in the southside development tax incremental district no. 3. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Redevelopment District Allocation Area Capital -	To account for local public improvements in the Airport Economic Development District. Financing is provided by a 2003 bond issue.
Tax Incremental Financing (TIF) - Central Medical Service Area -	To account for expenditures for public improvements in the central business tax incremental district, medical service area. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Football Hall of Fame Capital -	To account for capital expenditures for the College Football Hall of Fame. Financing was provided by a transfer from the City's Professional Sports Development Fund. This fund also accounts for the advance from the General Fund which may be repaid from future operating surpluses.
Major Moves -	To account for state distributions used for road construction and other uses authorized by Indiana statute.
Equipment Leasing -	To account for proceeds from capital lease-purchase agreements used to finance major equipment needs of the City.
Century Center 2001 Construction -	To account for construction and related costs of improvements to the City's Century Center. Financing was provided by a 2001 bond issue.
Morris Entertainment -	To account for donations received by Morris Entertainment, Inc., a nonprofit corporation formed to solicit donations to finance improvements to the City's Morris Performing Art Center.
Erskine Commons TIF Project -	To account for construction and related costs of the Erskine Commons project public improvements. Financing was provided by a 2006 bond issue.
South Bend Building Corporation Construction -	To account for construction and renovation financed by mortgage bond issues.

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Special Revenue							
Assets	Motor Vehicle Highway	Recreation Nonreverting	Housing Maintenance	Studebaker Oliver Revitalization Grants	Economic Development State Grants	Community Development	Police Federal Grant	Police State Seizure
Cash and cash equivalents	$ 1,358,556	$ 604,855	$ -	$ 1,028,069	$ 327,311	$ 2,598,295	$ 1	$ 27,426
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	9	-	-	2,203	126,418	9,258	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	4,221	-	-	-	31,702	-	-
Intergovernmental	406,909	-	-	241,872	-	104,231	-	-
Loans	-	-	-	-	3,855,748	1,417,914	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	5,963	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	3,550	-	2,125,422	-	-
Total assets	$ 1,765,474	$ 609,076	$ -	$ 1,275,694	$ 4,309,477	$ 6,292,785	$ 1	$ 27,426
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 35,220	$ 16,880	$ -	$ 38,379	$ -	$ 509,904	$ -	$ 2,769
Accrued payroll payable	49,953	-	-	-	-	32,115	-	-
Contracts payable	-	-	-	194,233	-	18,600	-	-
Interfund payable:								
Interfund loans	-	-	-	241,872	-	-	-	-
Interfund services provided and used	14,544	710	-	-	-	44,792	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	23,168	-	-
Other current payables	-	-	-	-	-	7,337	-	-
Advances from other funds	-	-	-	-	506,448	-	-	-
Total liabilities	99,717	17,590	-	474,484	506,448	635,916	-	2,769
Fund balances:								
Reserved for:								
Encumbrances	-	34,178	-	-	1,517	39,038	-	-
Noncurrent loans receivable	-	-	-	-	3,395,950	1,241,432	-	-
Property held for resale	-	-	-	-	3,550	2,125,422	-	-
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	1,665,757	557,308	-	801,210	402,012	2,250,977	1	24,657
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	1,665,757	591,486	-	801,210	3,803,029	5,656,869	1	24,657
Total liabilities and fund balances	$ 1,765,474	$ 609,076	$ -	$ 1,275,694	$ 4,309,477	$ 6,292,785	$ 1	$ 27,426

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Special Revenue							
Assets	Juvenile Positive Assistance	Law Enforcement Continuing Education	Build Indiana	General Grant	Local Road and Street	Human Rights Federal	East Race Waterway	Special Events
Cash and cash equivalents	$ 8,849	$ 457,741	$ 1	$ 61,905	$ 1,151,015	$ 440,372	$ 32,637	$ 9,578
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	5,048	-	-	-	210	-	-
Intergovernmental	-	-	-	-	199,595	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	$ 8,849	$ 462,789	$ 1	$ 61,905	$ 1,350,610	$ 440,582	$ 32,637	$ 9,578
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ -	$ 444	$ -	$ -	$ 28,903	$ 108	$ -	$ -
Accrued payroll payable	-	-	-	-	-	807	-	-
Contracts payable	-	-	-	-	17,576	-	-	-
Interfund payable:								
Interfund loans	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	444	-	-	46,479	915	-	-
Fund balances:								
Reserved for:								
Encumbrances	-	18,176	-	-	122,378	-	662	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	8,849	444,169	1	61,905	1,181,753	439,667	31,975	9,578
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	8,849	462,345	1	61,905	1,304,131	439,667	32,637	9,578
Total liabilities and fund balances	$ 8,849	$ 462,789	$ 1	$ 61,905	$ 1,350,610	$ 440,582	$ 32,637	$ 9,578

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Special Revenue							
Assets	Police Block Grants	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE Grant	Federal Drug Enforcement
Cash and cash equivalents	$ -	$ 25,888	$ 14,889	$ 46,512	$ 51,408	$ 67,988	$ 51,339	$ 78,923
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	200
Taxes	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	15,000	5,000
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	$ -	$ 25,888	$ 14,889	$ 46,512	$ 51,408	$ 67,988	$ 66,339	$ 84,123
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ -	$ -	$ 527	$ -	$ 3,734	$ 117	$ 422	$ 7,778
Accrued payroll payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:								
Interfund loans	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	-	527	-	3,734	117	422	7,778
Fund balances:								
Reserved for:								
Encumbrances	-	-	263	-	-	-	-	3,812
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	-	25,888	14,099	46,512	47,674	67,871	65,917	72,533
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	-	25,888	14,362	46,512	47,674	67,871	65,917	76,345
Total liabilities and fund balances	$ -	$ 25,888	$ 14,889	$ 46,512	$ 51,408	$ 67,988	$ 66,339	$ 84,123

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Special Revenue						Debt Service Funds	
Assets	Urban Development Action Grant	Leaf Collection and Removal	Police K-9 Unit	Rainy Day	Industrial Revolving	Total	Redevelopment Bond - Studebaker	College Football Hall of Fame Debt Service
Cash and cash equivalents	$ 3,740,921	$ 415,862	$ 2,384	$ 2,229,289	$ 1,991,292	$ 16,823,306	$ -	$ 348,818
Cash with fiscal agent	-	-	-	-	131,900	131,900	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	14,463	152,551	-	555
Taxes	-	-	-	-	-	-	-	87,434
Accounts	63,300	36,727	-	-	-	141,208	-	-
Intergovernmental	-	-	-	-	-	972,607	-	2,989
Loans	-	-	-	-	3,986,144	9,259,806	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	5,963	-	-
Advances to other funds	-	-	-	-	506,448	506,448	-	-
Property held for sale	-	-	-	-	339,300	2,468,272	-	-
Total assets	$ 3,804,221	$ 452,589	$ 2,384	$ 2,229,289	$ 6,969,547	$ 30,462,061	$ -	$ 439,796
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ -	$ -	$ -	$ -	$ 1,806	$ 646,991	$ -	$ -
Accrued payroll payable	-	-	-	-	-	82,875	-	-
Contracts payable	-	-	-	-	-	230,409	-	-
Interfund payable:								
Interfund loans	-	-	-	-	-	241,872	7,828	-
Interfund services provided and used	-	7,935	-	-	5,963	73,944	-	-
Deferred revenue	-	-	-	-	-	-	-	90,423
Performance deposits payable	-	-	-	-	-	23,168	-	-
Other current payables	-	-	-	-	-	7,337	-	-
Advances from other funds	-	-	-	-	-	506,448	-	-
Total liabilities	-	7,935	-	-	7,769	1,813,044	7,828	90,423
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	220,024	-	-
Noncurrent loans receivable	-	-	-	-	3,543,079	8,180,461	-	-
Property held for resale	-	-	-	-	339,300	2,468,272	-	-
Debt service	-	-	-	-	-	-	-	349,373
Advances to other funds	-	-	-	-	506,448	506,448	-	-
Unreserved, reported in:								
Special revenue funds	3,804,221	444,654	2,384	2,229,289	2,572,951	17,273,812	-	-
Debt service funds	-	-	-	-	-	-	(7,828)	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	3,804,221	444,654	2,384	2,229,289	6,961,778	28,649,017	(7,828)	349,373
Total liabilities and fund balances	$ 3,804,221	$ 452,589	$ 2,384	$ 2,229,289	$ 6,969,547	$ 30,462,061	$ -	$ 439,796

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Debt Service Funds							
Assets	Redevelopment District Bond	EDIT Bond - Plaza Garage Tax Exempt	EDIT Bond - Plaza Garage Taxable	Redevelopment Authority Debt Service	Erskine Commons TIF Debt Service	South Bend Building Corporation Debt Service	TIF Erskine Village Debt Service	Total
Cash and cash equivalents	$ 2,688,063	$ 34,806	$ 37,369	$ 201,968	$ 310,026	$ 1,000,738	$ 840,043	$ 5,461,831
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	1,787,219	-	-	-	1,787,219
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	773	-	-	3,216	4,544
Taxes	-	-	-	-	-	-	-	87,434
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	2,989
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	$ 2,688,063	$ 34,806	$ 37,369	$ 1,989,960	$ 310,026	$ 1,000,738	$ 843,259	$ 7,344,017
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ -	$ 31,398	$ 31,398	$ -	$ -	$ -	$ -	62,796
Accrued payroll payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:								-
Interfund loans	-	-	-	-	-	-	-	7,828
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	90,423
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	31,398	31,398	-	-	-	-	161,047
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service	2,688,063	3,408	5,971	1,989,960	310,026	1,000,738	843,259	7,190,798
Advances to other funds	-	-	-	-	-	-	-	-
								-
Unreserved, reported in:								-
Special revenue funds	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	(7,828)
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	2,688,063	3,408	5,971	1,989,960	310,026	1,000,738	843,259	7,182,970
Total liabilities and fund balances	$ 2,688,063	$ 34,806	$ 37,369	$ 1,989,960	$ 310,026	$ 1,000,738	$ 843,259	$ 7,344,017

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Capital Projects							
Assets	Emergency Medical Services	Central Development Area Bond Proceeds	Professional Sports Development	Coveleski Stadium Capital	Zoo Endowment	Park Nonreverting Capital	Cumulative Capital Development	Cumulative Capital Improvement
Cash and cash equivalents	$ 1,105,978	$ 5,815,445	$ 347,065	$ 238,410	$ 20,256	$ 520,911	$ 2,171,463	$ 239,540
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	33,496	-	-	-	102,735	-
Accounts	706,176	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	3,512	33,760
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	483,500	-	-	-	-	-	-
Total assets	$ 1,812,154	$ 6,298,945	$ 380,561	$ 238,410	$ 20,256	$ 520,911	$ 2,277,710	$ 273,300
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 61,529	$ 3,893	$ -	$ -	$ -	$ 15,847	$ 33,572	$ -
Accrued payroll payable	-	-	-	-	-	-	-	-
Contracts payable	-	100,694	-	-	-	-	-	-
Interfund payable:								
Interfund loans	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	106,247	33,760
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	61,529	104,587	-	-	-	15,847	139,819	33,760
Fund balances:								
Reserved for:								
Encumbrances	98,048	180,387	27,819	156	-	7,432	169,819	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	483,500	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	1,652,577	5,530,471	352,742	238,254	20,256	497,632	1,968,072	239,540
Total fund balances	1,750,625	6,194,358	380,561	238,410	20,256	505,064	2,137,891	239,540
Total liabilities and fund balances	$ 1,812,154	$ 6,298,945	$ 380,561	$ 238,410	$ 20,256	$ 520,911	$ 2,277,710	$ 273,300

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Capital Projects							
Assets	Economic Development Income Tax	Cumulative Sewer	TIF - Sample/Ewing	Morris Performing Arts Center Capital	TIF Downtown	TIF - West Washington	Redevelopment General	Community Revitalization Enhancement District
Cash and cash equivalents	$ 2,546,845	$ 80,224	$ 553,061	$ 315,928	$ 5,304,814	$ 513,709	$ 115,540	$ 2,247,471
Cash with fiscal agent	-	-	-	-	16,138	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	17
Taxes	-	-	-	-	171,084	79,863	-	-
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	241,872
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	76,256	-	1,025,628	-	2,298,336	284,690	-	105,000
Total assets	$ 2,623,101	$ 80,224	$ 1,578,689	$ 315,928	$ 7,790,372	$ 878,262	$ 115,540	$ 2,594,360
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ -	$ -	$ 24,082	$ 950	$ 64,529	$ 3,493	$ -	$ -
Accrued payroll payable	-	-	-	-	-	-	-	-
Contracts payable	23,379	-	-	-	42,224	-	-	287,457
Interfund payable:								
Interfund loans	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	3,231	-	-	-
Deferred revenue	-	-	-	-	171,084	79,863	-	-
Performance deposits payable	-	-	12,735	-	87,854	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	23,379	-	36,817	950	368,922	83,356	-	287,457
Fund balances:								
Reserved for:								
Encumbrances	634,759	-	54,433	14,098	71,914	94,218	-	113,810
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	76,256	-	1,025,628	-	2,298,336	284,690	-	105,000
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	1,888,707	80,224	461,811	300,880	5,051,200	415,998	115,540	2,088,093
Total fund balances	2,599,722	80,224	1,541,872	314,978	7,421,450	794,906	115,540	2,306,903
Total liabilities and fund balances	$ 2,623,101	$ 80,224	$ 1,578,689	$ 315,928	$ 7,790,372	$ 878,262	$ 115,540	$ 2,594,360

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Capital Projects						
Assets	TIF No. 1 - Southside Development	TIF No. 2 - Southside Development	TIF No. 3 - Southside Development	Redevelopment District Allocation Area Capital	TIF-Central Medical Service Area	Football Hall of Fame Capital	Major Moves
Cash and cash equivalents	$ 70,407	$ 3,132	$ 305,399	$ 3,380,960	$ 845,024	$ 500,000	$ 499,169
Cash with fiscal agent	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	12,387,500
Receivables (net of allowances for uncollectibles):							
Interest	-	-	-	-	-	-	115,531
Taxes	912	-	-	-	135,002	-	-
Accounts	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Interfund receivable:							
Interfund loan	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Property held for sale	-	-	-	673,117	-	-	-
Total assets	$ 71,319	$ 3,132	$ 305,399	$ 4,054,077	$ 980,026	$ 500,000	$ 13,002,200
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 953	$ -	$ -	$ 1,604	$ 1,331	$ -	$ -
Accrued payroll payable	-	-	-	-	-	-	-
Contracts payable	11,775	-	-	1,208,287	-	-	-
Interfund payable:							
Interfund loans	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Deferred revenue	912	-	-	-	135,002	-	-
Performance deposits payable	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	1,750,000	-
Total liabilities	13,640	-	-	1,209,891	136,333	1,750,000	-
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	1,401,093	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-
Property held for resale	-	-	-	673,117	-	-	-
Debt service	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Unreserved, reported in:							
Special revenue funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Capital projects funds	57,679	3,132	305,399	769,976	843,693	(1,250,000)	13,002,200
Total fund balances	57,679	3,132	305,399	2,844,186	843,693	(1,250,000)	13,002,200
Total liabilities and fund balances	$ 71,319	$ 3,132	$ 305,399	$ 4,054,077	$ 980,026	$ 500,000	$ 13,002,200

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	Capital Projects						
Assets	Equipment Leasing	Century Center 2001 Construction	Morris Entertainment	Erskine Commons TIF Project	South Bend Building Corporation Construction	Total	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 526,123	$ -	$ 97,605	$ 472,156	$ 20,825	$ 28,857,460	$ 51,142,597
Cash with fiscal agent	-	-	-	-	-	16,138	148,038
Investments	-	-	-	-	-	12,387,500	14,174,719
Receivables (net of allowances for uncollectibles):							
Interest	-	-	-	-	-	115,548	272,643
Taxes	-	-	-	-	-	523,092	610,526
Accounts	-	-	-	-	-	706,176	847,384
Intergovernmental	-	-	-	-	-	37,272	1,012,868
Loans	-	-	-	-	-	-	9,259,806
Interfund receivable:							
Interfund loan	-	-	-	-	-	241,872	241,872
Interfund services provided and used	-	-	1,258	-	-	1,258	7,221
Advances to other funds	-	-	-	-	-	-	506,448
Property held for sale	-	-	-	-	-	4,946,527	7,414,799
Total assets	$ 526,123	$ -	$ 98,863	$ 472,156	$ 20,825	$ 47,832,843	$ 85,638,921
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ -	$ -	$ 191	$ -	$ -	$ 211,974	$ 921,761
Accrued payroll payable	-	-	-	-	-	-	82,875
Contracts payable	-	-	-	239,293	-	1,913,109	2,143,518
Interfund payable:							
Interfund loans	-	-	-	-	-	-	249,700
Interfund services provided and used	-	-	-	66,710	-	69,941	143,885
Deferred revenue	-	-	-	-	-	526,868	617,291
Performance deposits payable	-	-	-	-	-	100,589	123,757
Other current payables	-	-	-	-	-	-	7,337
Advances from other funds	-	-	-	-	-	1,750,000	2,256,448
Total liabilities	-	-	191	306,003	-	4,572,481	6,546,572
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	-	-	2,867,986	3,088,010
Noncurrent loans receivable	-	-	-	-	-	-	8,180,461
Property held for resale	-	-	-	-	-	4,946,527	7,414,799
Debt service	-	-	-	-	-	-	7,190,798
Advances to other funds	-	-	-	-	-	-	506,448
Unreserved, reported in:							
Special revenue funds	-	-	-	-	-	-	17,273,812
Debt service funds	-	-	-	-	-	-	(7,828)
Capital projects funds	526,123	-	98,672	166,153	20,825	35,445,849	35,445,849
Total fund balances	526,123	-	98,672	166,153	20,825	43,260,362	79,092,349
Total liabilities and fund balances	$ 526,123	$ -	$ 98,863	$ 472,156	$ 20,825	$ 47,832,843	$ 85,638,921

