

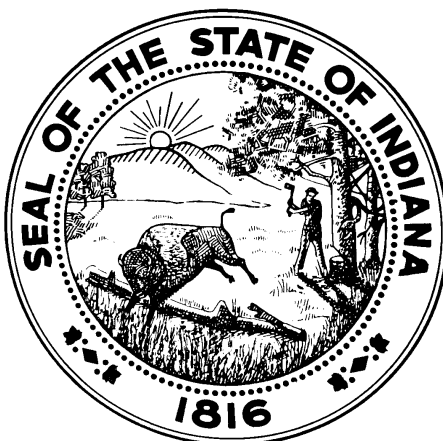
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

CITY OF TERRE HAUTE

VIGO COUNTY, INDIANA



**FILED**  
12/31/2007



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	9-10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	11-12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
Statement of Net Assets – Proprietary Funds.....	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	15
Statement of Cash Flows – Proprietary Funds .....	16
Statement of Fiduciary Net Assets – Fiduciary Funds .....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	18
Notes to Financial Statements .....	19-42
Required Supplementary Information:	
Schedules of Funding Progress .....	43
Schedules of Contributions From the Employer and Other Contributing Entities .....	44
Budgetary Comparison Schedules .....	45-47
Budget/GAAP Reconciliation .....	48
Audit Results and Comments:	
Bad Debts and Uncollectible Accounts .....	49
Overdrawn Cash Fund Balances.....	50
Internal Controls .....	50
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	52-53
Schedule of Expenditures of Federal Awards .....	54
Note to Schedule of Expenditures of Federal Awards.....	55
Schedule of Findings and Questioned Costs .....	56
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	57
Exit Conference.....	58

OFFICIALS

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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Terre Haute (City), as of and for the year ended December 31, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 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 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 August 30, 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.

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

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

STATE BOARD OF ACCOUNTS

October 23, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Terre Haute (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 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 an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

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

Compliance and Other Matters

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 grant agreements, 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 or other matters 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

October 23, 2007

CITY OF TERRE HAUTE  
STATEMENT OF NET ASSETS  
December 31, 2006

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Cash and cash equivalents	\$ 5,663,529	\$ 3,238,962	\$ 8,902,491
Receivables (net of allowances for uncollectibles):			
Taxes	884,661	-	884,661
Accounts	722,870	1,279,319	2,002,189
Interest receivable	10,720	-	10,720
Other receivables	255,945	-	255,945
Intergovernmental	608,871	-	608,871
Loans	523,639	-	523,639
Prepaid expense	131,709	24,349	156,058
Deferred debits	950,996	914,609	1,865,605
Restricted assets:			
Cash and cash equivalents	37,867,636	31,360,722	69,228,358
Investments	228,000	-	228,000
Interest receivable	176,540	199,151	375,691
Capital assets:			
Land, improvements and construction in progress	27,069,865	7,099,550	34,169,415
Other capital assets, net of depreciation	<u>20,960,481</u>	<u>55,065,275</u>	<u>76,025,756</u>
<b>Total assets</b>	<u>96,055,462</u>	<u>99,181,937</u>	<u>195,237,399</u>
<u>Liabilities</u>			
Accounts payable	223,283	77,413	300,696
Accrued payroll and withholdings payable	1,195,399	58,845	1,254,244
Contracts payable	-	312,243	312,243
Accrued interest payable	11,869	-	11,869
Deferred revenue	889,267	34,902	924,169
Payable from restricted assets:			
Accrued bond interest	234,224	-	234,224
Revenue bonds - due within one year	40,000	385,000	425,000
Noncurrent liabilities:			
Due within one year:			
General obligation bonds payable	2,710,000	-	2,710,000
City's share of fire protection district bonds payable	18,240	-	18,240
Capital lease obligations	611,372	-	611,372
Notes and loans payable	39,004	-	39,004
Due in more than one year:			
General obligation bonds payable (net of discounts or premiums)	46,370,000	-	46,370,000
Compensated absences	2,856,622	102,735	2,959,357
Revenue bonds payable (net of discounts or premiums)	3,423,937	28,210,000	31,633,937
Capital lease obligations	274,987	-	274,987
Notes and loans payable	7,633,546	-	7,633,546
Net pension obligation	<u>24,391,853</u>	<u>-</u>	<u>24,391,853</u>
<b>Total liabilities</b>	<u>90,923,603</u>	<u>29,181,138</u>	<u>120,104,741</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	(3,290,343)	33,569,825	30,279,482
Restricted for:			
Public safety	1,674,765	-	1,674,765
Highways and streets	1,939,923	-	1,939,923
Sanitation	22,333,906	31,559,873	53,893,779
Economic development	2,437,606	-	2,437,606
Culture and recreation	440,948	-	440,948
Debt service	2,703,603	-	2,703,603
Other purposes	7,321,313	-	7,321,313
Unrestricted	<u>(30,429,862)</u>	<u>4,871,101</u>	<u>(25,558,761)</u>
<b>Total net assets</b>	<u>\$ 5,131,859</u>	<u>\$ 70,000,799</u>	<u>\$ 75,132,658</u>

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

CITY OF TERRE HAUTE  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 24,845,905	\$ 1,653,253	\$ 1,056,012	\$ -	\$ (22,136,640)	\$ -	\$ (22,136,640)
Public safety	16,454,822	1,045,550	142,765	30,337	(15,236,170)	-	(15,236,170)
Highways and streets	6,961,514	23,089	2,220,106	543,909	(4,174,410)	-	(4,174,410)
Sanitation	1,890,000	-	-	1,095,602	(794,398)	-	(794,398)
Economic development	4,288,009	-	-	-	(4,288,009)	-	(4,288,009)
Culture and recreation	4,218,371	1,262,204	59,461	-	(2,896,706)	-	(2,896,706)
Urban redevelopment and housing	3,974,418	-	4,620,515	131,206	777,303	-	777,303
Interest on long-term debt	2,323,671	-	-	-	(2,323,671)	-	(2,323,671)
Total governmental activities	<u>64,956,710</u>	<u>3,984,096</u>	<u>8,098,859</u>	<u>1,801,054</u>	<u>(51,072,701)</u>	<u>-</u>	<u>(51,072,701)</u>
Business-type activities:							
Wastewater	9,318,953	10,817,876	525,363	-	-	2,024,286	2,024,286
Total primary government	<u>\$ 74,275,663</u>	<u>\$ 14,801,972</u>	<u>\$ 8,624,222</u>	<u>\$ 1,801,054</u>	<u>(51,072,701)</u>	<u>2,024,286</u>	<u>(49,048,415)</u>
General revenues:							
Property taxes					30,741,614	-	30,741,614
Intergovernmental revenues:							
Financial institutions tax					468,661	-	468,661
Auto and aircraft excise tax					1,863,708	-	1,863,708
Commercial vehicle excise tax					167,969	-	167,969
County adjusted gross income tax					2,972,082	-	2,972,082
Tax increments for redeveloping districts					787,998	-	787,998
Economic development income tax					3,955,329	-	3,955,329
Surtax and wheel tax					561,858	-	561,858
Property tax replacement credit					842,222	-	842,222
ABC excise tax					24,316	-	24,316
ABC gallonage tax					140,446	-	140,446
State cigarette tax					58,083	-	58,083
Gaming tax revenue					375,139	-	375,139
Contributions by city and employees to health self-insurance plan					3,959,238	-	3,959,238
Unrestricted investment earnings					1,016,072	-	1,016,072
Other:							
Miscellaneous revenues					10,636	-	10,636
Transfers from excess levy fund					748,697	-	748,697
Total general revenues, intergovernmental revenues, other, and transfers					<u>48,694,068</u>	<u>-</u>	<u>48,694,068</u>
Change in net assets					(2,378,633)	2,024,286	(354,347)
Net assets - beginning					<u>7,510,492</u>	<u>67,976,513</u>	<u>75,487,005</u>
Net assets - ending					<u>\$ 5,131,859</u>	<u>\$ 70,000,799</u>	<u>\$ 75,132,658</u>

