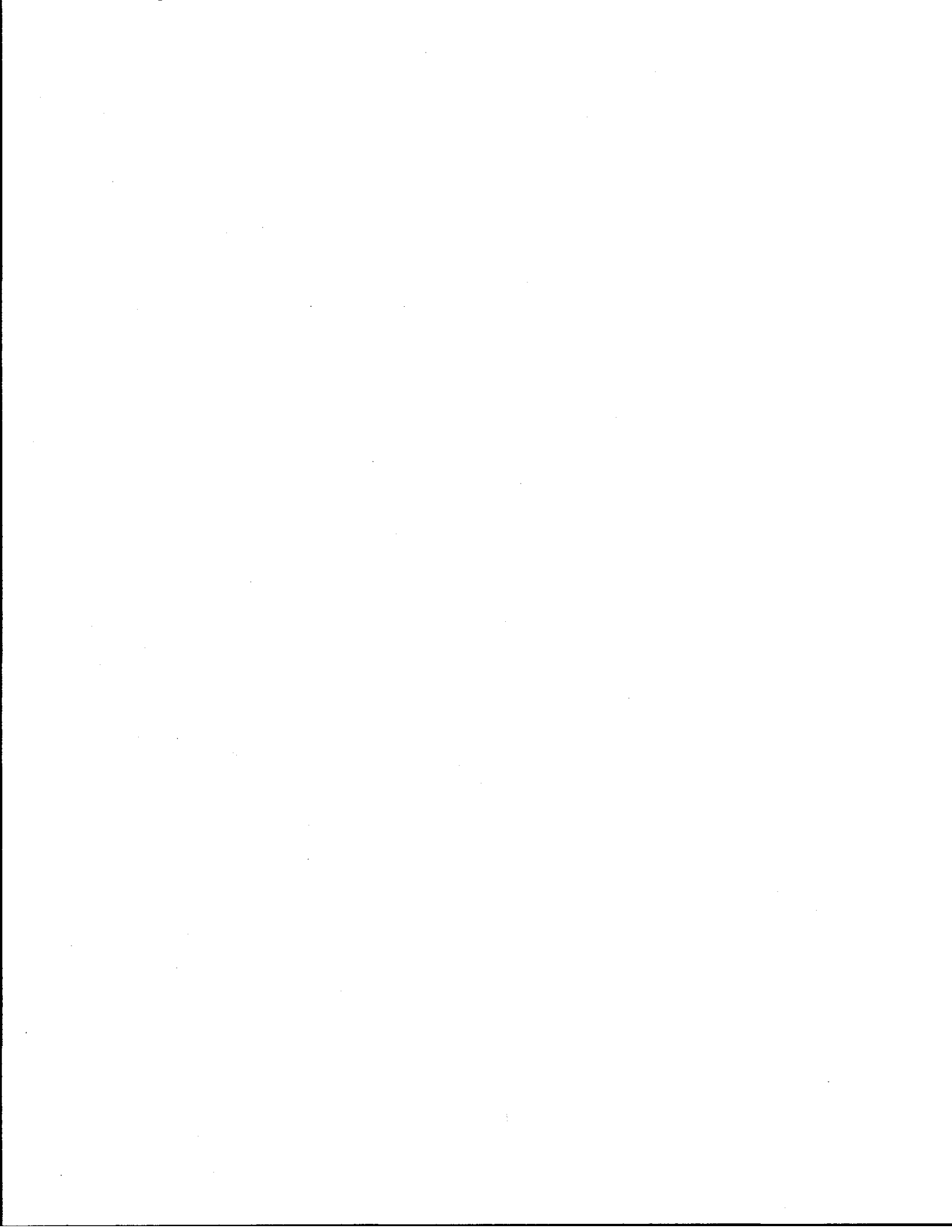




Comprehensive Annual Financial Report
City of South Bend, Indiana
For the Year Ended December 31, 2007

Prepared By:
Department of Administration and Finance
M. Catherine Fanello, City Controller



**City of South Bend, Indiana
Comprehensive Annual Financial Report
For The Year Ending December 31, 2007
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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Stephen J. Luecke	01-01-04 to 12-31-11
Controller	M. Catherine Fanello	04-18-05 to 10-04-07
Acting City Controller	John H. Murphy	10-05-07 to 03-02-08
Controller	M. Catherine Fanello	03-03-08 to 12-31-11
City Clerk	John Voorde	01-01-04 to 12-31-11
President of the Board of Public Works	Gary Gilot	01-01-07 to 12-31-08
Common Council Members		
1 st District	Derek D. Dieter	01-01-04 to 12-31-11
2 nd District	Charlotte Pfeifer	01-01-04 to 12-31-07
	Henry Davis, Jr.	01-01-08 to 12-31-11
3 rd District	Roland A. Kelly, Jr. (Deceased)	01-01-04 to 05-26-07
	Roland A. Kelly, III	06-23-07 to 12-31-07
	Tom LaFountain	01-01-08 to 12-31-11
4 th District	Ann Puzzello	01-01-04 to 12-31-11
5 th District	David Varner	01-01-04 to 12-31-11
6 th District	Ervin Kuspa	01-01-04 to 12-31-07
	Oliver Davis	01-01-08 to 12-31-11
At Large	Karen L. White	01-01-04 to 12-31-11
At Large	Timothy A. Rouse	01-03-05 to 12-31-11
At Large	Al (Buddy) Kirsits	01-01-04 to 12-31-11

COUNTY-CITY BUILDING
227 W. JEFFERSON BLVD.
SOUTH BEND, INDIANA 46601-1830



PHONE 574/ 235-9216
FAX 574/ 235-9928
TDD 574/ 235-5567

CITY OF SOUTH BEND STEPHEN J. LUECKE, MAYOR

DEPARTMENT OF ADMINISTRATION AND FINANCE

M. CATHERINE FANELLO
CONTROLLER

July 22, 2008

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

The comprehensive annual financial report of the City of South Bend, Indiana (the "City") for the year ended **December 31, 2007** is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

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

The comprehensive annual financial report is presented in four sections: introductory information, financial information, statistical information and federal awards supplemental information. The **introductory section** includes this transmittal letter, the City's organizational chart, a list of principal City officials and the Certificate of Achievement for Excellence in Financial Reporting awarded to the City of South Bend for the year ended December 31, 2006. The **financial section** begins with the independent auditors' report on the City's financial statements and schedules, the City's management and analysis report, followed by the City's basic financial statements and accompanying footnotes. The remaining portion of this section includes the combining and individual fund and account group financial statements and schedules. The **statistical section** includes selected financial and demographic information generally presented on a multi-year basis, which has been provided to give the reader a broader understanding of the City. This document ends with the **federal awards** compliance section, which includes the results of the supplemental audit of the City's federal awards and the internal controls necessary for compliance.

JANICE L. HALL
DIRECTOR
HUMAN RESOURCES

JOHN MURPHY
ASSISTANT CONTROLLER

ROBERT ALLEN
DIRECTOR
INFORMATION TECHNOLOGY

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

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

GENERAL INFORMATION

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

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

Location

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

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

advantage to the City of South Bend.

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

St. Joseph County, with its 2000 U.S. Bureau of the Census population of 265,559, boasts a strong history of manufacturing which continues today. As a complement to that, the service industry and retail trade has also flourished, creating a balance that serves the community well. The County has experienced a net growth in population of 26,945 (11.3% increase) between 1960 and 2000. After experiencing a reduction of 2.6% during 1969 to 1983, at which time the entire Midwest was at the depth of its economic restructuring and recess, the County's population increased 4.0% between 1983 and 1990 and another 7.5% between 1990 and 2000. The estimated population in St. Joseph County is currently 265,505.

The total resident labor force in December 2007 of 132,698 in St. Joseph County is typical of the Midwest: well trained with a strong work ethic. Approximately 82.4% of the area's adult population are high school graduates or higher (as compared to the national average of 75%) with an estimated 23.6% with a Bachelor's Degree or higher. There are nine colleges, universities and technical schools within South Bend and the surrounding area including the University of Notre Dame, Indiana University of South Bend, Saint Mary's College, Bethel College and Ivy Tech State College. At the high school level, there are school-to-work transition programs that help prepare students for the world of work. St. Joseph County is currently experiencing an average unemployment rate of 4.7%, which compares to the State of Indiana unemployment rate of 5.0%. The unemployment rate in St. Joseph County compares favorably with many of its surrounding counties—Elkhart (4.6%), LaPorte (5.1%), and Marshall (4.8%) in Indiana and Cass (5.6%) and Berien (6.8%) in Michigan.

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

<u>Economic Sector</u>	<u>Number Employed</u>	<u>% of Total</u>
Construction	5,759	4.7%
Manufacturing	17,855	14.4%
Health Care/Social Services	16,584	13.4%
Wholesale Trade	6,550	5.3%
Retail Trade	15,073	12.2%
Professional/Technical Services	4,545	3.6%
Accommodations/Food Service	9,702	7.8%
Educational Services	14,960	12.1%
Other	<u>32,786</u>	<u>26.5%</u>
Total	123,814	100.00%

St. Joseph County presently has an estimated 100,743 households with an average per capita personal income of \$33,739, which compares to the State of Indiana average per capita income of \$32,288 and the United States per capita income of \$36,714. The per capita income in St. Joseph County compares favorably with many of its surrounding counties—Elkhart (\$32,723), LaPorte

(\$28,158), and Marshall (\$27,466) in Indiana and Cass (\$29,637) and Berrien (\$39,938) in Michigan.

Health and education lead the employment statistics for St. Joseph County. The largest employers in St. Joseph County as of December 2007 were as follows: University of Notre Dame (4,459); South Bend Community School Corporation (3,295); Memorial Health Systems (3,008); AM General (2,400); Saint Joseph Regional Medical Center (2,291); St. Joseph County (2,025); The Diocese of Fort Wayne/South Bend (1,750); Indiana University of South Bend (1,400); The City of South Bend (1,230); and Wal-Mart (1,111).

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

Gender:	47.7% male; 52.3% female
Age:	37.2% 0-24 years of age; 25.2% 25-44 years of age; 24.7% 45-64 years of age; and 12.9% 65 years of age and older.
Race:	80.5% White; 12.1% Black/African American; 5.2% Hispanic/Latino; 1.7% Asian; and .5% Other
Marital Status:	50% Married; 22% Widowed/Divorced/Separated; and 28% Single
Home Ownership:	67.5% own; 32.5% rent/other

The cost of living continues to be one of the greatest advantages of living in this community. The housing costs in South Bend are well below the national and regional averages. Per a report compiled by the National Realtor's Association in the first quarter of 2007, the median sales price for a single family home in the South Bend-Mishawaka Statistical Area was \$85,600 as compared to a median sales price of \$267,300 in Chicago and \$112,500 in Indianapolis. The national median sales price is \$218,000.00.

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

The South Bend Community School Corporation serves the entire City and some of the surrounding area and has a current enrollment of approximately 21,715 students in grades kindergarten through high school. An estimated 4,441 students attend private or parochial schools within the City. The nine institutions of higher education and technical training located within the South Bend area have a total enrollment of approximately 28,593. Over the years, the University of Notre Dame has provided a stabilizing influence on the economy with a very significant economic impact upon the community.

South Bend has continued to progress in its growth since 1842, when Father Edward Sorin named his rustic log chapel "Notre Dame du Lac" and began to teach the local Indians. Today, the chapel has grown into the University of Notre Dame. In 1852, H.C. Studebaker started the industry of making wagons and horse drawn buggies that evolved into the manufacturing of the Studebaker automobile. It made the name Studebaker synonymous with the area of South Bend.

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

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

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

Financial, Budgetary and Property Tax Controls

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

Single Audit. As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is

subject to periodic evaluation by management of the City. As part of the City's single audit described earlier, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the year ended December 31, 2007 disclosed no instances of significant material weaknesses in the internal control structure and no significant violations of applicable laws and regulations.

Budgetary Controls. In accordance with Indiana statutes, the City maintains budgetary controls integrated within the accounting system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget (prepared on a cash basis) which is adopted by the City Council and then reviewed and approved by the State of Indiana Department of Local Government and Finance. Activities of the general fund, certain special revenue and capital projects funds and debt service funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major budget classification within funds. The City Council may transfer appropriations from one major budget classification to another within a department by ordinance as long as the total appropriations for that department are not exceeded. Transfers from one department to another, or additional appropriations in excess of the original budget, must be submitted to and approved by the Department of Local Government and Finance after these appropriations have been approved by the City Council. Beginning for budget year 2009, the City must submit its budget to the St. Joseph County Common Council for a non-binding review and recommendation.

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

Property Tax Controls. In addition to budgetary and other controls established by Indiana statute, the City must operate within specific and rigid controls governing the amount of property tax it may levy. The property tax control program, which began in 1973, limits the amount of property tax that may be levied by each unit of government in its legally budgeted funds. The total amount of property tax levied by the unit may increase by the six year average annual growth in Indiana personal non-farm income, as calculated by the U.S. Bureau of Economic Analysis, with a 6% maximum. In addition, if a unit determines that it cannot maintain basic governmental services for its residents within the property tax "freeze," it may appeal to the State Local Government Tax Control Board for an "excess levy" in certain specific instances. As a part of the property tax control program, the state transfers an amount generally equal to 20% of the total property tax levy (except for debt service levies as described below) to the County Auditor to be distributed to each taxing unit as a replacement for 20% of the property taxes levied. This "property tax replacement" is funded through the state sales tax. These property tax provisions have been repealed beginning in 2009.

The levy for Debt Service funds is controlled via a review and approval process by the Government Tax Control Board (with a subsequent review and approval by the Department of Local Government and Finance) for each issuance of general obligation indebtedness (or lease-

purchase) entered into by a taxing unit. In addition, all indebtedness incurred after 1983 no longer receives the 20% state property tax replacement funds mentioned above.

During March 2008, the State of Indiana General Assembly enacted property tax reform legislation which made significant changes in the property tax system including a phased-in limit on property taxes paid of 1% of grossed assessed value for residential homesteads, 2% for agricultural/rental properties and 3% for all other real and personal property. The City is currently evaluating the fiscal impact of this legislation and the loss of revenue will be significant.

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

Citywide Goals and Objectives for 2007 and Beyond

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

GOAL ONE: The Community's Economy

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

GOAL TWO: The Community's Public Safety and Civility

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

GOAL THREE: The Community's Quality of Life

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

GOAL FOUR: Trust in City Government

Improve residents' trust in City government to ensure that South Bend has a broad base of

consensus and support on which to build the future, a strong foundation for collaborative action and community partnerships; and an increase in resident and customer participation in the daily public life of the community.

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

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

GOAL SIX: The City's Infrastructure

Improve the City's infrastructure to ensure that South Bend can support physical growth and economic development; and offer an excellent quality of life to all of its residents and other customers.

GOAL SEVEN: The City's Financial Condition

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

GOAL EIGHT: The City's Workforce

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

City Mission Statement and Department Purpose Statements

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

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

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

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

Administration

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

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

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

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

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

Parks and

Recreation:

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

**Community and
Economic**

Development:

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

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

Building

Department:

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

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

Building South Bend in 2007 and beyond

Mayor Stephen Luecke's theme for the past several years has been "We're Building South Bend." That theme has had a major influence on the development of the 2008 budget. There

were five areas of concentration that became or remained budget priorities for 2008.

- ***We're Building Neighborhoods*** - Mayor Luecke and the City's elected officials continued their strong commitment to neighborhoods. The City will make a significant investment to fund or leverage state and federal funding for housing assistance, development and home ownership programs, neighborhood public works and parks, neighborhood development for social services and organizations, and public safety initiatives. Committing these resources will help us maintain, improve and support strong neighborhood development.
- ***We're Building a Safe City*** - Public safety is the foundation of all the City's efforts to build South Bend. Through the targeted and creative use of available resources, the City is working to provide quality police, fire and ambulance services for the community. The crime rate has decreased in several significant categories over past year. South Bend has 2.4 police officers and 2.3 firefighters per thousand residents. These ratios are among the highest in the state and well above the national average. We believe that these extra officers are important for officer safety and community safety. The City's Fire Departments is rated one of the best in the State. The Mayor's top initiatives will focus on regional policing, providing in-car cameras for all patrol cars and placing more emphasis on training and recruitment for the Police and Fire Departments.
- ***We're Building an Attractive City*** - We are working to enhance the natural and man-made beauty of our city through effective City programs. For the seventh year in a row we were named a Tree City USA. The Building Block Grant Program helps residents spruce up their neighborhoods, and aggressive Code Enforcement will continue to address deteriorated and nuisance properties. The City has initiated a new procedure to register and monitor vacant and abandoned buildings. The Commercial Corridors Improvement Fund provides much needed funding to address a variety of needs along five of the City's major corridors. The City is funding major programs for curb & sidewalks, neighborhood centers, weed & seed program, and transforming a former dump into a model outdoor environmental lab.
- ***We're Building Opportunity*** - A key issue for any city is education and opportunity for young people. The City is committed to keeping schools open in our neighborhoods and to maximizing their use by the community. We are building partnerships that will create new strategies for enhancing our formal education system. Working together with families, student groups, school officials, neighborhoods, the faith community and civic organizations, we can support our local schools and improve the level of individual student performance.
- ***We're Building a Strong Economy*** - Local government plays a key role in economic development. By providing adequate infrastructure and offering targeted assistance, the City can stimulate private investment, creating business opportunities and jobs. The City's policies encourage new start-up businesses, strengthen existing business, attract new jobs, increase assessed value and emphasize direct investment in hard-to-develop areas. Efforts have been and will continue to focus on implementing the comprehensive plans for the areas around Coveleski Stadium and the East Bank. The City has many new economic development projects in progress including Eddy Street Commons, a \$200 million dollar

mixed-use development south of Notre Dame, with two hotels, more than 20 stores and restaurants, office space and hundreds of town homes, apartments and condominiums.

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

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

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

Fiduciary Funds. The City's fiduciary duties are accounted for in both Trust and Agency Funds. The primary trust funds are the Police and Fire Pension Funds (explained below). The Agency Fund is for payroll and related employee deductions.

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

The 1925 and 1937 Plans are funded through a combination of property taxes levied by the City and distributions from the State Pension Relief Fund. As a result of the requirements of the state statute that created these funds, the City is legally prevented from funding them in any other way than a "pay-as-you-go" basis. The City has received an actuarial survey on these funds to provide the proper disclosures required by generally accepted accounting principles. This information is included in the financial section of this report. Beginning in 2009, the State of Indiana will be responsible for fully funding the 1925 and 1937 Pension plans.

Cash Management. In accordance with state statute, cash temporarily idle during the year is invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and repurchase agreements that are fully collateralized by U.S. Government or U.S. Government Agency obligations. During 2007, the City realized over \$7.5 million dollars in investment earnings.

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

Risk Management. The City has established two self-insurance funds: the Self-Funded Employee Benefits Fund and the Liability Insurance Premium Reserve Fund. As previously mentioned, these self-insurance funds are accounted for as Internal Service Funds. The purpose of the Self-Funded Employee Benefits Fund is to pay medical claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims exceeding \$300,000 per person insured on an annual basis are covered through a private carrier. In addition to medical claims, the fund pays premiums for life insurance and long term disability benefits for employees. During 2007, the City changed medical insurance carriers to Anthem Blue Cross and this has resulted in a significant cost savings in the fund. The Liability Insurance Premium Reserve Fund covers automobile and comprehensive liability as well as workers' compensation costs. The City's liability for self-insurance is limited to \$300,000 per person and \$5,000,000 in the aggregate per occurrence in accordance with Indiana Tort Law. The accrued liability for estimated insurance claims represents an estimate of the probable loss on unpaid claims arising prior to year end.

Other Information

Independent Audit. In accordance with the state statute, the City is required to be audited annually by the Indiana State Board of Accounts, an agency of the State of Indiana. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133 as mentioned earlier. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. For the past seventeen years (years ended December 31, 1990 through 2006) the City has received an unqualified audit opinion. The auditors' reports related specifically to the single audit are included in a separately filed report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Bend for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the seventeenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the City's fiscal officers and the entire staff of the Department of Administration and Finance. Each member of the Department has our sincere

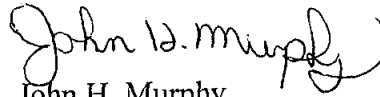
appreciation for the contributions made in the preparation of this report. In addition, we would like to thank the Field Examiners of the State Board of Accounts (led by Doug Wiese and Bruce Snyder) for their hard work and dedication in this effort.

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

Sincerely,



M. Catherine Fanello, CPA
City Controller



John H. Murphy
Assistant City Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Bend
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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



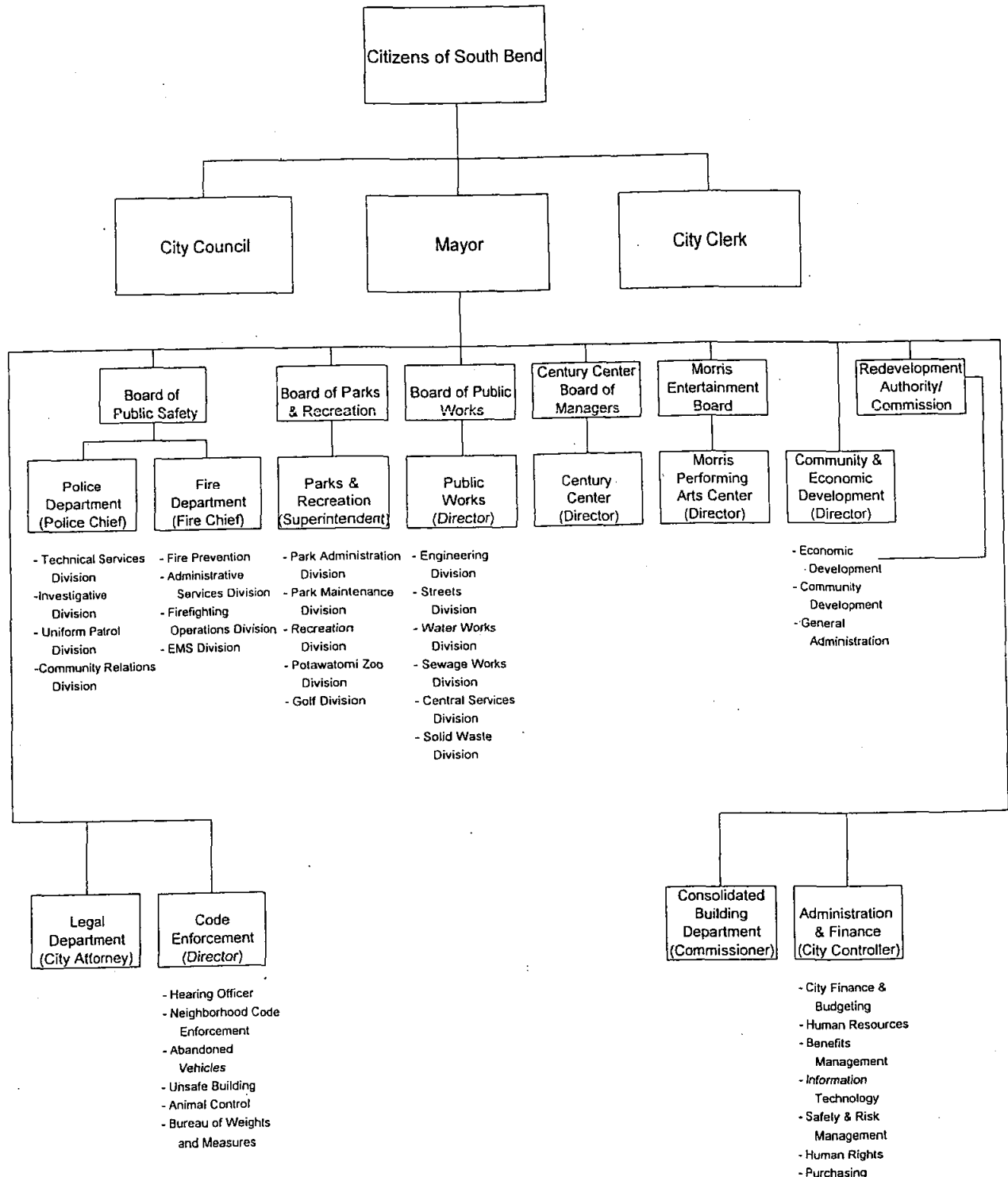
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF SOUTH BEND ORGANIZATIONAL CHART







STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Bend (City), as of and for the year ended December 31, 2007, 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 of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the respective 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, 2007, 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 of America.

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities and Budgetary Comparison Schedules (General and Major Special Revenue funds) 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.

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

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

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

In accordance with Government Auditing Standards, we have also issued our report June 12, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

STATE BOARD OF ACCOUNTS

June 12, 2008

Management's Discussion and Analysis

As management of the **City of South Bend**, we offer readers of the City of South Bend's financial statements this narrative overview and analysis of the financial activities of the City of South Bend for the fiscal year ended **December 31, 2007**. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

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

Financial Highlights

The assets of the City of South Bend exceeded its liabilities at December 31, 2007 by \$384,128,236. The majority of these net assets (\$307,540,341) are invested in capital assets and are, therefore, not available for current spending. Of the remaining net assets, \$62,944,011 is in unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.

Total net assets increased by \$21,691,998 during 2007. Of this amount, net assets of governmental activities increased by \$14,710,522 and net assets of business-type activities increased by \$6,981,476.

The total cost of all City programs was \$168,198,873 during 2007, a decrease of \$7,780,515 (4.42%) from a total cost of \$175,979,388 during 2006.

At December 31, 2007, the unreserved fund balance in the General Fund was \$21,546,783, which is 30.5% of total General Fund expenditures. This is a healthy General Fund balance and exceeds minimum recommended fund balances as promulgated by the Government Finance Officers Association and other interested organizations. The unreserved fund balance for all governmental funds was \$113,843,869 at December 31, 2007. The majority of this unreserved fund balance was accounted for in Capital Projects funds (\$66,593,906).

Overview of the Financial Statements

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

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

Statement of net assets. This statement reports all assets and liabilities of the City of South Bend as of December 31, 2007. The difference between total assets and total liabilities is reported as "net assets," and can generally be thought of as the net worth of the City. Increases in net assets generally indicate an improvement in financial position while decreases in net assets may indicate a deterioration of financial position.

Statement of activities. This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City of South Bend for the year ended December 31, 2007. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of the related revenues, as well as a separate presentation of revenues available for general purposes such as property and county option income taxes.

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The major governmental activities of the City of South Bend include police and fire, highways and streets, economic development and general government. The major business-type activities of the City include the wastewater utility, water utility, Century Center, Blackthorn golf course and solid waste.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. Governmental funds use the modified accrual accounting, an accounting method that is different from many private-sector companies. The City maintains four major governmental funds (General, Parks and Recreation, TIF Airport, County Option Income Tax) and 72 non-major governmental funds.

General Governmental Revenue - The following schedule presents a summary of general governmental revenue for the year ended December 31, 2007:

<u>Revenue</u>	<u>2007 Amount</u>	<u>% of Total</u>
Taxes:		
General Property	\$ 74,505,475	54.1%
County Option Income	8,072,623	5.9%
County Economic Development	4,681,134	3.4%
Professional Sports Development	435,791	0.3%
Community Revitalization District	1,000,000	0.7%
Licenses and Permits	173,604	0.1%
Intergovernmental	21,400,166	15.5%
Charges for Services	15,832,139	11.5%
Fines and Forfeits	437,732	0.3%
Interest	6,248,605	4.5%
Donations	29,260	0.1%
Other	5,010,113	3.6%
Total Revenue	\$ 137,826,642	100.0%

As shown above, taxes continue to represent a significant source of revenue needed to support the services provided by the City. The City's single largest source of revenue (54.1%) is generated by property taxation. This revenue calculation is based on a relationship between two variables. The first variable is the assessed property valuation of industrial, commercial and residential parcels for both real and personal property. The second variable is the application of a tax rate to arrive at the total tax levy. Taxable property is assessed at 100% of the true tax value. The above general property tax revenue includes taxes collected on behalf of the following funds: General Fund, Park and Recreation Fund, Cumulative Capital Development Fund, various capital funds for the City's Redevelopment Tax Incremental Financing (TIF) Funds and a special levy to cover debt service.

One of the major focuses for the City continues to be the need to diversify its revenue stream. This is necessary to reduce the City's dependency on general property taxes and to ensure that a broad base of users, including nonresidents who work in the City, share in the funding of basic City services. Currently the City's property taxpayers carry a disproportionate share of the cost of public safety (police and fire services) and general government functions (elected officials, legal, code enforcement and administration/finance). Approximately 70% of the total 2007 General Fund revenue was derived from property taxes. Public safety accounts for approximately 74% of total 2007 General Fund expenditures. Clearly, the Mayor and Common Council have established public safety as a high priority for the City of South Bend. In order to shift part of the financial burden for these services away from the City's homeowners, new sources of revenue need to be identified. In an attempt to accomplish this, two types of income taxes have been enacted to shift this financial tax burden.