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	Special Revenue							
	Motor Vehicle Highway	Recreation Nonreverting	Housing Maintenance	Studebaker Oliver Revitalization Grants	Economic Development State Grants	Community Development	Police Federal Grant	Police State Seizure
Revenues:								
Taxes:								
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	4,091,279	-	-	868,101	-	3,440,492	50,935	-
Charges for services	8,940	953,367	-	-	-	361,891	-	-
Fines and forfeits	-	-	-	-	-	-	-	50,632
Interest	4,585	11,183	-	25,581	160,363	71,216	-	-
Donations	-	-	-	-	-	-	-	-
Other	6,895	38,052	-	-	-	328,045	-	-
Total revenues	4,111,699	1,002,602	-	893,682	160,363	4,201,644	50,935	50,632
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	50,935	68,579
Highways and streets	3,188,222	-	-	-	-	-	-	-
Economic development	-	-	-	1,622,879	221,701	7,026,003	-	-
Culture and recreation	-	779,924	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	122,747	-	-	-
Interest and fiscal charges	-	-	-	-	52,148	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	3,188,222	779,924	-	1,622,879	396,596	7,026,003	50,935	68,579
Excess (deficiency) of revenues over (under) expenditures	923,477	222,678	-	(729,197)	(236,233)	(2,824,359)	-	(17,947)
Other financing sources (uses):								
Transfers in	260,000	-	-	-	-	1,290,756	-	-
Transfers out	-	-	(100,000)	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	3,222,000	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Total other financing sources and uses	260,000	-	(100,000)	-	-	4,512,756	-	-
Net change in fund balances	1,183,477	222,678	(100,000)	(729,197)	(236,233)	1,688,397	-	(17,947)
Fund balances - beginning	482,280	368,808	100,000	1,530,407	4,039,262	3,968,472	1	42,604
Fund balances - ending	$ 1,665,757	$ 591,486	$ -	$ 801,210	$ 3,803,029	$ 5,656,869	$ 1	$ 24,657

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CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Special Revenue							
	Juvenile Positive Assistance	Law Enforcement Continuing Education	Build Indiana	General Grant	Local Road and Street	Human Rights Federal	East Race Waterway	Special Events
Revenues:								
Taxes:								
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	-	7,015	-	3,013,266	147,864	-	-
Charges for services	-	227,385	-	-	-	-	1,348	-
Fines and forfeits	635	160,717	-	-	-	-	-	-
Interest	-	3,698	-	-	52,077	10,991	836	210
Donations	-	894	-	-	-	12,292	-	-
Other	480	1,367	-	-	-	3,759	-	3,914
Total revenues	1,115	394,061	7,015	-	3,065,343	174,906	2,184	4,124
Expenditures:								
Current:								
General government	-	-	-	-	-	185,353	-	-
Public safety	4,162	217,367	7,015	-	-	-	-	-
Highways and streets	-	-	-	-	3,468,415	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	16,196	5,182
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	4,162	217,367	7,015	-	3,468,415	185,353	16,196	5,182
Excess (deficiency) of revenues over (under) expenditures	(3,047)	176,694	-	-	(403,072)	(10,447)	(14,012)	(1,058)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(3,047)	176,694	-	-	(403,072)	(10,447)	(14,012)	(1,058)
Fund balances - beginning	11,896	285,651	1	61,905	1,707,203	450,114	46,649	10,636
Fund balances - ending	$ 8,849	$ 462,345	$ 1	$ 61,905	$ 1,304,131	$ 439,667	$ 32,637	$ 9,578

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CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Special Revenue							
	Police Block Grants	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE Grant	Federal Drug Enforcement
Revenues:								
Taxes:								
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	121,297	-	-	51,170
Charges for services	-	2,400	9,240	61,600	-	40,199	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	1,256	-	-	-	-	1,561	-	2,596
Donations	-	-	-	-	-	-	5,685	-
Other	-	-	-	-	190	-	43,120	7,093
Total revenues	1,256	2,400	9,240	61,600	121,487	41,760	48,805	60,859
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	72,105	-	5,534	52,503	113,628	40,160	5,999	96,286
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	72,105	-	5,534	52,503	113,628	40,160	5,999	96,286
Excess (deficiency) of revenues over (under) expenditures	(70,849)	2,400	3,706	9,097	7,859	1,600	42,806	(35,427)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(70,849)	2,400	3,706	9,097	7,859	1,600	42,806	(35,427)
Fund balances - beginning	70,849	23,488	10,656	37,415	39,815	66,271	23,111	111,772
Fund balances - ending	$ -	$ 25,888	$ 14,362	$ 46,512	$ 47,674	$ 67,871	$ 65,917	$ 76,345

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CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Special Revenue						Debt Service Funds	
	Urban Development Action Grant	Leaf Collection and Removal	Police K-9 Unit	Rainy Day	Industrial Revolving	Total	Redevelopment Bond - Studebaker	College Football Hall of Fame Debt Service
Revenues:								
Taxes:								
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 899,472
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	11,791,419	-	61,009
Charges for services	-	433,085	-	-	-	2,099,455	-	-
Fines and forfeits	-	-	-	-	-	211,984	-	-
Interest	155,290	-	-	105,664	283,587	890,694	-	6,407
Donations	-	-	1,476	-	-	20,347	-	-
Other	238,800	-	-	-	267,599	939,314	-	-
Total revenues	394,090	433,085	1,476	105,664	551,186	15,953,213	-	966,888
Expenditures:								
Current:								
General government	-	114,490	-	-	-	299,843	-	-
Public safety	-	-	1,507	-	-	735,780	-	-
Highways and streets	-	-	-	-	-	6,656,637	-	-
Economic development	-	-	-	-	599,050	9,469,633	-	-
Culture and recreation	-	-	-	-	-	801,302	-	-
Debt service:								
Principal	-	-	-	-	-	122,747	320,000	740,000
Interest and fiscal charges	-	-	-	-	-	52,148	8,160	660,275
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	-	114,490	1,507	-	599,050	18,138,090	328,160	1,400,275
Excess (deficiency) of revenues over (under) expenditures	394,090	318,595	(31)	105,664	(47,864)	(2,184,877)	(328,160)	(433,387)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	1,550,756	-	-
Transfers out	-	(160,000)	-	-	-	(260,000)	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	3,222,000	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	(160,000)	-	-	-	4,512,756	-	-
Net change in fund balances	394,090	158,595	(31)	105,664	(47,864)	2,327,879	(328,160)	(433,387)
Fund balances - beginning	3,410,131	286,059	2,415	2,123,625	7,009,642	26,321,138	320,332	782,760
Fund balances - ending	$ 3,804,221	$ 444,654	$ 2,384	$ 2,229,289	$ 6,961,778	$ 28,649,017	$ (7,828)	$ 349,373

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Debt Service Funds							
	Redevelopment District Bond	EDIT Bond - Plaza Garage Tax Exempt	EDIT Bond - Plaza Garage Taxable	Redevelopment Authority Debt Service	Erskine Commons TIF Debt Service	South Bend Building Corporation Debt Service	TIF Erskine Village Debt Service	Total
Revenues:								
Taxes:								
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 899,472
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	61,009
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	92,941	20,739	20,102	87,704	12,732	39,746	41,986	322,357
Donations	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total revenues	92,941	20,739	20,102	87,704	12,732	39,746	41,986	1,282,838
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	1,395,000	-	1,656,933	-	4,111,933
Interest and fiscal charges	-	-	-	886,586	70,206	1,282,111	350,120	3,257,458
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	34,598	34,598	-	-	-	-	69,196
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	-	34,598	34,598	2,281,586	70,206	2,939,044	350,120	7,438,587
Excess (deficiency) of revenues over (under) expenditures	92,941	(13,859)	(14,496)	(2,193,882)	(57,474)	(2,899,298)	(308,134)	(6,155,749)
Other financing sources (uses):								
Transfers in	602,931	-	-	2,279,449	367,500	2,952,422	109,248	6,311,550
Transfers out	(92,941)	(20,739)	(20,102)	-	-	-	-	(133,782)
Premium on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(508,759)	(489,381)	-	-	-	-	(998,140)
Total other financing sources and uses	509,990	(529,498)	(509,483)	2,279,449	367,500	2,952,422	109,248	5,179,628
Net change in fund balances	602,931	(543,357)	(523,979)	85,567	310,026	53,124	(198,886)	(976,121)
Fund balances - beginning	2,085,132	546,765	529,950	1,904,393	-	947,614	1,042,145	8,159,091
Fund balances - ending	$ 2,688,063	$ 3,408	$ 5,971	$ 1,989,960	$ 310,026	$ 1,000,738	$ 843,259	$ 7,182,970

Continued on next page

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - LOCAL ROAD AND STREET
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 3,113,005	$ 3,113,005	$ 3,051,462	$ (61,543)
Other	10,000	10,000	52,077	42,077
Total revenues	3,123,005	3,123,005	3,103,539	(19,466)
Expenditures:				
Current:				
Highways and Streets:				
Capital	3,023,000	4,855,852	4,084,572	771,280
Net change in fund balances	100,005	(1,732,847)	(981,033)	751,814
Fund balances - beginning	1,945,615	1,945,615	1,945,615	-
Fund balances - ending	$ 2,045,620	$ 212,768	$ 964,582	$ 751,814

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ (981,033)
To adjust revenues for accruals	(38,196)
To adjust expenditures for accruals	429,724
To adjust expenditures for encumbrances	186,433
Net change in fund balance, GAAP basis	$ (403,072)

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - HUMAN RIGHTS FEDERAL
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 173,000	$ 173,000	$ 150,030	$ (22,970)
Other	34,300	34,300	26,450	(7,850)
Total revenues	207,300	207,300	176,480	(30,820)
Expenditures:				
Current:				
General Government:				
Personal services	82,281	90,381	89,374	1,007
Supplies	2,800	2,874	2,232	642
Other services and charges	99,968	110,569	89,027	21,542
Capital outlay	-	13,768	11,836	1,932
Other uses	4,390	4,390	4,390	-
Total expenditures	189,439	221,982	196,859	25,123
Net change in fund balances	17,861	(14,682)	(20,379)	(5,697)
Fund balances - beginning	460,367	460,367	460,367	-
Fund balances - ending	$ 478,228	$ 445,685	$ 439,988	$ (5,697)

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ (20,379)
To adjust revenues for accruals	(1,574)
To adjust expenditures for accruals	11,506
Net change in fund balance, GAAP basis	$ (10,447)

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - SPECIAL EVENTS
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Other	$ 13,020	$ 13,020	$ 4,124	$ (8,896)
Expenditures:				
Current:				
Culture and Recreation:				
Supplies	6,150	6,270	120	6,150
Other services and charges	14,050	15,350	2,430	12,920
Other uses	2,632	2,632	2,632	-
Total expenditures	22,832	24,252	5,182	19,070
Net change in fund balances	(9,812)	(11,232)	(1,058)	10,174
Fund balances - beginning	10,636	10,636	10,636	-
Fund balances - ending	$ 824	$ (596)	$ 9,578	$ 10,174

Budget/GAAP Reconciliation

No reconcilement necessary since budgetary basis equals GAAP basis

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS - REDEVELOPMENT BOND - STUDEBAKER
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Property	$ 585,427	$ -	$ -	$ -
Intergovernmental	35,305	-	-	-
Total revenues	620,732	-	-	-
Expenditures:				
Debt service:				
Principal	320,000	320,000	320,000	-
Interest and fiscal agent fees	10,660	10,660	8,160	2,500
Total expenditures	330,660	330,660	328,160	2,500
Net change in fund balances	290,072	(330,660)	(328,160)	2,500
Fund balances - beginning	320,332	320,332	320,332	-
Fund balances - ending	$ 610,404	$ (10,328)	$ (7,828)	$ 2,500

Budget/GAAP Reconciliation

No reconcilement necessary since budgetary basis equals GAAP basis

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS - COLLEGE FOOTBALL HALL OF FAME DEBT SERVICE
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Property	$ 1,340,475	$ 897,742	$ 899,472	$ 1,730
Intergovernmental	78,008	89,229	61,009	(28,220)
Total revenues	1,418,483	986,971	960,481	(26,490)
Expenditures:				
Debt service:				
Principal	1,404,500	1,404,500	1,404,500	-
Interest and fiscal agent fees	2,400	8,400	5,297	3,103
Total expenditures	1,406,900	1,412,900	1,409,797	3,103
Net change in fund balances	11,583	(425,929)	(449,316)	(23,387)
Fund balances - beginning	653,529	653,529	653,529	-
Fund balances - ending	$ 665,112	$ 227,600	$ 204,213	$ (23,387)

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ (449,316)
To adjust revenues for accruals	6,407
To adjust expenditures for accruals	9,522
Net change in fund balance, GAAP basis	$ (433,387)

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - EMERGENCY MEDICAL SERVICES
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for services	$ 1,401,800	$ 1,401,800	$ 1,179,929	$ (221,871)
Other	28,000	25,000	417,755	392,755
Total revenues	1,429,800	1,426,800	1,597,684	170,884
Expenditures:				
Capital outlay:				
Public Safety:				
Other services and charges	184,202	184,202	178,769	5,433
Capital outlay	911,597	1,133,211	1,099,269	33,942
Total expenditures	1,095,799	1,317,413	1,278,038	39,375
Other financing uses:				
Operating transfers out	(250,000)	(250,000)	(250,000)	-
Net change in fund balances	84,001	(140,613)	69,646	210,259
Fund balances - beginning	927,471	927,471	927,471	-
Fund balances - ending	$ 1,011,472	$ 786,858	$ 997,117	$ 210,259

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ 69,646
To adjust revenues for accruals	355,314
To adjust expenditures for accruals	78,708
To adjust expenditures for encumbrances	118,325
Net change in fund balance, GAAP basis	$ 621,993

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - PROFESSIONAL SPORTS DEVELOPMENT
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Professional sports development	$ 370,000	$ 370,000	$ 370,556	$ 556
Intergovernmental	465,177	465,177	473,258	8,081
Other	6,000	6,000	21,241	15,241
Total revenues	841,177	841,177	865,055	23,878
Expenditures:				
Capital outlay:				
Culture and Recreation:				
Other uses	632,000	732,000	708,302	23,698
Other financing uses:				
Transfers out	-	(500,000)	(500,000)	-
Net change in fund balances	209,177	(390,823)	(343,247)	47,576
Fund balances - beginning	662,492	662,492	662,492	-
Fund balances - ending	$ 871,669	$ 271,669	$ 319,245	$ 47,576

Budget/GAAP Reconciliation

Net change in fund balance, budget basis	$ (343,247)
To adjust revenues for accruals	(152,590)
To adjust expenditures for encumbrances	27,819
Net change in fund balance, GAAP basis	$ (468,018)

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Capital Projects							
	Emergency Medical Services	Central Development Area Bond Proceeds	Professional Sports Development	Coveleski Stadium Capital	Zoo Endowment	Park Nonreverting Capital	Cumulative Capital Development	Cumulative Capital Improvement
Revenues:								
Taxes:								
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,054,963	$ -
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	336,281	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	-	354,943	-	-	-	75,815	385,077
Charges for services	1,535,244	-	-	-	-	222,986	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	37,833	278,554	21,241	4,704	335	5,000	70,351	-
Donations	25	-	-	-	4,526	-	-	-
Other	379,896	-	-	-	-	5,206	-	200,000
Total revenues	1,952,998	278,554	712,465	4,704	4,861	233,192	1,201,129	585,077
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	680,483	-	-	-	-	-
Debt service:								
Principal	155,581	-	-	-	-	-	391,779	-
Interest and fiscal charges	8,621	-	-	-	-	-	59,070	-
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	608,619	-
Public safety	916,803	-	-	-	-	-	-	-
Economic development	-	1,196,763	-	-	-	-	-	-
Culture and recreation	-	-	-	18,973	-	155,573	-	-
Total expenditures	1,081,005	1,196,763	680,483	18,973	-	155,573	1,059,468	-
Excess (deficiency) of revenues over (under) expenditures	871,993	(918,209)	31,982	(14,269)	4,861	77,619	141,661	585,077
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(250,000)	-	(500,000)	-	-	-	-	(594,000)
Premium on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Total other financing sources and uses	(250,000)	-	(500,000)	-	-	-	-	(594,000)
Net change in fund balances	621,993	(918,209)	(468,018)	(14,269)	4,861	77,619	141,661	(8,923)
Fund balances - beginning	1,128,632	7,112,567	848,579	252,679	15,395	427,445	1,996,230	248,463
Fund balances - ending	$ 1,750,625	$ 6,194,358	$ 380,561	$ 238,410	$ 20,256	$ 505,064	$ 2,137,891	$ 239,540

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Capital Projects							
	Economic Development Income Tax	Cumulative Sewer	TIF - Sample/Ewing	Morris Performing Arts Center Capital	TIF Downtown	TIF - West Washington	Redevelopment General	Community Revitalization Enhancement District
Revenues:								
Taxes:								
Property	$ -	$ -	$ 732,356	$ -	$ 3,283,075	$ 255,510	$ -	$ -
County economic development income	4,013,475	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	1,000,000
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	104,738	198,516	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	33,450	-	8,191	7,318	135,382	12,072	5,367	70,171
Donations	-	-	-	-	-	-	-	-
Other	138,578	-	2,535	-	147,851	-	-	-
Total revenues	4,185,503	-	743,082	112,056	3,764,824	267,582	5,367	1,070,171
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	282,621	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	740,000	-	375,000	-	252,598	-	-	-
Interest and fiscal charges	605,235	-	231,393	-	901,527	-	-	10,392
Debt issuance costs	112,950	-	-	-	-	-	-	-
Capital outlay:								
General government	288,402	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	112,096	-	681,046	229,687	-	395,622
Culture and recreation	-	-	-	47,008	-	-	-	-
Total expenditures	1,746,587	-	718,489	47,008	2,117,792	229,687	-	406,014
Excess (deficiency) of revenues over (under) expenditures	2,438,916	-	24,593	65,048	1,647,032	37,895	5,367	664,157
Other financing sources (uses):								
Transfers in	40,841	-	-	-	57,828	-	-	-
Transfers out	(1,789,929)	-	-	-	(771,010)	-	-	-
Premium on debt issuance	46,521	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Issuance of refunding bonds	7,440,000	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(7,373,571)	-	-	-	-	-	-	-
Total other financing sources and uses	(1,636,138)	-	-	-	(713,182)	-	-	-
Net change in fund balances	802,778	-	24,593	65,048	933,850	37,895	5,367	664,157
Fund balances - beginning	1,796,944	80,224	1,517,279	249,930	6,487,600	757,011	110,173	1,642,746
Fund balances - ending	$ 2,599,722	$ 80,224	$ 1,541,872	$ 314,978	$ 7,421,450	$ 794,906	$ 115,540	$ 2,306,903