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

CITY OF TERRE HAUTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2006

<u>Assets</u>	<u>General</u>	<u>Motor Vehicle Highway</u>	<u>Local Road and Street</u>	<u>Cemetery</u>	<u>Transit</u>	<u>Park and Recreation</u>	<u>Sanitary District Bond Retirement</u>	<u>Sanitary District Project 19</u>
Cash and cash equivalents	\$ 5,663,529	\$ 1,066,215	\$ 684,206	\$ 305,424	\$ 479,361	\$ 434,909	\$ 1,806,847	\$ 2,168,363
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	10,720	-	-	-	-	-	-	-
Taxes	653,589	-	-	12,862	-	64,001	236,659	-
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	34,156	225,046	90,501	-	259,168	-	-	-
Loans	-	-	-	-	-	-	-	-
Other	255,945	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 6,617,939</u></b>	<b><u>\$ 1,291,261</u></b>	<b><u>\$ 774,707</u></b>	<b><u>\$ 318,286</u></b>	<b><u>\$ 738,529</u></b>	<b><u>\$ 498,910</u></b>	<b><u>\$ 2,043,506</u></b>	<b><u>\$ 2,168,363</u></b>
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 114,513	\$ 5,615	\$ 5,811	\$ 1,348	\$ 4,429	\$ 23,373	\$ -	\$ -
Accrued payroll and withholdings payable	1,020,719	47,346	-	16,360	37,914	39,518	-	-
Accrued interest payable	11,869	-	-	-	-	1,993	-	-
Deferred revenue	658,196	-	-	12,862	-	64,001	236,659	-
<b>Total liabilities</b>	<b><u>1,805,297</u></b>	<b><u>52,961</u></b>	<b><u>5,811</u></b>	<b><u>30,570</u></b>	<b><u>42,343</u></b>	<b><u>128,885</u></b>	<b><u>236,659</u></b>	<b><u>-</u></b>
Unreserved, reported in:								
General fund	4,812,642	-	-	-	-	-	-	-
Special revenue funds	-	1,238,300	768,896	287,716	696,186	370,025	1,806,847	-
Capital projects funds	-	-	-	-	-	-	-	2,168,363
<b>Total fund balances</b>	<b><u>4,812,642</u></b>	<b><u>1,238,300</u></b>	<b><u>768,896</u></b>	<b><u>287,716</u></b>	<b><u>696,186</u></b>	<b><u>370,025</u></b>	<b><u>1,806,847</u></b>	<b><u>2,168,363</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 6,617,939</u></b>	<b><u>\$ 1,291,261</u></b>	<b><u>\$ 774,707</u></b>	<b><u>\$ 318,286</u></b>	<b><u>\$ 738,529</u></b>	<b><u>\$ 498,910</u></b>	<b><u>\$ 2,043,506</u></b>	<b><u>\$ 2,168,363</u></b>

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

CITY OF TERRE HAUTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2006  
(Continued)

<u>Assets</u>	Sanitary District Project 20	Sanitary District Project 21	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income Tax	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 4,007,652	\$ 15,414,035	\$ 906,299	\$ 246,683	\$ 2,672,962	\$ 6,830,207	\$ 42,686,692
Investments	-	-	-	-	-	228,000	228,000
Receivables (net of allowances for uncollectibles):							
Interest	32,727	128,863	-	-	-	9,838	182,148
Taxes	-	-	15,846	-	-	-	982,957
Accounts	-	-	-	-	-	803,189	803,189
Intergovernmental	-	-	-	-	-	-	608,871
Loans	-	-	-	-	-	523,639	523,639
Other	-	-	-	-	-	-	255,945
<b>Total assets</b>	<b><u>\$ 4,040,379</u></b>	<b><u>\$ 15,542,898</u></b>	<b><u>\$ 922,145</u></b>	<b><u>\$ 246,683</u></b>	<b><u>\$ 2,672,962</u></b>	<b><u>\$ 8,394,873</u></b>	<b><u>\$ 46,271,441</u></b>
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 10,048	\$ -	\$ 41,571	\$ 16,575	\$ 223,283
Accrued payroll and withholdings payable	-	-	-	-	-	33,541	1,195,398
Accrued interest payable	-	189,427	-	-	-	42,804	246,093
Deferred revenue	-	-	15,846	-	-	-	987,564
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>189,427</u></b>	<b><u>25,894</u></b>	<b><u>-</u></b>	<b><u>41,571</u></b>	<b><u>92,920</u></b>	<b><u>2,652,338</u></b>
Unreserved, reported in:							
General fund	-	-	-	-	-	-	4,812,642
Special revenue funds	-	-	-	-	-	8,301,953	13,469,923
Capital projects funds	<u>4,040,379</u>	<u>15,353,471</u>	<u>896,251</u>	<u>246,683</u>	<u>2,631,391</u>	<u>-</u>	<u>25,336,538</u>
<b>Total fund balances</b>	<b><u>4,040,379</u></b>	<b><u>15,353,471</u></b>	<b><u>896,251</u></b>	<b><u>246,683</u></b>	<b><u>2,631,391</u></b>	<b><u>8,301,953</u></b>	<b><u>43,619,103</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,040,379</u></b>	<b><u>\$ 15,542,898</u></b>	<b><u>\$ 922,145</u></b>	<b><u>\$ 246,683</u></b>	<b><u>\$ 2,672,962</u></b>	<b><u>\$ 8,394,873</u></b>	
 Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							48,030,346
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.							1,082,705
Allowances for doubtful accounts are recognized for governmental activities in the statement of net assets, but are not reported in the funds.							(80,319)
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.							849,585
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.							(63,977,708)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.							<u>(24,391,853)</u>
<b>Net assets of governmental activities</b>							<b><u>\$ 5,131,859</u></b>