- **Economic Development Income Tax (EDIT)** - This tax was first enacted as of July 1, 1995 at the rate of one tenth of one percent (0.1%) on the adjusted gross income of City residents (and some nonresidents). EDIT generated \$1,382,670 and \$1,466,029 for the City of South Bend in 1996 and 1997, respectively. The Common Council and St. Joseph County Council passed respective ordinances that increased the rate to two tenths of one percent (0.2%), which effectively doubled the City's distribution beginning in 1998. The City has received \$5,462,867, \$3,689,202, \$3,448,688, \$3,464,152 and \$4,013,475 of EDIT distributions in 2002, 2003, 2004, 2005, and 2006 respectively. In 2007 the City received \$4,681,134 in EDIT taxes. The City has budgeted for the receipt of \$3,702,467 in EDIT taxes during 2008. EDIT taxes are collected and administered by the Indiana Department of Revenue. The EDIT distribution is then remitted to St. Joseph County, which allocates these tax receipts between the county and the cities and towns in the county based on the proportionate amounts of property tax levy for each unit. The City's portion of the total county's EDIT has ranged from 35.1% to 39.3% over the past 10 years as the proportionate property tax levies have changed. The EDIT rate will remain at the current level (0.2%) unless further action is taken by the respective councils. The EDIT tax rate can legally be raised to four tenths of one percent (0.4%).
- **County Option Income Tax (COIT)** - The Common Council and St. Joseph County Council enacted this tax effective July 1, 1997 at a rate of two tenths of one percent (0.2%), with an increase of one tenth of one percent (0.1%) per year during the next four years. In 2002, the rate was set at its legal limit of six tenths of one percent (0.6%). The City would not have supported the new County Option Income Tax if it had not been accompanied by an accompanying ordinance which established an additional 6% homestead credit for property taxpayers. This additional homestead credit increased to 7% in 1999 and to 8% in 2000 (where it will remain at this level). Thus, as a result of the passage of this new tax, City property taxpayers were provided relief through a reduction in their property tax bills while the City was provided with an additional source of revenue that will eventually slow the growth of future property tax rate increases. The City received \$9,458,584 (2002), \$8,015,301 (2003), \$7,001,199 (2004), \$5,490,218 (2005), \$6,410,405 (2006) and \$8,072,623 (2007) from the County Option Income Tax. The City has budgeted for the receipt of \$5,700,000 in COIT taxes during 2008. COIT is a countywide tax and is allocated (net of homestead credits) between all taxing units within the county based on the proportionate amounts of property tax levy for each taxing unit. COIT taxes are collected by the Indiana Department of Revenue and remitted to St. Joseph County for distribution to the local units of government.

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

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

The following schedule presents a summary of general governmental expenditures for the year ended December 31, 2007:

<u>Expenditures</u>	<u>2007 Amount</u>	<u>% of Total</u>
General Government	\$ 9,611,354	7.5%
Public Safety	53,203,005	41.5%
Highways and Streets	13,257,781	10.3%
Economic Development	7,710,242	6.0%
Health and Welfare	75,000	0.1%
Culture and Recreation	13,469,798	10.5%
Debt Service	13,588,738	10.6%
Capital Outlay	17,293,302	13.5%
Total Expenditures	\$ <u>128,209,220</u>	<u>100.0%</u>

As one can see, the City spends more on public safety than any other activity, with 41.5% of all general governmental expenditures spent for this purpose. This is followed by spending on capital projects (13.5%), debt service payments on bonds and loans (10.6%), culture and recreation (i.e. parks) at 10.5% and highways and streets (10.3%).

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

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

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

The 1925 and 1937 Pension plans are funded through a combination of property taxes levied by the City, distributions from the State of Indiana Pension Relief Fund, operating transfers and other sources of revenue. As a result of State statutes that created these funds, the City is legally prevented from funding them in any other way than a "pay-as-you-go" basis. At December 31, 2007, the net assets in the 1925 Police Officer's Pension and 1937 Firefighter's Pension funds were \$3,522,332 and \$2,968,691, respectively. During 2007, the City made General Fund operating transfers of \$1,800,000 to the 1925 Police Officer's Pension Fund and \$800,000 to the 1937 Firefighter's Pension Fund in order to improve the financial position of these funds. Due to the passage of recent State legislation, beginning in 2009, the Police and Firefighter's Pension Funds will be fully funded by the State of Indiana and will not receive property tax revenue.

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

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

Government-wide Financial Analysis

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2007, the City's assets exceeded liabilities by \$384,128,236, an increase of \$21,691,998 from 2006. The majority of this increase (\$14,710,522) can be attributed to increases in the net assets of Governmental Activities, which included increases in Airport TIF Capital Project and Rainy Day funds. In addition, the net assets of Business-type Activities increased by \$6,981,476 during 2007. This increase was due, in part, to higher sewer rates imposed to support capital improvements. The largest portion of the City's net assets, \$307,540,341 (80%), consists of the City's investment in capital assets (e.g. land, roads, storm sewers, water and sewer systems, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens, and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of South Bend
Net Assets
Table 1**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current and other assets	\$163,711,075	\$179,306,632	\$38,455,791	\$63,141,721	\$202,166,866	\$242,448,353
Capital assets (net)	275,595,857	269,192,480	162,290,164	173,527,686	437,886,021	442,720,166
Total assets	439,306,932	448,499,112	200,745,955	236,669,407	640,052,887	685,168,519
Long-term liabilities outstanding	181,691,782	176,241,282	62,446,829	88,725,371	244,138,611	264,966,653
Other liabilities	24,458,926	24,391,084	9,019,112	11,682,546	33,478,038	36,073,630
Total liabilities	206,150,708	200,632,366	71,465,941	100,407,917	277,616,649	301,040,283
Net assets:						
Invested in capital assets, net of related debt	203,030,546	195,345,890	99,575,304	112,194,451	302,605,850	307,540,341
Restricted	5,225,642	5,370,627	22,535,858	8,273,257	27,761,500	13,643,884
Unrestricted	24,900,036	47,150,229	7,168,852	15,793,782	32,068,888	62,944,011
Total net assets	\$233,156,224	\$247,866,746	\$129,280,014	\$136,261,490	\$362,436,238	\$384,128,236

At December 31, 2007 the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The net assets for government activities increased by \$14,710,522 from \$233,156,224 in 2006 to \$247,866,746 in 2007. This increase was due, in part, to revenue exceeding expenses in the TIF Airport and Self-Funded Employee Benefits funds and additional COIT and EDIT taxes received in the Rainy Day Fund. The net assets for business-type net assets activities increased by \$6,981,476 from \$129,280,014 in 2006 to \$136,261,490 in 2007. This increase was due primarily to the increased net assets in the Water and Wastewater Utilities during 2007.

**City of South Bend
Change in Net Assets
Table 2**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
<u>Revenue:</u>						
Program Revenue:						
Charges for services	\$17,563,075	\$16,443,475	\$44,179,287	\$47,697,381	\$61,742,362	\$64,140,856
Operating grants and Contributions	12,452,463	15,628,287	0	0	12,452,463	15,628,287
Capital grants and Contributions	13,793,363	960,502	1,413,861	1,253,332	15,207,224	2,213,834
General Revenue:						
Property taxes	68,256,602	77,120,683	0	0	68,256,602	77,120,683
Other taxes	11,760,161	14,189,548	0	0	11,760,161	14,189,548
Grants and contributions not restricted to specific programs	5,063,541	4,032,300	0	0	5,063,541	4,032,300
Investment Earnings	4,762,484	6,247,113	906,056	1,301,348	5,668,540	7,548,461
Other Revenue	<u>3,520,138</u>	<u>5,016,902</u>	<u>0</u>	<u>0</u>	<u>3,520,138</u>	<u>5,016,902</u>
Total Revenue	137,171,827	139,638,810	46,499,204	50,252,061	183,671,031	189,890,871
<u>Expenses:</u>						
General government	17,194,920	13,680,203	0	0	17,194,920	13,680,203
Public safety	56,600,175	52,751,974	0	0	56,600,175	52,751,974
Highways and streets	21,813,189	17,904,129	0	0	21,813,189	17,904,129
Health and welfare	114,131	75,000	0	0	114,131	75,000
Culture and recreation	14,994,300	16,454,667	0	0	14,994,300	16,454,667
Economic Development	18,813,636	18,206,948	0	0	18,813,636	18,206,948
Interest on long-term debt	5,841,032	5,859,102	0	0	5,841,032	5,859,102
Water	0	0	11,916,504	13,061,750	11,916,504	13,061,750
Wastewater	0	0	16,972,401	18,295,813	16,972,401	18,295,813
Civic center	0	0	3,355,531	3,490,103	3,355,531	3,490,103
Building department	0	0	1,102,164	1,090,327	1,102,164	1,090,327
Parking	0	0	1,261,942	1,444,146	1,261,942	1,444,146
Solid waste	0	0	4,187,706	4,072,910	4,187,706	4,072,910

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Golf course	<u>0</u>	<u>0</u>	<u>1,811,757</u>	<u>1,811,801</u>	<u>1,811,757</u>	<u>1,811,801</u>
Total expenses	135,371,383	124,932,023	40,608,005	43,266,850	175,979,388	168,198,873
Changes in net assets before Transfers	1,800,444	14,706,787	5,891,199	6,985,211	7,691,643	21,691,998
Transfers	<u>44,200</u>	<u>3,735</u>	<u>(44,200)</u>	<u>(3,735)</u>	<u>0</u>	<u>0</u>
Change in net assets	1,844,644	14,710,522	5,846,999	6,981,476	7,691,643	21,691,998
Beginning net assets (restated)	<u>231,311,580</u>	<u>233,156,224</u>	<u>123,433,015</u>	<u>129,280,014</u>	<u>354,744,595</u>	<u>362,436,238</u>
Ending net assets	<u>\$233,156,224</u>	<u>\$247,866,746</u>	<u>\$129,280,014</u>	<u>\$136,261,490</u>	<u>\$362,436,238</u>	<u>\$384,128,236</u>

Governmental Activities

Governmental activities net assets increased by \$14,710,522 during 2007. Total revenue increased by \$2,466,983, an increase of only 1.8%. Total expenses decreased by \$10,439,360, a decrease of 7.71%. The majority of the revenue increase was due to higher property tax collections, increased investment earnings and a special COIT and EDIT tax distribution by the State of Indiana to the Rainy Day Fund. During 2006, the City received a \$12.8 million dollar contribution from the State of Indiana for its Major Moves program that was recorded in operating grants and contributions. The decrease in expenses was due to reductions in spending in the areas of general government, public safety and highways and streets as the City continued to cut costs and operate more efficiently.

Business-type Activities

Business-type activities had an increase in net assets of \$6,981,476 during 2007. Some of the increase was due to higher charges for services revenue in the Wastewater and the Water Works departments through higher utility billings to customers. This increased revenue will finance a long-term capital development plan at the Wastewater and Water Works utilities. Total expenses for Business-type Activities increased by \$2,658,845 (6.5%) during 2007 due to higher operating and capital costs.

Financial Analysis of the Governments' Funds

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

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

At December 31, 2007, the City's governmental funds reported a combined ending fund balance of \$152,432,356. Of this total ending fund balance, a total of \$113,843,869 (74.7%) was in unreserved fund balance, which is available for spending at the City's discretion. The majority of this unreserved fund balance was for capital projects that have been designated by the Common Council and the South Bend Redevelopment Commission. The remainder of the fund balance (\$38,588,487) is reserved for various reasons such as for encumbrances, debt service and advances to other funds and is not available for new spending.

The General Fund is the City's primary operating fund. At December 31, 2007, the total General Fund balance was \$23,760,753, a decrease of \$2,090,542 (8.1%), from 2006. This use of General Fund balance was planned as a total of \$2,600,000 was transferred from the General Fund to the Police and Fire Pension funds during 2007 to improve the financial position of those funds. The unreserved fund balance of the General Fund was \$21,546,783 at December 31, 2007, which is 30.5% of total General Fund expenditures.

The Parks and Recreation Fund had an increase in fund balance of \$716,377 during 2007. The reason for this increase was that revenue (primarily due to property taxes and user charges) exceeded expenditures during the year. The ending fund balance in the Parks and Recreation Fund was \$2,853,359. At December 31, 2007, the Parks and Recreation Fund had an unreserved fund balance of \$2,800,358, which was 25.7% of annual fund expenditures.

The TIF Airport and County Option Income Tax (COIT) funds are used to account for major capital construction projects and certain debt service payments. The fund balance in the TIF Airport Fund increased by \$4,588,176 during 2007, while the fund balance in the COIT fund decreased by \$419,130 during 2007. At December 31, 2007, the fund balances in the TIF Airport and COIT funds were \$28,773,241 and \$8,206,091, respectively. These fund balances represent resources that City has to meet some of its future capital construction needs and ongoing debt service obligations.

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

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

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

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for its General Fund. The City prepares its budgets using the cash basis of accounting. For 2007, the original General Fund expenditure budget was \$69,014,696. During the year, additional appropriations of \$8,079,935 were made, resulting in an ending General Fund expenditure budget of \$77,094,631. The General Fund budget is reviewed on a monthly basis by staff and budget amendments are approved as needed by the Common Council. Throughout the year, actual expenditures are monitored and projected and the budget is amended to prevent any budget overruns. The City tries to work within its original budget by increasing categories that will exceed the budget while decreasing other categories that are under budget. Actual General Fund expenditures on a budgetary basis (cash expended and outstanding encumbrances at year end) were \$72,428,738 during 2007, which was \$4,665,893 (6.1%) less than the amended budget.

General Fund revenue was originally budgeted at \$69,559,181 for 2007. During the year, the General Fund revenue budget was reduced by \$24,396 to \$69,534,785. During 2007, actual General Fund revenue was \$68,193,968, which was \$1,340,817 (2.0%) less than budgeted. The principal reason for this shortfall was that property tax collections during 2007 were less than anticipated. All cities have limited resources and, thus, a limited number of programs and services that can be provided. The City of South Bend is proud to say that it has done well in terms of maintaining a solid, financially-sound organization by consistently spending within its means.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities was \$442,720,166 (net accumulated depreciation) at December 31, 2007. The largest component of this investment in capital assets is in streets and roads which were valued at \$157,262,881 (net of depreciation) at December 31, 2007. This investment in capital assets also includes land, buildings, land improvements, building improvements, vehicles, computers and equipment. A detailed explanation of these capital assets can be found in the Notes to the Basic Financial Statements.

Major capital asset projects include the following:

- LED Traffic Signals - \$1.4 million (innovative technology - 85% savings in energy costs).
- Lease/purchase of 27 police patrol and other vehicles - \$1.1 million
- On-going paving program - \$1.8 million
- Riverside Trail Bikeway/Walkway - \$2.3 million
- New Fire Station No. 2 - \$2.5 million
- CSOnet – Sewer Overflow Prevention System - \$1.3 million
- Wastewater Treatment Plant – Removal of Hydraulic Obstructions - \$ 2.6 million
- Leeper Park Tennis Center Renovation and Resurfacing - \$309 thousand
- Restoration of the City Natatorium to become the Civil Rights Heritage Center - \$365 thousand

City of South Bend's Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Capital assets not being depreciated:						
Land	\$11,539,931	\$11,539,931	\$3,020,575	\$3,020,575	\$14,560,506	\$14,560,506
Construction in Progress	781,224	5,583,032	12,366,687	7,773,770	13,147,911	13,356,802
Total capital assets not being depreciated	12,321,155	17,122,963	15,387,262	10,794,345	27,708,417	27,917,308
Capital assets being depreciated:						
Building	102,887,451	102,887,451	95,881,138	98,155,502	198,768,589	201,042,953
Improvements other than buildings	10,103,222	12,386,035	91,700,161	109,865,555	101,803,383	122,251,590
Machinery & equipment	38,497,829	39,651,772	44,216,099	44,986,487	82,713,928	84,638,259
Roads	366,085,762	366,086,462	0	0	366,085,762	366,086,462
Total Cost	517,574,264	521,011,720	231,797,398	253,007,544	749,371,662	774,019,264

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Less accumulated depreciation for:						
Buildings	23,268,734	26,303,715	34,451,265	36,738,755	57,719,999	63,042,470
Improvements other than buildings	4,619,351	4,854,020	20,749,345	22,419,116	25,368,696	27,273,136
Roads	199,649,071	208,823,581	0	0	199,649,071	208,823,581
Total Acc. Depreciation	254,299,562	268,942,203	84,894,496	90,274,203	339,194,058	359,216,406
Total capital assets, being depreciated, net	263,274,702	252,069,517	146,902,902	162,733,341	410,177,604	414,802,858
Total activity capital assets, net	\$275,595,857	\$269,192,480	\$162,290,164	\$173,527,686	\$437,886,021	\$442,720,166

The amount of \$366,086,462 under the category of roads is derived primarily from the City's 2006 implementation of GASB Statement No. 34 which required the retroactive reporting of infrastructure capital assets.

Debt Administration. At December 31, 2007, the City had a number of debt issues outstanding. The following is a summary of debt transactions during 2007:

<u>Type</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue Bonds	\$126,790,000	\$33,115,000	\$8,190,000	\$151,715,000
Mortgage Bonds	28,309,439	-0--	1,424,795	26,884,644
Notes/Loans	31,016,985	551,333	2,852,308	28,716,010
Capital Leases	5,056,781	3,017,687	1,686,448	6,388,020
Total	\$191,173,205	\$36,684,020	\$14,153,551	\$213,703,674

During 2007, the City issued two series of revenue bonds (2007A and 2007B) for a total amount of \$33,115,000 for improvements at the Wastewater Utility. The debt service on these bonds will be paid from user fees. During 2007, the City entered into a five-year capital lease in the amount of \$1,388,714 for the routine replacement of police patrol and other vehicles. In addition, the City entered into a lease/purchase agreement during 2007 with a financial institution for the purchase of energy-efficient LED traffic signals. The electricity savings generated from the new signals is expected to be more than sufficient to cover the future debt service payments. Overall, the City's debt increased by \$22,530,469 during 2007, from \$191,173,205 at December 31, 2006 to \$213,703,674 at December 31, 2007.

Under the Indiana Constitution and State statute, the City's general obligation bonded debt is subject to a legal limitation based upon 2% of total assessed value of real and personal property. Since Indiana's assessment statutes call for an assessed valuation of one-third of cost less depreciation, its general obligation debt limitation is one of the most conservative in the United States. The City had no general obligation bonded debt outstanding at December 31, 2007.

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

Economic Factors and Next Year's Budgets

As noted earlier, property taxes are the City's largest source of revenue. Under current legislation, all Indiana cities assessed values are based on market values. Under this method some properties are still being re-assessed to reflect the changes in values. This process, as well as the significant number of appeals, is affecting the amount of property taxes received by the City. In addition, during March, 2008, the State of Indiana General Assembly enacted property tax reform legislation (HEA 1001) limiting property taxes paid to 1% of gross assessed value for residential homesteads, 2% for agricultural/rental properties, and 3% for all other real and personal property. The impact of this legislation (known as "circuit breaker" legislation) will be phased in beginning in 2009 and will likely have a significant impact on future City operating and capital budgets. The City is currently assessing the impact of this legislation and is in the process of developing appropriate and prudent financial spending plans to deal with its fiscal effects.

Outlook for the Future

The City of South Bend is expecting a groundbreaking year during 2008, with a number of exciting economic development projects becoming reality. These projects include:

- **Eddy Street Commons** – a \$200 million dollar mixed-use development including two hotels, more than 20 stores and restaurants, office space and hundreds of town homes, apartments and condominiums. This is the region's largest single development in decades.
- **Innovation Park** – South Bend's first state-certified technology park, which is a collaborative effort between the City, the University of Notre Dame and Project Future.
- **Courtyard by Marriott** – a new \$38 million dollar, 300 room hotel to be built in the downtown business district. This development will include a 210-car parking garage and will be located across the street from the City's convention center (Century Center).
- **All-American Plaza** – restoration of the historic 83-year old structure at Michigan and Washington Streets downtown as part of a \$9 million dollar project, including an addition with new retail, offices, condominiums, parking and a rooftop green space.
- **Civil Rights Heritage Center** – sponsored by the Indiana University at South Bend, the renovation of the City Natatorium will change a symbol of segregation into a place of celebration of our racial and cultural diversity.
- **WNIT-TV** – a well established, public television station is moving into the downtown area with a high-tech façade that will forever change the face of a key downtown intersection.
- **Kroc Center** – a \$22.5 million dollar world-class youth and family center to be built on the corner of Western and Chapin Streets in South Bend. The Center will be funded primarily by a \$42.5 million dollar grant from the Ray and Joan Kroc Foundation and \$10 million dollars in private donations. An operating endowment of \$30 million dollars will also be established. This will be the only center of its kind in the State of Indiana.

Requests for Information

This financial report is designed to provide a general overview of the finances of the City of South Bend, Indiana. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

M. Catherine Fanello, City Controller
City of South Bend
Department of Administration and Finance
227 W. Jefferson Boulevard, 12th Floor
South Bend, Indiana 46601
Telephone – (574) 235-5887
Fax – (574) 235-9928
Email – cfanello@southbendin.gov

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
December 31, 2007

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Cash and cash equivalents	\$ 127,873,813	\$ 14,530,103	\$ 142,403,916
Cash with fiscal agent	255,256	-	255,256
Receivables (net of allowances for uncollectibles):			
Interest	551,395	34,178	585,573
Taxes	11,604,420	-	11,604,420
Accounts	1,782,536	2,557,224	4,339,760
Intergovernmental	1,562,564	-	1,562,564
Loans	8,943,643	-	8,943,643
Internal balances	3,277,082	(3,277,082)	-
Inventories	1,342,274	397,971	1,740,245
Prepaid expense	131,235	30,271	161,506
Deferred debits	1,237,509	5,862,823	7,100,332
Restricted assets:			
Cash and cash equivalents	5,643,411	42,738,617	48,382,028
Investments	1,788,804	-	1,788,804
Interest receivable	15,962	103,543	119,505
Taxes receivable	141,917	-	141,917
Accounts receivable	-	164,073	164,073
Property held for resale	13,154,811	-	13,154,811
Capital assets:			
Land and construction in progress	17,122,963	10,794,345	27,917,308
Other capital assets, net of depreciation	252,069,517	162,733,341	414,802,858
Total assets	448,499,112	236,669,407	685,168,519

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

Continued on next page

CITY OF SOUTH BEND
 STATEMENT OF NET ASSETS
 December 31, 2007
 (Continued)

Liabilities	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Accounts payable	4,763,425	1,243,007	6,006,432
Accrued payroll payable	1,226,029	219,583	1,445,612
Unearned revenue	-	441,130	441,130
Contracts payable	2,037,997	-	2,037,997
Taxes payable	13,445	47,491	60,936
Customer deposits	1,367,909	155,855	1,523,764
Accrued interest payable	926,468	5,353	931,821
Estimate of unfilled claims	708,646	-	708,646
Other current payables	4,493	-	4,493
Payable from restricted assets:			
Accounts payable	-	1,364,712	1,364,712
Contracts payable	-	1,312,999	1,312,999
Customer deposits	-	1,389,698	1,389,698
Accrued interest payable	1,249,467	295,280	1,544,747
Noncurrent liabilities:			
Due within one year:			
Mortgage bonds payable	1,423,375	47,970	1,471,345
Compensated absences	3,283,264	472,519	3,755,783
Revenue bonds payable	3,985,000	2,835,000	6,820,000
Capital lease obligations	1,044,698	510,849	1,555,547
Notes and loans payable	2,356,868	1,341,500	3,698,368
Due in more than one year:			
Mortgage bonds payable (net of discounts or premiums)	24,955,108	867,388	25,822,496
Compensated absences	1,172,665	-	1,172,665
Revenue bonds payable (net of discounts or premiums)	73,708,932	70,178,328	143,887,260
Capital lease obligations	6,650,789	616,545	7,267,334
Notes and loans payable	5,543,790	17,038,991	22,582,781
Unamortized gain on sale/leaseback	-	24,119	24,119
Net other postemployment benefits obligation	1,025,741	-	1,025,741
Net pension obligation	63,184,257	-	63,184,257
Total liabilities	200,632,366	100,407,917	301,040,283
Net Assets			
Invested in capital assets, net of related debt	195,345,890	112,194,451	307,540,341
Restricted for:			
Debt service	5,370,627	6,039,787	11,410,414
Capital outlay	-	2,233,470	2,233,470
Unrestricted	47,150,229	15,793,782	62,944,011
Total net assets	\$ 247,866,746	\$ 136,261,490	\$ 384,128,236

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

CITY OF SOUTH BEND
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	
						Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 13,680,203	\$ 6,553,121	\$ 125,391	\$ 415,818	\$ (6,585,873)	\$ -	\$ (6,585,873)
Public safety	52,751,974	4,228,405	1,306,757	-	(47,216,812)	-	(47,216,812)
Highways and streets	17,904,129	-	9,375,865	-	(8,528,264)	-	(8,528,264)
Economic development	18,206,948	604,873	4,150,996	37,099	(13,413,980)	-	(13,413,980)
Health and welfare	75,000	-	-	-	(75,000)	-	(75,000)
Culture and recreation	16,454,667	5,057,076	669,278	507,585	(10,220,728)	-	(10,220,728)
Interest on long-term debt	5,859,102	-	-	-	(5,859,102)	-	(5,859,102)
Total governmental activities	124,932,023	16,443,475	15,628,287	960,502	(91,899,759)	-	(91,899,759)
Business-type activities:							
Water	13,061,750	15,336,891	-	757,984	-	3,033,125	3,033,125
Wastewater	18,295,813	21,349,401	-	-	-	3,053,588	3,053,588
Civic Center	3,490,103	3,371,553	-	144,936	-	26,386	26,386
Building department	1,090,327	1,078,258	-	-	-	(12,069)	(12,069)
Parking	1,444,146	861,307	-	100,694	-	(482,145)	(482,145)
Solid waste	4,072,910	4,187,821	-	-	-	114,911	114,911
Golf course	1,811,801	1,512,150	-	249,718	-	(49,933)	(49,933)
Total business-type activities	43,266,850	47,697,381	-	1,253,332	-	5,683,863	5,683,863
Total primary government	\$ 168,198,873	\$ 64,140,856	\$ 15,628,287	\$ 2,213,834	(91,899,759)	5,683,863	(86,215,896)
General revenues:							
Property taxes					77,120,683	-	77,120,683
County option income tax					8,072,623	-	8,072,623
Economic development income tax					4,681,134	-	4,681,134
Professional sports development tax					435,791	-	435,791
Community revitalization enhancement district tax					1,000,000	-	1,000,000
Grants and contributions not restricted to specific programs					4,032,300	-	4,032,300
Unrestricted investment earnings					6,247,113	1,301,348	7,548,461
Other					5,016,902	-	5,016,902
Transfers					3,735	(3,735)	-
Total general revenues and transfers					106,610,281	1,297,613	107,907,894
Change in net assets					14,710,522	6,981,476	21,691,998
Net assets - beginning					233,156,224	129,280,014	362,436,238
Net assets - ending					\$ 247,866,746	\$ 136,261,490	\$ 384,128,236

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

CITY OF SOUTH BEND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

Assets	General	Park and Recreation	TIF Airport	COIT	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 24,012,446	\$ 3,180,786	\$ 22,112,226	\$ 7,214,789	\$ 69,271,866	\$ 125,792,113
Cash with fiscal agent	250,000	-	-	-	5,256	255,256
Investments	-	-	-	-	1,788,804	1,788,804
Receivables (net of allowances for uncollectibles):						
Interest	270,032	-	62,127	18,685	190,626	541,470
Taxes	6,142,913	1,042,668	379,444	-	4,181,312	11,746,337
Accounts	547,840	3,288	-	-	951,246	1,502,374
Intergovernmental	735,261	-	-	-	792,984	1,528,245
Loans	-	-	-	233,333	8,710,310	8,943,643
Interfund receivable:						
Interfund loans	1,674,216	-	-	-	176,000	1,850,216
Interfund services provided and used	49,207	-	-	31,546	25,429	106,182
Inventories	-	53,001	-	-	-	53,001
Advances to other funds	1,750,000	-	2,728,000	-	500,247	4,978,247
Property held for resale	240,432	-	3,963,613	1,611,247	7,339,519	13,154,811
Total assets	\$ 35,672,347	\$ 4,279,743	\$ 29,245,410	\$ 9,109,600	\$ 93,933,609	\$ 172,240,709
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 2,400,975	\$ 229,431	\$ 37,448	\$ 383,511	\$ 708,841	\$ 3,760,206
Accrued payroll payable	962,378	120,849	-	-	90,371	1,173,598
Contracts payable	833,953	-	-	331,290	872,754	2,037,997
Interfund payable:						
Interfund loans	-	-	-	176,000	-	176,000
Interfund services provided and used	334,983	31,439	1,675	12,708	180,420	561,225
Taxes payable	12,948	487	-	-	-	13,445
Customer deposits	1,086,777	-	-	-	1,086,777	2,173,554
Deferred revenue	6,175,807	1,042,668	379,444	-	865,314	8,463,233
Performance deposits payable	103,773	-	53,602	-	123,757	281,132
Other current payables	-	1,500	-	-	2,993	4,493
Advances from other funds	-	-	-	-	2,250,247	2,250,247
Total liabilities	11,911,594	1,426,384	472,169	903,509	5,094,697	19,808,353
Fund balances:						
Reserved for:						
Encumbrances	223,538	-	853,562	3,048,892	3,264,342	7,390,334
Noncurrent loans receivable	-	-	-	200,000	-	8,404,963
Inventory	-	53,001	-	-	-	53,001
Property held for resale	240,432	-	3,963,613	1,611,247	7,226,473	13,041,765
Debt service	-	-	-	-	7,448,177	7,448,177
Advances to other funds	1,750,000	-	-	-	500,247	2,250,247
Unreserved, reported in:						
General fund	21,546,783	-	-	-	-	21,546,783
Special revenue funds	-	2,800,368	-	-	22,902,822	25,703,180
Capital projects funds	-	-	23,956,066	3,345,952	39,291,888	66,593,906
Total fund balances	23,760,753	2,853,359	28,773,241	8,206,091	88,838,912	152,432,356
Total liabilities and fund balances	\$ 55,672,347	\$ 4,279,743	\$ 29,245,410	\$ 9,109,600	\$ 93,933,609	

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

Continued on next page

CITY OF SOUTH BEND
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 December 31, 2007
 (Continued)

	<u>Totals</u>
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.	
Prepaid expenses (\$118,862) and deferred debits (\$1,237,509) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	267,751,000
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.	1,356,371
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	8,259,261
Deferred revenues	8,463,233
Bonds payable	(104,527,839)
Less: deferred charge on refunding (to be amortized as interest expense)	665,034
Less: issuance discount or (premium) (to be amortized as interest expense)	(209,810)
Capital leases payable	(7,695,487)
Notes payable	(7,900,658)
Net other postemployment benefits obligation	(1,025,741)
Net pension obligation	(63,184,257)
Short-term liabilities that are not recognized in governmental funds until due:	
Accrued interest payable	(2,175,935)
Compensated absences payable	(4,340,982)
Net assets of governmental activities	<u>\$ 247,866,746</u>

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

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Park and Recreation	TIF Airport	COIT	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes						
Property	\$ 48,720,726	\$ 8,271,741	\$ 8,851,077	\$ -	\$ 8,661,931	\$ 74,505,475
County option income	-	-	-	5,816,766	2,255,857	8,072,623
County economic development income	-	-	-	-	4,681,134	4,681,134
Professional sports development tax	-	-	-	-	435,791	435,791
Community revitalization enhancement district	-	-	-	-	1,000,000	1,000,000
Licenses and permits	173,604	-	-	-	-	173,604
Intergovernmental	5,420,497	622,520	23,261	-	15,333,888	21,400,166
Charges for services	9,635,798	2,884,814	-	-	3,111,527	15,632,139
Fines and forfeits	259,669	-	-	-	178,063	437,732
Interest	2,599,284	4,937	673,874	166,403	2,804,107	6,248,605
Donations	-	-	-	-	29,260	29,260
Sale of property	1,248,159	5,391	100,000	-	113,769	1,467,319
Other	920,252	65,690	-	134,414	2,422,438	3,542,794
Total revenues	69,177,989	11,855,093	9,648,212	6,117,583	41,027,765	137,826,642
Expenditures:						
Current:						
General government	9,217,142	-	-	-	394,212	9,611,354
Public safety	52,523,284	-	-	-	679,721	53,203,005
Highways and streets	6,926,047	-	-	-	6,331,734	13,257,781
Economic development	286,751	-	-	-	7,423,491	7,710,242
Health and welfare	75,000	-	-	-	-	75,000
Culture and recreation	1,600,776	10,831,151	-	-	1,037,871	13,469,798
Debt service:						
Principal	-	75,968	574,704	360,370	6,859,124	7,870,166
Interest and fiscal charges	-	4,274	575,353	255,560	4,883,385	5,718,572
Capital outlay:						
General government	-	-	-	3,409,970	930,611	4,340,581
Public safety	-	-	-	-	1,422,613	1,422,613
Economic development	-	-	3,617,724	-	6,849,645	10,467,369
Culture and recreation	-	-	-	-	1,062,739	1,062,739
Total expenditures	70,629,000	10,911,393	4,767,781	4,025,900	37,875,146	128,209,220
Excess (deficiency) of revenues over (under) expenditures	(1,451,011)	943,700	4,880,431	2,091,683	3,152,619	9,617,422
Other financing sources (uses):						
Transfers in	250,000	-	103,666	-	7,518,909	7,872,575
Transfers out	(889,531)	(227,323)	(395,921)	(2,510,813)	(3,845,252)	(7,868,840)
Debt issuance	-	-	-	-	2,920,287	2,920,287
Total other financing sources and uses	(639,531)	(227,323)	(292,255)	(2,510,813)	6,593,944	2,924,022
Net change in fund balances	(2,090,542)	716,377	4,588,176	(419,130)	9,746,563	12,541,444
Fund balances - beginning	25,851,295	2,136,982	24,185,065	8,625,221	79,092,349	139,890,912
Fund balances - ending	\$ 23,760,753	\$ 2,853,359	\$ 28,773,241	\$ 8,206,091	\$ 88,838,912	\$ 152,432,356

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

CITY OF SOUTH BEND
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For The Year Ended December 31, 2007

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) \$ 12,541,444

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay 9,354,701
 Depreciation expense (15,484,897)
 Loss on disposal of assets (255,806)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 1,834,639

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt incurred during the current period:

Capital leases (2,920,287)
 Principal debt payments: 5,254,285
 Bonds 1,423,033
 Loans 1,192,848
 Capital leases (155,154)
 Amortization expenses

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Prepaid expense 110,694
 Interest expense 14,624
 Compensated absences 272,465
 Change in net other postemployment benefits obligation (1,025,741)
 Change in net pension asset and net pension obligation 223,857

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.