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Capital Projects						
	TIF No. 1 - Southside Development	TIF No. 2 - Southside Development	TIF No. 3 - Southside Development	Redevelopment District Allocation Area Capital	TIF-Central Medical Service Area	Football Hall of Fame Capital	Major Moves
Revenues:							
Taxes:							
Property	$ 28,565	$ 2,585	$ 305,399	$ -	$ 333,585	$ -	$ -
County economic development income	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	12,823,151
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interest	-	-	-	177,528	37,495	-	179,049
Donations	-	-	-	-	-	-	-
Other	9,626	-	-	-	-	-	-
Total revenues	38,191	2,585	305,399	177,528	371,080	-	13,002,200
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	5,863	-	-	2,749,800	651,331	-	-
Culture and recreation	-	-	-	-	-	-	-
Total expenditures	5,863	-	-	2,749,800	651,331	-	-
Excess (deficiency) of revenues over (under) expenditures	32,328	2,585	305,399	(2,572,272)	(280,251)	-	13,002,200
Other financing sources (uses):							
Transfers in	-	-	-	-	-	500,000	-
Transfers out	-	-	(109,248)	-	-	(1,101)	-
Premium on debt issuance	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	(109,248)	-	-	498,899	-
Net change in fund balances	32,328	2,585	196,151	(2,572,272)	(280,251)	498,899	13,002,200
Fund balances - beginning	25,351	547	109,248	5,416,458	1,123,944	(1,748,899)	-
Fund balances - ending	$ 57,679	$ 3,132	$ 305,399	$ 2,844,186	$ 843,693	$ (1,250,000)	$ 13,002,200

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	Capital Projects						
	Equipment Leasing	Century Center 2001 Construction	Morris Entertainment	Erskine Commons TIF Project	South Bend Building Corporation Construction	Total	Total Nonmajor Governmental Funds
Revenues:							
Taxes:							
Property	$ -	$ -	$ -	$ -	$ -	$ 5,996,038	$ 6,895,510
County economic development income	-	-	-	-	-	4,013,475	4,013,475
Professional sports development	-	-	-	-	-	336,281	336,281
Community revitalization enhancement district	-	-	-	-	-	1,000,000	1,000,000
Intergovernmental	-	-	-	-	-	13,638,986	25,491,414
Charges for services	-	-	-	-	-	2,061,484	4,160,939
Fines and forfeits	-	-	-	-	-	-	211,984
Interest	28,671	105	471	54,266	5,965	1,173,519	2,386,570
Donations	-	-	108,364	-	-	112,915	133,262
Other	-	-	-	-	-	883,692	1,823,006
Total revenues	28,671	105	108,835	54,266	5,965	29,216,390	46,452,441
Expenditures:							
Current:							
General government	-	-	-	-	-	-	299,843
Public safety	-	-	-	-	-	-	735,780
Highways and streets	-	-	-	-	-	-	6,656,637
Economic development	-	-	-	-	-	282,621	9,752,254
Culture and recreation	-	-	-	-	-	680,483	1,481,785
Debt service:							
Principal	-	-	-	-	-	1,914,958	6,149,638
Interest and fiscal charges	-	-	-	-	-	1,816,238	5,125,844
Debt issuance costs	-	-	-	96,150	-	209,100	209,100
Capital outlay:							
General government	302,692	-	-	-	-	1,199,713	1,268,909
Public safety	554,036	-	-	-	92,097	1,562,936	1,562,936
Economic development	-	-	-	1,864,463	-	7,886,671	7,886,671
Culture and recreation	-	-	4,706	-	24,157	250,417	250,417
Total expenditures	856,728	-	4,706	1,960,613	116,254	15,803,137	41,379,814
Excess (deficiency) of revenues over (under) expenditures	(828,057)	105	104,129	(1,906,347)	(110,289)	13,413,253	5,072,627
Other financing sources (uses):							
Transfers in	-	-	-	-	-	598,669	8,460,975
Transfers out	-	(8,110)	(37,151)	(367,500)	-	(4,428,049)	(4,821,831)
Premium on debt issuance	-	-	-	-	-	46,521	46,521
Debt issuance	902,036	-	-	2,440,000	-	3,342,036	6,564,036
Issuance of refunding bonds	-	-	-	-	-	7,440,000	7,440,000
Payment to refunded bond escrow agent	-	-	-	-	-	(7,373,571)	(8,371,711)
Total other financing sources and uses	902,036	(8,110)	(37,151)	2,072,500	-	(374,394)	9,317,990
Net change in fund balances	73,979	(8,005)	66,978	166,153	(110,289)	13,038,859	14,390,617
Fund balances - beginning	452,144	8,005	31,694	-	131,114	30,221,503	64,701,732
Fund balances - ending	$ 526,123	$ -	$ 98,672	$ 166,153	$ 20,825	$ 43,260,362	$ 79,092,349

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - COUNTY OPTION INCOME TAX
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
County option income	$ 5,545,120	$ 5,545,120	$ 6,410,405	$ 865,285
Other	120,000	120,000	897,518	777,518
Total revenues	5,665,120	5,665,120	7,307,923	1,642,803
Expenditures:				
Capital outlay:				
General Government:				
Other services and charges	2,815,081	2,819,581	2,813,206	6,375
Capital outlay	3,549,774	8,290,455	7,469,367	821,088
Total expenditures	6,364,855	11,110,036	10,282,573	827,463
Other financing sources:				
Operating transfers in	280,000	280,000	100,000	(180,000)
Net change in fund balances	(419,735)	(5,164,916)	(2,874,650)	2,290,266
Fund balances - beginning	7,295,240	7,295,240	7,295,240	-
Fund balances - ending	$ 6,875,505	$ 2,130,324	$ 4,420,590	$ 2,290,266

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ (2,874,650)
To adjust revenues for accruals	(119,569)
To adjust expenditures for accruals	(894,895)
To adjust expenditures for encumbrances	3,315,377
Net change in fund balance, GAAP basis	$ (573,737)

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - MOTOR VEHICLE HIGHWAY
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 3,334,631	$ 3,334,631	$ 4,066,835	$ 732,204
Charges for services	8,940	8,940	8,940	-
Other	440,000	440,000	271,470	(168,530)
Total revenues	3,783,571	3,783,571	4,347,245	563,674
Expenditures:				
Current:				
Highways and Streets:				
Personal services	3,403,162	3,405,177	2,781,193	623,984
Supplies	78,480	256,854	178,821	78,033
Other services and charges	128,982	162,982	159,165	3,817
Other uses	108,545	108,545	108,545	-
Total expenditures	3,719,169	3,933,558	3,227,724	705,834
Net change in fund balances	64,402	(149,987)	1,119,521	1,269,508
Fund balances - beginning	194,335	194,335	194,335	-
Fund balances - ending	$ 258,737	$ 44,348	$ 1,313,856	$ 1,269,508

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ 1,119,521
To adjust revenues for accruals	24,454
To adjust expenditures for accruals	(12,072)
To adjust expenditures for encumbrances	51,574
Net change in fund balance, GAAP basis	$ 1,183,477

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - RECREATION NONREVERTING
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for services	$ 989,751	$ 989,751	$ 989,217	$ (534)
Other	10,000	10,000	13,350	3,350
Total revenues	999,751	999,751	1,002,567	2,816
Expenditures:				
Current:				
Culture and Recreation:				
Personal services	461,791	483,791	437,499	46,292
Supplies	201,016	235,011	193,223	41,788
Other services and charges	164,192	176,564	155,423	21,141
Capital outlay	112,000	114,639	105,292	9,347
Total expenditures	938,999	1,010,005	891,437	118,568
Net change in fund balances	60,752	(10,254)	111,130	121,384
Fund balances - beginning	440,437	440,437	440,437	-
Fund balances - ending	$ 501,189	$ 430,183	$ 551,567	$ 121,384

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ 111,130
To adjust revenues for accruals	35
To adjust expenditures for accruals	59,945
To adjust expenditures for encumbrances	51,568
Net change in fund balance, GAAP basis	$ 222,678

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 716,155	$ 4,401,123	$ 4,172,732	$ (228,391)
Other	588,469	104,115	492,672	388,557
Total revenues	1,304,624	4,505,238	4,665,404	160,166
Expenditures:				
Current:				
Urban Redevelopment and Housing:				
Personal services	2,432,186	2,395,630	2,039,189	356,441
Supplies	39,450	39,817	26,980	12,837
Other services and charges	285,492	326,875	258,471	68,404
Other uses	608,114	15,693,599	4,950,177	10,743,422
Capital outlay	-	-	-	-
Total expenditures	3,365,242	18,455,921	7,274,817	11,181,104
Other financing sources:				
Operating transfers in	1,475,618	1,475,618	1,290,756	(184,862)
Debt issuance	-	3,222,000	3,222,000	-
Total other financing sources	1,475,618	4,697,618	4,512,756	(184,862)
Net change in fund balances	(585,000)	(9,253,065)	1,903,343	11,156,408
Fund balances - beginning	693,162	693,162	693,162	-
Fund balances - ending	$ 108,162	$ (8,559,903)	$ 2,596,505	$ 11,156,408

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ 1,903,343
To adjust revenues for accruals	(463,760)
To adjust expenditures for accruals	(395,021)
To adjust expenditures for encumbrances	643,835
Net change in fund balance, GAAP basis	$ 1,688,397

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - PARK NONREVERTING CAPITAL
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for services	$ 153,000	$ 153,000	$ 120,876	$ (32,124)
Other	119,000	119,000	112,316	(6,684)
Total revenues	272,000	272,000	233,192	(38,808)
Expenditures:				
Capital outlay:				
Culture and Recreation:				
Capital outlay	274,500	285,737	168,219	117,518
Net change in fund balances	(2,500)	(13,737)	64,973	78,710
Fund balances - beginning	432,657	432,657	432,657	-
Fund balances - ending	$ 430,157	$ 418,920	$ 497,630	$ 78,710

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ 64,973
To adjust expenditures for accruals	12,646
Net change in fund balance, GAAP basis	$ 77,619

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL DEVELOPMENT
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Property	$ 1,074,522	$ 1,054,847	$ 1,054,963	$ 116
Intergovernmental	80,678	75,908	75,815	(93)
Other	20,000	20,000	70,351	50,351
Total revenues	1,175,200	1,150,755	1,201,129	50,374
Expenditures:				
Capital outlay:				
General Government:				
Other services and charges	449,950	459,950	451,709	8,241
Capital outlay	936,675	1,450,646	821,263	629,383
Total expenditures	1,386,625	1,910,596	1,272,972	637,624
Net change in fund balances	(211,425)	(759,841)	(71,843)	687,998
Fund balances - beginning	2,039,914	2,039,914	2,039,914	-
Fund balances - ending	$ 1,828,489	$ 1,280,073	$ 1,968,071	$ 687,998

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ (71,843)
To adjust expenditures for accruals	10,113
To adjust expenditures for encumbrances	203,391
Net change in fund balance, GAAP basis	$ 141,661

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL IMPROVEMENT
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 375,106	$ 375,106	$ 385,077	$ 9,971
Other	200,000	200,000	200,000	-
Total revenues	575,106	575,106	585,077	9,971
Expenditures:				
Capital outlay:				
General Government:				
Other services and charges	591,883	594,383	594,000	383
Net change in fund balances	(16,777)	(19,277)	(8,923)	10,354
Fund balances - beginning	248,463	248,463	248,463	-
Fund balances - ending	$ 231,686	$ 229,186	$ 239,540	$ 10,354

Budget/GAAP Reconciliation

No reconcilement necessary since budgetary basis equals GAAP basis

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - ECONOMIC DEVELOPMENT INCOME TAX
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
County economic development income tax	$ 3,498,794	$ 3,498,794	$ 4,013,475	$ 514,681
Other	163,000	163,000	336,259	173,259
Total revenues	3,661,794	3,661,794	4,349,734	687,940
Expenditures:				
Capital outlay:				
General Government:				
Other services and charges	3,322,893	3,328,893	3,310,368	18,525
Capital outlay	226,000	1,180,095	1,091,675	88,420
Total expenditures	3,548,893	4,508,988	4,402,043	106,945
Net change in fund balances	112,901	(847,194)	(52,309)	794,885
Fund balances - beginning	1,941,016	1,941,016	1,941,016	-
Fund balances - ending	$ 2,053,917	$ 1,093,822	$ 1,888,707	$ 794,885

Budget/GAAP Reconciliation	
Net change in fund balance, budget basis	$ (52,309)
To adjust revenues for accruals	7,363,131
To adjust expenditures for accruals	(7,166,182)
To adjust expenditures for encumbrances	658,138
Net change in fund balance, GAAP basis	$ 802,778

CITY OF SOUTH BEND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - MAJOR MOVES
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ -	$ -	$ 12,823,151	$ 12,823,151
Other	-	-	63,519	63,519
Total revenues	-	-	12,886,670	12,886,670
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ 12,886,670	$ 12,886,670

Budget/GAAP Reconciliation

Net change in fund balance, budget basis	$ 12,886,670
To adjust revenues for accruals	115,530
Net change in fund balance, GAAP basis	$ 13,002,200

NONMAJOR ENTERPRISE FUNDS

Consolidated Building -	To account for the operation of the consolidated St. Joseph County/South Bend Building Department.
Parking Garage -	To account for the operation and maintenance of the City's parking garages.
Solid Waste -	To account for the provision of solid waste services.
Blackthorn Golf Course -	To account for the operation and maintenance of the City's Blackthorn Golf Course.

CITY OF SOUTH BEND
COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS
December 31, 2006

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 131,037	$ -	$ 366,325	$ 234,883	$ 732,245
Accounts receivable (net of allowance)	-	35	346,828	-	346,863
Accounts receivable - other	-	-	-	4,323	4,323
Interfund receivables:					
Interfund services provided and used	350	-	-	-	350
Inventories	-	-	-	12,306	12,306
Restricted assets:					
Cash, cash equivalents and investments:					
Revenue bond covenant accounts	-	-	-	1,291,411	1,291,411
Capital outlay accounts	-	-	28,980	-	28,980
Interest receivable	-	-	-	1,266	1,266
Total current assets	131,387	35	742,133	1,544,189	2,417,744
Noncurrent assets:					
Deferred charges:					
Unamortized debt issue costs	-	-	-	26,735	26,735
Unamortized loss on sale/leaseback	-	5,063,830	-	-	5,063,830
Total deferred charges	-	5,063,830	-	26,735	5,090,565
Capital assets:					
Land and construction in progress	-	1,132,020	-	448,469	1,580,489
Other capital assets (net of accumulated depreciation)	70,540	2,045,484	1,197,165	2,538,854	5,852,043
Total capital assets	70,540	3,177,504	1,197,165	2,987,323	7,432,532
Total noncurrent assets	70,540	8,241,334	1,197,165	3,014,058	12,523,097
Total assets	201,927	8,241,369	1,939,298	4,558,247	14,940,841

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS
December 31, 2005
(Continued)

Liabilities	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Current liabilities:					
Accounts payable	718	104,449	203,883	14,913	323,963
Interfund payables:					
Interfund loans	-	624,296	-	2,083,000	2,707,296
Interfund services provided and used	2,343	-	37,725	295	40,363
Accrued payroll payable	14,608	-	26,731	-	41,339
Compensated absences payable	48,029	-	66,045	-	114,074
Current liabilities payable from restricted assets:					
Revenue bonds payable	-	-	-	465,000	465,000
Capital leases payable	-	-	359,953	-	359,953
Accrued interest payable	-	-	15,078	58,834	73,912
Total current liabilities	65,698	728,745	709,415	2,622,042	4,125,900
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	-	-	3,161,629	3,161,629
Capital leases payable	-	-	870,451	-	870,451
Unamortized gain on sale/leaseback	-	26,426	-	-	26,426
Total noncurrent liabilities	-	26,426	870,451	3,161,629	4,058,506
Total liabilities	65,698	755,171	1,579,866	5,783,671	8,184,406
Net Assets					
Invested in capital assets, net of related debt	70,540	3,177,504	676,670	(639,306)	3,285,408
Restricted for debt service	-	-	-	1,213,815	1,213,815
Reserved for capital asset outlays	-	-	28,980	-	28,980
Unrestricted	65,689	4,308,694	(346,218)	(1,799,933)	2,228,232
Total net assets	$ 136,229	$ 7,486,198	$ 359,432	$ (1,225,424)	$ 6,756,435