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

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

	General	Motor Vehicle Highway	Local Road and Street	Cemetery	Transit	Park and Recreation	Sanitary District Bond Fund	Sanitary District Project 19
<b>Revenues:</b>								
Taxes	\$ 20,432,122	\$ -	\$ -	\$ 399,776	\$ -	\$ 1,999,469	\$ 7,408,011	\$ -
Licenses and permits	198,431	-	-	-	-	-	-	-
Intergovernmental	6,073,136	2,814,582	543,064	32,560	989,302	163,230	598,020	-
Charges for services	729,668	12,450	-	96,031	132,512	22,656	-	-
Fines and forfeits	379,059	-	-	-	-	-	-	-
Other	1,366,396	10,639	-	44,102	5,133	-	-	-
<b>Total revenues</b>	<b>29,178,812</b>	<b>2,837,671</b>	<b>543,064</b>	<b>572,469</b>	<b>1,126,947</b>	<b>2,185,355</b>	<b>8,006,031</b>	<b>-</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	12,917,993	-	-	703,314	1,526,994	-	-	-
Public safety	15,687,580	-	-	-	-	-	-	-
Highways and streets	-	3,074,508	441,417	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	2,256,691	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
<b>Debt service:</b>								
Principal	-	-	-	-	-	-	5,586,968	-
Interest	-	-	-	-	-	-	2,082,352	-
<b>Capital outlay:</b>								
Highways and streets	-	-	-	-	-	-	-	-
Urban redevelopment	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	2,207,241
Building	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>28,605,573</b>	<b>3,074,508</b>	<b>441,417</b>	<b>703,314</b>	<b>1,526,994</b>	<b>2,256,691</b>	<b>7,669,320</b>	<b>2,207,241</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>573,239</b>	<b>(236,837)</b>	<b>101,647</b>	<b>(130,845)</b>	<b>(400,047)</b>	<b>(71,336)</b>	<b>336,711</b>	<b>(2,207,241)</b>
<b>Other financing sources (uses):</b>								
Transfers in	1,250,172	-	-	-	-	76,910	-	-
Transfers out	(150,000)	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>1,100,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,910</b>	<b>-</b>	<b>-</b>
<b>Special item:</b>								
Proceeds from sale of equipment	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>1,673,411</b>	<b>(236,837)</b>	<b>101,647</b>	<b>(130,845)</b>	<b>(400,047)</b>	<b>5,574</b>	<b>336,711</b>	<b>(2,207,241)</b>
<b>Fund balances - beginning</b>	<b>3,139,231</b>	<b>1,475,137</b>	<b>667,249</b>	<b>418,561</b>	<b>1,096,233</b>	<b>364,451</b>	<b>1,470,136</b>	<b>4,375,604</b>
<b>Fund balances - ending</b>	<b>\$ 4,812,642</b>	<b>\$ 1,238,300</b>	<b>\$ 768,896</b>	<b>\$ 287,716</b>	<b>\$ 696,186</b>	<b>\$ 370,025</b>	<b>\$ 1,806,847</b>	<b>\$ 2,168,363</b>

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

CITY OF TERRE HAUTE  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	Sanitary District Project 20	Sanitary District Project 21	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ 497,499	\$ -	\$ -	\$ 1,357,240	\$ 32,094,117
Licenses and permits	-	-	-	-	-	27,870	226,301
Intergovernmental	-	-	40,517	212,972	3,955,329	6,022,245	21,444,957
Charges for services	-	-	-	-	-	3,259,331	4,252,648
Fines and forfeits	-	-	-	-	-	39,307	418,366
Other	317,743	763,150	14,710	-	-	2,010,202	4,532,075
<b>Total revenues</b>	<b>317,743</b>	<b>763,150</b>	<b>552,726</b>	<b>212,972</b>	<b>3,955,329</b>	<b>12,716,195</b>	<b>62,968,464</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	-	-	-	-	-	151,322	\$ 15,299,623
Public safety	-	-	-	-	-	767,242	16,454,822
Highways and streets	-	-	-	-	-	-	3,515,925
Sanitation	-	-	-	-	-	581,754	581,754
Economic development	-	-	-	-	3,109,122	2,281,359	5,390,481
Culture and recreation	-	-	-	-	-	1,437,584	3,694,275
Urban redevelopment and housing	-	-	-	-	-	3,974,418	3,974,418
<b>Debt service:</b>							
Principal	-	-	-	-	-	225,478	5,812,446
Interest	-	-	-	-	-	241,319	2,323,671
<b>Capital outlay:</b>							
Highways and streets	-	-	818,092	244,457	-	1,594,581	2,657,130
Urban redevelopment	-	-	-	-	-	331,925	331,925
Sanitation	8,543,296	5,399,523	-	-	-	-	16,150,060
Building	-	-	-	-	-	35,553	35,553
<b>Total expenditures</b>	<b>8,543,296</b>	<b>5,399,523</b>	<b>818,092</b>	<b>244,457</b>	<b>3,109,122</b>	<b>11,622,535</b>	<b>76,222,083</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(8,225,553)</b>	<b>(4,636,373)</b>	<b>(265,366)</b>	<b>(31,485)</b>	<b>846,207</b>	<b>1,093,660</b>	<b>(13,253,619)</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	149,969	-	-	2,741,668	4,218,719
Transfers out	-	-	-	-	-	(3,309,748)	(3,459,748)
Bond Proceeds	-	20,000,000	-	-	-	-	20,000,000
<b>Total other financing sources and uses</b>	<b>-</b>	<b>20,000,000</b>	<b>149,969</b>	<b>-</b>	<b>-</b>	<b>(568,080)</b>	<b>20,758,971</b>
<b>Special item:</b>							
Proceeds from sale of equipment	-	-	-	-	-	15,930	15,930
<b>Net change in fund balances</b>	<b>(8,225,553)</b>	<b>15,363,627</b>	<b>(115,397)</b>	<b>(31,485)</b>	<b>846,207</b>	<b>541,510</b>	<b>7,521,283</b>
<b>Fund balances - beginning</b>	<b>12,265,932</b>	<b>(10,156)</b>	<b>1,011,648</b>	<b>278,168</b>	<b>1,785,184</b>	<b>7,760,442</b>	<b>36,097,820</b>
<b>Fund balances - ending</b>	<b>\$ 4,040,379</b>	<b>\$ 15,353,471</b>	<b>\$ 896,251</b>	<b>\$ 246,683</b>	<b>\$ 2,631,391</b>	<b>\$ 8,301,952</b>	<b>\$ 43,619,103</b>

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

CITY OF TERRE HAUTE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 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 Changes in Fund Balances).	\$ 7,521,283
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 depreciat expense. This is the amount by which capital outlays exceeded depreciation in the current period.	16,972,439
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(4,114,299)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to govern- mental 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.	(19,945,569)
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.	(3,408,902)
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.	163,421
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>432,994</u>
Change in net assets of governmental activities (statement of activities)	<u>\$ (2,378,633)</u>

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

CITY OF TERRE HAUTE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2006

<u>Assets</u>	Wastewater Utility	Internal Service Fund
Current assets:		
Cash and cash equivalents	\$ 3,238,962	\$ 844,473
Interest receivable	-	5,112
Accounts receivable (net of allowance)	1,279,319	-
Prepaid items	24,349	-
Total current assets	4,542,630	849,585
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Revenue bond covenant accounts	31,360,722	-
Interest receivable	199,151	-
Total restricted assets:	31,559,873	-
Deferred debits	914,609	-
Capital assets:		
Land, improvements to land and construction in progress	7,099,550	-
Other capital assets (net of accumulated depreciation)	55,065,275	-
Total capital assets	62,164,825	-
Total noncurrent assets	94,639,307	-
Total assets	99,181,937	849,585
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	77,413	-
Contracts payable	312,243	-
Accrued payroll and withholdings payable	58,845	-
Deferred revenue	34,902	-
Current liabilities payable from restricted assets:		
Revenue bonds payable	385,000	-
Total current liabilities	868,403	-
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts or premiums)	28,210,000	-
Compensated absences	102,735	-
Total noncurrent liabilities	28,312,735	-
Total liabilities	29,181,138	-
<u>Net Assets</u>		
Invested in capital assets, net of related debt	33,569,825	-
Restricted for debt service	6,211,387	-
Restricted for construction	25,348,486	-
Restricted for employee health benefits	-	849,585
Unrestricted	4,871,101	-
Total net assets	\$ 70,000,799	\$ 849,585