2,329,617

Change in net assets of governmental activities (Statement of Activities) \$ 14,710,522

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

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2007

Assets	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Totals	
Current assets:						
Cash and cash equivalents	\$ 3,269,280	\$ 10,167,941	\$ 463,574	\$ 629,308	\$ 14,530,103	\$ 7,725,111
Interest receivable	6,151	28,027	-	-	34,178	25,887
Accounts receivable (net of allowance)	755,295	1,280,361	30,111	336,267	2,402,034	280,162
Accounts receivable - other	8,400	19,467	124,323	3,000	155,190	-
Interfund receivables:						
Interfund services provided and used	10,433	158,162	-	625	169,220	564,052
Intergovernmental receivable	-	-	-	-	-	34,309
Inventories	116,804	264,578	-	16,589	397,971	1,289,273
Prepaid items	6,557	-	23,714	-	30,271	12,373
Restricted assets:						
Cash, cash equivalents and investments:						
Repair fund	82,286	287,128	-	-	369,414	-
Customer deposits	1,324,264	-	-	-	1,324,264	-
Revenue bond covenant accounts	1,650,377	3,348,349	-	1,325,633	6,324,359	-
Capital outlay accounts	1,321,674	31,652,483	1,741,185	5,238	34,720,580	-
Accounts receivable	72,282	91,791	-	-	164,073	-
Interest receivable	28,784	61,296	7,730	5,733	103,543	-
Total current assets	6,652,587	47,359,583	2,390,637	2,322,393	60,725,200	9,931,167
Noncurrent assets:						
Deferred charges:						
Unamortized debt issue costs	624,784	714,456	-	22,400	1,361,640	-
Unamortized loss on sale/leaseback	-	-	-	4,501,183	4,501,183	-
Total deferred charges	624,784	714,456	-	4,523,583	5,862,823	-
Capital assets:						
Land and construction in progress	1,055,199	7,431,573	727,084	1,580,489	10,794,345	-
Other capital assets (net of accumulated depreciation)	58,878,537	83,313,918	12,751,621	7,789,265	162,733,341	1,441,480
Total capital assets	59,933,736	90,745,491	13,478,705	9,369,754	173,527,686	1,441,480
Total noncurrent assets	60,558,520	91,459,947	13,478,705	13,893,337	179,390,509	1,441,480
Total assets	69,211,107	138,819,530	15,869,342	16,215,730	240,115,709	11,372,647

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2007
(Continued)

Liabilities	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	
Current liabilities:					
Accounts payable	167,306	520,918	192,760	362,023	1,003,219
Interfund payables:					
Interfund loans	-	-	-	448,783	1,225,433
Interfund services provided and used	34,332	46,216	97,135	237,707	8,710
Accrued payroll payable	85,155	89,843	-	44,585	52,431
Compensated absences	185,999	198,069	-	88,451	472,519
Unearned revenue	-	-	441,130	-	441,130
Taxes payable	45,716	-	1,775	-	47,491
Accrued interest payable	-	-	5,353	-	5,353
Customer deposits	-	-	155,855	-	155,855
Estimate of unfilled claims	-	-	-	-	-
Current liabilities payable from restricted assets:					
Accounts payable	252,666	1,112,026	-	-	1,364,712
Interfund payables:					
Interfund services provided and used	-	31,812	-	-	31,812
Contracts and retainage payable	492,923	744,676	75,000	-	1,312,599
Customer deposits	1,389,698	-	-	-	1,389,698
Mortgage bonds payable	-	47,970	-	-	47,970
Revenue bonds payable	-	2,350,000	-	485,000	2,835,000
Capital leases payable	-	89,171	-	421,678	510,849
Notes and loans payable	-	1,270,000	71,500	-	1,341,500
Accrued interest payable	-	232,156	-	63,124	295,280
Total current liabilities	2,653,815	6,732,857	1,040,508	1,973,668	12,400,848
Noncurrent liabilities:					
Advances from other funds	-	-	-	2,728,000	2,728,000
Mortgage bonds payable (net of unamortized discount)	-	867,388	-	-	867,388
Revenue bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	17,965,244	49,511,004	-	2,702,080	70,178,328
Capital leases payable	-	117,899	-	498,646	616,545
Notes and loans payable	1,877,045	14,862,321	299,625	-	17,038,991
Unamortized gain on sale/leaseback	-	-	-	24,119	24,119
Total noncurrent liabilities	19,842,289	65,358,612	299,625	5,952,845	91,453,371
Total liabilities	22,496,104	72,091,469	1,340,133	7,926,513	103,854,219
Net Assets					
Invested in capital assets, net of related debt	40,091,447	53,149,839	13,107,580	5,845,585	112,194,451
Restricted for debt service	1,650,377	3,116,193	-	1,273,217	6,039,787
Restricted for capital outlay	828,751	132,437	1,267,044	5,238	2,233,470
Unrestricted	4,144,428	10,329,592	154,585	1,165,177	15,793,782
Total net assets	\$ 46,715,003	\$ 66,728,061	\$ 14,529,209	\$ 8,289,217	\$ 136,261,490
					\$ 8,259,261

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

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2007

	Business-Type Activities - Enterprise Funds					Totals	Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other			
				Enterprise Funds	Internal Service Funds		
Operating revenues:							
Metered revenue:							
Residential	\$ 7,266,131	\$ 11,805,953	-	-	-	\$ 19,072,084	\$ -
Commercial	3,333,356	4,593,674	-	-	-	7,927,030	-
Industrial	549,017	3,374,372	-	-	-	3,923,389	-
Fire protection revenue	1,916,212	-	-	-	-	1,916,212	-
Penalties	83,008	230,126	-	-	-	313,134	-
Convention fees	-	1,520,686	-	-	-	1,520,686	-
Licenses and permits	-	80,745	1,078,258	-	-	1,159,003	-
Parking fees	-	216,409	881,307	-	-	1,077,716	-
Solid waste fees	-	-	4,129,274	-	-	4,129,274	-
Golf course fees	-	-	1,512,150	-	-	1,512,150	-
Employee/employer contributions	-	-	-	-	-	-	15,430,754
Charges for sales and services	-	-	-	-	-	-	2,733,093
Other	600,489	681,365	27,450	52,383	-	1,361,687	-
Total operating revenues	13,748,213	20,885,490	1,845,290	7,633,372	-	43,912,365	18,163,847
Operating expenses:							
Source of supply and expense/collection system expense - operations and maintenance	915,244	3,074,202	-	-	-	3,989,446	-
Transmission and distribution/pumping expense - operations and maintenance	3,049,286	-	-	-	-	3,049,286	-
Treatment and disposal expense - operations and maintenance	947,044	6,454,941	-	-	-	7,401,985	-
Operations and maintenance	1,515,176	58,124	10,200	5,961,761	-	5,961,761	2,862,250
Customer accounts	3,063,921	2,395,403	2,908,204	1,074,507	-	1,583,500	-
Administration and general	-	-	-	-	-	9,442,035	526,612
Insurance claims and premiums	-	-	-	-	-	-	12,598,765
Depreciation	1,536,838	3,259,804	529,282	595,551	-	5,921,676	79,421
Total operating expenses	11,027,610	15,242,574	3,447,686	7,631,819	-	37,349,689	16,067,054
Operating income (loss)	2,720,603	5,442,916	(1,602,396)	1,553	-	6,562,676	2,096,793
Nonoperating revenues (expenses):							
Interest and investment revenue	261,049	906,290	73,027	60,982	-	1,301,348	232,824
Hotel/motel tax	-	-	1,361,263	-	-	1,361,263	-
Repair fund revenues	905,282	663,911	-	-	-	1,569,193	-
Management fees	668,913	(643,813)	-	-	-	25,100	-
Miscellaneous revenue	14,483	165,000	-	-	-	179,483	-
Interest expense	(850,729)	(1,875,809)	(32,940)	(222,690)	-	(2,982,168)	-
Amortization expense	(98,463)	(36,677)	-	(564,675)	-	(659,815)	-
Repair fund expenses	(1,023,226)	(496,940)	-	-	-	(1,520,166)	-
Gain (loss) on disposition of assets	(101,722)	-	(9,477)	6,164	-	(105,035)	-
Total nonoperating revenue (expenses)	(184,413)	(1,483,038)	1,556,873	(720,219)	-	(630,797)	232,824
Income (loss) before contributions and transfers	2,536,190	3,959,878	(45,523)	(718,666)	-	5,731,879	2,329,617
Capital contributions	757,984	-	144,936	350,412	-	1,253,332	-
Transfers in	-	-	-	39,832	-	39,832	-
Transfers out	-	-	-	(43,567)	-	(43,567)	-
Change in net assets	3,294,174	3,959,878	99,413	(371,989)	-	6,981,476	2,329,617
Total net assets - beginning	43,420,829	62,768,183	14,429,796	8,661,206	-	129,280,014	5,929,544
Total net assets - ending	\$ 46,715,003	\$ 66,728,061	\$ 14,529,209	\$ 8,289,217	\$ -	\$ 136,261,490	\$ 8,259,261

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

CITY OF SOUTH BEND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2007

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Enterprise Funds	Other	
Cash flows from operating activities:						
Receipts from customers and users	\$ 14,601,763	\$ 21,119,339	\$ 2,243,537	\$ 7,593,016	\$ 45,557,655	\$ 2,528,455
Receipts from interfund services provided	774,570	81,968	-	52,000	908,538	15,900,788
Payments to suppliers	(6,052,743)	(5,390,221)	(2,607,994)	(3,414,143)	(17,475,101)	(13,259,666)
Payments to employees	(4,088,301)	(4,552,584)	-	(2,333,815)	(10,974,700)	(2,402,974)
Payments for interfund services used	(253,558)	(3,033,390)	(78,706)	(1,257,249)	(4,622,853)	(541,755)
Net cash provided (used) by operating activities	4,971,751	8,225,112	(443,163)	639,809	13,393,509	2,222,848
Cash flows from noncapital financing activities:						
Advances from other funds	-	-	-	1,357,454	-	-
Repayments of advances from other funds	-	-	-	(887,967)	-	-
Interfund loan	-	-	-	-	-	3,220,500
Interfund loan repaid	-	-	-	-	-	(2,887,042)
Hotel/motel tax	-	-	1,361,263	-	-	-
Transfer from other funds	-	-	-	39,832	-	-
Transfer to other funds	-	-	-	(43,567)	-	-
Net cash provided by noncapital financing activities	-	-	1,361,263	465,752	1,827,015	333,458
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(3,600,562)	(10,799,276)	(33,967)	(429,123)	(14,862,948)	(61,852)
Capital contributions	-	-	-	249,718	249,718	-
Bond issue costs paid	-	(130,477)	-	-	(130,477)	-
Proceeds from capital debt issued	-	32,780,814	-	-	32,780,814	-
Principal paid on capital debt	(2,764,265)	(2,575,140)	(71,500)	(872,480)	(6,283,385)	-
Interest paid on capital debt	(1,015,522)	(1,715,602)	(34,060)	(208,812)	(2,973,996)	-
Proceeds from sales of capital assets	1,518	-	-	6,164	7,682	-
Net cash provided (used) by capital and related financing activities	(7,378,831)	17,560,319	(139,547)	(1,254,533)	8,787,408	(61,852)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	-	1,009,945	-	1,009,945	-
Interest received	331,317	816,967	65,297	56,515	1,270,096	207,766
Net cash provided by investing activities	331,317	816,967	1,075,242	56,515	2,280,041	207,766
Net increase (decrease) in cash and cash equivalents	(2,075,763)	26,602,398	1,853,795	(92,457)	26,287,973	2,702,220
Cash and cash equivalents, January 1 (including \$160,628, \$1,304,879, \$6,387,003, and \$15,598,024 for the repair fund, customer deposits, revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	9,723,644	18,853,503	350,964	2,052,636	30,980,747	5,022,891
Cash and cash equivalents, December 31 (including \$369,414, \$1,324,464, \$6,324,359, and \$34,720,580 for the repair fund, customer deposits, revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	\$ 7,647,881	\$ 45,455,901	\$ 2,204,759	\$ 1,960,179	\$ 57,268,720	\$ 7,725,111

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

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2007
(Continued)

	Business-Type Activities - Enterprise Funds					Totals	Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Enterprise Funds	Other		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 2,720,603	\$ 5,442,916	\$ (1,602,396)	\$ 1,553	\$ 6,562,676	\$ 2,096,793	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	1,536,939	3,259,904	529,282	595,551	5,921,676	79,427	
Bad debt expense	77,903	58,124	10,200	38,199	184,426	-	
Nonoperating revenues (expenses)	565,452	(476,842)	165,000	-	253,610	-	
(Increase) decrease in assets:							
Accounts receivable	(85,002)	(199,054)	(4,181)	(27,603)	(315,840)	721,128	
Accounts receivable - other	10,761	8,426	3,661	1,323	24,171	-	
Intergovernmental receivables	66,772	(15,590)	-	(275)	50,907	(25,072)	
Interfund receivables	(8,715)	3,455	-	(4,283)	(9,543)	(138,408)	
Inventories	(6,557)	-	(23,714)	-	(30,271)	3,892	
Prepaid items	-	-	-	-	-	-	
Increase (decrease) in liabilities:							
Customer deposits	35,780	-	4,312	-	40,092	-	
Accounts payable	34,901	(343,470)	133,802	38,060	(136,707)	(368,087)	
Contracts payable	-	504,175	58,000	-	563,175	-	
Accrued payroll payable	21,296	12,997	(24,077)	3,246	13,462	10,835	
Interfund loan	-	-	-	19,661	19,661	4,449	
Interfund services provided and used	10,273	(6,307)	94,491	-	98,457	-	
Compensated absence payable	(7,360)	(23,622)	(9,956)	(25,623)	(65,561)	(6,782)	
Taxes payable	(1,295)	-	1,158	-	(137)	-	
Deferred revenue	-	-	219,255	-	219,255	-	
Estimated unfilled claims	-	-	-	-	-	59,499	
Total adjustments	2,251,148	2,782,196	1,159,233	636,256	6,830,833	126,055	
Net cash provided (used) by operating activities	\$ 4,971,751	\$ 8,225,112	\$ (443,163)	\$ 639,809	\$ 13,393,509	\$ 2,222,848	
Noncash investing, capital and financing activities:							
Capital assets contributed	\$ 757,984	\$ -	\$ 144,936	\$ -	\$ 902,920	\$ -	
Capital assets acquired by lease	-	551,333	-	219,957	219,857	-	
Capital assets acquired by loans	-	1,908,373	-	-	551,333	-	
Purchase of capital assets on account	576,558	28,428	135,107	-	2,484,931	-	
Capital asset disposals	273,194	294,547	-	-	434,729	7,606	
Bond issue costs paid from bond proceeds	-	-	-	-	294,547	-	

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

CITY OF SOUTH BEND
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2007

<u>Assets</u>	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Cash and cash equivalents	\$ 6,198,472	\$ 40,311	\$ 1,105,000
Receivables:			
Interest	-	178	-
Taxes	367,743	-	-
	<u>367,743</u>	<u>-</u>	<u>-</u>
Total receivables	367,743	178	-
Total assets	<u>6,566,215</u>	<u>40,489</u>	<u>\$ 1,105,000</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	288	-	-
Accrued payroll and withholdings payable	-	-	1,105,000
DROP payable - due within one year	74,904	-	-
	<u>75,192</u>	<u>-</u>	<u>\$ 1,105,000</u>
Total liabilities	75,192	-	1,105,000
<u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	6,491,023	40,489	-
Individuals, organizations, and other governments	-	-	-
Total net assets	<u>\$ 6,491,023</u>	<u>\$ 40,489</u>	<u>\$ 1,105,000</u>

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

CITY OF SOUTH BEND
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2007

<u>Additions</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Contributions:		
Employer	\$ 5,807,432	\$ -
State of Indiana	9,050,985	-
Plan members	38,789	-
Other	<u>8,610</u>	<u>-</u>
Total contributions	14,905,816	-
Investment income:		
Interest	<u>419,937</u>	<u>1,867</u>
Total additions	15,325,753	1,867
<u>Deductions</u>		
Benefits	11,613,397	-
Administrative expense	<u>34,751</u>	<u>-</u>
Total deductions	11,648,148	-
Changes in net assets	3,677,605	1,867
Net assets - beginning	<u>2,813,418</u>	<u>38,622</u>
Net assets - ending	<u>\$ 6,491,023</u>	<u>\$ 40,489</u>

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Blended Component Units

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

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

The South Bend Building Corporation, Inc., is also a legally separate nonprofit corporation, and is a significant blended component unit of the primary government. The Building Corporation's main purpose is to finance construction and remodeling of City buildings for the City of South Bend. Debt of the Building Corporation is repaid through lease payments from the City. Financial statements for the Building Corporation are available at the City Controller's Office, City of South Bend, 227 West Jefferson, 1400 County-City Building, South Bend, Indiana, 46601.

Related Organizations

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments. The Mayor and the Common Council appoint the board members of the South Bend Housing Authority, South Bend Public Transportation Corporation (TRANSPO), Urban Enterprise Association, and the Special Funds Board of Managers.

During 2007, the Special Funds Board of Managers provided \$1,361,263 to the City's Century Center and \$507,585 to the City's Professional Sports Development Fund, to finance capital costs of the College Football Hall of Fame.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government reports the following major governmental funds:

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

The park and recreation fund is used to account for the operation of the City park system. Financing is provided by a specific annual property tax levy to the extent that user fees and miscellaneous revenues are insufficient to provide such financing.

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

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

The primary government reports the following major proprietary funds:

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

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

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

Additionally, the primary government reports the following fund types:

The internal service funds accounts for liability coverage, employee medical coverage, and central services such as fuel, vehicle repairs and various supplies provided to other departments on a cost-reimbursement basis.

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

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

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

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

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

Open-end mutual funds are reported at fair value.

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

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund Transactions and Balances

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

3. Property Taxes

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

CITY OF SOUTH BEND
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 50,000	Straight-line	20 to 30 years
Equipment	5,000	Straight-line	5 to 20 years
Roads – collectors and residential	3,000,000	Straight-line	40 to 50 years
Utilities' infrastructure (small)	75,000	Straight-line	30 to 99 years
Utilities' infrastructure (large)	100,000	Straight-line	30 to 99 years

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

7. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of two-thirds of a day for each completed month of service. Sick leave may accumulate to a maximum of 90 days for policemen, 100 days for firemen, 60 days for teamsters, and 65 days for all other employees. Accumulated sick leave is paid to firemen, to policemen, and to teamsters, upon termination of employment, at one-half their current pay rate, at a rate of one-half the corporal's rate of pay up to a maximum of 60 days, and \$25 for each accumulated sick leave day, respectively, at the time of retirement.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 9 days to 28 days per year based upon the number of years of service, employee classification, and hire date. Vacation leave does not accumulate from year to year, except in instances where special cases are approved. Employees earn vacation leave during the year to be used the following year. Unused vacation leave is paid to employees upon termination of employment.
- c. Personal Leave – primary government policemen earn personal leave at the rate of 7 days per year. Personal leave does not accumulate from year to year. Unused personal leave may be rolled into sick leave. City employees under the teamster contact can use their sick leave for personal leave.
- d. Compensatory Leave – policemen and firemen have accumulated overtime-compensatory leave for a variety of reasons.

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Long-Term Obligations

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

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

9. Fund Equity

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

General

Major governmental funds:

Special revenue fund - Park and Recreation

Capital projects fund - County Option Income Tax (COIT)

Nonmajor governmental funds:

Special revenue funds - Motor Vehicle Highway, Recreation Nonreverting, Community Development, Local Road and Street, Human Rights Federal

Debt service funds - Redevelopment Bond-Studebaker, College Football Hall of Fame Debt Service

Capital projects funds - Emergency Medical Services, Professional Sports Development, Park Nonreverting Capital, Cumulative Capital Development, Cumulative Capital Improvement, Economic Development Income Tax, Major Moves

CITY OF SOUTH BEND
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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

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

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

B. Deficit Fund Equity

At December 31, 2007, the following funds reported deficits in fund equity, which are violations of State statute:

	<u>Deficit</u>
Governmental funds:	
Football Hall of Fame Capital	\$ 1,075,277
Enterprise funds (net assets):	
Blackthorn Golf Course	1,249,285

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2007, the bank balances held at Wells Fargo Bank NA, The Bank of New York Trust Company, NA, LaSalle Bank National Association, and at JPMorgan Chase Bank, N.A. in the amounts of \$2,467,775, \$409,374, \$360,263, and \$430,918, respectively, were collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-City's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. The City has not formally adopted a deposit policy for custodial credit risk.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the City had the following investments:

Investment Type	Primary Government	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-2	More Than 2
U.S. Treasuries and Securities	\$ 1,788,804	\$ 1,788,804	\$ -	\$ -

Investment Policies

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

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

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2007, the City held investments in U.S. treasuries and securities in the amount of \$1,788,804. These investments were held by the counterparty's trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk.

Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable. As of December 31, 2007, City funds recognized the following loan receivable balances. The schedule shows the total receivable and the portion that is not due within one year. These loans were for economic development projects.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	Receivable	Noncurrent
Major governmental funds:		
County Option Income Tax	\$ 233,333	\$ 200,000
Nonmajor governmental funds:		
Economic Development State Grants	3,023,172	2,909,258
Community Development	1,350,827	1,206,973
Industrial Revolving	4,336,311	4,088,732
Totals	<u>\$ 8,943,643</u>	<u>\$ 8,404,963</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,539,931	\$ -	\$ -	\$ 11,539,931
Construction in progress	781,224	4,801,808	-	5,583,032
Total capital assets, not being depreciated	<u>12,321,155</u>	<u>4,801,808</u>	<u>-</u>	<u>17,122,963</u>
Capital assets, being depreciated:				
Buildings	102,887,451	-	-	102,887,451
Improvements other than buildings	10,103,222	2,282,813	-	12,386,035
Machinery and equipment	38,497,829	2,331,232	1,177,289	39,651,772
Roads being depreciated	366,085,762	700	-	366,086,462
Totals	<u>517,574,264</u>	<u>4,614,745</u>	<u>1,177,289</u>	<u>521,011,720</u>
Less accumulated depreciation for:				
Buildings	23,268,734	3,034,981	-	26,303,715
Improvements other than buildings	4,619,351	234,669	-	4,854,020
Machinery and equipment *	26,762,406	3,120,164	921,683	28,960,887
Roads being depreciated	199,649,071	9,174,510	-	208,823,581
Totals	<u>254,299,562</u>	<u>15,564,324</u>	<u>921,683</u>	<u>268,942,203</u>
Total capital assets, being depreciated, net	<u>263,274,702</u>	<u>(10,949,579)</u>	<u>255,606</u>	<u>252,069,517</u>
Total governmental activities capital assets, net	<u>\$ 275,595,857</u>	<u>\$ (6,147,771)</u>	<u>\$ 255,606</u>	<u>\$ 269,192,480</u>

*The beginning balance has been restated to include \$5,479,031 previously excluded.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,020,575	\$ -	\$ -	\$ 3,020,575
Construction in progress	<u>12,366,687</u>	<u>15,525,781</u>	<u>20,118,698</u>	<u>7,773,770</u>
Total capital assets, not being depreciated	<u>15,387,262</u>	<u>15,525,781</u>	<u>20,118,698</u>	<u>10,794,345</u>
Capital assets, being depreciated:				
Buildings *	95,881,138	2,277,784	3,420	98,155,502
Improvements other than buildings	91,700,161	18,405,760	240,366	109,865,555
Machinery and equipment	<u>44,216,099</u>	<u>1,245,132</u>	<u>474,744</u>	<u>44,986,487</u>
Totals	<u>231,797,398</u>	<u>21,928,676</u>	<u>718,530</u>	<u>253,007,544</u>
Less accumulated depreciation for:				
Buildings	34,451,265	2,289,831	2,341	36,738,755
Improvements other than buildings	20,749,345	1,776,708	106,937	22,419,116
Machinery and equipment	<u>29,693,886</u>	<u>1,855,137</u>	<u>432,691</u>	<u>31,116,332</u>
Totals	<u>84,894,496</u>	<u>5,921,676</u>	<u>541,969</u>	<u>90,274,203</u>
Total capital assets, being depreciated, net	<u>146,902,902</u>	<u>16,007,000</u>	<u>176,561</u>	<u>162,733,341</u>
Total business-type activities capital assets, net	<u>\$ 162,290,164</u>	<u>\$ 31,532,781</u>	<u>\$ 20,295,259</u>	<u>\$ 173,527,686</u>

*The beginning balance has been restated to include \$1,904,771 previously excluded.