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2006

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Operating revenues:					
Licenses and permits	$ 1,033,483	$ -	$ -	$ -	$ 1,033,483
Parking fees	-	790,140	-	-	790,140
Solid waste fees	-	-	4,124,348	-	4,124,348
Golf course fees	-	-	-	1,565,649	1,565,649
Other	3,187	9,210	53,549	-	65,946
Total operating revenues	1,036,670	799,350	4,177,897	1,565,649	7,579,566
Operating expenses:					
Operating and maintenance	1,037,872	-	3,737,505	1,346,173	6,121,550
Administrative and general expense:	19,351	619,486	226,924	100,756	966,517
Depreciation	44,941	82,116	178,666	152,814	458,537
Total operating expenses	1,102,164	701,602	4,143,095	1,599,743	7,546,604
Operating income (loss)	(65,494)	97,748	34,802	(34,094)	32,962
Nonoperating revenues (expenses):					
Interest and investment revenue	-	-	6,024	53,550	59,574
Interest expense	-	-	(44,611)	(207,678)	(252,289)
Amortization expense	-	(560,340)	-	(4,336)	(564,676)
Gain (loss) on disposition of assets	2,735	-	-	-	2,735
Total nonoperating revenue (expenses)	2,735	(560,340)	(38,587)	(158,464)	(754,656)
Income (loss) before contributions and transfers	(62,759)	(462,592)	(3,785)	(192,558)	(721,694)
Transfers out	-	-	-	(44,200)	(44,200)
Change in net assets	(62,759)	(462,592)	(3,785)	(236,758)	(765,894)
Total net assets - beginning	198,988	7,948,790	363,217	(988,666)	7,522,329
Total net assets - ending	$ 136,229	$ 7,486,198	$ 359,432	$ (1,225,424)	$ 6,756,435

CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2006

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Cash flows from operating activities:					
Receipts from customers and users	$ 1,036,595	$ 799,440	$ 4,082,425	$ 1,564,776	$ 7,483,236
Receipts from interfund services provided	-	-	52,000	-	52,000
Payments to suppliers	(36,396)	(563,876)	(1,486,031)	(1,411,122)	(3,497,425)
Payments to employees	(779,497)	-	(1,305,929)	-	(2,085,426)
Payments for interfund services used	(243,503)	(32,545)	(1,161,435)	(33,287)	(1,470,770)
Net cash provided (used) by operating activities	(22,801)	203,019	181,030	120,367	481,615
Cash flows from noncapital financing activities:					
Advances from other funds	-	596,423	-	643,500	1,239,923
Repayment of advances from other funds	-	(799,442)	-	-	(799,442)
Transfers to other funds	-	-	-	(44,200)	(44,200)
Net cash provided (used) by noncapital financing activities	-	(203,019)	-	599,300	396,281
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(38,000)	-	-	(64,407)	(102,407)
Principal paid on capital debt	-	-	(348,478)	(445,000)	(793,478)
Interest paid on capital debt	-	-	(48,842)	(188,681)	(237,523)
Proceeds from sales of capital assets	4,278	-	-	-	4,278
Net cash used by capital and related financing activities	(33,722)	-	(397,320)	(698,088)	(1,129,130)
Cash flows from investing activities:					
Interest received	-	-	6,024	53,143	59,167
Net increase (decrease) in cash and cash equivalents	(56,523)	-	(210,266)	74,722	(192,067)
Cash and cash equivalents, January 1 (Including $1,272,649 and $42,909 for the revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	187,560	-	605,571	1,451,572	2,244,703
Cash and cash equivalents, December 31 (Including $1,291,411 and $28,980 for the revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	$ 131,037	$ -	$ 395,305	$ 1,526,294	$ 2,052,636

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2006
(Continued)

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (65,494)	$ 97,748	$ 34,802	$ (34,094)	$ 32,962
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	44,941	82,116	178,666	152,814	458,537
Bad debt expense	-	-	25,040	-	25,040
(Increase) decrease in assets:					
Accounts receivable	275	90	(69,088)	-	(68,723)
Other accounts receivable	-	-	576	(873)	(297)
Interfund receivable	(350)	-	-	-	(350)
Inventories	-	-	-	(2,710)	(2,710)
Increase (decrease) in liabilities:					
Accounts payable	(4,594)	23,065	84,398	5,114	107,983
Interfund payable	174	-	(73,227)	116	(72,937)
Accrued payroll payable	82	-	(865)	-	(783)
Compensated absence payable	2,165	-	728	-	2,893
Total adjustments	42,693	105,271	146,228	154,461	448,653
Net cash provided (used) by operating activities	$ (22,801)	$ 203,019	$ 181,030	$ 120,367	$ 481,615
Noncash investing, capital and financing activities:					
Fixed asset disposals	$ -	$ -	$ -	$ 19,261	$ 19,261
Trade value of fixed assets	-	-	-	2,569	2,569

INTERNAL SERVICE FUNDS

Liability Insurance Premium Reserve -	To account for expenses related to maintaining the City's self-funded liability insurance including administrative costs, claims and premiums. Funding is provided by assessments to certain other City funds.
Self-Funded Employee Benefits -	To account for employer and employees' contributions for a medical insurance plan.
Central Services -	To account for expenses related to fuel, vehicle repairs and various supplies provided to City departments on a cost-reimbursement basis.

CITY OF SOUTH BEND
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
December 31, 2006

	Liability Insurance Premium Reserve	Self-Funded Employee Benefits	Central Services	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 2,692,581	$ 2,330,310	$ -	$ 5,022,891
Interest receivable	-	829	-	829
Accounts receivable	3,837	995,909	1,544	1,001,290
Interfund receivables:				
Interfund services provided and used	-	-	349,226	349,226
Intergovernmental receivables	-	-	9,237	9,237
Inventories	-	-	1,150,865	1,150,865
Prepaid items	16,265	-	-	16,265
Total current assets	2,712,683	3,327,048	1,510,872	7,550,603
Capital assets:				
Other capital assets (net of accumulated depreciation)	-	-	1,459,055	1,459,055
Total assets	2,712,683	3,327,048	2,969,927	9,009,658
Liabilities				
Current liabilities:				
Accounts payable	13,447	1,216,878	140,981	1,371,306
Interfund payables:				
Interfund loans	-	-	891,975	891,975
Interfund services provided and used	1,029	41	3,191	4,261
Accrued payroll payable	2,269	1,656	37,671	41,596
Compensated absences	5,360	4,429	111,940	121,729
Estimate of unfiled claims	399,147	250,000	-	649,147
Total liabilities	421,252	1,473,004	1,185,758	3,080,014
Net Assets				
Invested in capital assets, net of related debt	-	-	1,459,055	1,459,055
Unrestricted	2,291,431	1,854,044	325,114	4,470,589
Total net assets	$ 2,291,431	$ 1,854,044	$ 1,784,169	$ 5,929,644

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2006

	Liability Insurance Premium Reserve	Self-Funded Employee Benefits	Central Services	Total
Operating revenues:				
Employee/employer contributions	$ 2,331,050	$ 14,003,999	$ -	$ 16,335,049
Charges for sales and services	-	-	2,524,054	2,524,054
Total operating revenues	2,331,050	14,003,999	2,524,054	18,859,103
Operating expenses:				
Operation and maintenance	182,257	-	2,248,497	2,430,754
Administration	-	417,225	208,066	625,291
Insurance claims and premiums	1,849,900	13,394,129	-	15,244,029
Depreciation	-	-	73,822	73,822
Total operating expenses	2,032,157	13,811,354	2,530,385	18,373,896
Operating income (loss)	298,893	192,645	(6,331)	485,207
Nonoperating revenues:				
Interest and investment revenue	87,864	90,958	-	178,822
Change in net assets	386,757	283,603	(6,331)	664,029
Total net assets - beginning	1,904,674	1,570,441	1,790,500	5,265,615
Total net assets - ending	$ 2,291,431	$ 1,854,044	$ 1,784,169	$ 5,929,644

CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2006

	Liability Insurance Premium Reserve	Self-Funded Employee Benefits	Central Services	Total
Cash flows from operating activities:				
Receipts from customers and users	$ 2,029	$ 2,269,068	$ 43,990	$ 2,315,087
Receipts from interfund services provided	2,325,184	11,796,067	2,597,459	16,718,710
Payments to suppliers	(1,837,502)	(13,006,015)	(289,519)	(15,133,036)
Payments to employees	(117,097)	(96,997)	(1,918,059)	(2,132,153)
Payments for interfund services used	(52,308)	(75,916)	(584,659)	(712,883)
Net cash provided (used) by operating activities	320,306	886,207	(150,788)	1,055,725
Cash flows from noncapital financing activities:				
Interfund loan	-	-	6,522,464	6,522,464
Interfund loan repaid	-	-	(6,321,681)	(6,321,681)
Net cash provided by noncapital financing activities	-	-	200,783	200,783
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	-	(49,995)	(49,995)
Cash flows from investing activities:				
Interest received	87,864	91,182	-	179,046
Net increase in cash and cash equivalents	408,170	977,389	-	1,385,559
Cash and cash equivalents, January 1	2,284,411	1,352,921	-	3,637,332
Cash and cash equivalents, December 31	$ 2,692,581	$ 2,330,310	$ -	$ 5,022,891

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2006
(Continued)

	Liability Insurance Premium Reserve	Self-Funded Employee Benefits	Central Services	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 298,893	$ 192,645	$ (6,331)	$ 485,207
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	-	73,822	73,822
(Increase) decrease in assets:				
Accounts receivable	(3,837)	61,136	1,055	58,354
Intergovernmental receivables	-	-	14,742	14,742
Interfund receivables	-	-	101,598	101,598
Inventories	-	-	(248,814)	(248,814)
Prepaid items	(1,117)	-	-	(1,117)
Increase (decrease) in liabilities:				
Accounts payable	(15,157)	874,422	(93,448)	765,817
Interfund payables	1,025	(73)	2,086	3,038
Accrued payroll payable	212	33	1,274	1,519
Compensated absences payable	2,247	152	3,228	5,627
Estimated unfiled claims	38,040	(242,108)	-	(204,068)
Total adjustments	21,413	693,562	(144,457)	570,518
Net cash provided (used) by operating activities	$ 320,306	$ 886,207	$ (150,788)	$ 1,055,725
Noncash investing, capital and financing activities:				
Capital asset disposals	$ -	$ -	$ 7,800	$ 7,800

FIDUCIARY FUNDS

Pension trust funds

1925 Police Pension -	To account for the provision of retirement and disability benefits to police officers hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members, state pension relief distributions, and a specific annual property tax levy.
1937 Firefighters' Pension -	To account for the provision of retirement and disability benefits to firefighters hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members, state pension relief distributions, and a specific annual property tax levy.

Agency fund

Payroll -	To account for the payroll of City employees and pension benefits of the Police and Firefighters' Pension Funds. Gross payroll and pension benefits are treated as expenditures in other City funds and transferred into this fund, which serves as a clearing account.

CITY OF SOUTH BEND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
December 31, 2006

	1925 Police Pension	1937 Firefighters' Pension	Total Pension Trust Funds
Assets			
Cash and cash equivalents	$ 1,851,954	$ 2,463,992	$ 4,315,946
Receivables:			
Taxes	136,069	151,370	287,439
Intergovernmental	4,651	5,174	9,825
Total receivables	140,720	156,544	297,264
Total assets	1,992,674	2,620,536	4,613,210
Liabilities			
Current liabilities:			
Accounts payable	91	77	168
Noncurrent liabilities:			
DROP payable - due within one year	803,586	959,828	1,763,414
DROP payable - long-term	-	36,210	36,210
Total noncurrent liabilities	803,586	996,038	1,799,624
Total liabilities	803,677	996,115	1,799,792
Net Assets			
Held in trust for:			
Employees' pension benefits	$ 1,188,997	$ 1,624,421	$ 2,813,418

CITY OF SOUTH BEND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2006

Additions	1925 Police Pension	1937 Firefighters' Pension	Total Pension Trust Funds
Contributions:			
Employer	$ 2,740,595	$ 2,702,401	$ 5,442,996
State of Indiana	3,462,401	3,112,771	6,575,172
Plan members	31,904	19,610	51,514
Other	26,039	-	26,039
Total contributions	6,260,939	5,834,782	12,095,721
Net Investment income:			
Interest	147,113	151,480	298,593
Total additions	6,408,052	5,986,262	12,394,314
Deductions			
Benefits	5,283,185	4,895,519	10,178,704
Administrative expense	10,601	10,480	21,081
Interest expense	8,828	5,297	14,125
Total deductions	5,302,614	4,911,296	10,213,910
Changes in net assets	1,105,438	1,074,966	2,180,404
Net assets - beginning	83,559	549,455	633,014
Net assets - ending	$ 1,188,997	$ 1,624,421	$ 2,813,418

CITY OF SOUTH BEND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
AGENCY FUND
For the Year Ended December 31, 2006

	Payroll
Assets:	
Cash and cash equivalents, January 1	$ 1,135,414
Additions	87,225,072
Deductions	(87,208,199)
Total assets, December 31	$ 1,152,287
Liabilities	
Accrued payroll and withholdings payable, January 1	$ 1,135,414
Additions	87,225,072
Deductions	(87,208,199)
Total liabilities, December 31	$ 1,152,287

City of South Bend, Indiana
Net Assets by Component
Last Ten Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	$31,654,852	$31,254,629	$7,383,902	$35,777,247	$208,509,577
Restricted	7,167,628	6,381,082	1,966,388	6,138,257	5,225,642
Unrestricted	16,463,922	31,095,490	59,250,281	26,957,659	24,900,036
Total governmental activities net assets	$55,286,402	$68,731,201	$68,600,571	$68,873,163	$238,635,255
Business-type activities					
Invested in capital assets, net of related debt	$49,514,614	$102,466,792	$93,370,899	$94,833,960	$97,670,533
Restricted	$44,235,716	$14,456,725	$13,254,447	$17,942,700	$22,535,858
Unrestricted	37,874,655	12,837,127	19,015,375	8,751,584	7,168,852
Total business-type activities net assets	$131,624,985	$129,760,644	$125,640,721	$121,528,244	$127,375,243
Primary government					
Invested in capital assets, net of related debt	$81,169,466	$133,721,421	$100,754,801	$130,611,207	$306,180,110
Restricted	51,403,344	20,837,807	15,220,835	24,080,957	27,761,500
Unrestricted	54,338,577	43,932,617	78,265,656	35,709,243	32,068,888
Total primary government net assets	$186,911,387	$198,491,845	$194,241,292	$190,401,407	$366,010,498

Source - City of South Bend Comprehensvie Annual Financial Reports

The City implemented GASB 34 during 2002. Information on Net Assets by Component is not available prior to 2002.

City of South Bend, Indiana
Changes in Net Assets, Last Ten Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General Government	($18,940,766)	($12,857,643)	($17,523,559)	($15,033,018)	($17,194,920)
Public Safety	(38,925,286)	(48,254,995)	(45,799,395)	(72,450,941)	(56,600,175)
Holidays and Streets	(10,359,307)	(6,370,307)	(9,855,890)	(9,010,971)	(21,813,189)
Health and Welfare	(75,000)	(99,586)	(102,314)	(75,352)	(114,131)
Culture and Recreation	(7,488,084)	(10,899,340)	(13,689,893)	(8,840,970)	(14,994,300)
Community and Economic Development	(16,670,062)	(17,708,054)	(18,102,343)	(22,436,802)	(18,813,636)
Interest on long-term debt	(3,988,586)	(3,979,222)	(6,209,012)	(5,943,021)	(5,841,032)
Total governmental activities expenses	(96,447,091)	(100,169,147)	(111,282,406)	(133,791,075)	(135,371,383)
Business-type activities:					
Water	(11,003,062)	(11,676,058)	(12,275,029)	(12,447,141)	(11,916,504)
Wastewater	(13,681,575)	(14,402,563)	(16,125,258)	(18,452,785)	(16,972,401)
Civic Center	(3,395,569)	(3,460,137)	(3,592,627)	(3,478,359)	(3,355,531)
Building Department	(1,038,341)	(1,052,861)	(1,134,986)	(1,047,007)	(1,102,164)
Parking	(1,378,563)	(1,451,385)	(1,739,235)	(1,165,502)	(1,261,942)
Solid Waste	(3,715,963)	(3,775,137)	(4,015,831)	(4,920,464)	(4,187,706)
Golf Course	(1,655,435)	(1,706,537)	(1,778,107)	(1,736,939)	(1,811,757)
Total business-type activities net expenses	(35,868,508)	(37,524,678)	(40,661,073)	(43,248,197)	(40,608,005)
Total primary government net assets	(132,315,599)	(137,693,825)	(151,943,479)	(177,039,272)	(175,979,388)

City of South Bend, Indiana
Changes in Net Assets, Last Ten Fiscal Years (Continued)

	Fiscal Year				
	2002	2003	2004	2005	2006
Program Revenues					
Governmental activities:					
Charges for services	$13,627,988	$14,569,764	$9,343,194	$6,823,577	$17,563,075
Operating grants and contributions	14,826,421	14,813,675	10,718,149	12,916,362	12,452,463
Capital grants and contributions	3,842,673	1,790,912	10,326,795	9,447,723	13,793,363
Total governmental activities program revenues	32,297,082	31,174,351	30,388,138	29,187,662	43,808,901
Business-type activities:					
Charges for services:					
Water	12,953,580	13,021,168	12,513,333	12,130,549	14,757,819
Wastewater	12,665,696	13,076,885	14,773,651	14,830,607	18,725,903
Civic Center	1,848,097	1,704,787	1,837,763	1,604,352	3,113,264
Building Department	979,781	1,020,325	983,102	1,125,312	1,039,405
Parking	731,007	1,211,222	768,503	763,581	799,350
Solid Waste	4,029,171	3,987,183	3,964,487	3,764,229	4,177,897
Golf Course	1,541,311	1,630,975	1,689,984	1,546,244	1,565,649
Operating grants and contributions	1,020,628	1,130,575	1,165,243	1,282,780	0
Capital grants and contributions	850,967	72,390	118,953	1,479,581	1,413,861
Total business-type activites program revenues	36,620,238	36,855,510	37,815,019	38,527,235	45,593,148
Total primary government program revenues	68,917,320	68,029,861	68,203,157	67,714,897	89,402,049
Net (Expense)/Revenue					
Governmental activities	(64,150,009)	(68,994,796)	(80,894,268)	(104,603,413)	(91,562,482)
Business-type activities	751,730	(669,168)	(2,846,054)	(4,720,962)	4,985,143
Total primary government net expense	(63,398,279)	(69,663,964)	(83,740,322)	(109,324,375)	(86,577,339)

City of South Bend, Indiana
Changes in Net Assets, Last Ten Fiscal Years (Continued)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	$58,552,988	$67,965,063	$62,279,784	$72,743,697	$68,256,602
County Option Income Tax	7,750,067	7,374,318	7,001,198	5,695,618	6,410,405
Economic Development Income Tax	3,077,665	3,512,369	3,448,688	3,464,152	4,013,475
Professional Sports Development Tax	316,173	341,093	378,099	385,553	336,281
Community Revitalization District Tax	0	0	655,269	965,052	1,000,000
Unrestricted grants and contributions	4,989,809	5,286,477	5,133,838	5,160,298	5,063,541
Unrestricted Investment earnings	1,559,320	1,124,825	1,660,720	3,543,469	4,762,484
Miscellaneous	785,900	903,574	598,600	10,790,170	3,520,138
Loss onf Sale of Redevelopment Properties	(1,083,637)	0	0	0	0
Net Pension Obligation	(5,324,182)	0	0	0	0
Transfers	(60,033)	12,533	14,873	33,589	44,200
Total governmental activities	70,564,070	86,520,252	81,171,069	102,781,598	93,407,126
Business-type activities:					
Unrestricted Investment earnings	462,674	266,610	362,676	745,966	906,056
Other	0	0	0	1,990,515	0
Transfers	60,033	(12,533)	(14,873)	(33,589)	(44,200)
Total business-type activities	522,707	254,077	347,803	2,702,892	861,856
Total primary government	71,086,777	86,774,329	81,518,872	105,484,490	94,268,982
Change in Net Assets					
Governmental activities	6,414,061	17,525,456	276,801	(1,821,815)	1,844,644
Business-type activities	1,274,437	(415,091)	(2,498,251)	(2,018,070)	5,846,999
Total primary government	$7,688,498	$17,110,365	($2,221,450)	($3,839,885)	$7,691,643

Excludes prior period adjustments

Source : City of South Bend Comprehensive Annual Financial Reports

The City implemented GASB 34 during 2002. Information on Changes in Net Assets is not available prior to 2002.