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

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

	<u>Wastewater Utility</u>	<u>Internal Service Fund</u>
Operating revenues:		
Measured revenue:	\$ 10,726,116	\$ -
Other	<u>91,760</u>	<u>3,910,606</u>
Total operating revenues	<u>10,817,876</u>	<u>3,910,606</u>
Operating expenses:		
Administration and general	1,822,247	-
Insurance claims and premiums	-	3,534,482
Other	747,048	-
Salaries and wages	1,562,306	-
Employee pensions and benefits	448,966	-
Treatment plant overtime expense	183,983	-
Materials and supplies	705,941	-
Contractual services	2,174,181	-
Insurance expense	134,220	-
Bad debt expense	57,848	-
Depreciation and amortization	<u>1,482,213</u>	<u>-</u>
Total operating expenses	<u>9,318,953</u>	<u>3,534,482</u>
Operating income	<u>1,498,923</u>	<u>376,124</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	1,062,577	56,870
Miscellaneous revenue	14,819	-
Interest expense	(512,267)	-
Amortization of bond issuance costs	<u>(39,766)</u>	<u>-</u>
Total nonoperating revenue	<u>525,363</u>	<u>8,238</u>
Change in net assets	2,024,286	432,994
Total net assets - beginning	<u>67,976,513</u>	<u>416,591</u>
Total net assets - ending	<u>\$ 70,000,799</u>	<u>\$ 849,585</u>

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

CITY OF TERRE HAUTE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2006

	Wastewater Utility	Internal Service Fund
Cash flows from operating activities:		
Receipts from customers and users	\$ 10,804,873	\$ -
Payments to suppliers	(5,322,752)	-
Payments to employees	(2,172,762)	-
Employer and employee contributions	-	3,908,271
Insurance claims	-	(3,534,481)
Other receipts	829	3,125
Net cash provided by operating activities	3,310,188	376,915
Cash flows from capital and related financing activities:		
Capital contributions	(497,797)	-
Acquisition and construction of capital assets	(4,677,815)	-
Principal paid on capital debt	(755,000)	-
Interest paid on capital debt	(1,204,793)	-
Proceeds from sales of capital assets	14,819	-
Net cash used by capital and related financing activities	(7,120,586)	-
Cash flows from investing activities:		
Interest received	957,598	55,992
Net cash provided by investing activities	957,598	55,992
Net increase (decrease) in cash and cash equivalents	(2,852,800)	432,907
Cash and cash equivalents, January 1 (Including \$32,680,939 for the Wastewater Utility reported in restricted accounts)	37,452,484	411,566
Cash and cash equivalents, December 31 (Including \$31,360,722 for the Wastewater Utility reported in restricted accounts)	\$ 34,599,684	\$ 844,473
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,498,923	\$ 376,124
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,388,784	-
Bad expense	57,848	-
(Increase) decrease in assets:		
Accounts receivable	74,183	791
Allowance for uncollectible accounts	(86,357)	-
Prepaid items	(1,018)	-
Increase (decrease) in liabilities:		
Accounts payable	43,091	-
Contracts payable	312,243	-
Accrued payroll and withholdings payable	(267)	-
Compensated absence payable	22,758	-
Total adjustments	1,811,265	791
Net cash provided by operating activities	\$ 3,310,188	\$ 376,915

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

CITY OF TERRE HAUTE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2006

	Pension Trust Funds	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 2,578,232	\$ 141,110
Receivables:		
Interest and dividends	-	166
Total assets	2,578,232	141,276
<u>Liabilities</u>		
Accrued payroll and withholdings payable		
Due to State	-	38,945
Trust payable	-	102,331
Total liabilities	-	\$ 141,276
<u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	2,578,232	
Total net assets	\$ 2,578,232	

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

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

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
Employer	\$ 4,359,756
Plan members	<u>130,600</u>
Total additions	<u>4,490,356</u>
 <u>Deductions</u>	
Benefits	4,432,996
Administrative expense	<u>3,623</u>
Total deductions	<u>4,436,619</u>
Changes in net assets	53,737
Net assets - beginning	<u>2,524,495</u>
Net assets - ending	<u><u>\$ 2,578,232</u></u>

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

The primary government reports the following major governmental funds:

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

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

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

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

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

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

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

The sanitary district project 19 fund is used to account for the financial resources to be used for the purpose of paying the costs of improvements and extensions to the sewage system of the primary government's sanitary district.

The sanitary district project 20 fund is used to account for the financial resources to be used for the purpose of paying the costs of improvements and extensions to the sewage system of the primary government's sanitary district.

The sanitary district project 21 fund is used to account for the financial resources to be used for the purpose of paying the costs of improvements and extensions to the sewage system of the primary government's sanitary district.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

The primary government reports the following major proprietary fund:

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

Additionally, the primary government reports the following fund types:

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

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

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

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

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

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 (Indiana Code 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.

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 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%

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 of the year collected. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

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

7. Compensated Absences

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Street Department Employees (Union Members)

- (a) Sick Leave – Employees earn sick leave at the rate of 8 days per year after completing a 90 day period of employment. Unused sick leave may be accumulated to a maximum of 45 days. Unused sick days over the accumulated 30 days can be paid for by the City the last pay period in December, at the employee's request, not to exceed 8 days in any one year. Accumulated sick leave is paid to employees through cash payments upon termination.
- (b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- (c) Personal Leave – Employees earn personal leave at the rate of 6 days per year, not to exceed two days per month. All unused personal days will be rolled over to unused sick days.

Cemetery Employees (Union Members)

- (a) Sick Leave – Employees earn sick leave at the rate of 6 days per year after completing a 30 day period of employment. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is paid to employees through cash payments upon termination.
- (b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- (c) Personal Leave – Employees earn personal leave at the rate of 6 days per year, not to exceed 2 days per each four month period. Personal leave does not accumulate from year to year.

Department of Redevelopment Employees

- (a) Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 30 days. Accumulated sick leave is not paid to employees.
- (b) Vacation Leave – Employees earn vacation leave at rates from 10 days to 15 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 30 days. Accumulated vacation leave is paid to employees through cash payments upon termination.
- (c) Personal Leave – Employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Firefighters

- (a) Sick Leave – Employees earn sick leave at the rate of 1 shift day (8 hours) per month for 8-hour shift employees or ½ of a shift day (12 hours) per month for 24 hour shift employees. Unused sick leave may be accumulated to a maximum of 720 hours for 8 hour

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

shift employees or 1,080 hours for 24 hour shift employees. Accumulated sick leave is paid to employees through cash payments upon termination at the last earned hourly rate times  $\frac{2}{3}$  of the accumulated sick leave.

- (b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 12 days per year based upon the number of years of service. Each vacation day shall represent 1 full duty shift day of 24 hours. Vacation leave does not accumulate from year to year.
- (c) Personal Leave – Employees earn personal leave at the rate of 3 shift days per year. Personal leave does not accumulate from year to year.