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

Governmental activities:	
General government	\$ 258,103
Public safety	2,051,413
Highways and streets, including depreciation of general infrastructure assets	10,104,652
Culture and recreation	2,969,718
Economic development	101,011
Internal service funds*	<u>79,427</u>
Total depreciation expense - governmental activities	<u>\$ 15,564,324</u>

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Business-type activities:

Water	\$ 1,536,939
Wastewater	3,259,904
Civic center	529,282
Building permits	23,660
Parking garage	169,047
Solid waste	178,666
Golf course	224,178
	<u>224,178</u>

Total depreciation expense - business-type activities \$ 5,921,676

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Governmental activities:				
New Fire Station No. 2	\$ 2,621,865	\$ 2,532,691	\$ 89,174	\$ -
LED Signals	1,458,109	1,356,047	102,062	-
Eddy Street HES	485,000	276,204	208,796	-
Portage Avenue Improvements	855,600	804,719	50,881	-
Miami Road Widening	500,000	242,151	257,849	-
Leeper Park Court Resurfacing/Repair	400,000	247,207	152,793	-
Other projects	240,000	124,013	115,987	-
	<u>\$ 6,560,574</u>	<u>\$ 5,583,032</u>	<u>\$ 977,542</u>	<u>\$ -</u>
Business-type activities:				
Water Utility:				
Cleveland Well Field	\$ 682,255	\$ 682,255	\$ -	\$ -
Wastewater Utility:				
SRF Funded Wastewater Treatment Plant Rehabilitation	2,642,748	2,642,748	-	-
CSO Remote Monitoring	1,733,348	1,517,198	216,150	-
Biosolids Improvement or Lagoon #4	1,524,490	1,187,200	337,290	-
Studebaker Trunk Storm Sewer	618,110	559,736	58,374	-
2007 Sewer Lining Program	615,750	259,376	356,374	-
Studebaker "A" Stormwater	534,000	50,920	483,080	-
Twyckenham Drive Storm Sewer	340,000	304,300	35,700	-
Embedded Sensor Network	272,888	236,687	36,201	-
Other Projects	465,919	309,200	156,719	-
Century Center				
Security and Fire Alarm Systems	745,150	5,150	-	740,000
Boiler Replacement	360,000	19,000	-	341,000
	<u>\$ 10,534,658</u>	<u>\$ 7,773,770</u>	<u>\$ 1,679,888</u>	<u>\$ 1,081,000</u>
Totals - business-type activities	<u><u>\$ 10,534,658</u></u>	<u><u>\$ 7,773,770</u></u>	<u><u>\$ 1,679,888</u></u>	<u><u>\$ 1,081,000</u></u>

CITY OF SOUTH BEND NOTES TO
FINANCIAL STATEMENTS (Continued)

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2007, is as follows:

Receivable	Governmental Funds					Enterprise Funds					Totals
	General	Park and Recreation	TIF - Airport	COIT	Nonmajor	Water	Wastewater	Century Center	Nonmajor Enterprise	Internal Service	
Governmental Funds											
General	\$ 3,240	\$ -	\$ 1,675	\$ 12,708	\$ 20,132	\$ 4,142	\$ 87	\$ -	\$ 449,874	\$ 1,231,565	\$ 1,723,423
COIT	-	-	-	-	-	-	31,546	-	-	-	31,546
Nonmajor governmental	-	-	-	176,000	4,955	-	-	20,474	-	-	201,429
Enterprise funds											
Water	3,758	3,651	-	-	-	-	1,016	1,388	-	620	10,433
Wastewater	135,101	-	-	-	23,061	-	-	-	-	-	158,162
Nonmajor enterprise	-	-	-	-	625	-	-	-	-	-	625
Internal service	<u>192,884</u>	<u>27,788</u>			<u>131,647</u>	<u>30,190</u>	<u>45,379</u>	<u>75,273</u>	<u>58,933</u>	<u>1,958</u>	<u>564,052</u>
Totals	\$ 334,983	\$ 31,439	\$ 1,675	\$ 188,708	\$ 180,420	\$ 34,332	\$ 78,028	\$ 97,135	\$ 508,807	\$ 1,234,143	\$ 2,689,670

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

2. Advances Between Funds

The advances between funds record noncurrent portions of long-term loans from one fund to another. Advances at December 31, 2007, were as follows:

Advance from	Advances to		
	Nonmajor Governmental	Nonmajor Enterprise	Totals
General	\$ 1,750,000	\$ -	\$ 1,750,000
TIF - Airport	-	2,728,000	2,728,000
Nonmajor governmental	<u>500,247</u>	-	<u>500,247</u>
Totals	\$ 2,250,247	\$ 2,728,000	\$ 4,978,247

3. Interfund Transfers

Interfund transfers at December 31, 2007, were as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Transfer From	Transfer To				Totals
	General Fund	TIF - Airport	Nonmajor Governmental	Nonmajor Enterprise	
General	\$ -	\$ -	\$ 889,531	\$ -	\$ 889,531
Park and recreation	-	-	227,323	-	227,323
TIF - Airport	-	-	383,921	12,000	395,921
COIT	-	-	2,510,813	-	2,510,813
Nonmajor governmental	250,000	60,099	3,507,321	27,832	3,845,252
Nonmajor enterprise	-	43,567	-	-	43,567
Totals	\$ 250,000	\$ 103,666	\$ 7,518,909	\$ 39,832	\$ 7,912,407

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

F. Leases

1. Operating Leases

The primary government has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for golf cart global positioning systems, vehicles, copiers, and office space. Rental expenditures for these leases were \$308,810. The following is a schedule by years of future minimum rental payments as of December 31, 2007:

2008	\$ 283,015
2009	185,793
2010	180,324
2011	112,492
2012	91,421
2013	<u>121,999</u>
Total	\$ <u>975,044</u>

2. Capital Leases

The primary government has entered into various capital leases for various types of equipment, and two parking garages. The parking garage capital leases are being repaid from governmental funds. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2007, are as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2008	\$ 1,382,977	\$ 545,229
2009	1,310,288	393,349
2010	1,210,149	221,645
2011	1,009,905	24,970
2012	755,396	-
2013-2017	<u>4,204,957</u>	<u>-</u>
 Total minimum lease payments	 9,873,672	 1,185,193
 Less amount representing interest	 <u>2,178,185</u>	 <u>57,799</u>
 Present value of net minimum lease payments	 <u>\$ 7,695,487</u>	 <u>\$ 1,127,394</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	\$ -	\$ 1,960,044
Machinery and equipment	<u>5,135,290</u>	<u>1,424,673</u>
 Totals	 5,135,290	 3,384,717
 Accumulated depreciation	 <u>643,515</u>	 <u>828,010</u>
 Totals	 <u>\$ 4,491,775</u>	 <u>\$ 2,556,707</u>

G. Long-Term Liabilities

1. Mortgage Bonds

Mortgage bonds outstanding at year end are as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Original Issue	Outstanding 12-31-07
<u>Governmental Activities</u>			
2001 Public Works Service Center	4.63% to 5.3%	\$ 8,112,250	\$ 6,608,195
2003 New Fire Station/Police Renovations	2% to 5%	21,335,000	18,770,000
2005 Park Fitness Center Renovations	3.61%	920,000	579,644
Total - governmental activities		<u>\$ 30,367,250</u>	<u>\$ 25,957,839</u>

Business-Type Activities

2001 Public Works Service Center	4.63% to 5.3%	<u>\$ 1,137,750</u>	<u>\$ 926,805</u>
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Mortgage bonds at year end include the following amounts of unamortized bond discount (premium):

Purpose	Balance at December 31	Unamortized Discount (Premium)	Adjusted Balance
<u>Governmental Activities</u>			
2001 Public Works Service Center	\$ 6,608,195	\$ 54,757	\$ 6,553,438
2003 New Fire Station/Police Renovations	18,770,000	(475,402)	19,245,402
2005 Park Fitness Center Renovations	579,644	-	579,644
Total governmental activities	<u>\$ 25,957,839</u>	<u>\$ (420,645)</u>	<u>\$26,378,484</u>
<u>Business-Type Activities</u>			
2001 Public Works Service Center	<u>\$ 926,805</u>	<u>\$ 11,447</u>	<u>\$ 915,358</u>

Mortgage debt service requirements to maturity are as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 1,423,375	\$ 1,165,421	\$ 47,970	\$ 45,859
2009	1,473,317	1,116,990	49,815	43,537
2010	1,522,892	1,064,546	52,275	41,112
2011	1,375,265	1,007,431	54,735	38,570
2012	1,437,805	944,661	57,195	35,883
2013-2017	8,179,130	3,716,354	330,870	132,646
2018-2022	9,706,055	1,515,112	333,945	36,568
2023-2027	840,000	21,000	-	-
Totals	\$ 25,957,839	\$ 10,551,515	\$ 926,805	\$ 374,175

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	Original Issue	Outstanding 12-31-07
Governmental activities:			
Tax Incremental Financing Revenue Bonds:			
2002 TJX Special Taxing District	3.0% to 4.75%	\$ 6,620,000	\$ 5,300,000
2003 Airport TIF	1.6% to 5.20%	14,420,000	12,660,000
2003 SB Downtown Central Development TIF	1.6% to 5.20%	19,795,000	19,405,000
2005 Southside TIF	6.1% to 6.75%	5,485,000	5,485,000
2006 Erskine Commons	4.50% to 5.40%	2,440,000	2,440,000
Redevelopment Authority Revenue Bonds:			
1996 Central Development Area Refinancing	4% to 5.85%	3,790,000	2,135,000
1998 Morris Performing Arts Center	4.5% to 5.1%	13,300,000	8,565,000
2000 Hall of Fame Refinancing	4.45% to 6.0%	15,370,000	11,050,000
2001 Century Center Refinancing	2.9% to 5.0%	6,825,000	4,845,000
CEDIT Revenue Bonds:			
2006 CEDIT Refinancing Bonds	3.75% to 4%	7,440,000	6,685,000
Total governmental activities		\$ 95,485,000	\$ 78,570,000

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Original Issue	Outstanding 12-31-07
Business-type activities:			
1993 Water Works Improvement	3.4% to 5.1%	\$ 5,100,000	\$ 535,000
1997 Water Works Improvement	4.35% to 4.75%	22,500,000	7,970,000
2002 Water Works Improvement	3.5% to 5.0%	5,975,000	4,935,000
2006 Water Works Improvement	4.25% to 4.50%	4,710,000	4,560,000
2001 Sewage Works Refinancing	3.0% to 4.25%	5,240,000	850,000
2004 Sewage Works Improvement	2.5% to 4.75%	11,425,000	10,235,000
2006 Sewage Works Improvement	3.6% to 4.625%	7,630,000	7,625,000
2007A Sewage Works Improvement	4.0% to 4.5%	16,600,000	16,600,000
2007B Sewage Works Improvement	4.0% to 4.5%	16,515,000	16,515,000
1998 Blackthorn Golf Course Refinancing	3.25% to 4.8%	6,135,000	3,320,000
Total business-type activities		\$ 101,830,000	\$ 73,145,000

Purpose	Balance at December 31	Unamortized Discount (Premium)	Unamortized Loss (Gain) on Refunding	Adjusted Balance
Governmental activities:				
Tax Incremental Financing Revenue Bonds:				
2002 TJX Special Taxing District	\$ 5,300,000	\$ 49,226	\$ -	\$ 5,250,774
2003 Airport TIF	12,660,000	-	-	12,660,000
2003 SB Downtown Central Development TIF	19,405,000	-	46,216	19,358,784
2005 Southside TIF	5,485,000	62,036	-	5,422,964
2006 Erskine Commons	2,440,000	-	-	2,440,000
Redevelopment Authority Revenue Bonds:				
1996 Central Development Area Refinancing	2,135,000	3,224	268,418	1,863,358
1998 Morris Performing Arts Center	8,565,000	66,500	-	8,498,500
2000 Hall of Fame Refinancing	11,050,000	36,240	(10,548)	11,024,308
2001 Century Center Refinancing	4,845,000	35,900	-	4,809,100
CEDIT Revenue Bonds:				
2006 CEDIT Refinancing Bonds	6,685,000	(42,091)	360,948	6,366,143
Total governmental activities	\$ 78,570,000	\$ 211,035	\$ 665,034	\$ 77,693,931

Business-type activities:				
1993 Water Works Improvement	\$ 535,000	\$ 328	\$ -	\$ 534,672
1997 Water Works Improvement	7,970,000	4,897	-	7,965,103
2002 Water Works Improvement	4,935,000	(8,282)	-	4,943,282
2006 Water Works Improvement	4,560,000	37,813	-	4,522,187
2001 Sewage Works Refinancing	850,000	(5,228)	22,698	832,530
2004 Sewage Works Improvement	10,235,000	(90,349)	-	10,325,349
2006 Sewage Works Improvement	7,625,000	8,848	-	7,616,152
2007A Sewage Works Improvement	16,600,000	67,493	-	16,532,507
2007B Sewage Works Improvement	16,515,000	(39,466)	-	16,554,466
1998 Blackthorn Golf Course Refinancing	3,320,000	23,541	109,379	3,187,080
Total business-type activities	\$ 73,145,000	\$ (405)	\$ 132,077	\$ 73,013,328

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 3,985,000	\$ 3,783,917	\$ 2,835,000	\$ 2,692,296
2009	4,335,000	3,606,762	5,120,000	2,983,608
2010	4,835,000	3,404,278	4,795,000	2,772,861
2011	5,055,000	3,181,135	5,015,000	2,564,193
2012	5,290,000	2,941,697	5,240,000	2,344,154
2013-2017	29,680,000	10,601,065	14,935,000	9,667,738
2018-2022	17,075,000	4,591,331	17,970,000	6,334,808
2023-2027	8,315,000	783,830	17,235,000	2,149,526
Totals	<u>\$ 78,570,000</u>	<u>\$ 32,894,015</u>	<u>\$ 73,145,000</u>	<u>\$ 31,509,184</u>

3. Notes and Loans Payable

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

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 2,356,868	\$ 336,659	\$ 1,341,500	\$ 502,801
2009	1,698,809	229,266	1,509,514	489,650
2010	1,564,854	151,969	1,553,371	446,284
2011	1,037,010	80,059	1,592,340	401,644
2012	225,129	34,052	1,636,425	355,871
2013-2017	779,578	90,080	8,558,782	1,063,457
2018-2022	238,410	13,626	2,188,559	71,463
Totals	<u>\$ 7,900,658</u>	<u>\$ 935,711</u>	<u>\$ 18,380,491</u>	<u>\$ 3,331,170</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue	\$ 82,445,000	\$ -	\$ 3,875,000	\$ 78,570,000	\$ 3,985,000
Mortgage	27,337,124	-	1,379,285	25,957,839	1,423,375
Total bonds payable	109,782,124	-	5,254,285	104,527,839	5,408,375
Notes and loans payable	9,323,691	-	1,423,033	7,900,658	2,356,868
Capital leases	5,968,048	2,920,287	1,192,848	7,695,487	1,044,698
Compensated absences	4,735,176	3,283,264	3,562,511	4,455,929	3,283,264
Net pension obligation	63,408,114	-	223,857	63,184,257	-
Total governmental activities long-term liabilities	<u>\$ 193,217,153</u>	<u>\$ 6,203,551</u>	<u>\$ 11,656,534</u>	<u>\$ 187,764,170</u>	<u>\$ 12,093,205</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 20,635,000	\$ -	\$ 2,635,000	\$ 18,000,000	\$ -
Wastewater Utility	19,925,000	33,115,000	1,215,000	51,825,000	2,350,000
Blackthorn Golf Course	3,785,000	-	465,000	3,320,000	485,000
Total revenue bonds payable	44,345,000	33,115,000	4,315,000	73,145,000	2,835,000
Mortgage bonds payable	972,315	-	45,510	926,805	47,970
Capital leases payable	1,523,594	97,400	493,600	1,127,394	510,849
Notes and loans payable	19,258,433	551,333	1,429,275	18,380,491	1,341,500
Total business-type activities long-term liabilities	<u>\$ 66,099,342</u>	<u>\$ 33,763,733</u>	<u>\$ 6,283,385</u>	<u>\$ 93,579,690</u>	<u>\$ 4,735,319</u>

Compensated absences for governmental activities typically have been liquidated from the general fund and special revenue funds. All of the December 31, 2007, business-type activities' compensated absences are due within one year.

H. Segment Information

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Net Assets

Assets:	
Current assets	\$ 149,114
Deferred charges	22,400
Restricted assets	1,331,226
Capital assets	<u>3,290,453</u>
 Total assets	 <u>\$ 4,793,193</u>
 Liabilities:	
Current liabilities	\$ 25,110
Current liabilities payable from restricted assets	587,288
Noncurrent liabilities	<u>5,430,080</u>
 Total liabilities	 <u>\$ 6,042,478</u>
 Net assets:	
Invested in capital assets, net of related debt	\$ 103,373
Restricted	1,273,217
Unrestricted	<u>(2,625,875)</u>
 Total net assets	 <u>\$ (1,249,285)</u>

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

Operating revenues	\$ 1,512,150
Depreciation expense	224,178
Other operating expenses	<u>1,393,237</u>
Operating income	<u>(105,265)</u>
 Nonoperating revenues (expenses):	
Investment earnings	57,639
Interest expense	(190,051)
Amortization	(4,335)
Contributions	249,718
Transfers	<u>(31,567)</u>
Change in net assets	(23,861)
 Beginning net assets	 <u>(1,225,424)</u>
 Ending net assets	 <u>\$ (1,249,285)</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 125,855
Noncapital financing activities	613,433
Capital and related financing activities	(863,736)
Investing activities	<u>53,312</u>
Net decrease	(71,136)
Beginning cash and cash equivalents	<u>1,526,294</u>
Ending cash and cash equivalents	<u><u>\$ 1,455,158</u></u>

I. Restricted Assets

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

Cash, cash equivalents, and investments	
Repair funds	\$ 369,414
Customer deposits	1,324,264
Revenue bond covenant accounts	6,324,359
Capital outlay accounts	34,720,580
Repair fund receivable	164,073
Interest receivable	<u>103,543</u>
Total restricted assets	<u><u>\$ 43,006,233</u></u>

J. Restatements and Reclassifications

For the year ended December 31, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government. The following schedule presents a summary of restated beginning balances. Prior period adjustments include recognizing previously omitted depreciation on governmental activities' capital assets and recognizing previously omitted business-type activities' capital assets.

Fund Type	Balance as Reported December 31, 2006	Prior Period Adjustments	Balance as Restated January 1, 2007
Governmental activities:			
Net assets	<u>\$ 238,635,255</u>	<u>\$ (5,479,031)</u>	<u>\$ 233,156,224</u>
Business-type activities:			
Net assets	<u>\$ 127,375,243</u>	<u>\$ 1,904,771</u>	<u>\$ 129,280,014</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Loss on Sale/Leaseback of Leighton Parking Garage

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

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

L. Property Held For Resale

The City's Redevelopment Commission has purchased properties in blighted areas for redevelopment and subsequent resale. At December 31, 2007, the market value of these properties was not known. These properties are recognized as assets in the funds that purchased the property.

IV. Other Information

A. Risk Management

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

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

Liability Insurance

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

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

CITY OF SOUTH BEND
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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

	2006	2007
Unpaid claims, beginning of fiscal year	\$ 388,202	\$ 407,596
Incurred claims and changes in estimates	1,849,900	1,875,859
Claim payments	1,830,506	1,703,660
Unpaid claims, end of fiscal year	\$ 407,596	\$ 579,795

Group Health Insurance

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

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

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

	2006	2007
Unpaid claims, beginning of fiscal year	\$ 814,321	\$ 1,466,796
Incurred claims and changes in estimates	13,394,129	10,722,906
Claim payments	12,741,654	11,466,534
Unpaid claims, end of fiscal year	\$ 1,466,796	\$ 723,168

During 2005, the City's former employee medical benefits' administrator, Healthcare Resources Group (HRG), failed to pay \$1,111,899 in health care claims for City employees. The City had paid HRG for the claims. HRG was purchased by another business that has filed bankruptcy. The City has been notified by the bankruptcy court and the City's legal department has estimated that the City may receive approximately 25% of the total claims and the City has recognized a receivable for this percent of the total claims.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Related Party Transactions

During the period in which financial statements are presented, the City had material transactions with Jeffrey V. Gibney, Executive Director of the City's Community and Economic Development Department, who is also a paid consultant for South Bend Heritage Foundation, Inc., a non-profit corporation. The City paid South Bend Heritage Foundation, Inc., \$684,904 during 2007. As of the December 31, 2007, the amount of \$31,570 was due to the South Bend Heritage Foundation, Inc.

C. Subsequent Events

During 2005, the City approved a loan from the U.S. Department of Housing and Urban Development for \$9,180,000 to finance economic development activities. During 2006, the City received \$3,222,000. No loan proceeds were received by the City during 2007. The City anticipates receiving \$4,000,000 during 2008.

During 2005, the City approved a series of revenue bonds, total not to exceed \$56,380,000, to finance improvements to the wastewater utility. The City sold \$7,630,000 during 2006 and \$33,115,000 during 2007.

During 2006, the City approved the sale of real estate commonly called the Studebaker Stamping Plant to the South Bend Transportation Company (TRANSCO). TRANSCO paid the City \$1,000,000 during 2005 and will pay the \$3,000,000 balance to the City after demolition and infrastructure improvements are completed (estimated to be completed during 2008).

During 2007, the City approved Ordinance 9796-07, appropriating \$1,000,000 for zoo repairs and \$1,000,000 as local share to finance a Kroc Center, a community center. Financing will be provided from existing funds. Funds will be expended during 2008.

During 2008, the City approved the sale of a \$36,000,000 tax incremental revenue bond issue to finance public improvements related to an economic development project, Eddy Street Commons.

During 2008, the City is in the process of issuing Redevelopment Authority bonds to refinance the existing 1998 Morris Performing Arts Center Redevelopment Authority bonds. The amount outstanding as of December 31, 2007, was \$8,565,000.

During 2008, the City is also in the process of issuing \$4,800,000 Redevelopment Authority bonds to refinance the existing 2001 Century Center Refinancing Redevelopment Authority bonds and to finance additional improvements. The amount outstanding as of December 31, 2007, was \$4,845,000.

Pursuant to new state legislation, beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes first due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF SOUTH BEND NOTES TO
FINANCIAL STATEMENTS (Continued)

D. Contingent Liabilities

College Football Hall of Fame Operations

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

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

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

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

Lawsuits

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

E. Conduit Debt Obligation

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

As of December 31, 2007, there were several series of industrial revenue bonds outstanding. The aggregate principal amount payable is not available to the City. During 2007 the City approved one series of industrial revenue bonds in an amount not to exceed \$80,000,000.

CITY OF SOUTH BEND
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

F. Other Postemployment Benefits (OPEB)

Plan Description

The City of South Bend Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City of South Bend, Department of Administration and Finance, through the City's self-insurance fund. The plan provides for medical insurance benefits to eligible retirees and their spouses. Indiana Code 5-10-8 gives the unit the authority to establish the plan.

Funding Policy

The contribution requirements of plan members for the City of South Bend Retiree Healthcare Plan are established by the City's Common Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2007, the City contributed \$756,174 to the plan for current premiums. Police and Fire members receiving benefits contributed approximately 28.1% of the total premiums, through their required contribution of \$133 per month for retiree-only coverage and \$395 for retiree and spouse coverage. General employee members receiving benefits contributed approximately 100% of the total premiums, through their required contribution of \$474 per month for retiree-only coverage and \$1,253 for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	\$ 1,858,648
Interest on net OPEB obligation	76,733
Contributions made	<u>(756,174)</u>
Increase in net OPEB obligation	1,025,741
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u>\$ 1,025,741</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/05	\$ **	**	\$ **
12/31/06	**	**	**
12/31/07	1,781,915	42.4%	1,025,741

**Information not available

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$16,874,856, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,874,856. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This schedule is not presented since it is the first valuation study.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007, actuarial valuation, the entry age actuarial cost method was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

G. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available. Therefore, the Net Pension Asset is considered an obligation of the primary government and is presented in the governmental activities of the financial statements and is not presented as an asset of the proprietary funds.

b. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6 and IC 36-8-8.5). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government's annual pension cost and related information as provided by the actuary is presented in this note. The Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from the fund. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan. On-behalf revenues from the State of Indiana as shown in the financial statements approximate an equal amount paid out for benefits.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7 and IC 36-8-8.5). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note. The Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from the fund. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan. On-behalf revenues from the State of Indiana as shown in the financial statements approximate an equal amount paid out for benefits.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 1,675,765	\$ 6,722,800	\$ 5,104,800
Interest on net pension obligation	16,724	2,050,300	1,770,700
Adjustment to annual required contribution	<u>(19,058)</u>	<u>(2,548,200)</u>	<u>(2,200,700)</u>
Annual pension cost	1,673,431	6,224,900	4,674,800
Contributions made	<u>1,256,981</u>	<u>6,229,035</u>	<u>5,817,172</u>
Increase (decrease) in net pension obligation	416,450	(4,135)	(1,142,372)
Net pension obligation, beginning of year	<u>230,670</u>	<u>34,171,683</u>	<u>29,511,961</u>
Net pension obligation, end of year	<u>\$ 647,120</u>	<u>\$ 34,167,548</u>	<u>\$ 28,369,589</u>

CITY OF SOUTH BEND
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.0 %	2,240%	1,701%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-07	01-01-07	01-01-07
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	30 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-07	01-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year smoothed market	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75%/4%*	4%

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

Three Year Trend Information

Year Ending	PERF		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-05	\$ 1,198,152	91%	\$ (137,602)
06-30-06	1,578,693	77%	230,670
06-30-07	1,673,431	75%	647,120

1925 Police Officers' Pension Plan

Year Ending			
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-04	\$ 8,192,700	51%	\$ 32,393,974
12-31-05	6,058,200	71%	34,171,683
12-31-06	6,224,900	100%	34,167,548

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

1937 Firefighters' Pension Plan			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-04	\$ 6,881,200	59%	\$ 28,454,162
12-31-05	5,196,300	80%	29,511,961
12-31-06	4,674,800	124%	28,369,589

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	217	221
Terminated employees entitled to But not yet receiving benefits	-	-
Current active employees	6	1

d. Financial Statements for Defined Benefit Plans

Statements of Fiduciary Net Assets:

	1925 Police Officers' Pension	1937 Firefighters' Pension
<u>Assets</u>		
Cash and cash equivalents	\$ 3,376,598	\$ 2,821,874
Receivables:		
Taxes	174,021	193,722
Total assets	<u>3,550,619</u>	<u>3,015,596</u>
<u>Liabilities</u>		
Accounts payable	95	193
Noncurrent liabilities:		
DROP payable-due within one year	28,192	46,712
Total liabilities	<u>28,287</u>	<u>46,905</u>
<u>Net Assets</u>		
Held in trust for pension benefit obligations	<u>\$ 3,522,332</u>	<u>\$ 2,968,691</u>

CITY OF SOUTH BEND
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Statements of Changes in Fiduciary Net Assets:

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
<u>Additions</u>		
Contributions:		
Employer	\$ 3,317,755	\$ 2,489,677
State of Indiana	4,778,792	4,272,193
Plan members	20,781	18,008
Other	<u>8,610</u>	<u>-</u>
Total contributions	8,125,938	6,779,878
Investment income:		
Interest	<u>216,412</u>	<u>203,525</u>
Total additions	<u>8,342,350</u>	<u>6,983,403</u>
<u>Deductions</u>		
Benefits and refunds paid to plan members and beneficiaries	5,987,975	5,625,422
Administrative expenses	<u>21,040</u>	<u>13,711</u>
Total deductions	<u>6,009,015</u>	<u>5,639,133</u>
Changes in net assets	2,333,335	1,344,270
Net assets - beginning	<u>1,188,997</u>	<u>1,624,421</u>
Net assets - ending	<u>\$ 3,522,332</u>	<u>\$ 2,968,691</u>

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

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 36-8-8 and IC 36-8-8.5) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$3,928,912, \$3,716,072, and \$3,540,711, respectively, equal to the required contributions for each year.