City of South Bend, Indiana
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	$1,448,458	$1,806,494	$2,509,039	$2,736,411	$2,415,282	$2,695,612	$2,002,641	$2,365,669	$10,581,739	$4,162,853
Unreserved	8,851,545	11,438,936	14,089,407	14,342,776	15,672,609	14,359,310	18,503,386	19,656,024	18,162,455	21,688,442
Total general fund	**$10,300,003**	**$13,245,430**	**$16,598,446**	**$17,079,187**	**$18,087,891**	**$17,054,922**	**$20,506,027**	**$22,021,693**	**$28,744,194**	**$25,851,295**
All Other Governmental Funds										
Reserved	26,320,635	23,854,599	25,696,913	26,302,929	33,676,079	37,163,342	33,911,725	39,224,425	38,498,351	34,251,520
Unreserved, reported in:										
Special revenue funds	7,983,761	9,313,950	13,871,625	11,820,311	7,389,639	9,981,610	9,881,359	10,159,432	14,134,371	19,348,846
Capital projects funds	19,462,266	24,968,734	17,523,976	16,088,256	16,111,900	22,299,698	70,656,781	43,815,737	40,624,644	60,447,079
Debt services funds	0	0	0	0	0	0	0	0	0	(7,828)
Total all other governmental funds	**$53,766,662**	**$58,137,283**	**$57,092,514**	**$54,211,496**	**$57,177,618**	**$69,444,650**	**$114,449,865**	**$93,199,594**	**$93,257,366**	**$114,039,617**

Source: City of South Bend Comprehensive Annual Financial Reports

City of South Bend, Indiana
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	$48,960,036	$55,898,999	$57,444,633	$61,112,886	$68,572,472	$73,697,617	$80,533,464	$75,289,946	$78,650,044	$84,049,414
Licenses, fees and permits	168,372	183,921	188,405	307,343	245,894	236,267	212,261	223,006	246,780	186,470
Fines and penalties	171,242	215,956	311,897	245,093	126,515	203,837	264,704	302,376	245,680	444,861
Charges for services	8,192,372	9,766,032	10,448,053	11,421,491	12,716,474	13,187,884	14,030,134	15,187,711	15,293,779	16,931,744
Intergovernmental	13,278,474	12,959,011	15,271,114	13,050,812	11,987,614	20,859,845	19,873,378	17,968,454	18,665,828	31,275,541
Investment earnings	2,344,766	3,080,847	3,030,611	3,870,574	2,569,725	1,559,320	1,124,825	1,668,050	3,543,469	4,762,484
Other revenues	3,231,567	3,322,055	3,365,109	6,102,643	3,711,786	3,287,910	2,977,325	2,732,127	10,791,555	3,414,731
Total revenues	76,346,829	85,426,821	90,059,822	96,110,842	99,930,480	113,032,680	119,016,091	113,371,670	127,437,135	141,065,245
Expenditures										
General government	5,555,467	5,492,450	5,085,134	7,005,016	6,938,489	7,530,213	5,798,497	6,814,675	7,828,275	11,244,734
Public Safety	29,219,564	31,117,048	33,981,313	36,129,147	38,687,286	38,896,338	45,498,413	44,371,673	49,010,645	51,050,640
Highways and Streets	12,402,630	9,941,076	11,339,275	13,933,251	14,064,377	12,366,777	7,499,367	12,638,026	9,874,281	13,583,761
Health and Welfare	57,750	60,000	60,000	65,000	65,000	75,000	75,000	75,000	75,000	75,000
Culture and Recreation	9,768,438	9,259,081	10,049,811	11,173,165	12,864,397	12,352,525	12,855,102	14,347,497	14,226,463	13,849,622
Community and Economic Development	5,837,374	7,309,229	6,330,843	6,809,340	8,269,097	9,755,980	14,518,827	13,208,131	7,531,650	9,752,254
Captial Outlay	11,013,723	21,154,637	24,575,255	18,423,497	14,937,077	24,217,175	23,264,716	30,722,396	29,299,053	16,391,192
Debt Service										
Interest and Fiscal Charges	2,443,866	1,935,000	2,455,878	3,420,574	4,075,031	3,938,296	4,417,477	5,287,658	5,793,386	6,144,611
Principal	2,570,000	2,185,682	2,185,194	3,430,872	3,841,439	4,883,106	10,197,689	5,597,717	7,074,887	7,435,722
Total expenditures	78,868,812	88,454,203	96,062,703	100,389,862	103,742,193	114,015,410	124,125,088	133,062,773	130,713,640	129,527,536

City of South Bend, Indiana
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Excess of revenues over (under) expenditures	(2,521,983)	(3,027,382)	(6,002,881)	(4,279,020)	(3,811,713)	(982,730)	(5,108,997)	(19,691,103)	(3,276,505)	11,537,709
Other Financing Sources (Uses)										
Proceeds from borrowing	11,680,576	13,172,285	4,837,271	0	8,579,363	12,016,706	55,953,290	613,767	10,023,189	14,050,557
Proceeds from refunding	7,283,128	0	0	0	6,123,340	0	598,086	0	0	0
Payments to escrow agent	(7,174,175)	0	0	0	(6,123,340)	0	(1,793,917)	0	0	(8,371,711)
Financing By Land Contract	1,575,000	0	0	0	0	0	0	0	0	0
Financing By Capital Lease	1,895,000	701,668	1,305,150	3,008,488	1,040,000	755,000	795,325	0	0	0
Transfers in	5,090,283	7,853,812	6,421,098	6,422,020	8,263,022	6,864,298	8,201,665	6,571,247	8,332,742	8,928,540
Transfers out	(5,270,783)	(7,904,182)	(6,538,338)	(7,549,235)	(9,209,695)	(7,724,331)	(10,189,132)	(6,556,374)	(8,299,153)	(8,884,340)
Other	0	0	0	0	0	455,120	0	0	0	0
Total other financing sources (uses)	15,079,029	13,823,583	6,025,181	1,881,273	8,672,690	12,366,793	53,565,317	628,640	10,056,778	5,723,046
Net change in fund balances	$12,557,046	$10,796,201	$22,300	($2,397,747)	$4,860,977	$11,384,063	$48,456,320	($19,062,463)	$6,780,273	$17,260,755
Debt service as a percentage of noncapital expenditures	7.4%	6.1%	6.5%	8.4%	8.9%	9.8%	14.5%	10.6%	12.7%	12.0%

Excludes prior period adjustments

Source: City of South Bend Comprehensive Annual Financial Reports

City of South Bend, Indiana
Full-Time Equivalent City Governmnent Employees by Department
Last Ten Fiscal Years

Department	Fiscal Year 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Mayor's Office	8.05	8.75	8.75	9.00	9.00	10.00	10.00	10.00	10.00	10.00
City Clerk's Office	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Common Council	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Administration and Finance	28.80	27.00	28.00	27.00	27.00	28.00	28.00	29.00	31.00	32.00
Legal Department	12.80	13.00	13.00	14.00	13.00	13.00	14.00	15.00	15.00	15.00
Public Safety										
Police Department	311.33	314.33	314.33	314.33	315.33	317.00	316.00	315.00	317.00	317.00
Communication Center	28.00	28.00	28.00	28.00	28.00	28.00	29.00	31.00	31.00	31.00
Fire Department	231.00	257.00	257.00	257.00	257.00	257.00	257.00	257.00	255.00	255.00
Building Maintenance for Fire & Police Dept	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	7.00	7.00
Other Services										
Code Enforcement	25.00	25.00	23.00	26.00	26.00	27.00	27.00	28.00	28.00	28.00
Parks and Recreation	121.00	128.00	128.00	127.00	132.00	132.00	126.00	124.00	123.00	122.00
Community and Economic Development	43.50	43.50	44.50	44.50	44.50	45.00	44.00	42.00	42.00	42.00
Engineering	28.00	29.00	30.00	32.25	32.00	21.00	21.00	20.00	19.00	19.00
Street Department	83.00	83.00	80.00	83.00	82.00	81.00	77.00	71.00	71.00	66.00
Traffic & Lighting	0.00	0.00	0.00	0.00	0.00	12.00	11.00	11.00	11.00	11.00
Water Works	105.00	105.00	100.00	96.00	97.00	95.00	87.00	87.00	86.00	86.00
Wastewater	92.00	95.00	90.00	91.00	90.00	89.00	85.00	85.00	81.00	82.00
Central Services	61.00	60.00	59.00	56.00	53.00	53.00	53.00	50.00	50.00	49.00
Solid Waste	43.00	45.00	44.00	45.00	45.00	42.00	35.00	31.00	31.00	31.00
Building Department	20.00	20.00	20.00	20.00	20.00	20.00	20.00	22.00	22.00	22.00
Convention and Events Management	62.00	58.00	53.87	52.00	44.00	48.33	49.00	50.00	50.00	49.00
Total	**1,322.48**	**1,358.58**	**1,340.45**	**1,341.08**	**1,333.83**	**1,338.33**	**1,309.00**	**1,298.00**	**1,294.00**	**1,288.00**

Source: City of South Bends Performance Based Budgets

City of South Bend, Indiana
Principal Property Taxpayers - Current and Nine Years Ago
December 31, 2006

Taxpayer	Type of Business	2006 Net Assessed Real Value	Rank	Percent of Total	1997 Net Assessed Value	Rank	Percent of Total
Edward Rose of Indiana	Apartments & Real Estate	$40,395,200	1	4.40%	$ 7,172,300	5	1.17%
Marriott Hotel	Hotel	16,737,300	2	1.82%	-		-
Maple Lane Apartments	Apartments & Real Estate	15,850,600	3	1.73%	-		-
Memorial Health Systems, Inc.	Health Care	12,841,670	4	1.40%	-		-
1st Source Bank	Financial Institution	11,399,300	5	1.24%	-		-
Dillingham Hill RE, LLC (Holiday Inn)	Hotel	10,659,900	6	1.16%	6,627,870	6	1.08%
Ameritech	Communications	10,563,700	7	1.15%	9,286,540	3	1.52%
Honeywell	Airplane & Auto Parts	9,984,880	8	1.09%	28,027,260	1	4.58%
Meijer	Retail	9,329,400	9	1.02%	4,338,090	9	0.71%
Wal Mart	Retail	9,189,400	10	1.00%	-		-
New Energy Company	Ethanol Plant	-		-	12,172,265	2	1.99%
American Electric Power	Electric Utility	-		-	9,258,900	4	1.51%
A.E. Goetze	Manufacturing	-		-	5,910,743	7	0.97%
South Bend Tribune	Newspaper Publishing	-		-	4,468,475	8	0.73%
Northern Indiana Public Service Corporation	Gas Utility	-		-	4,295,640	10	0.70%
Total Net Assessed Value - Ten Largest Taxpayers		**$146,951,350**		**16.02%**	**$91,558,083**		**14.96%**
Total Net Assessed Value		**$917,178,241**		**100.00%**	**$611,845,695**		**100.00%**

Note: In 2006 separate schedules are prepared for the ten largest taxpayers based on real and personal property assessed values because this is how the tax information is maintained by the St. Joseph County Auditor's Office. In 1997, a consolidated schedule for real and personal property was prepared.

Source: St. Joseph County Auditor's Office and 1997 City of South Bend Comprehensive Annual Financial Report

City of South Bend, Indiana
Principal Employers - Current and Nine Years Ago
December 31, 2006

Employer	Type of Business	2006 Number of Employees FTE's	Rank	1997 Number of Employees FTE's	Rank
University of Notre Dame	College/University	4,200	1	3,905	1
Memorial Health System	Health Care	3,600	2	2,750	3
South Bend Community School Corporation	Public Schools	3,338	3	3,200	2
St. Joseph Regional Medical Center, Inc.	Health Care	3,260	4	2,524	4
AM General	Manufacturing/Assembly	2,292	5	1,244	10
St. Joseph County	Government	2,025	6	1,308	9
The Diocese of Fort Wayne/South Bend	Parochial Schools	1,750	7	1,750	5
Indiana University at South Bend	College/University	1,400	8	1,439	7
City of South Bend	Government	1,288	9	1,322	8
Madison Center	Counseling/Mental Health	1,239	10	604	--
Honeywell/Allied Signal/Bendix	Airplane & Auto Parts	--	--	1,449	6

Source - Chamber of Commerce of St. Joseph County, City of South Bend Department of Administration and Finance, and telephone calls to individuals employers for 1997 information. (Information not available for The Diocese of Fort Wayne/South Bend for 1997.)

City of South Bend, Indiana
Ten Largest Taxpayers - Personal Property
December 31, 2006

Taxpayer	Type of Business	Net Assessed Personal Value	Percent of Total
Honeywell	Airplane & Auto Parts	$40,235,660	6.78%
American Electric Power	Electric Utility	34,379,280	5.80%
Indiana Bell Telephone/SBC Communications	Telephone Company	31,543,480	5.32%
United Parcel Service	Parcel Delivery	22,412,790	3.78%
Northern Indiana Public Service Company	Natural Gas Utility	20,974,860	3.54%
Comcast	Cable Televison	17,243,660	2.91%
Federal Mogul Powertrain Systems	Automotive Supplier	15,272,250	2.57%
South Bend Tribune Company	Newspaper Publishing	9,783,750	1.65%
New Energy Corporation	Ethanol Production	9,698,670	1.64%
Robert Bosch Corporation	Automotive Supplier	9,029,050	1.52%
Total Net Assessed Value - Ten Largest Taxpayers		**$210,573,450**	**35.50%**
Total Net Assessed Value		**$593,156,588**	**100.00%**

Information on the ten largest personal property taxpayers is not available for 1997.