Police Officers

- (a) Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave is paid to employees through cash payments upon termination at the rate of 1 sick day for every 3 accumulated sick days.
- (b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- (c) Personal Leave – Employees earn personal leave at the rate of 3 days per year. In addition, any officer who is on call and has his or her off-duty actions restricted for 15 days or more a year shall receive an additional 4 personal days for a total of 7. Personal leave does not accumulate from year to year.

Transportation System Employees (Union Members)

- (a) Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 36 days. Accumulated sick leave is paid to employees through cash payments on December 20<sup>th</sup> at their option.
- (b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- (c) Personal Leave – Employees do not earn personal leave.

Wastewater Utility Employees (Union Members)

- (a) Sick Leave – Employees earn sick leave at the rate of 8 days per year. Accumulated sick leave in excess of 30 days is paid to employees through cash payments upon termination.
- (b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 27 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- (c) Personal Leave – Employees earn personal leave at the rate of 4 days per year. Personal leave does not accumulate from year to year.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

All Other Employees

- (a) Sick Leave – Employees earn sick leave at the rate of 8 days per year. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is not paid to employees.
- (b) Vacation Leave – Employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 30 days. Accumulated vacation leave is paid to employees through cash payments upon termination.
- (c) Personal Leave – Employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

8. Long-Term Obligations

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

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

9. Fund Equity

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

II. Reconciliation of Government-Wide and Fund Financial Statements

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Prepaid expenses	\$ 131,709
Deferred debits	<u>950,996</u>
Total	<u>\$ 1,082,705</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

General obligation bonds payable	\$ (49,080,000)
Compensated absences	(2,856,622)
Revenue bonds payable	(3,463,937)
City's share of fire protection district bonds payable	(18,240)
Capital lease obligations	(8,863,359)
Notes and loans payable	<u>(7,672,550)</u>
Total	<u>\$ (71,954,708)</u>

III. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

B. Deficit Fund Equity

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

	Deficit
Governmental funds:	
Rea Park Nonreverting Fund	\$ (40,552)
Recreation Nonreverting Fund	(67,164)
Hulman Links Nonreverting Fund	(332,991)
Skate Park Nonreverting Fund	(18,945)

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

IV. Detailed Notes on All Funds

A. Deposits

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. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Receivables

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

Type:	Funds	Amount
Loans receivable:		
	Community Development	\$ 24,418
	Non-Federal Income	106,372
	HOME Program Grant	392,849
Total		\$ 523,639

C. Capital Assets

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

<u>Primary Government</u>	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,539,124	\$ 200,000	\$ -	\$ 5,739,124
Construction in progress	5,489,502	15,841,239	-	21,330,741
Total capital assets, not being depreciated	11,028,626	16,041,239	-	27,069,865

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities (continued):				
Capital assets, being depreciated:				
Buildings	16,202,584	-	6,341,869	9,860,715
Improvements other than buildings	16,887,559	2,753,006	-	19,640,565
Machinery and equipment	<u>11,590,273</u>	<u>666,763</u>	<u>377,633</u>	<u>11,879,403</u>
Totals	<u>44,680,416</u>	<u>3,419,769</u>	<u>6,719,502</u>	<u>41,380,683</u>
Less accumulated depreciation for:				
Buildings	8,250,361	350,065	2,039,683	6,560,743
Improvements other than buildings	3,822,339	861,251	-	4,683,590
Machinery and equipment	<u>8,728,839</u>	<u>1,017,551</u>	<u>570,521</u>	<u>9,175,869</u>
Totals	<u>20,801,539</u>	<u>2,228,867</u>	<u>2,610,204</u>	<u>20,420,202</u>
Total capital assets, being depreciated, net	<u>23,878,877</u>	<u>1,190,902</u>	<u>4,109,298</u>	<u>20,960,481</u>
Total governmental activities capital assets, net	<u>\$ 34,907,503</u>	<u>\$ 17,232,141</u>	<u>\$ 4,109,298</u>	<u>\$ 48,030,346</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 42,825	\$ -	\$ -	\$ 42,825
Construction in progress	<u>1,686,385</u>	<u>5,370,340</u>	-	<u>7,056,725</u>
Total capital assets, not being depreciated	<u>1,729,210</u>	<u>5,370,340</u>	-	<u>7,099,550</u>
Capital assets, being depreciated:				
Buildings	2,645,107	-	-	2,645,107
Improvements other than buildings	78,177,189	25,641	-	78,202,830
Machinery and equipment	<u>4,904,791</u>	<u>666,013</u>	<u>193,913</u>	<u>5,376,891</u>
Totals	<u>85,727,087</u>	<u>691,654</u>	<u>193,913</u>	<u>86,224,828</u>
Less accumulated depreciation for:				
Buildings	2,614,702	15,203	-	2,629,905
Improvements other than buildings	24,811,003	1,186,103	-	25,997,106
Machinery and equipment	<u>2,345,064</u>	<u>280,907</u>	<u>93,429</u>	<u>2,532,542</u>
Totals	<u>29,770,769</u>	<u>1,482,213</u>	<u>93,429</u>	<u>31,159,553</u>
Total capital assets, being depreciated, net	<u>55,956,318</u>	<u>(790,559)</u>	<u>100,484</u>	<u>55,065,275</u>
Total business-type activities capital assets, net	<u>\$ 57,685,528</u>	<u>\$ 4,579,781</u>	<u>\$ 100,484</u>	<u>\$ 62,164,825</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Governmental activities:	
General government/public safety	\$ 1,071,160
Public works, including depreciation of general infrastructure assets	724,557
Cemetery	11,264
Culture and recreation	259,797
Community development	<u>162,090</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,228,868</u></u>
Business-type activities:	
Wastewater	<u><u>\$ 1,482,213</u></u>

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
Sanitary District Project 19	\$ 6,300,000	\$ 4,946,335	\$ 1,353,665	\$ -
Sanitary District Project 20	14,320,000	10,742,505	3,577,495	-
Sanitary District Project 21	20,000,000	4,974,946	15,025,054	-
CSO study	30,100,000	6,726,230	23,373,770	-
Youngstown project	<u>418,385</u>	<u>330,494</u>	<u>87,891</u>	-
Totals	<u><u>\$ 71,138,385</u></u>	<u><u>\$ 27,720,510</u></u>	<u><u>\$ 43,417,875</u></u>	<u><u>\$ -</u></u>

E. Interfund Balances and Activity

Interfund Transfers

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

Transfer From	Transfer To			
	General Fund	Major Funds	Nonmajor Governmental	Total
General Fund	\$ -	\$ -	\$ 150,000	\$ 150,000
Nonmajor governmental	590,717	150,172	2,575,211	3,316,100
All others	<u>659,456</u>	<u>93,163</u>	<u>-</u>	<u>752,619</u>
Totals	<u><u>\$ 1,250,173</u></u>	<u><u>\$ 243,335</u></u>	<u><u>\$ 2,725,211</u></u>	<u><u>\$ 4,218,719</u></u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 a postage machine, copiers, computers and a building. Rental expenditures for these leases were \$5,671, \$37,838, \$46,140, and \$72,000, respectively. The following is a schedule by years of future minimum rental payments as of December 31, 2006:

2007	\$ 127,698
2008	<u>32,186</u>
Total	<u>\$ 159,884</u>

2. Capital Leases

The primary government has entered into various capital leases for equipment, vehicles and guaranteed energy savings. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

2007	\$ 683,597
2008	68,957
2009	68,957
2010	68,957
2011	<u>68,957</u>
Total minimum lease payments	959,425
Less amount representing interest	<u>73,066</u>
Present value of net minimum lease payments	<u>\$ 886,359</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

	Governmental Activities
Improvements other than buildings	\$ 540,314
Machinery and equipment	1,436,155
Transportation equipment	1,658,886
Total	\$ 3,635,355

G. Long-Term Liabilities

1. General Obligation Bonds

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

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

Purpose	Interest Rates	Amount
1995 \$5,500,000 Sanitary district bonds, improvements	4.4% to 4.45%	\$ 1,170,000
1996 \$4,140,000 Sanitary district bonds, improvements	4.85% to 5.45%	2,515,000
1997 \$7,610,000 Sanitary district bonds, improvements	4.5% to 4.6%	5,050,000
1999-2000 \$8,000,000 Sanitary district bonds, improvements	4.85%	2,870,000
2002 \$6,300,000 Sanitary district bonds, improvements	3% to 4.1%	6,300,000
2005 \$14,320,000 Sanitary district bonds, improvements	2.5% to 3.65%	12,870,000
2006 \$20,000,000 Sanitary district bonds, improvements	0%	18,305,000
Total		\$ 49,080,000

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 2,710,000	\$ 889,679
2008	5,940,000	1,737,235
2009	6,175,000	1,509,088
2010	6,430,000	1,269,720
2011	6,675,000	1,024,737
2012-2016	21,150,000	1,684,532
Totals	\$ 49,080,000	\$ 8,114,991

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Revenue Bonds

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

Purpose	Interest Rates	Amount
1998 \$4,000,000 Redevelopment district bonds, Center City	6%	\$ 1,478,937
2004 \$1,100,000 Redevelopment district bonds, industrial park project	4%	1,010,000
2005 \$975,000 Redevelopment district bonds, economic development	8%	975,000
2005 \$30,100,000 Sanitary district bonds, wastewater improvements	3% to 4.65%	<u>28,595,000</u>
Total		<u>\$ 32,058,937</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 135,452	\$ 193,318	\$ 385,000	\$ 593,884
2008	131,540	200,530	785,000	1,170,368
2009	141,810	193,347	810,000	1,146,668
2010	172,402	184,750	840,000	1,121,624
2011	203,333	174,106	870,000	1,093,811
2012-2016	1,484,085	631,303	4,865,000	4,981,325
2017-2021	1,000,314	139,524	5,995,000	3,930,713
2022-2026	195,000	12,538	7,545,000	2,478,570
2027-2031	-	-	<u>6,500,000</u>	<u>619,074</u>
Totals	<u>\$ 3,463,937</u>	<u>\$ 1,729,416</u>	<u>\$ 28,595,000</u>	<u>\$ 17,136,035</u>

3. Fire Protection District Bonds

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

Purpose	Interest Rates	Amount
1996 \$600,000 Lost Creek Fire Protection District bonds, annexation	6.0% to 6.3%	<u>\$ 18,240</u>

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended	Governmental Activities	
December 31	Principal	Interest
2007	\$ 18,240	\$ 575

4. Notes and Loans Payable

The primary government has entered into various notes/loans. Annual debt service requirements to maturity for the notes/loans, including interest of \$1,659,327, are as follows:

2007	\$ 497,600
2008	1,383,841
2009	1,580,541
2010	1,657,197
2011	4,212,700
Total	\$ 9,331,877

5. 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	\$ 34,670,000	\$ 20,000,000	\$ 5,590,000	\$ 49,080,000	\$ 2,710,000
Revenue	4,259,111	975,000	1,770,174	3,463,937	40,000
Fire protection district:					
Revenue	53,280	-	35,040	18,240	18,240
Total bonds payable	38,875,831	20,975,000	7,325,134	52,525,697	2,768,240
Capital leases	1,421,352	279,210	814,203	886,359	611,372
Notes Payable	1,000,613	7,560,000	888,063	7,672,550	39,004
Compensated absences	2,484,584	372,038	-	2,856,622	-
Total governmental activities					
Long-term liabilities	\$ 43,782,380	\$ 29,186,248	\$ 9,027,400	\$ 63,941,228	\$ 3,418,616
Business-type activities:					
Revenue bonds payable	\$ 29,350,000	\$ -	\$ 755,000	\$ 28,595,000	\$ 385,000
Compensated absences	79,977	22,758	-	102,735	-
Total business-type activities					
Long-term liabilities	\$ 29,429,977	\$ 22,758	\$ 755,000	\$ 28,697,735	\$ 385,000

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

H. Segment Information

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

Condensed Statement of Net Assets	
Assets:	
Current assets	\$ 4,542,630
Restricted assets	31,559,873
Deferred debits	914,609
Capital assets	<u>62,164,825</u>
 Total assets	 <u><u>\$ 99,181,937</u></u>
Liabilities:	
Current liabilities	\$ 483,403
Current liabilities payable from restricted assets	385,000
Noncurrent liabilities	<u>28,312,735</u>
 Total liabilities	 <u><u>\$ 29,181,138</u></u>
Net assets:	
Invested in capital assets, net of related debt	\$ 33,569,825
Restricted	31,559,873
Unrestricted	<u>4,871,101</u>
 Total net assets	 <u><u>\$ 70,000,799</u></u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets	
Charges (pledged against bonds)	\$ 10,817,876
Depreciation expense	1,388,784
Other operating expenses	<u>7,930,169</u>
 Operating income	 1,498,923

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Nonoperating revenues (expenses):	
Investment earnings	1,062,577
Miscellaneous	14,819
Interest expense	(512,267)
Capital contributions	<u>(39,766)</u>
Change in net assets	2,024,286
Beginning net assets	<u>67,976,513</u>
Ending net assets	<u><u>\$ 70,000,799</u></u>

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 3,310,188
Capital and related financing activities	(7,120,586)
Investing activities	<u>957,598</u>
Net decrease	(2,852,800)
Beginning cash and cash equivalents	<u>37,452,484</u>
Ending cash and cash equivalents	<u><u>\$ 34,599,684</u></u>

I. Restricted Assets

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

Wastewater improvements account	\$ 6,211,387
Wastewater revenue bond construction account	25,149,335
Wastewater restricted interest receivable	<u>199,151</u>
Total restricted assets	<u><u>\$ 31,559,873</u></u>

V. Other Information

A. Risk Management

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

However, claim liabilities cannot be reasonable estimated.

B. Conduit Debt Obligation

From time to time, the primary government has issued Economic Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. 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.

The aggregate principal amount payable for the one series issued in 2002 could not be determined; however, their original issue amounts totaled \$7,500,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health and dental benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government on or after attaining age 52 with at least 20 years of service. Currently, 19 retirees meet these eligibility requirements. The primary government provides 100% of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, expenditures of \$100,143 were recognized for postemployment benefits.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. 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 (Indiana Code 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 liability for Net Pension Obligation (NPO) is considered an obligation of the primary government and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds. However, as of December 31, 2006, the City had no liability for Net Pension Obligation.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds. However, the primary government does have an obligation to fund the plan and, therefore, the NPO is reflected in the government-wide financial statements.