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b) (a-b)	Funded Ratio (a/b) (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) (15%) (9%) (1%)
07-01-05	\$ 27,989,986	\$ 32,020,638	\$ (4,030,652)	87%	\$ 26,377,310	(15%)
07-01-06	31,378,895	33,798,361	(2,419,466)	93%	26,865,798	(9%)
07-01-07	34,028,630	34,211,809	(183,179)	99%	24,467,397	(1%)

1925 Police Officers' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b) (a-b)	Funded Ratio (a/b) (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) (5,739%) (6,698%) (7,455%) (7,636%) (15,398%) (24,731%)
01-01-02	\$ 3,060,517	\$ 77,938,200	\$(74,877,683)	3.93%	\$ 1,304,662	(5,739%)
01-01-03	2,497,147	77,865,600	(75,368,453)	3.21%	1,125,183	(6,698%)
01-01-04	1,969,813	80,550,800	(78,580,987)	2.45%	1,050,150	(7,455%)
01-01-05	914,732	81,009,600	(80,094,868)	1.13%	1,048,933	(7,636%)
01-01-06	83,559	81,958,600	(81,875,041)	0.10%	531,733	(15,398%)
01-01-07	1,188,997	87,910,800	(86,721,803)	1.35%	350,667	(24,731%)

1937 Firefighters' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b) (a-b)	Funded Ratio (a/b) (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) (5,617%) (7,102%) (8,593%) (10,588%) (20,964%) (21,473%)
01-01-02	\$ 2,821,371	\$ 70,084,800	\$(67,263,429)	4.03%	\$ 1,197,492	(5,617%)
01-01-03	2,443,239	68,555,100	(66,111,861)	3.56%	930,833	(7,102%)
01-01-04	2,057,175	67,862,200	(65,805,025)	3.03%	761,000	(8,593%)
01-01-05	840,644	69,468,900	(68,628,256)	1.21%	648,183	(10,588%)
01-01-06	549,455	69,066,200	(68,516,745)	0.80%	326,833	(20,964%)
01-01-07	1,624,421	66,072,400	(64,447,979)	2.46%	300,133	(21,473%)

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

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-01	\$ 8,210,600	64%
12-31-02	8,548,000	36%
12-31-03	8,996,100	46%
12-31-04	9,623,400	43%
12-31-05	6,255,300	68%
12-31-06	6,722,800	93%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-01	\$ 7,576,500	63%
12-31-02	7,749,000	38%
12-31-03	7,921,600	50%
12-31-04	8,172,300	49%
12-31-05	5,369,400	77%
12-31-06	5,104,800	114%

CITY OF SOUTH BEND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2007

	General Fund				Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts	\$	
	Original	Final			
Revenues:					
Taxes:					
Property	51,226,485	51,224,462	48,720,726		(2,503,736)
Licenses and permits	184,475	187,575	173,014		(14,561)
Intergovernmental	7,825,608	7,707,133	7,994,680		287,547
Charges for services	2,992,926	2,992,926	3,126,626		133,700
Fines and forfeits	190,000	191,450	259,249		67,799
Other	7,139,687	7,231,239	7,919,673		688,434
Total revenues	69,559,181	69,534,785	68,193,968		(1,340,817)
Expenditures:					
Current:					
General Government:					
Mayor:					
Personal services	680,679	678,379	622,127		56,252
Supplies	27,916	30,016	26,968		3,048
Other services and charges	136,874	140,390	113,769		26,621
Other uses	89	90	89		1
City Clerk:					
Personal services	261,705	261,705	259,202		2,503
Supplies	8,600	9,136	5,282		3,854
Other services and charges	52,100	48,875	35,232		13,643
Capital outlay	-	3,224	-		3,224
Other uses	74	75	74		1
Common Council:					
Personal services	262,810	262,810	209,937		52,873
Supplies	9,053	9,053	3,091		5,962
Other services and charges	260,908	260,908	203,946		56,962
Other uses	51	51	51		-
Administration/Finance:					
Personal services	1,306,171	1,286,171	1,258,049		28,122
Supplies	37,300	37,634	32,508		5,126
Other services and charges	306,495	628,951	617,690		11,261
Capital outlay	-	2,625,810	2,618,487		7,323
Other uses	3,307	3,308	307		3,001
City Attorney:					
Personal services	871,645	867,645	826,126		41,519
Supplies	13,500	17,525	16,429		1,096
Other services and charges	59,643	59,923	46,527		13,396
Other uses	187	188	187		1

Continued on next page

CITY OF SOUTH BEND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	General Fund				Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts		
	Original	Final			
Expenditures (continued):					
Current (continued):					
General Government (continued):					
Building Maintenance:					
Personal services	330,160	338,660	325,851		12,809
Supplies	41,131	32,669	24,013		8,656
Other services and charges	213,148	228,197	186,747		41,450
Capital outlay	-	22,000	356		21,644
Other uses	593	594	593		1
Human Rights:					
Personal services	264,287	264,287	262,504		1,783
Supplies	5,131	5,131	1,894		3,237
Other services and charges	24,511	32,310	26,245		6,065
Other uses	44	45	44		1
Neighborhood Code Enforcement:					
Personal services	964,369	947,369	891,941		55,428
Supplies	134,012	104,512	80,366		24,146
Other services and charges	221,277	239,279	230,657		8,622
Other uses	53,793	53,848	53,847		1
Code Hearing Officer:					
Other services and charges	56,976	56,976	49,962		7,014
Total General Government	6,608,539	9,557,744	9,031,098		526,646
Public Safety:					
Board of Safety:					
Personal services	18,301	18,301	17,738		563
Police Department:					
Personal services	23,216,119	23,181,119	22,147,363		1,033,756
Supplies	987,822	1,026,371	954,690		71,681
Other services and charges	2,388,612	2,637,444	2,510,328		127,116
Capital outlay	-	70,583	70,583		-
Other uses	1,810,679	1,810,680	1,810,679		1
Communication Center:					
Personal services	1,538,748	1,538,748	1,474,486		64,262
Supplies	4,029	4,029	2,724		1,305
Other services and charges	31,656	31,655	29,341		2,314
Other uses	58	59	58		1
Fire Department:					
Personal services	20,235,575	20,165,152	19,382,964		782,188
Supplies	332,100	372,327	349,572		22,755
Other services and charges	1,415,354	1,502,782	1,437,619		65,163
Capital outlay	-	1,240,401	1,173,399		67,002
Other uses	803,571	803,571	803,570		1

Continued on next page

CITY OF SOUTH BEND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	General Fund				Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts	Final	
	Original	Final			
Expenditures (continued):					
Current (continued):					
Public Safety (continued):					
Weights and Measures:					
Other services and charges	43,000	86,500	43,500	43,000	
Junk Vehicle:					
Personal services	51,469	51,469	49,023	2,446	
Supplies	4,268	4,268	2,699	1,569	
Other services and charges	16,791	16,791	11,672	5,119	
Animal Control:					
Personal services	355,253	355,253	345,403	9,850	
Supplies	65,719	71,909	55,968	15,941	
Other services and charges	65,918	89,418	75,433	13,985	
Capital outlay	-	6,000	5,999	1	
Other uses	639	639	639	-	
Total Public Safety	<u>53,385,681</u>	<u>55,085,469</u>	<u>52,755,450</u>	<u>2,330,019</u>	
Highways and Streets:					
Engineering:					
Personal services	1,098,134	1,089,663	1,035,092	54,571	
Supplies	214,434	184,655	132,301	62,354	
Other services and charges	2,489,661	2,548,931	2,540,854	8,077	
Capital outlay	-	2,618,358	1,744,210	874,148	
Other uses	26,895	26,895	25,247	1,648	
Street Department:					
Personal services	638,960	638,960	566,333	72,627	
Supplies	335,021	384,509	371,068	13,441	
Other services and charges	36,782	39,782	39,742	40	
Capital outlay	-	47,460	39,452	8,008	
Other uses	1,329,683	1,329,683	1,118,969	210,714	
Total Highways and Streets	<u>6,169,570</u>	<u>8,908,896</u>	<u>7,613,268</u>	<u>1,295,628</u>	
Health and Welfare:					
Youth Service Bureau:					
Other services and charges	75,000	75,000	75,000	-	
Total Health and Welfare	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	

Continued on next page

CITY OF SOUTH BEND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts	
	Original	Final		
Expenditures (continued):				
Current (continued):				
Culture and Recreation:				
Art Association:				
Other services and charges	65,000	65,000	65,000	-
Studebaker Museum:				
Other services and charges	212,173	212,173	202,653	9,520
Parks and Recreation:				
Capital outlay	-	50,000	-	50,000
Palais Royale Ballroom:				
Personal services	278,880	278,880	260,696	18,184
Supplies	11,500	13,652	12,139	1,513
Other services and charges	243,977	268,871	251,245	17,626
Capital outlay	-	25,500	22,204	3,296
Other uses	166	167	166	1
Morris Performing Arts Center:				
Personal services	523,423	523,423	493,065	30,358
Supplies	25,853	27,344	25,498	1,846
Other services and charges	306,659	328,941	316,816	13,125
Other uses	373	374	373	1
Total Culture and Recreation	<u>1,668,004</u>	<u>1,795,325</u>	<u>1,649,855</u>	<u>145,470</u>
Community and Economic Development:				
Economic Development:				
Other services and charges	912,902	974,000	956,825	17,175
Main Street Parking Garage:				
Capital outlay	-	55,000	-	55,000
Leighton Plaza Parking Garage:				
Capital outlay	-	65,000	39,840	25,160
Wayne Street Parking Garage:				
Capital outlay	-	78,750	16,450	62,300
Unsafe Building:				
Other services and charges	195,000	499,447	290,952	208,495
Total Community and Economic Development	<u>1,107,902</u>	<u>1,672,197</u>	<u>1,304,067</u>	<u>368,130</u>
Total expenditures	<u>69,014,696</u>	<u>77,094,631</u>	<u>72,428,738</u>	<u>4,665,893</u>
Net change in fund balances	544,485	(7,559,846)	(4,234,770)	3,325,076
Fund balances - beginning	<u>26,178,975</u>	<u>26,178,975</u>	<u>26,178,975</u>	<u>-</u>
Fund balances - ending	<u>\$ 26,723,460</u>	<u>\$ 18,619,129</u>	<u>\$ 21,944,205</u>	<u>\$ 3,325,076</u>

Continued on next page

CITY OF SOUTH BEND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Park and Recreation Fund				Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts		
	Original	Final	Original	Final	
Revenues:					
Taxes:					
Property	\$ 8,697,552	\$ 8,694,590	\$ 8,271,741	\$ (422,849)	
Intergovernmental	607,817	572,903	622,520	49,617	
Charges for services	2,647,035	2,757,135	2,862,579	105,444	
Fines and forfeits	150	150	25	(125)	
Other	87,474	88,274	112,656	24,382	
Total revenues	<u>12,040,028</u>	<u>12,113,052</u>	<u>11,869,521</u>	<u>(243,531)</u>	
Expenditures:					
Current:					
Culture and recreation:					
Personal services	7,197,087	7,197,154	6,959,605	237,549	
Supplies	1,415,901	1,436,032	1,313,950	122,082	
Other services and charges	1,811,746	1,946,884	1,789,859	157,025	
Other uses	278,340	281,752	278,340	3,412	
Capital outlay	-	890,206	782,661	107,545	
Total expenditures	<u>10,703,074</u>	<u>11,752,028</u>	<u>11,124,415</u>	<u>627,613</u>	
Other financing sources:					
Operating transfers out	-	(227,323)	(227,323)	-	
Net change in fund balances	1,336,954	133,701	517,783	384,082	
Fund balances - beginning	<u>2,345,079</u>	<u>2,345,079</u>	<u>2,345,079</u>	<u>-</u>	
Fund balances - ending	<u>\$ 3,682,033</u>	<u>\$ 2,478,780</u>	<u>\$ 2,862,862</u>	<u>\$ 384,082</u>	

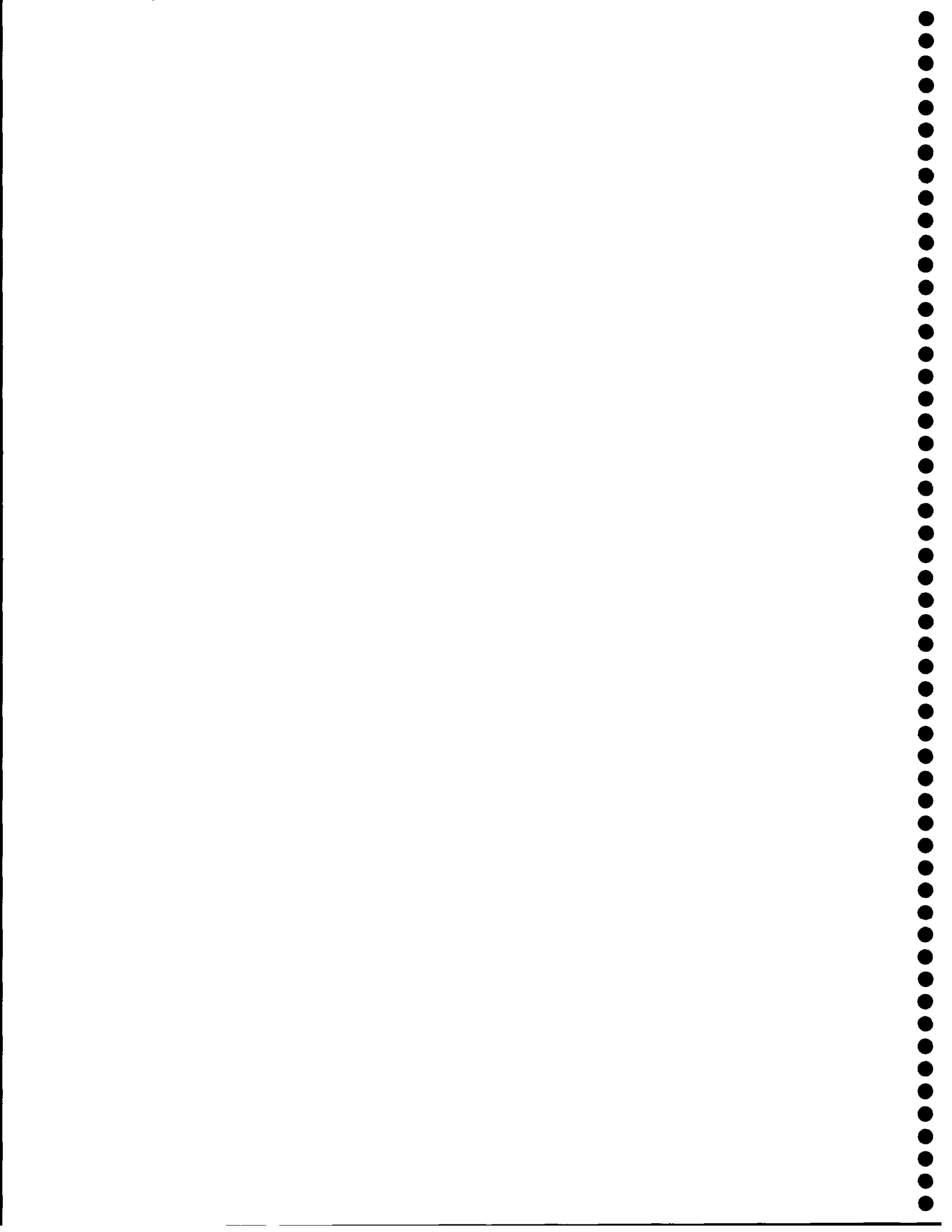
CITY OF SOUTH BEND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET/GAAP RECONCILIATION
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2007

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

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
- c. Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.

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

	General	Park and Recreation
Net change in fund balances (budgetary basis)	\$ (4,234,770)	\$ 517,783
Adjustments:		
To adjust revenues for accruals	1,234,021	(14,428)
To adjust expenditures for accruals	(1,081,237)	(100,816)
To adjust expenditures for encumbrances	1,971,444	313,838
Net change in fund balances (GAAP basis)	\$ (2,090,542)	\$ 716,377



NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds

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

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

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

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

Industrial Revolving -

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

Debt service funds

Redevelopment Bond
Studebaker -

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

College Football Hall of
Fame Debt Service -

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

Redevelopment Bond
Central Development -

To accumulate monies as a reserve for the payment of Redevelopment Authority bonds for the central development project.

Redevelopment Bond
Airport Taxable -

To accumulate monies as a reserve for the payment of Redevelopment Authority bonds for the airport taxable project.

Redevelopment Bond
Century Center -

To accumulate monies as a reserve for the payment of Redevelopment Authority bonds for the century center project.

Redevelopment Bond
Palais Royale -

To accumulate monies as a reserve for the payment of Redevelopment Authority bonds for the Palais Royale project.

EDIT Bond – Plaza Garage
- Tax Exempt -

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

EDIT Bond – Plaza Garage
- Taxable -

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

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Redevelopment Authority
Debt Service -

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

Erskine Commons TIF Debt
Service -

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

South Bend Building
Corporation Debt
Service -

To account for debt retirement of the Building Corporation's Mortgage Bonds. Funding is provided by transfers from other City funds.

TIF Erskine Village
Debt Service -

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

Capital projects funds

Emergency Medical
Services -

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

Central Development Area
Bond Proceeds -

To account for expenses financed by a 2003 revenue bond issue.

Professional Sports
Development -

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

Coveleski Stadium
Capital -

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

Zoo Endowment -

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

Park Nonreverting Capital -

To account for specific revenues used to finance capital improvements at the City parks.

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

Cumulative Capital Development -	To account for expenditures relating to the purchase or lease of capital improvements in the City. Financing is provided by a specific property tax levy.
Cumulative Capital Improvement -	To account for state cigarette tax distributions used for improvement projects.
Economic Development Income Tax -	To account for the City's share of the County Economic Development Tax. Expenditures include construction, acquisition and related costs for economic development projects.
Cumulative Sewer -	To account for financial resources for the construction or repairing of storm sewers or sewage disposal plants and sanitary sewers.
Tax Incremental Financing (TIF) - Sample/Ewing -	To account for expenditures for public improvements in the Sample/Ewing tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment (tax increment).
Morris Performing Art Center Capital -	To accumulate monies for major repairs and capital improvements to the Morris Civic Auditorium. Financing is provided by a surcharge on ticket sales for events held at the auditorium.
Tax Incremental Financing (TIF) - Downtown -	To account for expenditures for public improvements in the central business tax incremental district. Also, transfers are made to debt service funds to meet debt obligations as they mature. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) - Downtown Building Operations -	To account for expenditures for public improvements in the central business tax incremental district building operations. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) - Leighton Plaza -	To account for expenditures for public improvement projects in the Leighton Plaza tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

Tax Incremental Financing (TIF) – West Washington -	To account for expenditures for public improvement projects in the West Washington Economic Development Area. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.
Redevelopment General -	To account for eligible redevelopment activities in the Studebaker Corridor financed by proceeds from land sales or leases.
Community Revitalization Enhancement District -	To account for public improvements in the Studebaker/Oliver Community Revitalization Enhancement District. Financing is provided by income tax and gross retail tax increments in the district.
Tax Incremental Financing (TIF) No. 1 - Southside Development -	To account for expenditures for improvements in the Southside Development Tax Incremental District No. 1. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) No. 2 – Southside Development -	To account for expenditures for improvements in the Southside Development Tax Incremental District No. 2. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) No. 3 – Southside Development -	To account for expenditures for improvements in the Southside Development Tax Incremental District No. 3. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Redevelopment District Allocation Area Capital -	To account for local public improvements in the Airport Economic Development District. Financing is provided by a 2003 bond issue.
Tax Incremental Financing (TIF) – Central Medical Service Area -	To account for expenditures for public improvements in the central business tax incremental district, medical service area. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Football Hall of Fame Capital -	To account for capital expenditures for the College Football Hall of Fame. Financing was provided by a transfer from the City's Professional Sports Development Fund. This fund also accounts for the advance from the General Fund which may be repaid from future operating surpluses.

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

Major Moves -	To account for state distributions used for road construction and other uses authorized by Indiana statute.
Tax Incremental Financing (TIF) – Northeast Development -	To account for expenditures for improvements in the northeast development tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) – Douglas Road -	To account for expenditures for improvements in the Douglas Road development tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Palais Royale Historic Preservation -	To account for expenditures financed by a 2% fee charged for all Palais Royale services.
Equipment Leasing -	To account for proceeds from capital lease-purchase agreements used to finance major equipment needs of the City.
Morris Entertainment -	To account for donations received by Morris Entertainment, Inc., a non-profit corporation formed to solicit donations to finance improvements to the City's Morris Performing Art Center.
Erskine Commons TIF Project -	To account for construction and related costs of the Erskine Commons project public improvements. Financing was provided by a 2006 bond issue.
South Bend Building Corporation Construction -	To account for construction and renovation financed by mortgage bond issues.

CITY OF SOUTH BEND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2007

	Special Revenue							Juvenile Positive Assistance
	Motor Vehicle Highway	Recreation Nonreverting	Studebaker Oliver Revitalization Grants	Economic Development State Grants	Community Development	Police Federal Grant	Police State Seizure	
Assets								
Cash and cash equivalents	\$ 2,486,447	\$ 622,465	\$ 1,751,670	\$ 822,246	\$ 2,050,780	\$ 1	\$ 38,072	\$ 9,777
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	2,336	4,256	1,401	6,384	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	576	-	-	3,224	-	-	-
Intergovernmental	506,904	-	2,205	-	45,000	-	-	-
Loans	-	-	-	3,023,172	1,350,827	-	-	-
Interfund receivable:								
Interfund loan	-	-	176,000	-	-	-	-	-
Interfund services provided and used	-	-	-	-	14,629	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	3,550	-	2,125,422	-	-	-
Total assets	\$ 2,973,351	\$ 625,377	\$ 1,937,681	\$ 3,846,819	\$ 5,596,266	\$ 1	\$ 38,072	\$ 9,777

	Special Revenue							Juvenile Positive Assistance
	Motor Vehicle Highway	Recreation Nonreverting	Studebaker Oliver Revitalization Grants	Economic Development State Grants	Community Development	Police Federal Grant	Police State Seizure	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 21,143	\$ 33,694	\$ -	\$ -	\$ 171,564	\$ -	\$ -	\$ 1,524
Accrued payroll payable	54,142	-	-	-	35,248	-	-	-
Contracts payable	-	-	-	-	409,610	-	-	-
Interfund payable:								
Interfund services provided and used	130,488	-	-	-	14,809	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	23,168	-	-	-
Other current payables	-	-	-	-	2,993	-	-	-
Advances from other funds	-	-	-	500,247	-	-	-	-
Total liabilities	205,773	33,694	-	500,247	657,392	-	-	1,524
Fund balances:								
Reserved for:								
Encumbrances	-	6,486	9,602	-	596,356	-	-	1,524
Noncurrent loans receivable	-	-	-	2,909,258	1,206,973	-	-	-
Property held for resale	-	-	-	3,550	2,125,422	-	-	-
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	2,767,578	585,197	1,927,879	433,764	1,010,123	1	38,072	6,729
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	2,767,578	591,683	1,937,681	3,346,572	4,938,874	1	38,072	8,253
Total liabilities and fund balances	\$ 2,973,351	\$ 625,377	\$ 1,937,681	\$ 3,846,819	\$ 5,596,266	\$ 1	\$ 38,072	\$ 9,777

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CITY OF SOUTH BEND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2007
 (Continued)

	Law Enforcement Continuing Education	Special Revenue						Morris and Palais Marketing
		Build Indiana	General Grant	Local Road and Street	Human Rights Federal	East Race Waterway	Special Events	
Cash and cash equivalents	\$ 564,939	\$ 1	\$ 58,705	\$ 3,170,792	\$ 432,041	\$ 32,412	\$ -	\$ 4,135
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	701	-	-	7,007	1,168	150	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	23,154	-	-	-	-	-	-	-
Intergovernmental	23,072	-	-	191,359	2,265	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	\$ 611,866	\$ 1	\$ 58,705	\$ 3,369,158	\$ 435,474	\$ 32,562	\$ -	\$ 4,135

Liabilities and Fund Balances

Liabilities:								
Accounts payable	\$ 2,069	\$ -	\$ -	\$ 2,964	\$ 1,112	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	-	-	981	-	-	-
Contracts payable	-	-	-	65,728	-	-	-	-
Interfund payable:								
Interfund services provided and used	-	-	-	-	280	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	2,069	-	-	68,690	2,353	-	-	-
Fund balances:								
Reserved for:								
Encumbrances	12,191	-	-	297,550	-	662	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	597,606	1	58,705	3,002,918	433,121	31,900	-	4,135
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	609,797	1	58,705	3,300,468	433,121	32,562	-	4,135
Total liabilities and fund balances	\$ 611,866	\$ 1	\$ 58,705	\$ 3,369,158	\$ 435,474	\$ 32,562	\$ -	\$ 4,135

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CITY OF SOUTH BEND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2007
 (Continued)

	Special Revenue							
	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE Grant	Federal Drug Enforcement	Urban Development Action Grant
Cash and cash equivalents	\$ 25,888	\$ 12,297	\$ 79,525	\$ 49,160	\$ 69,307	\$ 112,832	\$ 382,129	\$ 4,246,197
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):	-	-	-	-	-	-	-	-
Interest	-	-	-	-	140	-	1,794	17,751
Taxes	-	-	-	-	-	12,370	-	92,500
Accounts	-	-	2,000	-	-	-	-	-
Intergovernmental	-	-	-	22,189	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:	-	-	-	-	-	-	-	-
interfund loan	-	-	-	-	-	-	-	-
interfund services provided and used	-	-	-	-	-	-	-	10,800
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	\$ 25,888	\$ 12,297	\$ 81,525	\$ 71,349	\$ 69,447	\$ 125,202	\$ 383,923	\$ 4,367,248

Assets

	Special Revenue							
	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE Grant	Federal Drug Enforcement	Urban Development Action Grant
Liabilities:	\$ -	\$ 2,903	\$ 6,080	\$ 4,592	\$ 4,457	\$ 586	\$ -	\$ 20,000
Accounts payable	-	-	-	-	-	-	-	-
Accrued payroll payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	2,903	6,080	4,592	4,457	586	-	20,000
Fund balances:	-	-	-	-	-	-	-	-
Reserved for:	-	4,066	12,213	-	-	-	27,573	980,000
Encumbrances	-	-	-	-	-	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:	25,888	5,328	63,232	66,757	64,990	124,616	356,350	3,367,248
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	25,888	9,394	75,445	66,757	64,990	124,616	383,923	4,347,248
Total liabilities and fund balances	\$ 25,888	\$ 12,297	\$ 81,525	\$ 71,349	\$ 69,447	\$ 125,202	\$ 383,923	\$ 4,367,248

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007
(Continued)

	Special Revenue				Debt Service Funds			
	Leaf Collection and Removal	Police K-9 Unit	Rainy Day	Industrial Revolving	Totals	Redevelopment Bond - Studebaker	College Football Hall of Fame Debt Service	Redevelopment Bond - Central Development
Assets								
Cash and cash equivalents	\$ 454,167	\$ 2,490	\$ 2,331,352	\$ 1,620,150	\$ 21,409,977	\$ 4,551	\$ 154,212	\$ 827,000
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	10,744	11,255	65,087	-	425	3,861
Taxes	-	-	3,234,524	-	3,234,524	-	141,917	-
Accounts	35,857	-	-	-	169,681	-	-	-
Intergovernmental	-	-	-	-	792,994	-	-	-
Loans	-	-	-	4,336,311	8,710,310	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	176,000	-	-	-
Interfund services provided and used	-	-	-	-	25,429	-	-	-
Advances to other funds	-	-	-	500,247	500,247	-	-	-
Property held for sale	-	-	-	339,300	2,468,272	-	-	-
Total assets	\$ 490,024	\$ 2,490	\$ 5,576,620	\$ 6,807,263	\$ 37,552,521	\$ 4,551	\$ 296,554	\$ 830,861
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 1,087	\$ -	\$ -	\$ 4,470	\$ 278,245	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	-	-	90,371	-	-	-
Contracts payable	-	-	-	-	475,336	-	-	-
Interfund payable:								
Interfund services provided and used	6,922	-	-	4,955	157,434	-	-	-
Deferred revenue	-	-	-	-	-	-	141,917	-
Performance deposits payable	-	-	-	-	23,168	-	-	-
Other current payables	-	-	-	-	2,993	-	-	-
Advances from other funds	-	-	-	-	500,247	-	-	-
Total liabilities	8,009			9,425	1,527,794		141,917	
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	1,948,423	-	-	-
Noncurrent loans receivable	-	-	-	4,068,732	8,204,963	-	-	-
Property held for resale	-	-	-	339,300	2,468,272	-	-	-
Debt service	-	-	-	-	-	4,551	154,637	830,861
Advances to other funds	-	-	-	500,247	500,247	-	-	-
Unreserved, reported in:								
Special revenue funds	482,015	2,490	5,576,620	1,869,559	22,902,822	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	482,015	2,490	5,576,620	6,797,838	36,024,727	4,551	154,637	830,861
Total liabilities and fund balances	\$ 490,024	\$ 2,490	\$ 5,576,620	\$ 6,807,263	\$ 37,552,521	\$ 4,551	\$ 296,554	\$ 830,861

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CITY OF SOUTH BEND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2007
 (Continued)

	Debt Service Funds							
	Redevelopment Bond - Airport Taxable	Redevelopment Bond - Century Center	Redevelopment Bond - Palais Royale	EDIT Bond - Plaza Garage Tax Exempt	EDIT Bond - Plaza Garage Taxable	Redevelopment Authority Debt Service	Erskine Commons TIF Debt Service	South Bend Building Corporation Debt Service
Assets								
Cash and cash equivalents	\$ 1,535,685	\$ 52,770	\$ 876,038	\$ 3,408	\$ 5,971	\$ 149,241	\$ 231,092	\$ 968,128
Cash with fiscal agent	-	-	-	-	-	1,788,804	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	7,170	-	4,092	-	-	414	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	\$ 1,542,855	\$ 52,770	\$ 880,130	\$ 3,408	\$ 5,971	\$ 1,938,459	\$ 231,092	\$ 968,128

	Debt Service Funds							
	Redevelopment Bond - Airport Taxable	Redevelopment Bond - Century Center	Redevelopment Bond - Palais Royale	EDIT Bond - Plaza Garage Tax Exempt	EDIT Bond - Plaza Garage Taxable	Redevelopment Authority Debt Service	Erskine Commons TIF Debt Service	South Bend Building Corporation Debt Service
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities								
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	5,971	1,938,459	231,092	968,128
Debt service	1,542,855	52,770	880,130	3,408	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	1,542,855	52,770	880,130	3,408	5,971	1,938,459	231,092	968,128
Total liabilities and fund balances	\$ 1,542,855	\$ 52,770	\$ 880,130	\$ 3,408	\$ 5,971	\$ 1,938,459	\$ 231,092	\$ 968,128

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007
(Continued)

	Debt Service Funds		Capital Projects					
	TIF Erskine Village Debt Service	Totals	Emergency Medical Services	Central Development Area Bond Proceeds	Professional Sports Development	Coveleski Stadium Capital	Zoo Endowment	Park Nonreverting Capital
Assets								
Cash and cash equivalents	\$ 835,315	\$ 5,643,411	\$ 1,430,312	\$ 5,889,488	\$ 412,748	\$ 292,537	\$ 25,179	\$ 493,132
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	1,788,804	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	15,962	3,270	23,356	1,868	934	93	934
Taxes	-	141,917	-	-	81,474	-	-	-
Accounts	-	-	631,252	-	-	-	-	3
Intergovernmental	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund loan	-	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	484,415	-	-	-	-
Total assets	\$ 835,315	\$ 7,590,094	\$ 2,064,834	\$ 6,397,259	\$ 496,090	\$ 293,471	\$ 25,272	\$ 494,069

Liabilities and Fund Balances

Liabilities:								
Accounts payable	\$ -	\$ -	\$ 72,558	\$ -	\$ -	\$ -	\$ -	\$ 7,900
Accrued payroll payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	141,917	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	141,917	72,558	-	-	-	-	7,900
Fund balances:								
Reserved for:								
Encumbrances	-	-	59,501	22,652	16,095	15,270	-	31,906
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	484,415	-	-	-	-
Debt service	835,315	7,448,177	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	1,932,775	5,890,192	479,995	278,201	25,272	454,263
Total fund balances	835,315	7,448,177	1,992,276	6,397,259	496,090	293,471	25,272	486,169
Total liabilities and fund balances	\$ 835,315	\$ 7,590,094	\$ 2,064,834	\$ 6,397,259	\$ 496,090	\$ 293,471	\$ 25,272	\$ 494,069