Source: St. Joseph County Auditor's office

City of South Bend, Indiana
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
Function/program	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Police										
Physical arrests	4,782	4,796	4,821	4,889	4,873	4,990	5,003	5,041	5,056	5,932
Parking violations	795	777	763	751	760	623	655	688	722	515
Traffic violations	15,026	15,184	14,920	14,212	13,317	13,936	13,873	14,052	13,411	16,583
Fire										
Emergency responses	17,620	16,537	17,500	18,935	20,224	20,112	19,429	19,031	20,438	21,815
Fires extinguished	484	449	686	742	422	485	541	407	564	601
Inspections	9,336	9,215	9,152	8,954	8,906	10,332	5,375	4,820	5,584	4,875
Refuse collection										
Refuse collected (tons per day)	242	256	252	169	243	266	284	266	238	269
Other public works										
Street resurfacing (miles)	N/A	N/A	23.80	26.30	22.10	28.00	27.50	30.20	29.30	15.00
Potholes repaired (tonnage)	N/A	N/A	650.89	577.20	653.83	389.10	341.87	560.41	372.06	239.88
Parks and recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	700	700	750	700
Fitness Center Admissions	0	0	0	0	871	16,773	33,361	35,426	37,247	61,452
Water										
New billable housing starts	378	444	412	388	401	407	439	427	445	471
Water mains breaks	62	60	96	90	76	72	90	78	80	54
Average daily consumption (thousands of gallons)	20,368	21,795	22,263	20,848	20,939	22,678	20,269	19,461	20,071	17,704
Wastewater										
Average daily sewage treatment (thousands of gallons)	44,000	44,000	42,800	44,100	44,100	44,100	38,200	31,800	31,800	32,800

Sources: Various city departments

N/A - information not available

City of South Bend, Indiana
Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
Function/program	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	2	2	2	2	2	2	2	2	2	2
Patrol units	22	22	22	24	24	24	24	25	25	25
Fire										
Stations	11	11	11	11	11	11	11	11	11	11
Rescue units	31	31	31	31	31	31	31	31	31	31
Refuse collection										
Collection trucks	25	25	25	25	25	24	24	21	23	22
Other public works										
Streets (miles)	N/A	N/A	492	494	494	496	496	498	498	500
Streetlights	105	105	108	108	108	109	109	109	109	109
Traffice signals	156	156	158	160	161	161	162	163	164	167
Parks and recreation										
Acreage	1,278	1,278	1,278	1,278	1,278	1,278	1,292	1,292	1,292	1,292
Playgrounds	47	47	47	47	47	47	47	47	47	47
Baseball/softball diamonds	26	26	26	26	26	26	26	26	26	26
Soccer/football fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Community center	4	4	4	5	5	5	5	5	5	5
Water										
Water mains (miles)	485	494	498	510	520	527	529	538	547	553
Fire hydrants	4,256	4,302	4,421	4,547	*4,354	4,481	4,669	4,819	4,914	5,013
Storage capacity (thousands of gallons)	15,800	15,800	15,800	15,800	15,800	15,800	17,300	17,300	17,300	17,300
Wastewater										
Sanitary sewers (miles)	540	540	540	540	540	540	540	540	540	540
Storm sewers (miles)	200	200	200	200	200	200	200	200	200	200
Treatment capacity (thousands of gallons)	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000

* No longer includes Clay hydrants

Sources: Various city departments

N/A - information not available

City of South Bend, Indiana
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)

	City Direct Rates						Overlapping Rates					
Fiscal Year	General Fund	Parks/ Recreation	Firefighters' Pension	Police Pension	Cumulative Capital Development	Total Direct	St. Joseph County	Schools Districts	Township	Library	State/ Other	Total
1996/1997	5.3247	0.9082	0.1673	0.1500	0.1200	6.6702	3.2256	5.8594	0.0920	0.7106	0.4469	17.0047
1997/1998	5.4927	0.9410	0.1733	0.1555	0.1500	6.9125	3.0079	6.0293	0.0967	0.6886	0.5077	17.2427
1998/1999	5.7504	0.9851	0.1815	0.1627	0.1500	7.2297	3.5002	5.8978	0.1020	0.6933	0.5166	17.9396
1999/2000	5.8440	0.9906	0.1825	0.1636	0.1500	7.3307	3.1142	5.9365	0.2256	0.7059	0.5267	17.8396
2000/2001	6.1877	1.0442	0.1948	0.1746	0.1500	7.7513	3.1402	6.3673	0.1123	0.7366	0.7561	18.8638
2001/2002 (1)	2.1304	0.3591	0.0669	0.0600	0.0287	2.6451	0.9473	2.1725	0.0382	0.2496	0.2501	6.3028
2002/2003	1.5668	0.2647	0.0493	0.0442	0.0356	1.9606	0.7366	1.4792	0.1122	0.1686	0.2240	4.6812
2003/2004	1.6871	0.2859	0.0532	0.0477	0.0376	2.1115	0.7652	1.6201	0.0923	0.1830	0.2209	4.9930
2004/2005	1.6845	0.2902	0.0540	0.0485	0.0376	2.1148	0.7831	1.5969	0.0276	0.1854	0.1828	4.8906
2005/2006	1.7386	0.2981	0.0554	0.0498	0.0376	2.1795	0.9899	1.6033	0.0269	0.2027	0.1501	5.1524

Source: St. Joseph County Auditor

(1) The 2001 pay 2002 tax rates were converted by current tax legislation from 33% to 100% of assessed valuation. This conversion has no affect on tax dollars collected. Assessed values increased and tax rates decreased.

City of South Bend, Indiana
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Year	Real Property	Personal Property	Utilities Property	Less: Non-Taxed Property (1)	Total Taxable Assessed Value	Total City Tax Rate
1996/1997	$612,390,430	$247,767,230	$23,734,600	$272,046,565	$611,845,695	$6.6702
1997/1998	616,031,000	253,013,925	22,850,850	272,744,026	619,151,749	6.9125
1998/1999	625,759,390	247,603,471	23,807,830	271,363,045	625,807,646	7.2297
1999/2000	638,496,180	269,152,472	25,550,230	286,566,286	646,632,596	7.3307
2000/2001	647,889,690	270,484,158	26,148,300	295,246,339	649,275,809	7.7513
2001/2002 (2)	1,970,940,960	809,870,700	85,998,130	907,974,963	1,958,834,827	2.6451
2002/2003	3,849,091,300	816,672,723	74,065,200	1,771,726,609	2,968,102,614	1.9606
2003/2004	3,731,377,160	659,263,940	103,129,310	1,685,920,064	2,807,850,346	2.1115
2004/2005	3,764,507,180	689,419,365	105,604,270	1,740,625,997	2,818,904,818	2.1148
2005/2006	3,789,447,190	655,066,401	98,165,420	1,707,413,121	2,835,265,890	2.1795

(1) mortgage exemptions, tax-exempt property, tax increment financing, tax abatements, enterprise zones
(2) The 2001 pay 2002 and subsequent tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion had no affect on total dollars collected. Assessed vaues increased and tax rates decreased.

Source: St. Joseph County Auditor's Office

CITY OF SOUTH BEND, INDIANA
DETAIL OF NET ASSESSED VALUATION
(For the Year 2005 Payable 2006)

	South Bend Centre Twp	South Bend Clay Twp	South Bend German Twp	South Bend Penn Twp	South Bend Warren Twp	South Bend Portage Twp	Totals	Percent
Value of land	$ 78,732,020.00	$ 10,177,600.00	$ 44,277,400.00	$ 11,819,720.00	1,692,900.00	$ 333,738,540.00	$ 480,438,180.00	
Value of improvements	393,631,300.00	91,759,600.00	392,052,400.00	68,197,800.00	17,855,000.00	2,345,512,910.00	3,309,009,010.00	
Total value of real estate	472,363,320.00	101,937,200.00	436,329,800.00	80,017,520.00	19,547,900.00	2,679,251,450.00	3,789,447,190.00	
Less: Mortgage, veterans, blind, age 65 & other exemptions	(122,940,610.00)	(19,591,590.00)	(36,868,720.00)	(5,438,070.00)	0.00	(652,221,281.00)	(837,060,271.00)	
Tax-exempt property	(32,681,550.00)	(8,048,270.00)	(15,935,860.00)	(9,790,220.00)	0.00	(289,807,059.00)	(356,262,959.00)	
Tax increment financing	(8,054,570.00)	0.00	(171,836,376.00)	0.00	(6,353,546.00)	(92,089,804.00)	(278,334,296.00)	
Tax Abatements	(15,624,770.00)	0.00	(44,476,780.00)	(2,319,500.00)	(13,062,340.00)	(42,187,585.00)	(117,670,975.00)	
Net value of real estate	**293,061,820.00**	**74,297,340.00**	**167,212,064.00**	**62,469,730.00**	**132,014.00**	**1,602,945,721.00**	**2,200,118,689.00**	77.60%
Gross personal property assessments	39,115,430.00	9,280,490.00	200,969,770.00	1,607,480.00	11,119,249.00	392,973,982.00	655,066,401.00	
Less: Tax Abatements	(445,450.00)	0.00	(10,342,010.00)	0.00	0.00	(7,337,390.00)	(18,124,850.00)	
Tax-exempt property	(1,734,790.00)	(119,030.00)	(4,586,370.00)	(524,720.00)	0.00	(50,360,030.00)	(57,324,940.00)	
Enterprise Zone	0.00	0.00	(29,040.00)	0.00	0.00	(30,489,020.00)	(30,518,060.00)	
Tax increment financing	0.00	0.00	0.00	0.00	0.00	(12,116,770.00)	(12,116,770.00)	
Net value of personal property	**36,935,190.00**	**9,161,460.00**	**186,012,350.00**	**1,082,760.00**	**11,119,249.00**	**292,670,772.00**	**536,981,781.00**	18.94%
Net value of utilities	**6,302,820.00**	**2,768,760.00**	**12,030,690.00**	**775,480.00**	**0.00**	**76,287,670.00**	**98,165,420.00**	3.46%
Total net assessed valuation	**$ 336,299,830.00**	**$ 86,227,560.00**	**$ 365,255,104.00**	**$ 64,327,970.00**	**11,251,263.00**	**$ 1,971,904,163.00**	**$ 2,835,265,890.00**	100.00%
Percentage of Total	**11.86%**	**3.04%**	**12.88%**	**2.27%**	**0.40%**	**69.55%**	**100.00%**	

Source: St. Joseph County Auditor's Office.

CITY OF SOUTH BEND, INDIANA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS

	Real Property		Personal Property		Utilities		TOTAL	
Tax Year/ Collection Year	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value
1996/1997	$412,196,114	$1,236,588,342	$175,914,981	$527,744,943	$23,734,600	$71,203,800	$611,845,695	$1,835,537,085
1997/1998	414,421,223	1,243,263,669	181,879,676	545,639,028	22,850,850	68,552,550	619,151,749	1,857,455,247
1998/1999	418,589,739	1,255,769,217	183,410,077	550,230,231	23,807,830	71,423,490	625,807,646	1,877,422,938
1999/2000	417,107,034	1,251,321,102	203,975,332	611,925,996	25,550,230	76,650,690	646,632,596	1,939,897,788
2000/2001	421,717,995	1,265,153,985	201,409,514	604,228,542	26,148,300	78,444,900	649,275,809	1,947,827,427
2001/2002*	1,272,814,731	3,818,444,193	600,021,966	1,800,065,898	85,998,130	257,994,390	1,958,834,827	5,876,504,481
2002/2003*	2,320,892,057	6,962,676,171	573,145,357	1,719,436,071	74,065,200	222,195,600	2,968,102,614	8,904,307,842
2003/2004*	2,215,693,906	6,647,081,718	489,027,130	1,467,081,390	103,129,310	309,387,930	2,807,850,346	8,423,551,038
2004/2005*	2,179,070,901	6,537,212,703	534,229,647	1,602,688,941	105,604,270	316,812,810	2,818,904,818	8,456,714,454
2005/2006*	2,200,118,689	6,600,356,067	536,981,781	1,610,945,343	98,165,420	294,496,260	2,835,265,890	8,505,797,670

Source: St. Joseph County Auditor's office.

Real property was reassessed effective in 1989 payable in 1990, 1995 payable in 1996 and again in 2002 payable 2003.

* The 2001 pay 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion will have no affect on total dollars. Assessed values will increase and tax rates will decrease.

CITY OF SOUTH BEND, INDIANA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Tax Year/ Collection Year	Current Tax Levy	Current Tax Collections	Current Tax Collections as a Percent of Tax Levy	Delinquent Tax & Penalty Collections	Total Tax Collections	Total Tax Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Tax Levy
1996/1997	$41,101,053	$39,142,126	95.23%	$670,157	$39,812,283	96.86%	$3,104,937	7.55%
1997/1998	43,117,846	41,251,054	95.67%	1,493,344	42,744,398	99.13%	2,875,266	6.67%
1998/1999	45,509,370	43,263,712	95.07%	1,425,712	44,689,424	98.20%	3,422,224	7.52%
1999/2000	47,658,495	44,930,534	94.28%	1,638,076	46,568,610	97.71%	4,101,099	8.61%
2000/2001	53,823,245	50,904,463	94.58%	1,332,888	52,237,351	97.05%	4,582,962	8.51%
2001/2002	52,762,157	49,330,749	93.50%	1,789,947	51,120,696	96.89%	5,083,451	9.63%
2002/2003	58,326,066	53,726,528	92.11%	2,928,994	56,655,522	97.14%	6,203,521	10.64%
2003/2004	59,875,358	56,031,449	93.58%	2,914,419	58,945,868	98.45%	6,189,942	10.34%
2004/2005	60,833,109	56,114,865	92.24%	2,335,278	58,450,143	96.08%	8,093,237	13.30%
2005/2006	62,058,519	58,849,337	94.83%	3,847,872	62,697,209	101.03%	5,495,442	8.86%

Source - St. Joseph County Auditor's Settlement Worksheets. Calculations by City of South Bend Department of Administration and Finance.

CITY OF SOUTH BEND, INDIANA
COMPUTATION OF LEGAL DEBT MARGIN
December 31, 2006

CIVIL CITY

Net Assessed Valuation (2006 pay 2007) of Taxable Property in South Bend*		$	949,317,041
Debt limit: 2% of net assessed value			18,986,341
Amount of debt applicable to limit:			
Total bonded debt subject to debt limit: EDIT Bonds	$ 7,440,000		
Less: Cash on hand designated for debt service	72,175		
Total debt applicable to debt limit			7,367,825
Legal debt margin - Civil City		$	11,618,516
Amount of debt subject to limit/debt limit			**38.81%**

REDEVELOPMENT AUTHORITY

Net Assessed Valuation (2006 pay 2007) of Taxable Property in South Bend*		$	949,317,041
Debt limit: 2% of net assessed value			18,986,341
Amount of debt applicable to limit:			
Total bonded debt subject to debt limit: Studebaker Bond	$ 0		
Less: Cash on hand designated for debt service	0		
Total debt applicable to debt limit			0
Legal debt margin - Redevelopment Authority		$	18,986,341
Amount of debt subject to limit/debt limit			**0.00%**

*The 2006 pay 2007 assessed valuation is not available at time of printing. The amount calculated is an estimation.

A 2% debt limit is established by the Constitution of the State of Indiana. This limit is established for general obligation bonds, Economic Development Income Tax revenue bonds, tax revenue notes and other types of indebtedness. This limitation does not include revenue bonds payable from governmental funds (excluding EDIT bonds) shown in the general long term debt account group. Indiana law allows the creation of separate municipal corporations to provide vital governmental functions. Each of these municipal corporations (including the Redevelopment Authority and Redevelopment Commission) has its own 2% debt limit, even if they have the same or similar boundaries.

City of South Bend, Indiana
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Civil City										
Debt Limit (1)	$12,236,914	$12,383,035	$12,932,652	$12,985,516	$12,992,413	$13,711,844	$18,505,824	$18,496,899	$18,792,699	$18,986,341
Total Net Debt Applicable To Limit	11,715,000	11,530,000	11,150,000	10,750,000	10,330,000	9,882,500	9,412,500	8,937,500	8,395,000	7,367,825
Legal Debt Margin	521,914	853,035	1,782,652	2,235,516	2,662,413	3,829,344	9,093,324	9,559,399	10,397,699	11,618,516
Percentage of Debt Limit	**95.73%**	**93.11%**	**86.22%**	**82.78%**	**79.51%**	**72.07%**	**50.86%**	**48.32%**	**44.67%**	**38.81%**
Redevelopment Authority										
Debt Limit (1)	$12,236,914	$12,383,035	$12,932,652	$12,985,516	$12,992,413	$13,711,844	$18,505,824	$18,496,899	$18,792,699	$18,986,341
Total Net Debt Applicable To Limit	4,310,000	3,855,000	3,380,000	2,880,000	2,355,000	1,810,000	1,235,000	628,000	0	0
Legal Debt Margin	7,926,914	8,528,035	9,552,652	10,105,516	10,637,413	11,901,844	17,270,824	17,868,899	18,792,699	18,986,341
Percentage of Debt Limit	**35.22%**	**31.13%**	**26.14%**	**22.18%**	**18.13%**	**13.20%**	**6.67%**	**3.40%**	**0.00%**	**0.00%**

(1) A 2% of net assessed value debt limit has been established by the Constitution of the State of Indiana.

City of South Bend, Indiana
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					Business-Type Activities								
Fiscal Year	General Obligation Bonds	Revenue Bonds	Mortgage Bonds	Notes/Loans Payable	Capital Leases	Revenue Bonds	Mortgage Bonds	Notes/Loans Payable	Capital Leases	Total Primary Government	Estimated Population	Debt Per Capita	South Bend Metropolitan Area Net Earnings	Debt Percent of Net Earnings
1997	$4,530,000	$58,420,000	$0	$800,000	$8,742,508	$40,215,000	$0	$0	$2,946,532	$115,654,040	102,100	$1,133	$4,051,000,000	2.85%
1998	4,085,000	52,125,000	0	1,455,000	6,884,599	55,970,000	0	211,000	1,839,761	122,570,360	102,100	1,200	4,321,000,000	2.84%
1999	3,620,000	50,100,000	2,383,664	3,605,000	5,415,856	58,868,239	0	193,000	1,269,772	125,455,531	99,417	1,262	4,573,000,000	2.74%
2000	3,135,000	47,425,000	2,112,792	2,815,705	5,315,127	33,970,000	0	16,987,125	1,386,997	113,147,746	107,789	1,050	4,742,000,000	2.39%
2001	2,620,000	60,565,000	9,903,603	3,040,000	3,471,901	31,380,000	1,137,000	22,411,957	814,025	135,343,486	107,789	1,256	5,022,000,000	2.70%
2002	2,085,000	63,175,000	9,565,497	8,172,424	3,455,652	34,675,000	1,137,000	21,999,758	578,455	144,843,786	106,558	1,359	5,191,000,000	2.79%
2003	1,525,000	85,070,000	30,112,808	8,131,984	3,659,322	31,625,000	1,099,005	21,338,647	794,885	183,356,651	105,494	1,738	5,530,000,000	3.32%
2004	935,000	82,135,000	29,525,289	7,948,868	2,971,007	39,815,000	1,058,415	21,730,271	520,389	186,639,239	105,494	1,769	5,780,000,000	3.23%
2005	320,000	84,225,000	28,994,057	9,539,771	3,454,627	35,990,000	1,015,980	20,659,864	1,710,033	185,909,332	105,494	1,762	6,000,000,000	3.10%
2006	0	82,445,000	27,337,124	11,758,552	3,533,187	44,345,000	972,315	19,258,433	1,523,594	191,173,205	105,494	1,812	6,250,000,000	3.06%

Sources: City of South Bend Comprehensive Annual Financial Reports
Population statistics obtained from the U.S. Census Bureau. Most recent estimate was for 2003.
Net Earnings information obtained from STATS, Indiana, a website sponsored by the Indiana Business Research Center at Indiana Univeristy's Kelly School of Business. Website: www.stats.indiana.edu. Information updated through 2004. Projected for 2005 and 2006.