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds. However, the primary government does have an obligation to fund the plan and, therefore, the NPO is reflected in the government-wide financial statements.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 417,436	\$ 2,471,000	\$ 2,261,400
Interest on net pension obligation	(18,506)	771,400	812,700
Adjustment to annual required contribution	21,089	(840,900)	(886,000)
Annual pension cost	420,019	2,401,500	2,188,100
Contributions made	375,252	1,606,996	2,058,714
Increase in net pension obligation	44,767	794,504	129,386
Net pension (asset) obligation, beginning of year	(255,253)	11,427,462	12,040,501
Net pension obligation, end of year	\$ (210,486)	\$ 12,221,966	\$ 12,169,887

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.5%	N/A	N/A
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-1-97	12-31-77	12-31-77
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

N/A = Not available

Actuarial Assumptions

Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	0%	0%

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 292,893	109%	\$ (232,001)
	06-30-05	341,382	107%	(255,253)
	06-30-06	420,019	110%	(210,486)
1925 Police Officers' Pension Plan	12-31-03	3,423,500	55%	10,125,433
	12-31-04	3,524,700	63%	11,427,462
	12-31-05	2,401,500	67%	12,221,966
1937 Firefighters' Pension Plan	12-31-03	3,150,200	55%	10,857,518
	12-31-04	3,140,900	62%	12,040,501
	12-31-05	2,188,100	94%	12,169,887

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

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Retires and beneficiaries currently receiving benefits	120	140
Current active employees	7	7

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (Indiana Code 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the 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 \$2,730,008, \$2,046,486, and \$1,943,032, respectively, equal to the required contributions for each year.

3. Defined Contribution Pension Plan

The Government Agency Retirement Plan

Plan Description

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the governing board of the unit and the Plan Administrator. Plan members are required to contribute none of their annual covered salary. The primary government is required to contribute at an actuarially determined rate. The current rate is 13.7% of annual covered payroll. Employer and employee contributions to the plan were \$30,215 and \$0, respectively.

CITY OF TERRE HAUTE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	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	\$ 6,566,533	\$ 6,710,055	\$ (143,522)	98%	\$ 7,227,860	(2%)
07-01-05	6,850,419	7,219,089	(368,670)	95%	8,148,756	(5%)
07-01-06	7,511,323	7,601,626	(90,303)	99%	8,282,983	(1%)

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	\$ 440,277	\$ 34,872,200	\$ (34,431,923)	1%	\$ 487,700	(7,060%)
01-01-02	1,539,459	34,741,400	(33,201,941)	4%	479,200	(6,929%)
01-01-03	1,603,340	32,305,200	(30,701,860)	5%	529,900	(5,794%)
01-01-04	1,549,919	34,283,700	(32,733,781)	5%	477,900	(6,850%)
01-01-05	1,841,105	33,941,600	(32,100,495)	5%	494,800	(6,488%)
01-01-06	1,286,582	33,112,800	(31,826,218)	4%	395,300	(8,051%)

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	\$ 233,260	\$ 33,193,300	\$ (32,960,040)	1%	\$ 552,800	(5,962%)
01-01-02	1,247,066	32,984,200	(31,737,134)	4%	479,200	(6,623%)
01-01-03	1,459,952	29,166,900	(27,706,948)	5%	706,500	(3,922%)
01-01-04	1,347,022	31,372,000	(30,024,978)	4%	437,100	(6,869%)
01-01-05	1,394,611	29,932,900	(28,538,289)	5%	339,500	(8,406%)
01-01-06	1,237,933	30,658,600	(29,420,667)	4%	274,300	(10,726%)

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

1925 Police Officers' Pension Plan		
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-00	\$ 3,430,600	54%
12-31-01	3,624,300	78%
12-31-02	3,741,400	59%
12-31-03	3,811,200	50%
12-31-04	4,035,200	55%
12-31-05	2,471,000	65%

1937 Firefighters' Pension Plan		
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-00	3,282,300	51%
12-31-01	3,472,500	62%
12-31-02	3,557,700	59%
12-31-03	3,576,500	49%
12-31-04	3,688,400	53%
12-31-05	2,261,400	91%

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

	General Fund				Motor Vehicle Highway			
	Budgeted Amounts		Actual Amounts	Variance	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	With Final Budget Positive (Negative)	Original	Final	(Budgetary Basis)	With Final Budget Positive (Negative)
Revenues:								
Taxes	\$ 25,000,000	\$ 25,000,000	\$ 25,912,437	\$ 912,437	\$ 980,000	\$ 980,000	\$ 970,860	\$ (9,140)
Licenses and permits	220,000	220,000	217,651	(2,349)	-	-	-	-
Intergovernmental	1,600,000	1,600,000	1,699,315	99,315	1,800,000	1,800,000	1,817,703	17,703
Charges for services	100,000	100,000	60,000	(40,000)	7,000	7,000	7,140	140
Fines and forfeits	1,030,000	1,030,000	1,039,059	9,059	-	-	-	-
Other	1,250,000	1,250,000	1,328,064	78,064	25,000	25,000	28,551	3,551
Total revenues	<u>29,200,000</u>	<u>29,200,000</u>	<u>30,256,526</u>	<u>1,056,526</u>	<u>2,812,000</u>	<u>2,812,000</u>	<u>2,824,254</u>	<u>12,254</u>
Expenditures:								
Current:								
General government	13,874,751	13,874,751	13,072,513	802,238	-	-	-	-
Public safety	15,902,056	15,902,056	15,504,788	397,268	-	-	-	-
Highways and streets	-	-	-	-	3,186,460	3,557,322	3,076,527	480,795
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	<u>29,776,807</u>	<u>29,776,807</u>	<u>28,577,301</u>	<u>1,199,506</u>	<u>3,186,460</u>	<u>3,557,322</u>	<u>3,076,527</u>	<u>480,795</u>
Other financing sources (uses):								
Operating transfers in	-	-	1,250,172	1,250,172	-	-	-	-
Operating transfers out	-	-	(150,000)	(150,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,100,172</u>	<u>1,100,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(576,807)	(576,807)	2,779,397	3,356,204	(374,460)	(745,322)	(252,273)	493,049
Fund balances - beginning	<u>3,039,934</u>	<u>1,109,138</u>	<u>3,932,537</u>	<u>2,823,399</u>	<u>1,212,032</u>	<u>1,003,977</u>	<u>1,315,202</u>	<u>311,225</u>
Fund balances - December 31	<u>\$ 2,463,127</u>	<u>\$ 532,331</u>	<u>\$ 6,711,934</u>	<u>\$ 6,179,603</u>	<u>\$ 837,572</u>	<u>\$ 258,655</u>	<u>\$ 1,062,929</u>	<u>\$ 804,274</u>