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CITY OF SOUTH BEND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2007
 (Continued)

	Capital Projects						
	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income Tax	Cumulative Sewer	TIF - Sample/Ex'ing	Morris Performing Arts Center Capital	TIF Downtown
Assets							
Cash and cash equivalents	\$ 1,911,650	\$ 306,346	\$ 2,446,377	\$ 80,224	\$ 648,796	\$ 369,853	\$ 5,926,453
Cash with fiscal agent	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Interest	4,671	-	1,401	-	-	1,284	9,342
Taxes	124,770	-	-	-	3,675	-	336,553
Accounts	-	-	150,000	-	-	-	310
Intergovernmental	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Interfund receivable:							
Interfund loan	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Property held for sale	-	-	76,256	-	1,025,628	-	2,222,141
Total assets	\$ 2,041,091	\$ 306,346	\$ 2,674,034	\$ 80,224	\$ 1,678,099	\$ 371,137	\$ 8,494,799

Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 167,011	\$ -	\$ 69,048	\$ -	\$ 7	\$ 11,430	\$ 59,727
Accrued payroll payable	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-
Interfund payable:							
Interfund services provided and used	16,139	-	-	-	-	-	6,847
Deferred revenue	124,770	-	-	-	3,675	-	336,553
Performance deposits payable	-	-	-	-	12,735	-	87,854
Other current payables	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Total liabilities	\$ 307,920	\$ -	\$ 69,048	\$ -	\$ 16,417	\$ 11,430	\$ 490,981
Fund balances:							
Reserved for:							
Encumbrances	116,359	-	448,823	-	24,040	10,390	114,394
Noncurrent loans receivable	-	-	-	-	-	-	-
Property held for resale	-	-	76,256	-	1,025,628	-	2,222,141
Debt service	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Unreserved, reported in:							
Special revenue funds	-	-	2,079,907	80,224	612,014	349,317	5,667,283
Capital projects funds	-	-	-	-	-	-	-
Total fund balances	\$ 1,733,171	\$ 306,346	\$ 2,604,986	\$ 80,224	\$ 1,661,662	\$ 359,707	\$ 8,003,816
Total liabilities and fund balances	\$ 2,041,091	\$ 306,346	\$ 2,674,034	\$ 80,224	\$ 1,678,099	\$ 371,137	\$ 8,494,799

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CITY OF SOUTH BEND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2007
 (Continued)

	Capital Projects						
	TIF Downtown Building Operations	TIF Leighton Plaza	TIF - West Washington	Redevelopment General	Community Revitalization Enhancement District	TIF No. 1 - Southside Development	TIF No. 2 - Southside Development
Assets							
Cash and cash equivalents	\$ -	\$ 117,428	\$ 503,936	\$ 92,631	\$ 2,462,459	\$ 511,772	\$ 6,031
Cash with fiscal agent	-	5,256	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Interest	-	187	934	327	8,780	-	-
Taxes	-	-	197,553	-	-	17,797	-
Accounts	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Interfund receivable:							
Interfund loan	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Property held for sale	-	-	284,690	-	105,000	-	-
Total assets	\$ -	\$ 122,871	\$ 987,113	\$ 92,958	\$ 2,576,239	\$ 529,569	\$ 6,031

Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 4,985	\$ -	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	-	-	-	-	-
Contracts payable	-	-	68,356	-	-	-	-
Interfund payable:							
Interfund services provided and used	-	-	-	-	-	-	-
Deferred revenue	-	-	197,563	-	-	17,797	-
Performance deposits payable	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Total liabilities	-	-	\$ 270,894	-	-	\$ 17,797	-
Fund balances:							
Reserved for:							
Encumbrances	-	-	26,044	13,511	40,199	350	-
Noncurrent loans receivable	-	-	-	-	-	-	-
Property held for resale	-	-	284,690	-	105,000	-	-
Debt service	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Unreserved, reported in:							
Special revenue funds	-	122,871	405,485	79,447	2,431,040	511,422	6,031
Capital projects funds	-	122,871	716,219	92,958	2,576,239	511,772	6,031
Total fund balances	-	\$ 122,871	\$ 987,113	\$ 92,958	\$ 2,576,239	\$ 529,569	\$ 6,031
Total liabilities and fund balances	\$ -	\$ 122,871	\$ 987,113	\$ 92,958	\$ 2,576,239	\$ 529,569	\$ 6,031

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007
(Continued)

	Capital Projects					
	TIF No. 3 - Southside Development	Redevelopment District Allocation Area Capital	TIF-Central Medical Service Area	Football Hall of Fame Capital	Major Moves	TIF - Northeast Development Douglas Road
Assets						
Cash and cash equivalents	\$ 776,591	\$ 473,178	\$ 1,620,624	\$ 672,317	\$ 13,631,519	\$ 13,468
Cash with fiscal agent	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):						
Interest	-	-	3,036	2,406	46,712	-
Taxes	2,302	-	40,747	-	-	-
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Interfund receivable:						
Interfund loan	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Property held for sale	-	673,117	-	-	-	-
Total assets	\$ 778,893	\$ 1,146,295	\$ 1,664,407	\$ 674,723	\$ 13,678,231	\$ 13,468

Liabilities and Fund Balances.						
Liabilities:						
Accounts payable	\$ -	\$ 325	\$ 37,805	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	-	-	-	-
Contracts payable	-	81,182	-	-	-	-
Interfund payable:						
Interfund services provided and used	-	-	-	-	-	-
Deferred revenue	2,302	-	40,747	-	-	-
Performance deposits payable	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-
Advances from other funds	-	-	-	1,750,000	-	-
Total liabilities	2,302	81,507	78,352	1,750,000	-	-
Fund balances:						
Reserved for:						
Encumbrances	-	208,685	167,700	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-
Property held for resale	-	560,071	-	-	-	-
Debt service	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Unreserved, reported in:						
Special revenue funds	776,591	296,032	1,418,355	(1,075,277)	13,678,231	13,468
Capital projects funds	776,591	1,064,788	1,586,055	(1,075,277)	13,678,231	13,468
Total fund balances	\$ 778,893	\$ 1,146,295	\$ 1,664,407	\$ 674,723	\$ 13,678,231	\$ 13,941

Total liabilities and fund balances

Continued on the next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007
(Continued)

	Capital Projects					Totals	Total Nonmajor Governmental Funds
	Palais Royale Historic Preservation	Equipment Leasing	Morris Entertainment	Erskine Commons TIF Project	South Bend Building Corporation Construction		
Assets							
Cash and cash equivalents	\$ 168	\$ 791,181	\$ 104,659	\$ 178,282	\$ 15,198	\$ 42,218,478	\$ 89,271,866
Cash with fiscal agent	-	-	-	-	-	5,256	5,256
Investments	-	-	-	-	-	-	1,788,804
Receivables (net of allowances for uncollectibles):							
Interest	-	-	-	-	-	-	-
Taxes	-	-	-	-	42	109,577	190,626
Accounts	-	-	-	-	-	804,871	4,181,312
Intergovernmental	-	-	-	-	-	781,565	951,246
Loans	-	-	-	-	-	792,994	792,994
Interfund receivable:							
Interfund loan	-	-	-	-	-	-	176,000
Interfund services provided and used	-	-	-	-	-	-	25,429
Advances to other funds	-	-	-	-	-	-	500,247
Property held for sale	-	-	-	-	-	4,871,247	7,339,519
Total assets	\$ 168	\$ 791,181	\$ 104,659	\$ 178,282	\$ 15,240	\$ 48,790,994	\$ 93,933,609

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Liabilities and Fund Balances

Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,596	\$ 708,841
Accrued payroll payable	-	-	-	-	-	-	90,371
Contracts payable	-	247,880	-	-	-	397,418	872,754
Interfund payable:							
Interfund services provided and used	-	-	-	-	-	22,986	180,420
Deferred revenue	-	-	-	-	-	723,397	865,314
Performance deposits payable	-	-	-	-	-	100,589	123,757
Other current payables	-	-	-	-	-	-	2,993
Advances from other funds	-	-	-	-	-	1,750,000	2,250,247
Total liabilities	-	247,880	-	-	-	3,424,986	5,094,697
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	-	-	1,315,919	3,264,342
Noncurrent loans receivable	-	-	-	-	-	-	8,204,963
Property held for resale	-	-	-	-	-	4,758,201	7,226,473
Debt service	-	-	-	-	-	-	7,446,177
Advances to other funds	-	-	-	-	-	-	500,247
Unreserved, reported in:							
Special revenue funds	-	-	-	-	-	39,291,888	22,902,822
Capital projects funds	168	543,301	104,659	178,282	15,240	45,366,008	88,638,912
Total fund balances	168	543,301	104,659	178,282	15,240	48,790,994	93,933,609
Total liabilities and fund balances	\$ 168	\$ 791,181	\$ 104,659	\$ 178,282	\$ 15,240	\$ 48,790,994	\$ 93,933,609

CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Special Revenue							Juvenile Positive Assistance
	Motor Vehicle Highway	Recreation Nonreverting	Studebaker Oliver Revitalization Grants	Economic Development State Grants	Community Development	Police Federal Grant	Police State Seizure	
Revenues:								
Taxes:								
Property								
County option income								
County economic development income								
Professional sports development								
Community revitalization enhancement district								
Intergovernmental	4,084,737		309,489		3,841,507	58,532	38,027	1,480
Charges for services		993,614			264,836			
Fines and forfeits	5	24,517	47,036	137,654	102,483			
Interest								
Donations								
Sale of property	5,395	5,280	794,576		251,311			
Other								
Total revenues	4,090,137	1,023,411	1,151,101	137,654	4,460,137	58,532	38,027	1,480
Expenditures:								
Current:								
General government								
Public safety						58,532	24,612	2,076
Highways and streets	3,148,316							
Economic development			14,630	411,394	6,520,766			
Culture and recreation		1,032,817						
Debt service:								
Principal				124,138				
Interest and fiscal charges				58,579				
Capital outlay:								
General government								
Public safety								
Economic development								
Culture and recreation								
Total expenditures	3,148,316	1,032,817	14,630	594,111	6,520,766	58,532	24,612	2,076
Excess (deficiency) of revenues over (under) expenditures	941,821	(9,406)	1,136,471	(456,457)	(2,060,629)		13,415	(596)
Other financing sources (uses):								
Transfers in	160,000	9,603			1,342,634			
Transfers out								
Debt issuance								
Total other financing sources (uses)	160,000	9,603			1,342,634			
Net change in fund balances	1,101,821	197	1,136,471	(456,457)	(717,995)		13,415	(596)
Fund balances - beginning	1,665,757	591,486	801,210	3,803,029	5,656,869	1	24,657	8,849
Fund balances - ending	\$ 2,767,578	\$ 591,683	\$ 1,937,681	\$ 3,346,572	\$ 4,938,874	\$ 1	\$ 38,072	\$ 8,253

Continued on the next page

CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Special Revenue							
	Law Enforcement Continuing Education	Build Indiana	General Grant	Local Road and Street	Human Rights Federal	East Race Waterway	Special Events	Morris and Palais Marketing
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County option income	-	-	-	-	-	-	-	-
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	149,716	-	-	5,129,499	125,391	-	-	-
Charges for services	94,638	-	-	-	-	-	-	-
Fines and forfeits	151,405	-	-	-	11,316	1,488	-	-
Interest	7,302	-	-	50,256	822	-	-	-
Donations	6,021	-	-	-	-	-	-	-
Sale of property	-	-	-	-	10,110	-	25	7,281
Other	23,113	-	-	-	-	-	-	-
Total revenues	432,195	-	-	5,179,755	147,639	1,488	25	7,281
Expenditures:								
Current:								
General government	-	-	-	-	154,185	-	-	-
Public safety	284,743	-	3,200	-	-	-	-	-
Highways and streets	-	-	-	3,183,418	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,563	-	3,146
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	284,743	-	3,200	3,183,418	154,185	1,563	-	3,146
Excess (deficiency) of revenues over (under) expenditures	147,452	-	(3,200)	1,996,337	(6,546)	(75)	25	4,135
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(9,503)	-
Debt issuance	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(9,503)	-
Net change in fund balances	147,452	-	(3,200)	1,996,337	(6,546)	(75)	(9,578)	4,135
Fund balances - beginning	462,345	1	61,905	1,304,131	439,667	32,637	9,578	-
Fund balances - ending	609,797	1	58,705	3,300,468	433,121	32,562	-	4,135

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CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Special Revenue							
	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE Grant	Federal Drug Enforcement	Urban Development Action Grant
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County option income	-	-	-	-	-	-	-	-
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	154,012	-	-	390,877	-
Charges for services	-	-	45,841	-	16,150	-	-	-
Fines and forfeits	-	-	-	-	1,492	11,488	9,781	173,764
Interest	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Sale of property	-	-	-	6,612	550	57,329	18,055	400,600
Other	-	-	-	-	-	-	-	-
Total revenues	-	45,841	-	160,624	18,192	68,817	418,713	574,364
Expenditures:								
Current:								
General government	-	4,968	-	-	-	-	-	-
Public safety	-	-	16,908	141,541	21,073	10,118	111,135	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	31,337
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay:	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	-	4,968	16,908	141,541	21,073	10,118	111,135	31,337
Excess (deficiency) of revenues over (under) expenditures	-	(4,968)	28,933	19,083	(2,881)	58,699	307,578	543,027
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	-	(4,968)	28,933	19,083	(2,881)	58,699	307,578	543,027
Fund balances - beginning	25,888	14,362	46,512	47,674	67,871	65,917	76,345	3,804,221
Fund balances - ending	\$ 25,888	\$ 9,394	\$ 75,445	\$ 66,757	\$ 64,990	\$ 124,616	\$ 383,923	\$ 4,347,248

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CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Special Revenue					Debt Service Funds			
	Leaf Collection and Removal	Police K-9 Unit	Rainy Day	Industrial Revolving	Totals	Redevelopment Bond - Skudabaker	College Football Hall of Fame Debt Service	Redevelopment Bond - Central Development	
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,590	\$ 1,127,140	\$ -	
County option income	-	-	2,255,857	-	2,255,857	-	-	-	
County economic development income	-	-	978,667	-	978,667	-	-	-	
Professional sports development	-	-	-	-	-	-	-	-	
Community revitalization enhancement district	-	-	-	-	-	-	-	-	
Intergovernmental	-	-	-	-	-	789	76,799	-	
Charges for services	437,388	-	-	-	14,281,787	-	-	-	
Fines and forfeits	-	-	-	-	1,853,947	-	-	-	
Interest	-	-	112,807	268,526	151,405	-	7,065	41,117	
Donations	-	921	-	-	948,427	-	-	-	
Sale of property	-	-	-	-	19,252	-	-	-	
Other	-	-	-	12,898	1,593,135	-	-	-	
Total revenues	437,388	921	3,347,331	281,424	22,082,477	12,379	1,211,004	41,117	
Expenditures:									
Current:									
General government	240,027	-	-	-	394,212	-	-	-	
Public safety	-	815	-	-	679,721	-	-	-	
Highways and streets	-	-	-	-	6,331,734	-	-	-	
Economic development	-	-	-	445,364	7,423,491	-	-	-	
Culture and recreation	-	-	-	-	1,037,526	-	-	-	
Debt service:	-	-	-	-	-	-	-	-	
Principal	-	-	-	-	124,138	-	775,000	-	
Interest and fiscal charges	-	-	-	-	58,579	-	630,740	-	
Capital outlay:	-	-	-	-	-	-	-	-	
General government	-	-	-	-	-	-	-	-	
Public safety	-	-	-	-	-	-	-	-	
Economic development	-	-	-	-	-	-	-	-	
Culture and recreation	-	-	-	-	-	-	-	-	
Total expenditures	240,027	815	-	445,364	16,049,401	-	1,405,740	-	
Excess (deficiency) of revenues over (under) expenditures	197,361	106	3,347,331	(163,940)	6,033,076	12,379	(194,736)	41,117	
Other financing sources (uses):									
Transfers in	-	-	-	-	1,512,237	-	-	500	
Transfers out	(160,000)	-	-	-	(169,603)	-	-	(37,256)	
Debt issuance	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	(160,000)	-	-	-	1,342,634	-	-	(36,756)	
Net change in fund balances	37,361	106	3,347,331	(163,940)	7,375,710	12,379	(194,736)	4,361	
Fund balances - beginning	444,654	2,384	2,229,289	6,961,778	28,649,017	(7,828)	349,373	826,500	
Fund balances - ending	\$ 482,015	\$ 2,490	\$ 5,576,620	\$ 6,797,838	\$ 36,024,727	\$ 4,551	\$ 154,637	\$ 830,861	

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CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Debt Service Funds							
	Redevelopment Bond - Airport Taxable	Redevelopment Bond - Century Center	Redevelopment Bond - Palais Royale	EDIT Bond - Plaza Garage Tax Exempt	EDIT Bond - Plaza Garage Taxable	Redevelopment Authority Debt Service	Erskine Commons TIF Debt Service	South Bend Building Corporation Debt Service
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County option income	-	-	-	-	-	-	-	-
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	67,269	-	40,415	-	-	95,399	13,014	43,542
Donations	-	-	-	-	-	-	-	-
Sale of property	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total revenues	67,269	-	40,415	-	-	95,399	13,014	43,542
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	1,455,000	-	1,379,285
Interest and fiscal charges	-	-	-	-	-	821,697	91,948	1,214,009
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	2,276,697	91,948	2,563,294
Excess (deficiency) of revenues over (under) expenditures	67,269	-	40,415	-	-	(2,181,298)	(78,934)	(2,549,752)
Other financing sources (uses):								
Transfers in	383,921	-	219,010	-	-	2,129,797	-	2,517,142
Transfers out	(60,099)	-	(36,324)	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Total other financing sources (uses)	323,822	-	182,686	-	-	2,129,797	-	2,517,142
Net change in fund balances	391,091	-	223,101	-	-	(51,501)	(78,934)	(32,610)
Fund balances - beginning	1,151,764	92,770	657,029	3,408	5,971	1,989,960	310,026	1,000,738
Fund balances - ending	\$ 1,542,855	\$ 52,770	\$ 880,130	\$ 3,408	\$ 5,971	\$ 1,938,459	\$ 231,092	\$ 968,128

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CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Debt Service Funds		Capital Projects					
	TIF Erskine Village Debt Service	Totals	Emergency Medical Services	Central Development Area Bond Proceeds	Professional Sports Development	Coveleski Stadium Capital	Zoo Endowment	Park Nonreverting Capital
Revenues:								
Taxes:								
Property	\$ -	\$ 1,138,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County option income	-	-	-	-	-	-	-	-
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	435,791	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Intergovernmental	-	77,588	-	-	507,585	-	-	-
Charges for services	-	-	1,104,890	-	-	-	-	2,518
Fines and forfeits	-	-	26,658	-	-	-	-	-
Interest	36,777	344,598	35,317	214,581	25,575	9,949	973	14,400
Donations	-	-	100	-	-	-	4,043	-
Sale of property	-	-	-	-	-	-	-	-
Other	-	-	21,135	-	-	75,000	-	-
Total revenues	36,777	1,560,916	1,188,100	214,581	968,951	84,949	5,016	16,918
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	3,609,285	218,342	-	-	-	-	-
Interest and fiscal charges	350,120	3,108,514	13,712	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	464,395	-	-	-	-	-
Economic development	-	-	-	11,680	-	-	-	-
Culture and recreation	-	-	-	-	703,422	29,888	-	263,135
Total expenditures	350,120	6,717,799	696,449	11,680	703,422	29,888	-	263,136
Excess (deficiency) of revenues over (under) expenditures	(313,343)	(5,156,883)	491,651	202,901	265,529	55,061	5,016	(246,218)
Other financing sources (uses):								
Transfers in	305,399	5,555,769	-	-	-	-	-	227,323
Transfers out	-	(133,679)	(250,000)	-	(150,000)	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Total other financing sources (uses)	305,399	5,422,090	(250,000)	-	(150,000)	-	-	227,323
Net change in fund balances	(7,944)	265,207	241,651	202,901	115,529	55,061	5,016	(18,895)
Fund balances - beginning	843,259	7,182,970	1,750,625	6,194,358	380,561	238,410	20,256	505,064
Fund balances - ending	\$ 835,315	\$ 7,448,177	\$ 1,992,276	\$ 6,397,259	\$ 496,090	\$ 293,471	\$ 25,272	\$ 486,169

Continued on the next page

CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Capital Projects						
	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income Tax	Cumulative Sewer	TIF - Sample/Ewing	Morris Performing Arts Center Capital	TIF Downtown
Revenues:							
Taxes:							
Property	\$ 989,824	\$ -	\$ -	\$ -	\$ 778,093	\$ -	\$ 3,276,169
County option income	-	-	-	-	-	-	-
County economic development income	-	-	3,702,487	-	-	-	-
Professional sports development	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	1,548	-	9,050
Intergovernmental	74,484	378,586	-	-	-	99,688	50,484
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	70,318	-	55,373	-	12,163	11,334	118,627
Interest	-	-	-	-	-	-	-
Donations	-	-	-	-	113,769	-	-
Sale of property	-	200,000	150,000	-	241,793	-	689
Other	-	-	-	-	-	-	-
Total revenues	1,134,636	578,586	3,907,840	-	1,147,366	111,022	3,454,999
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	537,705	-	955,000	-	615,296	-	137,000
Interest and fiscal charges	71,040	-	257,050	-	332,325	-	899,486
Capital outlay:							
General government	930,611	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	-	1,172,916	-	79,935	-	976,399
Culture and recreation	-	-	-	-	-	66,293	-
Total expenditures	1,539,356	-	2,384,966	-	1,027,556	66,293	2,012,885
Excess (deficiency) of revenues over (under) expenditures	(404,720)	578,586	1,522,874	-	119,810	44,729	1,442,114
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	73,580
Transfers out	-	(511,790)	(1,517,610)	-	-	-	(773,010)
Debt issuance	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(511,790)	(1,517,610)	-	-	-	(699,430)
Net change in fund balances	(404,720)	66,806	5,264	-	119,810	44,729	742,684
Fund balances - beginning	2,137,891	239,540	2,599,722	80,224	1,541,872	314,978	7,261,134
Fund balances - ending	\$ 1,733,171	\$ 306,346	\$ 2,604,986	\$ 80,224	\$ 1,661,682	\$ 359,707	\$ 8,003,818

Continued on the next page

CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Capital Projects						
	TIF Downtown Building Operations	TIF Leighton Plaza	TIF - West Washington	Redevelopment General	Community Revitalization Enhancement District	TIF No. 1 - Southside Development	TIF No. 2 - Southside Development
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ 287,095	\$ -	\$ -	\$ 457,985	\$ 2,891
County option income	-	-	-	-	-	-	-
County economic development income	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	1,000,000	-	-
Intergovernmental	-	-	712	-	-	78	8
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interest	-	1,298	14,508	3,907	91,300	-	-
Donations	-	-	-	-	-	-	-
Sale of property	-	140,538	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues		141,836	302,315	3,907	1,091,300	458,063	2,899
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	500,000	-	-
Interest and fiscal charges	-	-	-	-	142,679	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	151,449	381,002	26,489	179,285	3,970	-
Culture and recreation	-	-	-	-	-	-	-
Total expenditures		151,449	381,002	26,489	821,964	3,970	
Excess (deficiency) of revenues over (under) expenditures		(9,613)	(78,687)	(22,582)	269,336	454,093	2,899
Other financing sources (uses):							
Transfers in	(27,832)	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-
Total other financing sources (uses)	(27,832)						
Net change in fund balances	(27,832)	(9,613)	(78,687)	(22,582)	269,336	454,093	2,899
Fund balances - beginning	27,832	132,484	794,906	115,540	2,306,903	57,679	3,132
Fund balances - ending	\$ -	\$ 122,871	\$ 716,219	\$ 92,958	\$ 2,576,239	\$ 511,772	\$ 6,031

Continued on the next page

CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Capital Projects						
	TIF No. 3 - Southside Development	Redevelopment District Allocation Area Capital	TIF-Central Medical Service Area	Football Hall of Fame Capital	Major Moves	TIF - Northeast Development	TIF - Northeast Development
Revenues:							
Taxes:							
Property	\$ 775,622	\$ -	\$ 928,113	\$ -	\$ -	\$ 13,468	\$ 13,941
County option income	-	-	-	-	-	-	-
County economic development income	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-
Intergovernmental	969	-	1,473	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interest	-	48,068	34,755	24,723	676,031	-	-
Donations	-	-	-	-	-	-	-
Sale of property	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	776,591	48,068	964,341	24,723	676,031	13,468	13,941
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	1,827,466	221,979	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total expenditures	-	1,827,466	221,979	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	776,591	(1,779,398)	742,362	24,723	676,031	13,468	13,941
Other financing sources (uses):							
Transfers in	-	-	-	150,000	-	-	-
Transfers out	(305,399)	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-
Total other financing sources (uses)	(305,399)	-	-	150,000	-	-	-
Net change in fund balances	471,192	(1,779,398)	742,362	174,723	676,031	13,468	13,941
Fund balances - beginning	305,399	2,844,186	843,693	(1,250,000)	13,002,200	-	-
Fund balances - ending	776,591	1,064,788	1,586,055	(1,075,277)	13,678,231	13,468	13,941

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CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Capital Projects						Total Nonmajor Governmental Funds
	Palais Royale Historic Preservation	Equipment Leasing	Morris Entertainment	Erskine Commons TIF Project	South Bend Building Corporation Construction	Totals	
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,523,201	\$ 8,661,931
County option income	-	-	-	-	-	-	2,255,857
County economic development income	-	-	-	-	-	3,702,467	4,681,134
Professional sports development	-	-	-	-	-	435,791	435,791
Community revitalization enhancement district	-	-	-	-	-	1,000,000	1,000,000
Intergovernmental	-	-	-	-	-	974,513	15,333,888
Charges for services	-	-	-	-	-	1,257,580	3,111,527
Fines and forfeits	-	-	-	-	-	26,658	178,063
Interest	-	33,528	467	13,143	744	1,511,082	2,804,107
Donations	-	-	5,865	-	-	10,008	29,260
Sale of property	-	-	-	-	-	113,769	113,769
Other	168	-	-	-	-	829,303	2,422,438
Total revenues	168	33,528	6,332	13,143	744	17,384,372	41,027,765
Expenditures:							
Current:							
General government	-	-	-	-	-	-	394,212
Public safety	-	-	-	-	-	-	679,721
Highways and streets	-	-	-	-	-	-	6,331,734
Economic development	-	-	-	-	-	-	7,423,491
Culture and recreation	-	-	345	-	-	345	1,037,871
Debt service:							
Principal	-	162,358	-	-	-	3,125,701	6,859,124
Interest and fiscal charges	-	-	-	-	-	1,716,292	4,883,385
Capital outlay:							
General government	-	-	-	-	-	930,611	930,611
Public safety	-	958,218	-	-	-	1,422,613	1,422,613
Economic development	-	1,816,051	-	1,014	-	6,849,645	6,849,645
Culture and recreation	-	-	-	-	-	1,062,739	1,062,739
Total expenditures	-	2,936,637	345	1,014	-	15,107,946	37,875,146
Excess (deficiency) of revenues over (under) expenditures	168	(2,903,109)	5,987	12,129	744	2,276,426	3,152,619
Other financing sources (uses):							
Transfers in	-	-	-	-	-	450,903	7,518,909
Transfers out	-	-	-	-	(6,329)	(3,541,970)	(3,845,252)
Debt issuance	-	2,920,287	-	-	-	2,920,287	2,920,287
Total other financing sources (uses)	-	2,920,287	-	-	(6,329)	(170,780)	6,593,944
Net change in fund balances	168	17,178	5,987	12,129	(5,585)	2,105,646	9,746,563
Fund balances - beginning	-	526,123	98,672	166,153	20,825	43,260,362	79,092,349
Fund balances - ending	168	543,301	104,659	178,282	15,240	45,366,008	88,838,912