CITY OF SOUTH BEND, INDIANA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2006

	Gross Debt	Percentage Applicable to South Bend	Amount Applicable to South Bend	Debt Per Capita	Ratio of Debt/ Assessted Value	Ratio of Debt/ Net Earnings
Direct Debt:						
City of South Bend						
General Obligation Bonds	$ 0	100.00%	$ 0			
Revenue Bonds - Governmental Activities	82,445,000	100.00%	82,445,000			
Revenue Bonds - Business-Type Activities	44,345,000	100.00%	44,345,000			
Mortgage Bonds - Governmental Activities	27,337,124	100.00%	27,337,124			
Mortgage Bonds - Business-Type Activities	972,315	100.00%	972,315			
Notes Payable - Governmental Activities	11,758,552	100.00%	11,758,552			
Notes Payable - Business-Type Activities	19,258,433	100.00%	19,258,433			
Capital Leases - Governmental Activities	3,533,187	100.00%	3,533,187			
Capital Leases - Business-Type Activities	1,523,594	100.00%	1,523,594			
Total Direct Debt of Primary Government			**191,173,205**	**$ 1,812.17**	**6.7%**	**3.1%**
Overlapping Debt (3)(4)						
St. Joseph County	$ 76,040,000	30.78%	23,405,112			
St. Joseph County Public Library	2,700,000	51.63%	1,394,010			
South Bend Community Schools	212,648,369	54.42%	115,723,242			
Penn-Harris-Madison School Corp.	114,439,995	2.47%	2,826,668			
Mishawaka Penn Township Public Library	9,160,000	2.94%	269,304			
Total Overlapping Debt			**143,618,336**	**1,361.39**	**5.1%**	**2.3%**
Total Direct and Overlapping Debt			**$ 334,791,541**	**$ 3,173.56**	**11.8%**	**5.4%**

Ratio Factors

Population - 2004 US Census Bureau	105,494 (1)
Net Assessed Valuation (2004 payable 2005)	$ 2,835,265,890
South Bend Metropolitan Statistical Area Net Earnings	$ 6,250,000,000 (2)

(1) Population statistics obtained from the U.S. Census Bureau (http:/quickfacts.census.gov). Most recent estimate was for 2003.
(2) Net earnings information obtained from STATS Indiana Website (www.stats.indiana.edu). Updated through 2004. Projected through 2006.
(3) Overlapping debt information obtained from Crowe Chizek and Company, LLP
(4) Overlapping debt percentages are based the net assessed value of South Bend properties in proportion to the total net assessed value.

CITY OF SOUTH BEND, INDIANA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS

Tax Year/ CollectionYear	Population (1)	Assessed Value	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Percent of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1996/1997	102,100	611,845,695	4,530,000	220,000	4,310,000	0.70%	42.21
1997/1998	102,100	619,151,749	4,085,000	230,000	3,855,000	0.62%	37.76
1998/1999	99,417	625,807,646	3,620,000	240,000	3,380,000	0.54%	34.00
1999/2000	107,789	646,632,596	3,135,000	255,000	2,880,000	0.45%	26.72
2000/2001	107,789	649,275,809	2,620,000	265,000	2,355,000	0.36%	21.85
2001/2002	106,558	1,948,862,000 (2)	2,085,000	275,000	1,810,000	0.09%	16.99
2002/2003	106,558	2,968,102,614 (2)	1,525,000	290,000	1,235,000	0.04%	11.59
2003/2004	105,494	2,807,850,346 (2)	935,000	305,000	630,000	0.02%	5.97
2004/2005	105,494	2,818,940,818 (2)	320,000	320,000	0	0.00%	0.00
2006/2007	105,494	2,835,265,890 (2)	0	0	0	0.00%	0.00

(1) Population statistics obtained from the U.S. Census Bureau (http:/quickfacts.census.gov). Most recent estimate was for 2003.

(2) The 2001 pay 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion will have no affect on total dollars. Assessed values will increase and tax rates will decrease.

CITY OF SOUTH BEND, INDIANA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures	Ratio of Debt Service To Total General Govt. Expenditures
1997	$320,000	$282,010	$602,010	$78,868,812	0.76%
1998	445,000	207,418	652,418	88,454,203	0.74%
1999	465,000	188,173	653,173	96,063,811	0.68%
2000	485,000	168,120	653,120	100,389,862	0.65%
2001	515,000	145,830	660,830	103,772,221	0.64%
2002	535,000	121,778	656,778	114,015,410	0.58%
2003	560,000	96,260	656,260	124,125,088	0.53%
2004	590,000	66,260	656,260	133,062,773	0.49%
2005	615,000	39,445	654,445	130,713,640	0.50%
2006	320,000	8,160	328,160	129,527,536	0.25%

CITY OF SOUTH BEND, INDIANA
SCHEDULE OF REVENUE BOND COVERAGE
WATER UTILITY BONDS
LAST TEN YEARS

Year	Gross Operating Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Coverage
				Principal	Interest	Total	
1997	$6,564,766	$5,625,430	$939,336	$250,000	$215,165	$465,165	202%
1998	10,410,313	5,545,310	4,865,003	1,385,000	1,313,900	2,698,900	180%
1999	10,873,836	6,431,774	4,442,062	1,535,000	1,168,185	2,703,185	164%
2000	10,162,297	6,174,716	3,987,581	1,605,000	1,100,993	2,705,993	147%
2001	9,987,425	6,421,198	3,566,227	1,675,000	1,031,523	2,706,523	132%
2002	11,756,071	6,317,766	5,438,305	1,755,000	956,443	2,711,443	201%
2003	11,745,196	6,637,856	5,107,340	1,845,000	878,570	2,723,570	188%
2004	11,323,882	7,256,695	4,067,187	1,935,000	795,540	2,730,540	149%
2005	11,926,479	7,770,464	4,156,015	2,040,000	708,030	2,748,030	151%
2006	13,166,166	7,369,035	5,797,131	2,485,622	1,042,309	3,527,931	164%

(1) Operating expenses exclude depreciation and payment in lieu of taxes.

Operating revenue used to make debt service payments is obtained primarily through monthly user charges to water customers.

CITY OF SOUTH BEND, INDIANA
SCHEDULE OF REVENUE BOND COVERAGE
WASTEWATER UTILITY BONDS
LAST TEN YEARS

Year	Gross Operating Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Coverage
				Principal	Interest	Total	
1997	$12,536,805	$6,432,719	$6,104,086	$500,000	$410,838	$910,838	670%
1998	12,584,026	6,577,011	6,007,015	515,000	389,838	904,838	664%
1999	12,502,608	7,163,295	5,339,313	560,000	366,663	926,663	576%
2000	12,625,139	7,626,129	4,999,010	575,000	341,463	916,463	545%
2001	12,388,161	7,801,488	4,586,673	0 (2)	682,782	682,782	672%
2002	12,096,411	7,618,883	4,477,528	655,000	238,963	893,963	501%
2003	12,415,376	8,175,595	4,239,781	680,000	185,175	865,175	490%
2004	14,124,695	9,337,324	4,787,371	705,000	266,586	971,586	493%
2005	14,639,963	11,200,692	3,439,271	1,180,000	577,943	1,757,943	196%
2006	18,058,615	9,650,301	8,408,314	2,481,626	1,273,423	3,755,049	224%

(1) Operating expenses exclude depreciation and payment in lieu of taxes.
(2) The Sewage Works Revenue Bonds were refunded during 2001.

Operating revenue used to make debt service payments is obtained primarily through monthly user charges to sewer customers.

CITY OF SOUTH BEND, INDIANA
COUNTY INCOME TAX REVENUE
LAST TEN YEARS

ECONOMIC DEVELOPMENT INCOME TAX (EDIT) REVENUE

Distribution Year	EDIT Tax Rate (1)	Total Est County EDIT Collections	Rate of Growth	South Bend EDIT Distribution*	Rate of Growth	South Bend as a Percent of Total
1997	0.10%	$3,800,000	7.28%	$1,466,029	6.03%	38.6%
1998	0.20%	7,849,187	106.56%	2,871,297	95.86%	36.6%
1999	0.20%	8,253,561	5.15%	3,156,441	9.93%	38.2%
2000	0.20%	8,717,424	5.62%	3,105,473	-1.61%	35.6%
2001	0.20%	9,240,470	6.00%	3,417,763	10.06%	37.0%
2002	0.20%	14,687,146 (2)	58.94%	5,462,867 (2)	59.84%	37.2%
2003	0.20%	9,378,695	-36.14%	3,689,202	-32.47%	39.3%
2004	0.20%	9,106,517	-2.90%	3,448,688	-6.52%	37.9%
2005	0.20%	8,984,150	-1.34%	3,464,152	0.45%	38.6%
2006	0.20%	10,610,460	18.10%	4,013,475	15.86%	37.8%

(1) This tax was first enacted as of July 1, 1995 at the rate of 0.1% of City residents' adjusted gross income. The rate was increased to 0.2% effective July 1, 1997.

(2) This years estimate includes a "catch-up" amount as a result of prior years conservative estimates. This increase is one time amount. Future years distributions will be closer to 2001 amounts.

COUNTY OPTION INCOME TAX (COIT) REVENUE

Distribution Year	COIT Tax Rate (3)	Total County COIT Distributions	Rate of Growth	South Bend COIT Distribution	Rate of Growth	South Bend as a Percent of Total
1998	0.20%	$2,361,605	n/a	$732,080	n/a	31.0%
1999	0.30%	5,538,599	134.53%	1,698,624	132.03%	30.7%
2000	0.40%	7,326,809	32.29%	2,378,487	40.02%	32.5%
2001	0.50%	14,106,045	92.53%	4,491,922	88.86%	31.8%
2002	0.60%	29,185,724	106.90%	9,458,584	110.57%	32.4%
2003	0.60%	23,625,717	-19.05%	8,015,301	-15.26%	33.9%
2004	0.60%	21,703,185	-8.14%	7,001,199	-12.65%	32.3%
2005	0.60%	17,250,225	-20.52%	5,490,218	-21.58%	31.8%
2006	0.60%	19,623,593	13.76%	6,410,405	16.76%	32.7%

(3) This tax was first enacted as of July 1, 1997 at the rate of 0.2% of City residents' adjusted gross income. The COIT rate increased 0.1% each year until it reached 0.6% as of July 1, 2001. The above collections/distribution amounts are net of the additional 6% (1998), 7% (1999) and 8% (2000 and 2001) homestead credits that accompanied the passage of this income tax.

CITY OF SOUTH BEND, INDIANA
CITY'S TEN LARGEST WATER CUSTOMERS
December 31, 2006

Name	2006 Revenue	Percentage of Total Water Operating Revenue	Usage CCF*
South Bend Community Schools	$ 165,852	1.26%	90,223
Allied Signal Aerospace Company	161,527	1.23%	192,521
Memorial Health Systems	103,332	0.78%	113,258
Steel Warehouse	61,855	0.47%	78,136
St. Joseph Medical System	55,480	0.42%	54,865
Aramark Uniform Services Inc.	36,351	0.28%	47,171
Federal Mogul South Bend Inc	22,286	0.17%	26,870
Countryside Association	22,110	0.17%	26,761
Bosch Braking System	22,089	0.17%	26,462
Valley American Limited Partnership	15,238	0.12%	17,410
Total of Ten Largest Water Customers	**$ 666,120**	**5.06%**	
Total for Operating Revenue for Water Works	**$ 13,166,166**	**100.00%**	

*Hundreds of Cubic Feet

CITY OF SOUTH BEND, INDIANA
CITY'S TEN LARGEST SEWAGE WORKS CUSTOMERS
December 31, 2006

Name	2006 Revenue	Percentage of Total Water Operating Revenue	Usage CCF*
I/N TEK Plant	$ 951,815	5.27%	766,911
University of Notre Dame	879,655	4.87%	802,088
New Energy Company of Indiana	469,393	2.60%	358,864
Allied Signal Aerospace	310,385	1.72%	189,652
South Bend Community Schools	305,342	1.69%	89,106
Memorial Health System	199,089	1.10%	113,245
St. Joseph Medical System	118,685	0.66%	54,865
Sisters of the Holy Cross	91,916	0.51%	66,495
Aramark Uniform Services	71,364	0.40%	47,171
Town of New Carlisle	41,528	0.23%	45,129
Total of Ten Largest Sewer Customers	**$ 3,439,172**	**19.04%**	
Total for Operating Revenue for Wastewat	**$ 18,058,615**	**100.00%**	

*Hundreds of Cubic Feet

City of South Bend, Indiana
Property Tax Collections - Cash Basis

Fund Name	Fund Number	2003 Actual	Chg	2004 Actual	Chg	2005 Actual	Chg	2006 Actual	Chg
General Fund	101	$44,986,015.00	12%	$44,149,333.00	-2%	$44,999,550.00	2%	$48,768,150.00	8%
Parks & Recreation	201	7,602,784.00	12%	7,479,711.00	-2%	7,754,973.00	4%	8,363,955.00	8%
Redevelopment Bonds Studebaker Corridor	310	673,281.00	12%	609,732.00	-9%	565,420.00	-7%	0.00	-100%
College Football Hall of Fame Debt Service	313	1,301,840.00	3%	1,300,588.00	0%	1,246,067.00	-4%	899,472.00	-28%
Airport TIF District	324	6,546,483.69	37%	5,588,045.00	-15%	6,246,028.00	12%	7,515,744.08	20%
Cumulative Capital Development	406	1,022,511.00	8%	984,945.00	-4%	1,004,779.00	2%	1,054,963.00	5%
Sample-Ewing TIF District	414	685,924.77	20%	533,304.00	-22%	525,671.37	-1%	732,355.53	39%
South Bend Central Development Area TIF District	420	3,018,424.16	27%	2,606,365.00	-14%	2,359,430.01	-9%	3,283,074.86	39%
West Washington Street TIF District	422	254,555.06	516%	216,948.00	-15%	193,910.57	-11%	255,510.04	32%
Central Medical Service Area TIF District	426	318,652.81	4467%	337,721.00	6%	329,268.89	-3%	333,585.02	1%
Southside Development Area TIF District	430	0.00	0%	0.00	0%	25,350.91	100%	28,565.37	13%
Erskine Commons TIF District	431	0.00	0%	0.00	0%	547.62	100%	2,584.68	372%
Erskine Village TIF District	432	0.00	0%	0.00	0%	109,247.79	100%	305,398.91	180%
Fire Department Employees Pension	701	1,416,008.00	12%	1,293,471.00	-9%	1,443,033.00	12%	1,554,387.00	8%
Police Department Employees Pension	702	1,269,527.00	12%	1,128,733.00	-11%	1,296,055.00	15%	1,397,265.00	8%
Total		**$69,096,006.49**	15%	**$66,228,896.00**	-4%	**$68,099,332.16**	3%	**$74,495,010.49**	9%

Source - City Accounting System

CITY OF SOUTH BEND, INDIANA
TOTAL COUNTY OPTION INCOME TAX DISTRIBTUIONS BY TAXING UNIT

Unit of Government	2006	2005	2004	2003	2002	2001
Total County Certified Distribution	$31,044,322.00	$26,484,316.00	$26,536,784.00	$28,136,084.00	$37,769,988.00	$22,452,248.00
Less: Homestead Credit (1)	(9,767,699.00)	(9,856,185.00)	(4,559,287.00)	(8,749,937.00)	(8,839,985.00)	(8,183,890.00)
Total Distributive Shares	**$21,276,623.00**	**$16,628,131.00**	**$21,977,497.00**	**$19,386,147.00**	**$28,930,003.00**	**$14,268,358.00**
Distributive Shares/Total County Distribution	**68.54%**	**62.78%**	**82.82%**	**68.90%**	**76.60%**	**63.55%**
Amount						
St. Joseph County	$8,440,988.00	$6,427,640.00	$8,578,046.00	$7,245,150.00	$11,721,648.00	$5,910,247.00
Townships	834,727.00	759,050.00	1,002,449.00	783,227.00	1,039,887.00	550,072.00
City of South Bend	6,733,129.00	5,306,680.00	6,849,450.00	6,342,861.00	9,100,110.00	4,498,381.00
Other Cities & Towns	2,616,698.00	2,028,358.00	2,658,984.00	2,536,818.00	3,644,267.00	1,753,467.00
Libraries	1,706,495.00	1,319,023.00	1,699,459.00	1,555,407.00	2,051,510.00	999,502.00
Special Districts	944,586.00	787,380.00	1,189,109.00	922,684.00	1,372,581.00	556,689.00
Total	**$21,276,623.00**	**$16,628,131.00**	**$21,977,497.00**	**$19,386,147.00**	**$28,930,003.00**	**$14,268,358.00**
Percentage of Distribution						
St. Joseph County	39.67%	38.66%	39.03%	37.37%	40.52%	41.42%
Townships	3.92%	4.56%	4.56%	4.04%	3.59%	3.86%
City of South Bend	31.65%	31.91%	31.17%	32.72%	31.46%	31.53%
Other Cities & Towns	12.30%	12.20%	12.10%	13.09%	12.60%	12.29%
Libraries	8.02%	7.93%	7.73%	8.02%	7.09%	7.01%
Special Districts	4.44%	4.74%	5.41%	4.76%	4.74%	3.90%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(1) A portion of the county option income tax is used for property tax relief through homestead credits for residential property owners.