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

	Local Road and Street Fund				Cemetery Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 540,000	\$ 540,000	\$ 543,909	\$ 3,909	\$ 425,000	\$ 425,000	\$ 432,335	\$ 7,335
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	120,000	120,000	117,472	(2,528)
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	7,000	7,000	7,590	590
<b>Total revenues</b>	<b>540,000</b>	<b>540,000</b>	<b>543,909</b>	<b>3,909</b>	<b>552,000</b>	<b>552,000</b>	<b>557,397</b>	<b>5,397</b>
Expenditures:								
Current:								
General government	-	-	-	-	808,182	808,182	705,084	103,098
Public safety	-	-	-	-	-	-	-	-
Highways and streets	1,122,000	1,122,000	886,521	235,479	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,122,000</b>	<b>1,122,000</b>	<b>886,521</b>	<b>235,479</b>	<b>808,182</b>	<b>808,182</b>	<b>705,084</b>	<b>103,098</b>
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	16,456	16,456
Operating transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,456</b>	<b>16,456</b>
<b>Net change in fund balances</b>	<b>(582,000)</b>	<b>(582,000)</b>	<b>(342,612)</b>	<b>239,388</b>	<b>(256,182)</b>	<b>(256,182)</b>	<b>(131,231)</b>	<b>124,951</b>
Fund balances - beginning	738,087	342,060	583,557	241,497	201,305	201,305	434,991	233,686
<b>Fund balances - December 31</b>	<b>\$ 156,087</b>	<b>\$ (239,940)</b>	<b>\$ 240,945</b>	<b>\$ 480,885</b>	<b>\$ (54,877)</b>	<b>\$ (54,877)</b>	<b>\$ 303,760</b>	<b>\$ 358,637</b>

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

	Transit Fund				Park and Recreation Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,050,000	\$ 2,050,000	\$ 2,167,437	\$ 117,437
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	952,695	952,695	-	-	-	-
Charges for services	-	-	132,512	132,512	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	5,133	5,133	22,500	22,500	24,546	2,046
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>1,090,340</b>	<b>1,090,340</b>	<b>2,072,500</b>	<b>2,072,500</b>	<b>2,191,983</b>	<b>119,483</b>
Expenditures:								
Current:								
General government	1,545,867	1,567,792	1,443,677	124,115	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	2,487,062	2,487,062	2,279,692	(207,370)
<b>Total expenditures</b>	<b>1,545,867</b>	<b>1,567,792</b>	<b>1,443,677</b>	<b>124,115</b>	<b>2,487,062</b>	<b>2,487,062</b>	<b>2,279,692</b>	<b>(207,370)</b>
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	76,910	76,910
Operating transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,910</b>	<b>76,910</b>
<b>Net change in fund balances</b>	<b>(1,545,867)</b>	<b>(1,567,792)</b>	<b>(353,337)</b>	<b>1,214,455</b>	<b>(414,562)</b>	<b>(414,562)</b>	<b>(10,799)</b>	<b>403,763</b>
Fund balances - beginning	2,771,525	2,771,525	922,340	(1,849,185)	570,900	569,688	426,179	(143,509)
<b>Fund balances - December 31</b>	<b>\$ 1,225,658</b>	<b>\$ 1,203,733</b>	<b>\$ 569,003</b>	<b>\$ (634,730)</b>	<b>\$ 156,338</b>	<b>\$ 155,126</b>	<b>\$ 415,380</b>	<b>\$ 260,254</b>

CITY OF TERRE HAUTE  
 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).

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

	<u>General</u>	<u>Motor Vehicle Highway</u>	<u>Local Road and Street</u>	<u>Cemetery</u>	<u>Transit</u>	<u>Park and Recreation</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$ 2,779,397	\$ (252,273)	\$ (342,612)	\$ (131,231)	\$ (353,337)	\$ (10,799)
Adjustments:						
To adjust revenues for accruals	(1,077,714)	13,417	(845)	(1,384)	36,607	(6,628)
To adjust expenditures for accruals	(28,272)	2,019	445,104	1,770	(83,317)	23,001
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u>\$ 1,673,411</u>	<u>\$ (236,837)</u>	<u>\$ 101,647</u>	<u>\$ (130,845)</u>	<u>\$ (400,047)</u>	<u>\$ 5,574</u>

CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS (CITY)

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

During 2006, \$236,508 was written off by Emergency Medical Service Department personnel upon notification from insurance companies that no additional reimbursement was eligible. An additional \$36,603 was written off when Department personnel determined that individuals were unable to pay the balance due. None of the total \$274,112 was submitted for approval by the Board of Public Works and Safety.

As noted in prior Reports B25986 for 2004 and B27934 for 2005, \$249,471 and \$240,634, respectively, had been written off by Emergency Medical Service Department personnel upon notification from insurance companies that no additional reimbursement was eligible. An additional \$14,644 and \$36,739 was written off when Department personnel determined that individuals were unable to pay balances due. None of the totals of \$264,115 and \$277,373 had been submitted for approval by the Board of Public Works and Safety.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

OVERDRAWN CASH FUND BALANCES (CITY)

The following funds had overdrawn cash balances as of December 31, 2006:

<u>Fund</u>	<u>Amount</u>
Rea Park Nonreverting	\$ 25,000
Recreation Nonreverting	66,930
Hulman Links Nonreverting	322,157
Skate Park Nonreverting	18,945

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

INTERNAL CONTROLS (CITY)

Controls for receipts generated by the Park Department are insufficient. Of the receipts tested, four had no supporting documentation attached and of the ten miscellaneous receipts tested, two showed discrepancies with cash register tapes. One reason given for the discrepancies was that park employees received 50% off concession prices when working. This discount was allowed without Park Board approval.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

We have audited the compliance of the City of Terre Haute (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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 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 a significant deficiencies or material weakness, as defined above.

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

October 23, 2007

CITY OF TERRE HAUTE  
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>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
Community Development Block Grants/Entitlement Grants	14.218		
		B-05-MC-18-0012	\$ 2,028,941
		B-06-MC-18-0012	<u>318,255</u>
Total for program			<u>2,347,196</u>
Emergency Shelter Grants Program	14.231		
		S-05-MC-18-0012	63,052
		S-06-MC-18-0012	<u>30,507</u>
Total for program			<u>93,559</u>
HOME Investment Partnerships Program	14.239		
		M-04-MC-18-0012	419,215
		M-05-MC-18-0012	496,452
		M-06-MC-18-0012	<u>102,324</u>
Total for program			<u>1,017,991</u>
Total for federal grantor agency			<u>3,458,746</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grants Program	16.592		
		2005-DJ-BX-0906	17,077
		2006-DJ-BX	<u>14,554</u>
Total for federal grantor agency			<u>31,631</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Federal Transit Cluster			
Federal Transit-Formula Grants	20.507		<u>770,782</u>
Pass-Through Indiana Department of Transportation	20.205		
Highway Planning and Construction Cluster			
National Road Heritage Trail Phase II			45,840
1st Street Project			<u>148,180</u>
Total for program			<u>194,020</u>
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Operation Pullover			<u>37,726</u>
Total for federal grantor agency			<u>1,002,528</u>
Total federal awards expended			<u>\$ 4,492,905</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

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

Basis of Presentation

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

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Programs

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 TERRE HAUTE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2007, with Kevin D. Burke, Mayor; and William P. Long, Controller. The officials concurred with our audit findings. Other officials attending the exit conference were Jackie Loeb, Assistant Controller; Margaret Merkle, IT Director; Cliff Lambert, City Council member and Director of Redevelopment; Ryan Cummins, City Council member; Robert Murray, Board of Public Works; and Scott Walker, financial consultant.