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - COUNTY OPTION INCOME TAX
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Taxes:				
County option income	\$ 5,695,618	\$ 5,695,618	\$ 5,816,766	\$ 121,148
Other	180,000	374,512	306,009	(68,503)
Total revenues	5,875,618	6,070,130	6,122,775	52,645
Expenditures:				
Capital outlay:				
General government:				
Other services and charges	3,713,915	4,948,972	3,943,672	1,005,300
Capital outlay	-	6,599,201	6,311,056	288,145
Total expenditures	3,713,915	11,548,173	10,254,728	1,293,445
Net change in fund balances	2,161,703	(5,478,043)	(4,131,953)	1,346,090
Fund balances - beginning	7,535,967	7,535,967	7,535,967	-
Fund balances - ending	\$ 9,697,670	\$ 2,057,924	\$ 3,404,014	\$ 1,346,090
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (4,131,953)	
To adjust revenues for accruals			(5,192)	
To adjust expenditures for accruals			(92,761)	
To adjust expenditures for encumbrances			3,810,776	
Net change in fund balance, GAAP basis			\$ (419,130)	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - MOTOR VEHICLE HIGHWAY
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,027,592	\$ 4,027,595	\$ 3,975,802	\$ (51,793)
Charges for services	8,940	8,940	8,940	-
Other	160,000	164,914	165,410	496
Total revenues	4,196,532	4,201,449	4,150,152	(51,297)
Expenditures:				
Current:				
Highways and streets:				
Personal services	2,933,984	2,856,382	2,666,405	189,977
Supplies	78,480	94,510	60,106	34,404
Other services and charges	125,373	194,372	193,147	1,225
Capital outlay	-	1,042,732	42,732	1,000,000
Other uses	110,648	110,649	110,648	1
Total expenditures	3,248,485	4,298,645	3,073,038	1,225,607
Net change in fund balances	948,047	(97,196)	1,077,114	1,174,310
Fund balances - beginning	1,358,456	1,358,456	1,358,456	-
Fund balances - ending	\$ 2,306,503	\$ 1,261,260	\$ 2,435,570	\$ 1,174,310
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 1,077,114	
To adjust revenues for accruals			99,985	
To adjust expenditures for accruals			(112,017)	
To adjust expenditures for encumbrances			36,739	
Net change in fund balance, GAAP basis			\$ 1,101,821	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - RECREATION NONREVERTING
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,321,266	\$ 1,321,266	\$ 987,806	\$ (333,460)
Other	10,000	24,600	46,667	22,067
Total revenues	1,331,266	1,345,866	1,034,473	(311,393)
Expenditures:				
Current:				
Culture and recreation:				
Personal services	595,625	595,625	511,726	83,899
Supplies	214,927	218,507	208,042	10,465
Other services and charges	301,191	303,779	198,653	105,126
Other uses	24,061	24,666	24,665	1
Capital outlay	-	119,996	113,957	6,039
Total expenditures	1,135,804	1,262,573	1,057,043	205,530
Net change in fund balances	195,462	83,293	(22,570)	(105,863)
Fund balances - beginning	604,855	604,855	604,855	-
Fund balances - ending	\$ 800,317	\$ 688,148	\$ 582,285	\$ (105,863)
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (22,570)	
To adjust revenues for accruals			(1,459)	
To adjust expenditures for accruals			(15,954)	
To adjust expenditures for encumbrances			40,180	
Net change in fund balance, GAAP basis			\$ 197	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 709,275	\$ 6,721,465	\$ 3,943,503	\$ (2,777,962)
Other	323,661	339,706	672,671	332,965
Total revenues	<u>1,032,936</u>	<u>7,061,171</u>	<u>4,616,174</u>	<u>(2,444,997)</u>
Expenditures:				
Current:				
Urban redevelopment and housing:				
Personal services	2,159,111	2,135,072	1,974,571	160,501
Supplies	36,390	42,489	23,243	19,246
Other services and charges	269,659	12,191,142	5,288,325	6,902,617
Other uses	23,800	23,800	23,800	-
Capital outlay	-	2,692,010	419,791	2,272,219
Total expenditures	<u>2,488,960</u>	<u>17,084,513</u>	<u>7,729,730</u>	<u>9,354,783</u>
Other financing sources:				
Operating transfers in	1,456,045	1,456,045	1,342,634	(113,411)
Net change in fund balances	21	(8,567,297)	(1,770,922)	6,796,375
Fund balances - beginning	<u>2,598,295</u>	<u>2,598,295</u>	<u>2,598,295</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,598,316</u>	<u>\$ (5,969,002)</u>	<u>\$ 827,373</u>	<u>\$ 6,796,375</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (1,770,922)	
To adjust revenues for accruals			(156,037)	
To adjust expenditures for accruals			(18,624)	
To adjust expenditures for encumbrances			1,227,588	
Net change in fund balance, GAAP basis			<u>\$ (717,995)</u>	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - LOCAL ROAD AND STREET
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Intergovernmental	\$ 3,099,741	\$ 5,099,741	\$ 5,137,735	\$ 37,994
Other	50,000	50,000	43,249	(6,751)
Total revenues	3,149,741	5,149,741	5,180,984	31,243
Expenditures:				
Current:				
Highways and streets:				
Capital	-	4,274,868	3,527,446	747,422
Net change in fund balances	3,149,741	874,873	1,653,538	778,665
Fund balances - beginning	1,151,015	1,151,015	1,151,015	-
Fund balances - ending	\$ 4,300,756	\$ 2,025,888	\$ 2,804,553	\$ 778,665
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 1,653,538	
To adjust revenues for accruals			(1,229)	
To adjust expenditures for accruals			(22,212)	
To adjust expenditures for encumbrances			366,240	
Net change in fund balance, GAAP basis			\$ 1,996,337	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - HUMAN RIGHTS FEDERAL
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 145,400	\$ 148,651	\$ 123,126	\$ (25,525)
Other	34,300	54,923	21,290	(33,633)
Total revenues	179,700	203,574	144,416	(59,158)
Expenditures:				
Current:				
General government:				
Personal services	84,731	92,331	91,899	432
Supplies	2,800	2,800	2,358	442
Other services and charges	99,968	106,082	54,433	51,649
Other uses	4,316	4,316	4,316	-
Total expenditures	191,815	205,529	153,006	52,523
Net change in fund balances	(12,115)	(1,955)	(8,590)	(6,635)
Fund balances - beginning	440,372	440,372	440,372	-
Fund balances - ending	<u>\$ 428,257</u>	<u>\$ 438,417</u>	<u>\$ 431,782</u>	<u>\$ (6,635)</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (8,590)	
To adjust revenues for accruals			3,223	
To adjust expenditures for accruals			(1,438)	
To adjust expenditures for encumbrances			259	
Net change in fund balance, GAAP basis			<u>\$ (6,546)</u>	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS - REDEVELOPMENT BOND - STUDEBAKER
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ -	\$ 12,169	\$ 11,590	\$ (579)
Intergovernmental	-	-	789	789
Total revenues	-	12,169	12,379	210
Net change in fund balances	-	12,169	12,379	210
Fund balances - beginning	(7,828)	(7,828)	(7,828)	-
Fund balances - ending	\$ (7,828)	\$ 4,341	\$ 4,551	\$ 210

Budget/GAAP Reconciliation
 No reconciliation necessary since budgetary basis equals GAAP basis

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS - COLLEGE FOOTBALL HALL OF FAME DEBT SERVICE
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 933,662	\$ 1,183,413	\$ 1,127,140	\$ (56,273)
Intergovernmental	89,796	89,796	76,799	(12,997)
Total revenues	1,023,448	1,273,209	1,203,939	(69,270)
Expenditures:				
Debt service:				
Principal	775,000	775,000	775,000	-
Interest and fiscal agent fees	631,400	658,150	631,500	26,650
Total expenditures	1,406,400	1,433,150	1,406,500	26,650
Net change in fund balances	(382,952)	(159,941)	(202,561)	(42,620)
Fund balances - beginning	348,818	348,818	348,818	-
Fund balances - ending	\$ (34,134)	\$ 188,877	\$ 146,257	\$ (42,620)
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (202,561)	
To adjust revenues for accruals			7,065	
To adjust expenditures for accruals			760	
Net change in fund balance, GAAP basis			\$ (194,736)	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - EMERGENCY MEDICAL SERVICES
 For The Year Ended December 31, 2007

	Budgeted Amounts	Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final	
Revenues:			
Charges for services	\$ 1,401,800	\$ 1,401,800	\$ (214,424)
Other	32,000	53,000	21,791
Total revenues	1,433,800	1,454,800	(192,633)
Expenditures:			
Capital outlay:			
Public safety:			
Other services and charges	32,430	32,430	5,483
Capital outlay	106,926	573,243	12,390
Debt service:			
Principal	218,342	218,342	-
Interest and fiscal agent fees	57,187	57,187	43,475
Total expenditures	414,885	881,202	61,348
Other financing uses:			
Operating transfers out	(250,000)	(250,000)	-
Net change in fund balances	788,915	323,598	(131,285)
Fund balances - beginning	1,105,978	1,105,978	-
Fund balances - ending	\$ 1,874,893	\$ 1,429,576	\$ (131,285)
<u>Budget/GAAP Reconciliation</u>			
Net change in fund balance, budget basis		\$ 192,313	
To adjust revenues for accruals		(74,067)	
To adjust expenditures for accruals		20,228	
To adjust expenditures for encumbrances		103,177	
Net change in fund balance, GAAP basis		\$ 241,651	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - PROFESSIONAL SPORTS DEVELOPMENT
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Professional sports development	\$ 385,000	\$ 385,000	\$ 387,813	\$ 2,813
Intergovernmental	473,258	507,585	507,585	-
Other	13,000	13,000	23,706	10,706
Total revenues	<u>871,258</u>	<u>905,585</u>	<u>919,104</u>	<u>13,519</u>
Expenditures:				
Capital outlay:				
Culture and recreation:				
Other uses	700,000	734,327	719,517	14,810
Other financing uses:				
Transfers out	-	(150,000)	(150,000)	-
Net change in fund balances	<u>171,258</u>	<u>21,258</u>	<u>49,587</u>	<u>28,329</u>
Fund balances - beginning	<u>347,065</u>	<u>347,065</u>	<u>347,065</u>	<u>-</u>
Fund balances - ending	<u>\$ 518,323</u>	<u>\$ 368,323</u>	<u>\$ 396,652</u>	<u>\$ 28,329</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 49,587	
To adjust revenues for accruals			49,847	
To adjust expenditures for encumbrances			16,095	
Net change in fund balance, GAAP basis			<u>\$ 115,529</u>	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - PARK NONREVERTING CAPITAL
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 211,500	\$ 211,500	\$ 2,515	\$ (208,985)
Other	57,000	57,000	13,465	(43,535)
Total revenues	268,500	268,500	15,980	(252,520)
Expenditures:				
Capital outlay:				
Culture and recreation:				
Capital outlay	-	342,379	310,888	31,491
Other sources:				
Operating transfers in	-	-	227,323	227,323
Net change in fund balances	268,500	(73,879)	(67,585)	6,294
Fund balances - beginning	520,911	520,911	520,911	-
Fund balances - ending	\$ 789,411	\$ 447,032	\$ 453,326	\$ 6,294
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (67,585)	
To adjust revenues for accruals			938	
To adjust expenditures for accruals			7,946	
To adjust expenditures for encumbrances			39,808	
Net change in fund balance, GAAP basis			\$ (18,895)	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL DEVELOPMENT
 For The Year Ended December 31, 2007

	Budgeted Amounts	Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final	
Revenues:			
Taxes:			
Property	\$ 1,086,492	\$ 1,040,430	\$ 989,824
Intergovernmental	76,666	68,556	74,494
Other	60,000	60,000	65,648
Total revenues	<u>1,223,158</u>	<u>1,168,986</u>	<u>(39,020)</u>
Expenditures:			
Capital outlay:			
General government:			
Other services and charges	-	9,500	60
Capital outlay	237,290	1,356,510	780,974
Debt service:			
Principal	537,350	537,350	-
Interest and fiscal agent fees	13,342	138,342	71,395
Total expenditures	<u>787,982</u>	<u>2,041,702</u>	<u>651,923</u>
Net change in fund balances	435,176	(872,716)	(259,813)
Fund balances - beginning	<u>2,171,463</u>	<u>2,171,463</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,606,639</u>	<u>\$ 1,298,747</u>	<u>\$ 1,911,650</u>
Budget/GAAP Reconciliation			
Net change in fund balance, budget basis			\$ (259,813)
To adjust expenditures for accruals			4,670
To adjust expenditures for encumbrances			(449,086)
To adjust expenditures for accruals			299,509
Net change in fund balance, GAAP basis			<u>\$ (404,720)</u>

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL IMPROVEMENT
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 378,339	\$ 378,339	\$ 378,596	\$ 257
Other	200,000	200,000	200,000	-
Total revenues	578,339	578,339	578,596	257
Expenditures:				
Transfers out	588,720	588,720	511,790	76,930
Total expenditures	588,720	588,720	511,790	76,930
Net change in fund balances	(10,381)	(10,381)	66,806	77,187
Fund balances - beginning	239,540	239,540	239,540	-
Fund balances - ending	\$ 229,159	\$ 229,159	\$ 306,346	\$ 77,187

Budget/GAAP Reconciliation
 No reconciliation necessary since budgetary basis equals GAAP basis

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - ECONOMIC DEVELOPMENT INCOME TAX
 For The Year Ended December 31, 2007

	Budgeted Amounts	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final	
Revenues:			
Taxes:			
County economic development income tax	\$ 3,464,152	\$ 3,702,467	\$ 238,315
Other	<u>175,000</u>	<u>53,971</u>	<u>(121,029)</u>
Total revenues	<u>3,639,152</u>	<u>3,756,438</u>	<u>117,286</u>
Expenditures:			
Capital outlay:			
General government:			
Other services and charges	718,143	1,465,856	249,906
Capital outlay	-	881,521	180,843
Debt service:			
Principal	1,645,000	1,645,000	-
Interest and fiscal agent fees	<u>819,773</u>	<u>632,307</u>	<u>187,466</u>
Total expenditures	<u>3,182,916</u>	<u>4,374,778</u>	<u>618,215</u>
Net change in fund balances	<u>456,236</u>	<u>(618,340)</u>	<u>(735,501)</u>
Fund balances - beginning	<u>2,546,845</u>	<u>2,546,845</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,003,081</u>	<u>\$ 1,928,505</u>	<u>\$ (735,501)</u>
Budget/GAAP Reconciliation			
Net change in fund balance, budget basis		\$ (618,340)	
To adjust revenues for accruals		151,402	
To adjust expenditures for accruals		(45,669)	
To adjust expenditures for encumbrances		<u>517,871</u>	
Net change in fund balance, GAAP basis		<u>\$ 5,264</u>	

CITY OF SOUTH BEND
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - MAJOR MOVES
 For The Year Ended December 31, 2007

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 12,823,150	\$ -	\$ 744,850	\$ -
Other	-	744,851	744,850	(1)
Total revenues	12,823,150	744,851	744,850	(1)
Fund balances - beginning	12,886,670	12,886,670	12,886,670	-
Fund balances - ending	\$ 25,709,820	\$ 13,631,521	\$ 13,631,520	\$ (1)
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 744,850	
To adjust revenues for accruals			(68,819)	
Net change in fund balance, GAAP basis			\$ 676,031	

NONMAJOR ENTERPRISE FUNDS

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

CITY OF SOUTH BEND
 COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS
 December 31, 2007

Assets	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Totals
Current assets:					
Cash and cash equivalents	\$ 138,763	\$ -	\$ 361,020	\$ 129,525	\$ 629,308
Accounts receivable (net of allowance)	-	1,306	334,961	-	336,267
Accounts receivable - other	-	-	-	3,000	3,000
Interfund receivables:					
Interfund services provided and used	625	-	-	-	625
Inventories	-	-	-	16,589	16,589
Restricted assets:					
Cash, cash equivalents and investments:					
Revenue bond covenant accounts	-	-	-	1,325,633	1,325,633
Capital outlay accounts	-	-	5,238	-	5,238
Interest receivable	140	-	-	5,593	5,733
Total current assets	<u>139,528</u>	<u>1,306</u>	<u>701,219</u>	<u>1,480,340</u>	<u>2,322,393</u>
Noncurrent assets:					
Deferred charges:					
Unamortized debt issue costs	-	-	-	22,400	22,400
Unamortized loss on sale/leaseback	-	4,501,183	-	-	4,501,183
Total deferred charges	<u>-</u>	<u>4,501,183</u>	<u>-</u>	<u>22,400</u>	<u>4,523,583</u>
Capital assets:					
Land and construction in progress	-	1,132,020	-	448,469	1,580,489
Other capital assets (net of accumulated depreciation)	46,880	3,881,902	1,018,499	2,841,984	7,789,265
Total capital assets	<u>46,880</u>	<u>5,013,922</u>	<u>1,018,499</u>	<u>3,290,453</u>	<u>9,369,154</u>
Total noncurrent assets	<u>46,880</u>	<u>9,515,105</u>	<u>1,018,499</u>	<u>3,312,853</u>	<u>13,893,337</u>
Total assets	<u>186,408</u>	<u>9,516,411</u>	<u>1,717,718</u>	<u>4,793,193</u>	<u>16,215,730</u>

Continued on next page

CITY OF SOUTH BEND
 COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS
 December 31, 2007
 (Continued)

Liabilities	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Totals
Current liabilities:					
Accounts payable	856	105,561	230,807	24,799	362,023
Interfund payables:					
Interfund loans	-	448,783	-	-	448,783
Interfund services provided and used	3,744	1,193	54,776	311	60,024
Accrued payroll payable	16,259	-	28,326	-	44,585
Compensated absences payable	40,458	-	47,993	-	88,451
Current liabilities payable from restricted assets:					
Revenue bonds payable	-	-	-	485,000	485,000
Capital leases payable	-	-	371,806	49,872	421,678
Accrued interest payable	-	-	10,708	52,416	63,124
Total current liabilities	61,317	555,537	744,416	612,398	1,973,668
Noncurrent liabilities:					
Advances from other funds	-	-	-	2,728,000	2,728,000
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	-	-	2,702,080	2,702,080
Capital leases payable	-	-	498,646	-	498,646
Unamortized gain on sale/leaseback	-	24,119	-	-	24,119
Total noncurrent liabilities	-	24,119	498,646	5,430,080	5,952,845
Total liabilities	61,317	579,656	1,243,062	6,042,478	7,926,513
Net Assets					
Invested in capital assets, net of related debt	46,880	5,013,922	681,410	103,373	5,845,585
Restricted for debt service	-	-	-	1,273,217	1,273,217
Reserved for capital asset outlays	-	-	5,238	-	5,238
Unrestricted	78,211	3,922,833	(209,982)	(2,625,875)	1,165,177
Total net assets	\$ 125,091	\$ 8,936,755	\$ 476,656	\$ (1,249,285)	\$ 8,289,217

CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2007

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Totals
Operating revenues:					
Licenses and permits	\$ 1,078,258	\$ -	\$ -	\$ -	\$ 1,078,258
Parking fees	-	861,307	-	-	861,307
Solid waste fees	-	-	4,129,274	-	4,129,274
Golf course fees	-	-	-	1,512,150	1,512,150
Other	-	-	52,383	-	52,383
Total operating revenues	1,078,258	861,307	4,181,657	1,512,150	7,633,372
Operating expenses:					
Operating and maintenance	1,035,264	-	3,640,155	1,286,342	5,961,761
Administrative and general expense:	31,403	714,759	221,450	106,895	1,074,507
Depreciation	23,660	169,047	178,666	224,178	595,551
Total operating expenses	1,090,327	883,806	4,040,271	1,617,415	7,631,819
Operating income (loss)	(12,069)	(22,499)	141,386	(105,265)	1,553
Nonoperating revenues (expenses):					
Interest and investment revenue	931	99	2,313	57,639	60,982
Interest expense	-	-	(32,639)	(190,051)	(222,690)
Amortization expense	-	(560,340)	-	(4,335)	(564,675)
Gain on disposition of assets	-	-	6,164	-	6,164
Total nonoperating revenue (expenses)	931	(560,241)	(24,162)	(136,747)	(720,219)
Income (loss) before contributions and transfers	(11,138)	(582,740)	117,224	(242,012)	(718,666)
Contributions	-	100,694	-	249,718	350,412
Transfers in	-	27,832	-	12,000	39,832
Transfers out	-	-	-	(43,567)	(43,567)
Change in net assets	(11,138)	(454,214)	117,224	(23,861)	(371,989)
Total net assets - beginning	136,229	9,390,969	359,432	(1,225,424)	8,661,206
Total net assets - ending	\$ 125,091	\$ 8,936,755	\$ 476,656	\$ (1,249,285)	\$ 8,269,217

CITY OF SOUTH BEND
 COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
 For The Year Ended December 31, 2007

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,077,983	\$ 860,036	\$ 4,141,524	\$ 1,513,473	\$ 7,593,016
Receipts from interfund services provided	-	-	52,000	-	52,000
Payments to suppliers	(51,970)	(666,637)	(1,350,387)	(1,345,149)	(3,414,143)
Payments to employees	(941,825)	-	(1,391,990)	-	(2,333,815)
Payments for interfund services used	(77,253)	(45,817)	(1,091,710)	(42,469)	(1,257,249)
Net cash provided by operating activities	6,935	147,582	359,437	125,855	639,809
Cash flows from noncapital financing activities:					
Advances from other funds	-	712,454	-	645,000	1,357,454
Repayment of advances from other funds	-	(887,967)	-	-	(887,967)
Transfers from other funds	-	27,832	-	12,000	39,832
Transfers to other funds	-	-	-	(43,567)	(43,567)
Net cash provided (used) by noncapital financing activities	-	(147,681)	-	613,433	465,752
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	-	-	(429,123)	(429,123)
Capital contributions	-	-	-	249,718	249,718
Principal paid on capital debt	-	-	(359,952)	(512,528)	(872,480)
Interest paid on capital debt	-	-	(37,009)	(171,803)	(208,812)
Proceeds from sales of capital assets	-	-	6,164	-	6,164
Net cash used by capital and related financing activities	-	-	(390,797)	(863,736)	(1,254,533)
Cash flows from investing activities:					
Interest received	791	99	2,313	53,312	56,515
Net increase (decrease) in cash and cash equivalents	7,726	-	(29,047)	(71,136)	(92,457)
Cash and cash equivalents, January 1 (Including \$1,291,411 and \$28,980 for the revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	131,037	-	395,305	1,526,294	2,052,636
Cash and cash equivalents, December 31 (Including \$1,325,633 and \$5,238 for the revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	\$ 138,763	\$ -	\$ 366,258	\$ 1,455,158	\$ 1,960,179

Continued on next page

CITY OF SOUTH BEND
 COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (12,069)	\$ (22,499)	\$ 141,386	\$ (105,265)	\$ 1,563
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	23,660	169,047	178,666	224,178	595,551
Bad debt expense	-	-	38,199	-	38,199
(Increase) decrease in assets:					
Accounts receivable	-	(1,271)	(26,332)	-	(27,603)
Other accounts receivable	-	-	-	1,323	1,323
Interfund receivable	(275)	-	-	-	(275)
Inventories	-	-	-	(4,283)	(4,283)
Increase (decrease) in liabilities:					
Accounts payable	138	1,112	26,924	9,886	38,060
Interfund payable	1,401	1,193	17,051	16	19,661
Accrued payroll payable	1,651	-	1,595	-	3,246
Compensated absence payable	(7,571)	-	(18,052)	-	(25,623)
Total adjustments	19,004	170,081	218,051	231,120	638,256
Net cash provided by operating activities	\$ 6,935	\$ 147,582	\$ 359,437	\$ 125,855	\$ 639,809
Noncash investing, capital and financing activities:					
Fixed asset disposals	-	-	219,957	-	219,957
Fixed assets acquired by capital lease	-	-	-	98,185	98,185

INTERNAL SERVICE FUNDS

Liability Insurance
Premium Reserve -

To account for expenses related to maintaining the City's self-funded liability insurance including administrative costs, claims and premiums. Funding is provided by assessments to certain other City funds.

Self-Funded Employee
Benefits -

To account for employer and employees' contributions for a medical insurance plan.

Central Services -

To account for expenses related to fuel, vehicle repairs and various supplies provided to City departments on a cost-reimbursement basis.

CITY OF SOUTH BEND
 COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
 December 31, 2007

	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Totals
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 3,352,321	\$ 4,372,790	\$ -	\$ 7,725,111
Interest receivable	11,678	14,209	-	25,887
Accounts receivable	615	279,306	241	280,162
Interfund receivables:				
Interfund services provided and used	75,028	-	489,024	564,052
Intergovernmental receivables	-	-	34,309	34,309
Inventories	-	-	1,289,273	1,289,273
Prepaid items	12,373	-	-	12,373
Total current assets	<u>3,452,015</u>	<u>4,666,305</u>	<u>1,812,847</u>	<u>9,931,167</u>
Capital assets:				
Other capital assets (net of accumulated depreciation)	-	-	1,441,480	1,441,480
Total assets	<u>3,452,015</u>	<u>4,666,305</u>	<u>3,254,327</u>	<u>11,372,847</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	10,531	801,097	191,591	1,003,219
Interfund payables:				
Interfund loans	-	-	1,225,433	1,225,433
Interfund services provided and used	5,934	-	2,776	8,710
Accrued payroll payable	2,613	934	48,884	52,431
Compensated absences	5,176	622	109,149	114,947
Estimate of unfilled claims	569,265	139,381	-	708,646
Total liabilities	<u>593,519</u>	<u>942,034</u>	<u>1,577,833</u>	<u>3,113,386</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt Unrestricted	2,858,496	3,724,271	1,441,480	6,817,781
Total net assets	<u>\$ 2,858,496</u>	<u>\$ 3,724,271</u>	<u>\$ 1,676,494</u>	<u>\$ 8,259,261</u>

CITY OF SOUTH BEND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2007

	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Totals
Operating revenues:				
Employee/employer contributions	\$ 2,549,155	\$ 12,881,599	-	\$ 15,430,754
Charges for sales and services	-	-	2,733,093	2,733,093
Total operating revenues	<u>2,549,155</u>	<u>12,881,599</u>	<u>2,733,093</u>	<u>18,163,847</u>
Operating expenses:				
Operation and maintenance	215,438	-	2,646,812	2,862,250
Administration	-	412,083	114,529	526,612
Insurance claims and premiums	1,875,859	10,722,906	-	12,598,765
Depreciation	-	-	79,427	79,427
Total operating expenses	<u>2,091,297</u>	<u>11,134,989</u>	<u>2,840,768</u>	<u>16,067,054</u>
Operating income (loss)	<u>457,858</u>	<u>1,746,610</u>	<u>(107,675)</u>	<u>2,096,793</u>
Nonoperating revenues:				
Interest and investment revenue	<u>109,207</u>	<u>123,617</u>	<u>-</u>	<u>232,824</u>
Change in net assets	567,065	1,870,227	(107,675)	2,329,617
Total net assets - beginning	<u>2,291,431</u>	<u>1,854,044</u>	<u>1,784,169</u>	<u>5,929,644</u>
Total net assets - ending	<u>\$ 2,858,496</u>	<u>\$ 3,724,271</u>	<u>\$ 1,676,494</u>	<u>\$ 8,259,261</u>

CITY OF SOUTH BEND
 COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2007

	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,416	\$ 2,495,672	\$ 26,367	\$ 2,526,455
Receipts from interfund services provided	2,472,933	10,884,696	2,543,159	15,900,788
Payments to suppliers	(1,717,141)	(11,121,495)	(421,030)	(13,259,666)
Payments to employees	(144,539)	(28,488)	(2,229,947)	(2,402,974)
Payments for interfund services used	(53,458)	(298,142)	(190,155)	(541,755)
Net cash provided (used) by operating activities	<u>562,211</u>	<u>1,932,243</u>	<u>(271,606)</u>	<u>2,222,848</u>
Cash flows from noncapital financing activities:				
Interfund loan	-	-	3,220,500	3,220,500
Interfund loan repaid	-	-	(2,887,042)	(2,887,042)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>333,458</u>	<u>333,458</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	-	(61,852)	(61,852)
Cash flows from investing activities:				
Interest received	97,529	110,237	-	207,766
Net increase in cash and cash equivalents	659,740	2,042,480	-	2,702,220
Cash and cash equivalents, January 1	<u>2,692,581</u>	<u>2,330,310</u>	<u>-</u>	<u>5,022,891</u>
Cash and cash equivalents, December 31	<u>\$ 3,352,321</u>	<u>\$ 4,372,790</u>	<u>\$ -</u>	<u>\$ 7,725,111</u>

Continued on next page

CITY OF SOUTH BEND
 COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 457,858	\$ 1,746,610	\$ (107,675)	\$ 2,096,793
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	-	79,427	79,427
(Increase) decrease in assets:				
Accounts receivable	3,222	716,603	1,303	721,128
Intergovernmental receivables	-	-	(25,072)	(25,072)
Interfund receivables	(75,028)	-	(139,798)	(214,826)
Inventories	-	-	(138,408)	(138,408)
Prepaid items	3,892	-	-	3,892
Increase (decrease) in liabilities:				
Accounts payable	(2,916)	(415,781)	50,610	(368,087)
Interfund payables	4,905	(41)	(415)	4,449
Accrued payroll payable	344	(722)	11,213	10,835
Compensated absences payable	(184)	(3,807)	(2,791)	(6,782)
Estimated unfilled claims	170,118	(110,619)	-	59,499
Total adjustments	104,353	185,633	(163,931)	126,055
Net cash provided (used) by operating activities	\$ 562,211	\$ 1,932,243	\$ (271,606)	\$ 2,222,848
Noncash investing, capital and financing activities:				
Capital asset disposals	\$ -	\$ -	\$ 7,606	\$ 7,606



FIDUCIARY FUNDS

Pension trust funds

1925 Police Pension -

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

1937 Firefighters' Pension -

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

Agency fund

Payroll -

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

CITY OF SOUTH BEND
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
 December 31, 2007

	1925 Police Pension	1937 Firefighters' Pension	Total Pension Trust Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 3,376,598	\$ 2,821,874	\$ 6,198,472
Receivables:			
Taxes	<u>174,021</u>	<u>193,722</u>	<u>367,743</u>
Total assets	<u>3,550,619</u>	<u>3,015,596</u>	<u>6,566,215</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	95	193	288
DROP payable - due within one year	<u>28,192</u>	<u>46,712</u>	<u>74,904</u>
Total liabilities	<u>28,287</u>	<u>46,905</u>	<u>75,192</u>
<u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	<u>\$ 3,522,332</u>	<u>\$ 2,968,691</u>	<u>\$ 6,491,023</u>

CITY OF SOUTH BEND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2007

	1925 Police Pension	1937 Firefighters' Pension	Total Pension Trust Funds
<u>Additions</u>			
Contributions:			
Employer	\$ 3,317,755	\$ 2,489,677	\$ 5,807,432
State of Indiana	4,778,792	4,272,193	9,050,985
Plan members	20,781	18,008	38,789
Other	8,610	-	8,610
	<u>8,125,938</u>	<u>6,779,878</u>	<u>14,905,816</u>
Total contributions			
Net investment income:			
Interest	216,412	203,525	419,937
	<u>8,342,350</u>	<u>6,983,403</u>	<u>15,325,753</u>
Total additions			
<u>Deductions</u>			
Benefits	5,987,975	5,625,422	11,613,397
Administrative expense	21,040	13,711	34,751
	<u>6,009,015</u>	<u>5,639,133</u>	<u>11,648,148</u>
Total deductions			
Changes in net assets	2,333,335	1,344,270	3,677,605
Net assets - beginning	1,188,997	1,624,421	2,813,418
Net assets - ending	<u>\$ 3,522,332</u>	<u>\$ 2,968,691</u>	<u>\$ 6,491,023</u>

CITY OF SOUTH BEND
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 AGENCY FUND
 For the Year Ended December 31, 2007

	Payroll
Assets:	
Cash and cash equivalents, January 1	\$ 1,152,287
Additions	89,495,149
Deductions	<u>(89,542,436)</u>
Total assets, December 31	<u>\$ 1,105,000</u>
Liabilities	
Accrued payroll and withholdings payable, January 1	\$ 1,152,287
Additions	89,495,149
Deductions	<u>(89,542,436)</u>
Total liabilities, December 31	<u>\$ 1,105,000</u>



STATISTICAL INFORMATION

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City of South Bend's financial position and performance have changed over time.