Source - State of Indiana Department of Local Government Finance COIT Distribution Reports

CITY OF SOUTH BEND, INDIANA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	City of South Bend Population (1)	Percent Increase/ (Decrease)	South Bend Metropolitan Area Median Family Income (2)	Percent Increase/ (Decrease)	City of South Bend Median Age (5)	City of South Bend Public School Enrollment (3)	Percent Increase/ (Decrease)	South Bend Metropolitan Area Labor Force (4)	Percent Increase/ (Decrease)	South Bend Metropolitan Area Unemployment (4)	Percent Increase/ (Decrease)	South Bend Metropolitan Unemployment Rate
1997	102,100	-3.2%	33,124	-10.2%	32.7	20,915	n/a	136,673	1.5%	4,520	-16.0%	3.3%
1998	102,100	0.0%	35,249	6.4%	32.7	20,950	0.2%	135,971	-0.5%	3,799	-16.0%	2.8%
1999	99,417	-2.6%	34,203	-3.0%	32.7	21,195	1.2%	134,368	-1.2%	4,177	9.9%	3.1%
2000	107,789	8.4%	34,702	1.5%	32.7	21,327	0.6%	134,598	0.2%	4,550	8.9%	3.4%
2001	107,789	0.0%	40,816	17.6%	32.7	21,362	0.2%	135,360	0.6%	6,250	37.4%	4.6%
2002	106,558	-1.1%	40,816	0.0%	32.7	21,059	-1.4%	135,020	-0.3%	6,170	-1.3%	4.6%
2003	105,494	-1.0%	37,140	-9.0%	32.7	21,981	4.4%	137,040	1.5%	6,470	4.9%	4.7%
2004	105,494	0.0%	39,940	7.5%	32.7	22,140	0.7%	136,990	0.0%	5,890	-9.0%	4.3%
2005	105,494	0.0%	37,971	-4.9%	34.5	22,100	-0.2%	134,798	-1.6%	7,116	20.8%	5.3%
2006	105,494	0.0%	39,046	2.8%	34.5	21,926	-0.8%	136,217	1.1%	6,988	-1.8%	5.1%

Sources:

(1) U.S. Census Bureau (http:/quickfacts.census/gov). Most recent estimate was for 2003.
(2) South Bend, Indiana Wikipedia Encyclopedia. http//en.wikepedia.org
(3) South Bend Community School Corporation Administration office
(4) South Bend-Mishawaka, IN_MI Metropolitan Area Profile (http://www.stats.indiana.edu).
(5) U.S. Census Bureau (http://factfinder.census.gov). Information available for 2000 and 2005.

CITY OF SOUTH BEND, INDIANA
COMPARISON OF GROWTH RATES IN PERSONAL INCOME FOR ST. JOSEPH COUNTY, THE STATE OF INDIANA AND U.S. DISPOSABLE PERSONAL INCOME

	Amount in Millions		Amount in Billions	Annual Percentage of Increase		
Calendar Year	St. Joseph County Net Earnings	Indiana Net Earnings	U.S. Disposable Personal Income	St. Joseph County Net Earnings	Indiana Net Earnings	U.S. Disposable Personal Income
1995	3,779	86,445	6,144	1.45%	3.10%	18.95%
1996	3,913	90,847	6,512	3.55%	5.09%	5.99%
1997	4,051	95,624	6,907	3.53%	5.26%	6.07%
1998	4,321	102,779	7,415	6.67%	7.48%	7.35%
1999	4,573	108,246	7,796	5.83%	5.32%	5.14%
2000	4,742	114,757	8,422	3.70%	6.02%	8.03%
2001	5,022	115,668	8,716	5.90%	0.79%	3.49%
2002	5,191	119,546	8,872	3.37%	3.35%	1.79%
2003	5,530	125,862	9,157	6.53%	5.28%	3.21%
2004	5,780	132,362	9,705	4.52%	5.16%	5.98%
Average Annual Growth - Most Recent 5 Years				4.80%	4.12%	4.50%
Average Annual Growth - Most Recent 10 Years				4.50%	4.69%	6.60%

Obtained from STATS Indiana, a website sponsored by the Indiana Business Research Center at Indiana University's Kelley School of Business.Website address: www.stats.indiana.edu. Accessed May 10, 2007. Information is updated through 2004.

CITY OF SOUTH BEND, INDIANA
NEW CONSTRUCTION - NUMBER OF PERMITS AND PROPERTY VALUES
Last Ten Fiscal Years
(Dollar Amounts in 000's)

Year	Residential Number of Permits	Residential Value (in 000's)	Residential Value Increase/ (Decrease)	Commercial Number of Permits	Commercial Value (in 000's)	Public Utility Number of Permits	Public Utility Value (in 000's)	Manufacturing Number of Permits	Manufact Value (in 000's)	Commercial, Public Utility and Manufacturing Total Value (in 000's)	Total Value Increase/ (Decrease)
1997	120	$10,687	-7.1%	27	$40,985	868	$18,706	2	$6,500	$66,191	89.2%
1998	143	13,586	27.1%	27	28,275	1,195	26,871	2	4,870	60,016	-9.3%
1999	186	19,119	40.7%	40	52,735	1,407	23,085	2	4,760	80,580	34.3%
2000	160	15,833	-17.2%	18	6,792	2,355	74,127	2	3,490	84,409	4.8%
2001	101	11,316	-28.5%	28	12,307	2,253	60,035	5	17,362	89,704	6.3%
2002	107	11,707	3.5%	24	35,810	2,222	47,710	2	2,475	85,995	-4.1%
2003	140	19,573	67.2%	28	13,280	1,822	42,435	2	375	56,090	-34.8%
2004	147	20,203	3.2%	20	24,340	2,823	50,910	3	847	76,097	35.7%
2005	166	25,123	24.4%	17	28,578	2,611	39,435	1	6,000	74,013	-2.7%
2006	102	17,241	-31.4%	21	36,749	2,282	34,836	2	7,927	79,512	7.4%

Obtained from the Consolidated City/County Building Department and City Engineering Department.

City of South Bend, Indiana
Financial Institution Data
Last Ten Years
(Amounts in 000's)

Year	Banks		Savings and Loans		Credit Unions		Total Deposits in Financial Institutions Amount	Percent Increase/ (Decrease)
	Number of Branches	Deposits at June 30	Number of Branches	Deposits at June 30	Number of Branches	Deposits at June 30		
1997	33	$1,386,678	9	$278,628	9	$827,635	$2,492,941	4.6%
1998	31	1,556,550	7	269,054	10	1,001,584	2,827,188	13.4%
1999	31	1,571,337	9	336,305	11	1,064,852	2,972,494	5.1%
2000	33	1,634,983	9	287,561	11	1,174,357	3,096,901	4.2%
2001	34	1,688,493	11	239,588	10	1,223,040	3,151,121	1.8%
2002	34	1,671,954	11	230,681	10	1,365,450	3,268,085	3.7%
2003	27	1,669,112	10	199,232	16	1,553,939	3,422,283	4.7%
2004	30	1,400,529	10	200,558	16	1,684,765	3,285,852	-4.0%
2005	30	1,851,156	10	195,445	16	1,798,313	3,844,914	17.0%
2006	35	2,054,972	5	89,039	16	1,857,323	4,001,334	4.1%

City of South Bend Financial Institutions
2006
Total Deposits (Amounts in 000's)

Banks

1st Source Bank	$1,186,556	57.74%
Key Bank National Association	373,162	18.16%
Wells Fargo Bank NA	130,646	6.36%
National City Bank of Indiana	124,816	6.07%
LaSalle bank Midwest NA	115,466	5.62%
Others (4)	124,326	6.05%
Total	**$2,054,972**	**100.00%**

Savings and Loans

MFB Financial	$89,039	100%
Total	**$89,039**	**100%**

Credit Unions

Teacher's Credit Union	$1,239,805	66.75%
Notre Dame Federal Credit Union	329,270	17.73%
Community Wide Credit Union	163,567	8.81%
AAA Federal Credit Union	43,196	2.33%
Policemen's Federal Credit Union	36,120	1.94%
Others (5)	45,365	2.44%
Total	**$1,857,323**	**100.00%**

Sources:
Federal Deposit Insurance Corporation Website (www.fdic.gov)
National Credit Union Association Website (www.ncua.gov)
First Source Bank

CITY OF SOUTH BEND, INDIANA
INSURANCE COVERAGE
2006

Type of Coverage		Limits of Liability	Estimated Annual Premium
LIABILITY			
Comprehensive General Liability		N/A	Self-Insured
Police Professional Liability		N/A	Self-Insured
Ambulance Malpractice Liability		N/A	Self-Insured
Premises Liability		N/A	Self-Insured
(Clay Utilities, Century Center, Parking Garages)			
CGL - Stadium		N/A	Self-Insured
Liquor Liability	4/26/06 - 07	$1,000,000	$3,500 Premium
CRIME			
Public Employee Dishonesty		$1,000,000	$9,589 Premium
Public Official - Position Schedule Bond		N/A	N/A
PROPERTY	1/15/06 - 07		
All risk blanket building & contents		$300,000,000	$344,577 Premium
Business Income		$10,000,000	Included in above
Boiler and Machinery		100,000,000	Included in above
Electronic Equipment		$10,000,000	Included in above
Fine Arts Museums		$5,000,000	Included in above
Valuable Papers		$10,000,000	Included in above
Inland Marine Property Coverage:	1/15/06 - 07		
Electronic Equipment		$10,000,000	
Contractors Equipment		$5,000,000	$19,620 Premium
OTHER	1/1/06 - 07		
Workers Compensation		Statutory	Self-Insured
Third Party Fee		Statutory	$75,000 Fee
Excess Over Self-insured		Statutory	$126,655 Premium/Fee
$250,000 Retention Each Accident			

City of South Bend, Indiana
Miscellaneous Statistics
December 31, 2006

Police Department

Authorized Officers	264
Vehicles	345
Special Officer Groups:	
K-9 Patrols	10
SWAT Team	17
Metro Drug Task Force (of 20 total)	19
NEST - Special Neighborhood Unit	10
Bicycle Patrol Officers	4
Motorcycle Patrol Officers	2
Community Relations Officers	5
Bomb Squad	7
Crime Prevention Officers	4
2006 Crime Data:	
Murders	14
Rapes	67
Robbery	431
Aggravated Assault	292
Residential Burglary	1,351
Non-residential Burglary	579
Larceny	4,895
Auto Theft	563
Arson	86
Calls for Service	138,500
Dispatches	124,500
Miles Driven	3,802,024
Arrests	5,932

Sewer Utility

Customers	39,124
Dry Tons of Sludge produced per year	21,495
Miles of Sanitary Sewer Lines	550
Miles of Storm Sewer Lines	240

South Bend Regional Airport

Year	Passenger Volume
1997	991,247
1998	986,350
1999	955,232
2000	857,740

Department of Public Works

Traffic Signals	160
Street Lights (City maintained)	2,000
Miles of Streets	500
Miles of Sidewalks	685
Miles of Alleys	398
Miles of Sanitary Sewers and Storm Drain:	540
City Owned Vehicles	867
Trash Picked Up Per Week (in tons)	657 /wk
(Organic Resource & Landfill)	(67,431 Cu.Yd)

Sign Shop

Work orders for sign maintenance, installation or removal	2,000
Gallons of traffic paint for street markings	4,025
Pre-formed plastic arrows used for street markings	30
Built Portables	0
Railroad Crossings	3
Built Barricades	0
Special Signs Built	350
Barricades set up for 2006 events (# of events):	
Block Parties	57
Parades	4
Run/Walkathons & Special Events	45
Notre Dame Football Games	7
Fireworks - Coveleski Stadium	6

Convention Facilities

Century Center	64,000 square feet of exhibit space 2,992 available seating 700 seat theater
Morris Performing Arts Center	2,500 available seating

Fire Department

Paid Department established 1887

Sworn Firefighters (51 of which are Paramedics)	248
Fire Apparatus	20
Hazardous Materials Truck	1
Reserve Pumper Trucks	2
Reserve Ladder Trucks	2
River Rescue Boats	3
Ambulances	10
Neonatal (Newborn) Units	3
Fire Runs	32,484
Ambulance Runs	9,971

Water Utility

Customers/Meters	43,431
Wells/Pumps in service	32
Pumping Capacity	65 m.g.d.
Daily Consumption	20.1 m.g.d.
Peak Demand	40 m.g.d.
Miles of Distribution Systems	553
Fire Hydrants	5,013

Colleges and Universities

Universities and Colleges	Enrollment
The University of Notre Dame	11,417
Indiana University at South Bend	7,420
Bethel College	1,647
St. Mary's College	1,550
Holy Cross College	503
Davenport University - South Bend	475
Tri-State University - South Bend	100
Technical Colleges	
IVY Tech Community College	7,600
Brown Mackie College - South Bend	676

City of South Bend, Indiana
Miscellaneous Statistics
December 31, 2006

2001	739,407
2002	812,080
2003	802,191
2004	780,033
2005	693,675
2006	729,619

The South Bend Regional Airport had 56,862 take-offs and landings during 2006. Approximately 40 commercial airline flights per day fly to nine hub airports.

Commercial airlines with operations at South Bend Regional Airport (market share):

	2006	2005
Allegiant Air	10.51%	2.55%
Continential Connection	4.90%	4.19%
Delta Connection	33.60%	34.62%
Northwest/KLM Airlines	25.89%	29.19%
United Express	25.10%	27.73%
A.T.A.	0.00%	1.72%
Total	100.00%	100.00%

Bus Passengers	66,430.00	69,712.00
Train Passengers (South Shore)	281,225.00	234,722.00

Transpo

South Bend Public Transportation Corporation

Route Miles	232
2003 Ridership	3.1 million
2003 Miles of Service	1.8 million

Notre Dame Joyce Athletic and Convocation Center	115,000 square feet of exhibit space 11,345 available seating
Motels	27 motels/hotels 4 Bed and Breakfasts Over 2,700 available rooms

Major motels and meeting rooms:

Marriott	facilities to seat 800
Holiday Inn	facilities to seat 300

Other Transportation

43 Trucking Lines, 33 Terminals

2 Interstate Bus Lines

4 Major Rail Systems (freight and passenger)

Other

- Incorporated in 1865
- County Seat of St. Joseph County
- South Bend officially began under the name South Hold but the name was changed by the Post Office in 1830 to avoid confusion with other communities that used that name. The name South Bend was used because the City is located at the southernmost point of the St. Joseph River.
- Average High Temperature:

January	30 degrees Farenheit
July	83 degrees Farenheit

Health Care

The City of South Bend has excellent health care access at costs below the national average and the lowest in the midwest region. The City has two major hospitals:

Memorial Health Systems	526 beds
St. Joseph Regional Medical Center	310 beds

Communications

Access to:

3 Major Television Networks (WNDU, WSJV, WSBT)
1 Public Broadcasting Station (WNIT)
1 Local Television Station (WHME)
1 Major Newspaper (The South Bend Tribune)
24 Radio Stations

Famous Residents

South Bend has been the home to the many distinguished individuals including the following persons:

Ryan Newman, racecar driver
John Fogerty, singer
Michael Warren, actor
Chad Everett, actor
Knute Rockne, football coach
John Wooden, basketball coach
Joe Kernan, former South Bend Mayor and Indiana Governor

Note: This Miscellaneous Statistics summary is no longer required by GASB Statement No. 44. It is presented as an optional report.

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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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 SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Bend (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated May 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express such an opinion.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

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.

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

May 25, 2007

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

TO: THE OFFICIALS OF THE CITY OF SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of South Bend (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 programs for the year ended December 31, 2006. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 programs for the year ended December 31, 2006.

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, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express such an opinion.

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

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, 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

May 25, 2007

CITY OF SOUTH BEND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

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.S. DEPARTMENT OF COMMERCE			
Direct grant			
Public Works and Economic Development Cluster			
Economic Adjustment Assistance	11.307	06-19-01251	$ 282,042
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct grant			
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218	Section 108 # 7	10,810
		Section 108 # 8	1,125,636
		B-05-MC-18-0011	2,770,754
		B-06-MC-18-0011	107,843
Total for cluster			4,015,043
Emergency Shelter Grants Program	14.231	S-05-MC-18-0011	14,847
		S-06-MC-18-0011	110,546
Total for program			125,393
Shelter Plus Care	14.238	IN36-C960-101-96	14,020
		IN36-C400-001MAD	22,419
		IN36-C400-005MAD	44,948
		IN36-C400-006AIDS	22,514
		IN36-C500-008MAD	22,542
		IN36-C5300-009AIDS	8,864
Total for program			135,307
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-04-SP-IN-0248	329,597
		B-05-SP-IN-0475	241,872
Total for program			571,469
Fair Housing Assistance Program - State and Local	14.401		109,974
Neighborhood Initiative Projects	14.Unknown	B-01-N1-IN-SB-001	9,896
Total for federal grantor agency			4,967,082
U.S. DEPARTMENT OF JUSTICE			
Direct grant			
Gang Resistance Education and Training	16.541	2005-JVFX-0151	34,388
Local Law Enforcement Block Grant Program	16.592	04 ibbx 1293	72,105
Community Capacity Development Office	16.595	2005-WS-Q05-0056	143,831
		2005-WS-Q05-0237	66,756
		2006-WS-Q06-0020	78,660
Total for program			289,247
Public Safety Partnership and Community Policing Grants	16.710	04sjwx0063	136,158
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05djbx0375	61,816

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

CITY OF SOUTH BEND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF JUSTICE (continued)			
Pass-Through Indiana Criminal Justice Institute			
Crime Victim Assistance	16.575	05-VA-116	37,432
Violence Against Women Formula Grants	16.588	05 st 050	13,503
Motor Vehicle Theft Protection Act Program	16.597	03 gp 002	13,254
		03 gp 012	7,534
		04 gp 001	28,675
		04 gp 002	51,381
Total for program			100,844
Total for federal grantor agency			745,493
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-Through Indiana Governor's Council on Impaired and Dangerous Driving			
Highway Safety Cluster			
State and Community Highway Safety	20.600	PT-06-04-07-48	86,249
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
Direct grant			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002		85,327
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct grant			
Brownfield Pilots Cooperative Agreements	66.811	BF-965--293-01-1	155,076
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-965-546-01	4,156
		BF-965-597-01	15,727
		BF-965-645-01	111,559
Total for program			131,442
Pass-Through Indiana Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds	66.458		17,656
Total for federal grantor agency			304,174
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct grant			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-12328	327,360
Total federal awards expended			$ 6,797,727

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

CITY OF SOUTH BEND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of South Bend (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.

Note II. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended December 31, 2006:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
CDBG – Entitlement and (HUD Administered) Small Cities Cluster	14.218	$ 2,064,358
Shelter Plus Care	14.238	121,287
Crime Victim Assistance	16.575	37,432
Violence Against Women Formula Grants	16.588	13,503

CITY OF SOUTH BEND
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:

Significant deficiencies 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:

Significant deficiencies 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
	CBDG – Entitlement and (HUD-Administered) Small Cities Cluster
14.246	Community Development Block Grants/ Brownfields Economic Development Initiative
97.044	Assistance to Firefighters Grant

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF SOUTH BEND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.