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

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities						
Invested in capital assets, net of related debt	\$31,654,852	\$31,254,629	\$7,383,902	\$35,777,247	\$208,509,577	\$195,345,890
Restricted	7,167,628	6,381,082	1,966,388	6,138,257	5,225,642	5,370,627
Unrestricted	16,463,922	31,095,490	59,250,281	26,957,659	24,900,036	47,150,229
Total governmental activities net assets	\$55,286,402	\$68,731,201	\$68,600,571	\$68,873,163	\$238,635,255	\$247,866,746
Business-type activities						
Invested in capital assets, net of related debt	\$49,514,614	\$102,466,792	\$93,370,899	\$94,833,960	\$97,670,533	\$112,194,451
Restricted	44,235,716	14,456,725	13,254,447	17,942,700	22,535,858	8,273,257
Unrestricted	37,874,655	12,837,127	19,015,375	8,751,584	7,168,852	15,793,782
Total business-type activities net assets	\$131,624,985	\$129,760,644	\$125,640,721	\$121,528,244	\$127,375,243	\$136,261,490
Primary government						
Invested in capital assets, net of related debt	\$81,169,466	\$133,721,421	\$100,754,801	\$130,611,207	\$306,180,110	\$307,540,341
Restricted	51,403,344	20,837,807	15,220,835	24,080,957	27,761,500	13,643,884
Unrestricted	54,338,577	43,932,617	78,265,656	35,709,243	32,068,888	62,944,011
Total primary government net assets	\$186,911,387	\$198,491,845	\$194,241,292	\$190,401,407	\$366,010,498	\$384,128,236

Source - City of South Bend Comprehensive Annual Financial Reports

The City implemented GASB 34 during 2002. Information on net assets by component is not available prior to 2002. The City implemented the retroactive reporting of infrastructure assets required by GASB 34 during 2006.

Net assets is defined as the difference between total assets and total liabilities and can generally be thought of as the net worth of the City.

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	(\$18,940,766)	(\$12,857,643)	(\$17,523,559)	(\$15,033,018)	(\$17,194,920)	(\$13,680,203)
Public safety	(38,925,286)	(48,254,995)	(45,799,395)	(72,450,941)	(56,600,175)	(52,751,974)
Highways and streets	(10,359,307)	(6,370,307)	(9,855,890)	(9,010,971)	(21,813,189)	(17,904,129)
Health and welfare	(75,000)	(99,586)	(102,314)	(75,352)	(114,131)	(75,000)
Culture and recreation	(7,488,084)	(10,899,340)	(13,689,893)	(8,840,970)	(14,994,300)	(16,454,667)
Economic development	(16,670,062)	(17,708,054)	(18,102,343)	(22,436,802)	(18,813,636)	(18,206,948)
Interest on long-term debt	(3,988,586)	(3,979,222)	(6,209,012)	(5,943,021)	(5,841,032)	(5,859,102)
Total governmental activities expenses	(96,447,091)	(100,169,147)	(111,282,406)	(133,791,075)	(135,371,383)	(124,932,023)
Business-type activities:						
Water	(11,003,062)	(11,676,058)	(12,275,029)	(12,447,141)	(11,916,504)	(13,061,750)
Wastewater	(13,681,575)	(14,402,563)	(16,125,258)	(18,452,785)	(16,972,401)	(18,295,813)
Civic Center	(3,395,569)	(3,460,137)	(3,592,627)	(3,478,359)	(3,355,531)	(3,490,103)
Building department	(1,038,341)	(1,052,861)	(1,134,986)	(1,047,007)	(1,102,164)	(1,090,327)
Parking	(1,378,563)	(1,451,385)	(1,739,235)	(1,165,502)	(1,261,942)	(1,444,146)
Solid waste	(3,715,963)	(3,775,137)	(4,015,831)	(4,920,464)	(4,187,706)	(4,072,910)
Golf course	(1,655,435)	(1,706,537)	(1,778,107)	(1,736,939)	(1,811,757)	(1,811,801)
Total business-type activities net expenses	(35,868,508)	(37,524,678)	(40,661,073)	(43,248,197)	(40,608,005)	(43,266,850)
Total primary government net assets	(132,315,599)	(137,693,825)	(151,943,479)	(177,039,272)	(175,979,388)	(168,198,873)

Changes in net assets is defined as the incremental difference between total assets and total liabilities as a result of operations during the fiscal year.

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$5,200,416	\$10,979,276	\$6,054,637	\$148,150	\$6,883,104	\$6,553,121
Public safety	3,595,877	2,070,815	2,075,522	2,239,368	5,132,285	4,228,405
Highways and streets	159,853	0	0	135,313	44,250	0
Economic development	883,576	192,135	168,523	516,570	562,807	604,873
Culture and recreation	3,788,266	1,327,538	1,044,512	3,784,176	4,940,629	5,057,076
Operating grants and contributions	14,826,421	14,813,675	10,718,149	12,916,362	12,452,463	15,628,287
Capital grants and contributions	3,842,673	1,790,912	10,326,795	9,447,723	13,793,363	960,502
Total governmental activities program revenues	32,297,082	31,174,351	30,388,138	29,187,662	43,808,901	33,032,264
Business-type activities:						
Charges for services:						
Water	12,953,580	13,021,168	12,513,333	12,130,549	14,757,819	15,336,891
Wastewater	12,665,696	13,076,885	14,773,651	14,830,607	18,725,903	21,349,401
Civic Center	1,848,097	1,704,787	1,837,763	1,604,352	3,113,264	3,371,553
Building Department	979,781	1,020,325	983,102	1,125,312	1,039,405	1,078,258
Parking	731,007	1,211,222	768,503	763,581	799,350	861,307
Solid Waste	4,029,171	3,987,183	3,964,487	3,764,229	4,177,897	4,187,821
Golf Course	1,541,311	1,630,975	1,689,984	1,546,244	1,565,649	1,512,150
Operating grants and contributions	1,020,628	1,130,575	1,165,243	1,282,780	0	0
Capital grants and contributions	850,967	72,390	118,953	1,479,581	1,413,861	1,253,332
Total business-type activities program revenues	36,620,238	36,855,510	37,815,019	38,527,235	45,593,148	48,950,713
Total primary government program revenues	68,917,320	68,029,861	68,203,157	67,714,897	89,402,049	81,982,977
Net (Expense)/Revenue						
Governmental activities	(64,150,009)	(68,994,796)	(80,894,268)	(104,603,413)	(91,562,482)	(91,899,759)
Business-type activities	751,730	(669,168)	(2,846,054)	(4,720,962)	4,985,143	5,683,863
Total primary government net expense	(63,398,279)	(69,663,964)	(83,740,322)	(109,324,375)	(86,577,339)	(86,215,896)

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$58,552,988	\$67,965,063	\$62,279,784	\$72,743,697	\$68,256,602	\$77,120,683
County Option Income Tax	7,750,067	7,374,318	7,001,198	5,695,618	6,410,405	8,072,623
Economic Development Income Tax	3,077,665	3,512,389	3,448,688	3,464,152	4,013,475	4,681,134
Professional Sports Development Tax	316,173	341,093	378,099	385,553	336,281	435,791
Community Revitalization District Tax	0	0	655,269	965,052	1,000,000	1,000,000
Unrestricted grants and contributions	4,989,809	5,286,477	5,133,838	5,160,298	5,063,541	4,032,300
Unrestricted Investment earnings	1,559,320	1,124,825	1,660,720	3,543,469	4,762,484	6,247,113
Other	785,900	903,574	598,600	10,790,170	3,520,138	5,016,902
Loss on Sale of Redevelopment Properties	(1,083,637)	0	0	0	0	0
Net Pension Obligation	(5,324,182)	0	0	0	0	0
Transfers	(60,033)	12,533	14,873	33,589	44,200	3,735
Total governmental activities	70,564,070	86,520,252	81,171,069	102,781,598	93,407,126	106,610,281
Business-type activities:						
Unrestricted Investment earnings	462,674	266,610	362,676	745,966	906,056	1,301,348
Other	0	0	0	1,990,515	0	0
Transfers	60,033	(12,533)	(14,873)	(33,589)	(44,200)	(3,735)
Total business-type activities	522,707	254,077	347,803	2,702,892	861,856	1,297,613
Total primary government	71,086,777	86,774,329	81,518,872	105,484,490	94,268,982	107,907,894
Change in Net Assets						
Governmental activities	6,414,061	17,525,456	276,801	(1,821,815)	1,844,644	14,710,522
Business-type activities	1,274,437	(415,091)	(2,498,251)	(2,018,070)	5,846,999	6,981,476
Total primary government	\$7,688,498	\$17,110,365	(\$2,221,450)	(\$3,839,885)	\$7,691,643	\$21,691,998

Excludes prior period adjustments

Source : City of South Bend Comprehensive Annual Financial Reports

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$1,806,494	\$2,509,039	\$2,736,411	\$2,415,282	\$2,695,612	\$2,002,641	\$2,365,669	\$10,581,739	\$4,162,853	\$2,213,970
Unreserved	11,438,936	14,089,407	14,342,776	15,972,609	14,359,310	18,503,386	19,656,024	18,162,455	21,688,442	21,546,793
Total - General Fund	\$13,245,430	\$16,598,446	\$17,079,187	\$18,087,891	\$17,054,922	\$20,506,027	\$22,021,693	\$28,744,194	\$25,851,295	\$23,760,763
Other Governmental Funds										
Reserved	23,854,599	25,696,913	26,302,929	33,676,079	37,163,342	33,911,725	39,224,425	38,498,351	34,251,520	36,374,517
Unreserved, reported in:										
Special revenue funds	9,313,950	13,871,625	11,820,311	7,389,639	9,981,610	9,881,359	10,159,432	14,134,371	19,348,846	25,703,180
Capital projects funds	24,968,734	17,523,976	16,088,256	16,111,900	22,299,698	70,656,781	43,815,737	40,624,644	60,447,079	66,593,906
Debt services funds	0	0	0	0	0	0	0	0	(7,828)	0
Total - Other Governmental Funds	\$58,137,283	\$57,092,514	\$64,211,496	\$57,177,618	\$69,444,650	\$114,449,865	\$93,199,594	\$93,257,366	\$114,039,617	\$128,671,603
Grand Total - Governmental Funds	\$71,382,713	\$73,690,960	\$71,290,683	\$75,265,509	\$86,499,572	\$134,955,892	\$115,221,287	\$122,001,560	\$139,890,912	\$152,432,356

Source: City of South Bend Comprehensive Annual Financial Reports

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.

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues									
Taxes	\$55,898,989	\$61,112,886	\$68,572,472	\$73,697,617	\$80,533,464	\$75,289,946	\$78,650,044	\$84,049,414	\$88,695,023
Licenses, fees and permits	183,921	307,343	245,894	236,267	212,261	223,006	246,780	186,470	173,604
Fines and penalties	215,956	311,897	126,515	203,837	264,704	302,376	245,680	444,861	437,732
Charges for services	9,766,032	10,448,053	12,716,474	13,187,884	14,030,134	15,187,711	15,293,779	16,931,744	15,832,139
Intergovernmental	12,959,011	15,271,114	11,987,614	20,859,845	19,873,378	17,968,454	18,665,828	31,275,541	21,400,166
Investment earnings	3,080,847	3,030,611	2,669,725	1,559,320	1,124,825	1,668,050	3,543,469	4,762,484	6,248,605
Other revenues	3,322,055	3,365,109	3,711,786	3,287,910	2,977,325	2,732,127	10,791,555	3,414,731	5,039,373
Total revenues	85,426,821	90,059,822	99,930,480	113,032,680	119,016,091	113,371,670	127,437,135	141,065,245	137,826,642
Expenditures									
General government	5,492,450	7,005,016	6,938,489	7,530,213	5,798,497	6,814,675	7,828,275	11,244,734	9,611,354
Public Safety	31,117,048	36,129,147	38,687,286	38,896,338	45,498,413	44,371,673	49,010,645	51,050,640	53,203,005
Highways and Streets	9,941,076	11,339,275	14,064,377	12,366,777	7,499,367	12,638,026	9,874,281	13,583,761	13,257,781
Health and Welfare	60,000	65,000	65,000	75,000	75,000	75,000	75,000	75,000	75,000
Culture and Recreation	9,259,081	10,049,811	12,864,397	12,352,525	12,855,102	14,347,497	14,226,463	13,849,622	13,469,798
Economic Development	7,309,229	6,330,843	8,269,097	9,755,980	14,518,827	13,208,131	7,531,650	9,752,254	7,710,242
Capital Outlay	21,154,637	24,575,255	14,937,077	24,217,175	23,264,716	30,722,396	29,299,053	16,391,192	17,293,302
Debt Service									
Interest and Fiscal Charges	1,935,000	2,455,878	4,075,031	3,938,296	4,417,477	5,287,658	5,793,386	6,144,611	5,718,572
Principal	2,185,682	2,185,194	3,841,439	4,883,106	10,197,689	5,597,717	7,074,887	7,435,722	7,870,166
Total expenditures	88,454,203	96,062,703	103,742,193	114,015,410	124,125,088	133,062,773	130,713,640	129,527,536	128,209,220

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Excess of revenues over (under) expenditures	(3,027,382)	(6,002,881)	(4,279,020)	(3,811,713)	(982,730)	(5,108,997)	(19,691,103)	(3,276,505)	11,537,709	9,617,422
Other Financing Sources (Uses)										
Proceeds from borrowing	13,172,285	4,837,271	0	8,579,363	12,016,706	55,953,290	613,767	10,023,189	14,050,557	2,920,287
Proceeds from refunding	0	0	0	6,123,340	0	598,086	0	0	0	0
Payments to escrow agent	0	0	0	(6,123,340)	0	(1,793,917)	0	0	(8,371,711)	0
Financing By Land Contract	0	0	0	0	0	0	0	0	0	0
Financing By Capital Lease	701,668	1,305,150	3,008,488	1,040,000	755,000	795,325	0	0	0	0
Transfers in	7,853,812	6,421,098	6,422,020	8,263,022	6,864,298	8,201,665	6,571,247	8,332,742	8,928,540	7,872,575
Transfers out	(7,904,182)	(6,538,338)	(7,549,235)	(9,209,695)	(7,724,331)	(10,189,132)	(6,556,374)	(8,299,153)	(8,884,340)	(7,868,840)
Other	0	0	0	0	455,120	0	0	0	0	0
Total other financing sources (uses)	13,823,663	6,025,181	1,881,273	8,672,690	12,366,793	53,565,317	628,640	10,056,778	5,723,046	2,924,022
Net change in fund balances	\$10,796,201	\$22,300	(\$2,397,747)	\$4,860,977	\$11,384,063	\$48,456,320	(\$19,062,463)	\$6,780,273	\$17,260,755	\$12,541,444

Debt service as a percentage of noncapital expenditures (1)	6.1%	6.5%	8.4%	8.9%	8.6%	13.5%	9.8%	11.1%	10.8%	11.4%
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(1) For 1998-2001, debt service payments divided by total expenditures, net of capital expenditures.
 For 2002-2007, debt service payments divided by total expenditures, net of capital asset additions recorded on government-wide statements.

Excludes prior period adjustments

Source: City of South Bend Comprehensive Annual Financial Reports

REVENUE CAPACITY

These schedules contain information to help the reader assess the factors affecting the City of South Bend's ability to generate and maintain revenue.

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

Tax Year/ Collection Year	Current Tax		Current Tax Collections as a Percent of Tax Levy		Delinquent Tax & Penalty Collections		Total Tax Collections		Total Tax Collections as a Percent of Current Tax Levy		Outstanding Delinquent Taxes		Outstanding Delinquent Taxes as a Percent of Current Tax Levy	
	Tax Levy	Current Tax Collections	as a Percent of Tax Levy	Delinquent Tax & Penalty Collections	Total Tax Collections	Total Tax Collections	Total Tax Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Tax Levy			
1997/1998	\$43,117,846	\$41,251,054	95.67%	\$1,493,344	\$42,744,398	99.13%	\$2,875,266	6.67%						
1998/1999	45,509,370	43,263,712	95.07%	1,425,712	44,689,424	98.20%	3,422,224	7.52%						
1999/2000	47,658,495	44,930,534	94.28%	1,638,076	46,568,610	97.71%	4,101,099	8.61%						
2000/2001	53,823,245	50,904,463	94.58%	1,332,888	52,237,351	97.05%	4,582,962	8.51%						
2001/2002	52,762,157	49,330,749	93.50%	1,789,947	51,120,696	96.89%	5,083,451	9.63%						
2002/2003	58,326,066	53,726,528	92.11%	2,928,994	56,655,522	97.14%	6,203,521	10.64%						
2003/2004	59,875,358	56,031,449	93.58%	2,914,419	58,945,868	98.45%	6,189,942	10.34%						
2004/2005	60,833,109	56,114,865	92.24%	2,335,278	58,450,143	96.08%	8,093,237	13.30%						
2005/2006	62,058,519	58,849,337	94.83%	3,847,872	62,697,209	101.03%	5,495,442	8.86%						
2006/2007	62,723,113	57,979,187	92.44%	2,289,138	60,268,325	96.09%	7,411,505	11.82%						

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

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

Fiscal Year	City Direct Rates										Overlapping Rates					Total
	General Fund	Parks/ Recreation	Firefighters' Pension	Police Pension	Cumulative Capital Development	Total Direct	St. Joseph County	Schools Districts	Township	Library	Other (2)					
1997/1998	5.4927	0.9410	0.1733	0.1555	0.1500	6.9125	3.0079	6.0293	0.0967	0.6886	0.5077	17.2427				
1998/1999	5.7504	0.9851	0.1815	0.1627	0.1500	7.2297	3.5002	5.8978	0.1020	0.6933	0.5166	17.9396				
1999/2000	5.8440	0.9906	0.1825	0.1636	0.1500	7.3307	3.1142	5.9365	0.2256	0.7059	0.5267	17.8396				
2000/2001	6.1877	1.0442	0.1948	0.1746	0.1500	7.7513	3.1402	6.3673	0.1123	0.7366	0.7561	18.8638				
2001/2002	2.1304	0.3591	0.0669	0.0600	0.0287	2.6451	0.9473	2.1725	0.0382	0.2496	0.2501	6.3028				
2002/2003	1.5668	0.2647	0.0493	0.0442	0.0356	1.9606	0.7366	1.4792	0.1122	0.1686	0.2240	4.6812				
2003/2004	1.6871	0.2859	0.0532	0.0477	0.0376	2.1115	0.7652	1.6201	0.0923	0.1830	0.2209	4.8930				
2004/2005	1.6845	0.2902	0.0540	0.0485	0.0376	2.1148	0.7831	1.5969	0.0276	0.1854	0.1828	4.8906				
2005/2006	1.7386	0.2981	0.0554	0.0498	0.0376	2.1795	0.9899	1.6033	0.0269	0.2027	0.1501	5.1524				
2006/2007	1.6838	0.2858	0.0531	0.0477	0.0342	2.1046	0.8711	1.5419	0.0285	0.1957	0.1737	4.9155				

Source: St. Joseph County Auditor

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

(2) Includes State of Indiana, Redevelopment Commission, South Bend Transpo and South Bend Regional Airport. Information provided for Portage Township in the City of South Bend.

CITY OF SOUTH BEND, INDIANA
DETAIL OF NET ASSESSED VALUATION
 (For the Year 2006 Payable 2007)

	South Bend Centre Twp	South Bend Clay Twp	South Bend German Twp	South Bend Penn Twp	South Bend Warren Twp	South Bend Portage Twp	Totals	Percent
Value of land	\$97,317,470.00	\$17,640,950.00	\$50,306,200.00	\$14,796,720.00	\$1,692,900.00	\$368,915,970.00	\$550,670,210.00	
Value of improvements	494,531,400.00	128,070,100.00	425,139,800.00	79,745,700.00	17,855,000.00	2,678,419,205.00	3,823,761,205.00	
Total value of real estate	591,848,870.00	145,711,050.00	475,446,000.00	94,542,420.00	19,547,900.00	3,047,335,175.00	4,374,431,415.00	
Less: Mortgage, veterans, blind, age 65 & other exemptions	(138,986,280.00)	(24,918,145.00)	(48,150,600.00)	(7,758,350.00)	0.00	(794,654,276.00)	(1,014,467,651.00)	
Tax-exempt property	(46,871,810.00)	(8,817,950.00)	(16,028,300.00)	(9,790,220.00)	0.00	(320,116,289.00)	(401,624,569.00)	
Tax increment financing	(30,791,076.00)	(1,053,888.00)	(203,373,782.00)	0.00	(9,163,810.00)	(121,958,744.00)	(366,341,300.00)	
Tax abatements	(16,365,330.00)	0.00	(38,444,070.00)	(2,744,480.00)	(10,384,090.00)	(3,961,560.00)	(71,899,530.00)	
Net value of real estate	358,834,374.00	110,921,067.00	169,449,248.00	74,249,370.00	0.00	1,806,644,306.00	2,520,098,365.00	83.38%
Gross personal property assessments	25,049,275.00	5,762,020.00	151,326,127.00	1,376,260.00	6,535,130.00	354,411,340.00	544,460,152.00	
Less: Tax abatements	(748,160.00)	0.00	(9,406,670.00)	0.00	0.00	(12,959,710.00)	(23,114,540.00)	
Tax-exempt property	(1,503,220.00)	(144,730.00)	(2,186,610.00)	(601,370.00)	0.00	(88,484,650.00)	(92,920,580.00)	
Investment deduction	(46,260.00)	0.00	(236,590.00)	0.00	0.00	0.00	(282,850.00)	
Tax increment financing	0.00	0.00	0.00	0.00	0.00	(16,327,180.00)	(16,327,180.00)	
Net value of personal property	22,751,635.00	5,617,290.00	139,496,257.00	774,890.00	6,535,130.00	236,639,800.00	411,815,002.00	13.63%
Net value of utilities	5,778,860.00	2,738,080.00	12,135,620.00	730,560.00	0.00	69,060,660.00	90,443,780.00	2.99%
Total net assessed valuation	\$387,364,869.00	\$119,276,437.00	\$321,081,125.00	\$75,754,820.00	\$6,535,130.00	\$2,112,344,766.00	\$3,022,357,147.00	100.00%
Percentage of Total	12.82%	3.95%	10.62%	2.51%	0.22%	69.89%	100.00%	

Summary

	Real Property	Personal Property/ Utilities	Total	Percent
Total value	\$4,374,431,415.00	\$634,903,932.00	\$5,009,335,347.00	100.00%
Deductions & exemptions	(1,014,467,651.00)	(282,850.00)	(1,014,750,501.00)	-20.26%
Tax exempt property	(401,624,569.00)	(92,920,580.00)	(494,545,149.00)	-9.87%
Tax increment financing	(366,341,300.00)	(16,327,180.00)	(382,668,480.00)	-7.64%
Tax abatements	(71,899,530.00)	(23,114,540.00)	(95,014,070.00)	-1.90%
Total net assessed valuation	\$2,520,098,365.00	\$502,258,782.00	\$3,022,357,147.00	60.33%
Percent	83.38%	16.62%	100.00%	

Source: St. Joseph County Auditor's Office.

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

Year	Real Property	Personal Property	Utilities Property	Total Value	Less: Non-Taxed Property (1)	Total Net Taxable Value	Total City Tax Rate	% Taxable
1997/1998	\$616,031,000	\$253,013,925	\$22,850,850	\$891,895,775	\$272,744,026	\$619,151,749	\$6.9125	69.42%
1998/1999	625,759,390	247,603,471	23,807,830	897,170,691	271,363,045	625,807,646	7.2297	69.75%
1999/2000	638,496,180	269,152,472	25,550,230	933,198,882	286,566,286	646,632,596	7.3307	69.29%
2000/2001	647,889,690	270,484,158	26,148,300	944,522,148	295,246,339	649,275,809	7.7513	68.74%
2001/2002 (2)	1,970,940,960	809,870,700	85,998,130	2,866,809,790	907,974,963	1,958,834,827	2.6451	68.33%
2002/2003	3,849,091,300	816,672,723	74,065,200	4,739,829,223	1,771,726,609	2,968,102,614	1.9606	62.62%
2003/2004	3,731,377,160	659,263,940	103,129,310	4,493,770,410	1,685,920,064	2,807,850,346	2.1115	62.48%
2004/2005	3,764,507,180	689,419,365	105,604,270	4,559,530,815	1,740,625,997	2,818,904,818	2.1148	61.82%
2005/2006	3,789,447,190	655,066,401	98,165,420	4,542,679,011	1,707,413,121	2,835,265,890	2.1795	62.41%
2006/2007	4,374,431,415	544,460,152	90,443,780	5,009,335,347	1,986,978,200	3,022,357,147	2.1046	60.33%

(1) mortgage exemptions, tax-exempt property, tax increment financing, tax abatements, enterprise zones.

(2) The 2001 pay 2002 and subsequent tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion had no effect on total dollars collected. Assessed values increased and tax rates decreased.

Source: St. Joseph County Auditor's Office

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

Tax Year/ Collection Year	Real Property		Personal Property		Utilities		TOTAL	
	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value
1997/1998	\$414,421,223	\$1,243,263,669	\$181,879,676	\$545,639,028	\$22,850,850	\$68,552,550	\$619,151,749	\$1,857,455,247
1998/1999	418,589,739	1,255,769,217	183,410,077	550,230,231	23,807,830	71,423,490	625,807,646	1,877,422,938
1999/2000	417,107,034	1,251,321,102	203,975,332	611,925,996	25,550,230	76,650,690	646,632,596	1,939,897,788
2000/2001	421,717,995	1,265,153,985	201,409,514	604,228,542	26,148,300	78,444,900	649,275,809	1,947,827,427
2001/2002 (1)	1,272,814,731	3,818,444,193	600,021,966	1,800,065,898	85,998,130	257,994,390	1,958,834,827	5,876,504,481
2002/2003	2,320,892,057	6,962,676,171	573,145,357	1,719,436,071	74,065,200	222,195,600	2,968,102,614	8,904,307,842
2003/2004	2,215,693,906	6,647,081,718	489,027,130	1,467,081,390	103,129,310	309,387,930	2,807,850,346	8,423,551,038
2004/2005	2,179,070,901	6,537,212,703	534,229,647	1,602,688,941	105,604,270	316,812,810	2,818,904,818	8,456,714,454
2005/2006	2,200,118,689	6,600,356,067	536,981,781	1,610,945,343	98,165,420	294,496,260	2,835,265,890	8,505,797,670
2006/2007	2,520,098,365	7,560,295,095	411,815,002	1,235,445,006	90,443,780	271,331,340	3,022,357,147	9,067,071,441

Source: St. Joseph County Auditor's office.

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

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

City of South Bend, Indiana
Property Tax Collections - Cash Basis
2003-2008

Fund Name	Fund Number	2003		2004		2005		2006		2007	
		Actual	Chg	Actual	Chg	Actual	Chg	Actual	Chg	Actual	Chg
General Fund	101	\$44,986,015.00	12%	\$44,149,333.00	-2%	\$44,999,550.00	2%	\$48,768,150.00	8%	\$48,720,726.00	0%
Parks & Recreation	201	7,602,784.00	12%	7,479,711.00	-2%	7,754,973.00	4%	8,363,955.00	8%	8,271,741.00	-1%
Redevelopment Bonds Studebaker Corridor	310	673,281.00	12%	609,732.00	-9%	565,420.00	-7%	0.00	-100%	11,590.00	100%
College Football Hall of Fame Debt Service	313	1,301,840.00	3%	1,300,588.00	0%	1,246,067.00	-4%	899,472.00	-28%	1,127,140.00	25%
Airport TIF District	324	6,546,483.69	37%	5,588,045.00	-15%	6,246,028.00	12%	7,515,744.08	20%	8,851,076.92	18%
Cumulative Capital Development	406	1,022,511.00	8%	984,945.00	-4%	1,004,779.00	2%	1,054,963.00	5%	989,824.00	-6%
Sample-Ewing TIF District	414	685,924.77	20%	533,304.00	-22%	525,671.37	-1%	732,355.53	39%	778,093.13	6%
South Bend Central Development Area TIF District	420	3,018,424.16	27%	2,606,365.00	-14%	2,359,430.01	-9%	3,283,074.86	39%	3,276,168.69	0%
West Washington Street TIF District	422	254,555.06	516%	216,948.00	-15%	193,910.57	-11%	255,510.04	32%	287,094.73	12%
Central Medical Service Area TIF District	426	318,652.81	4467%	337,721.00	6%	329,268.89	-3%	333,585.02	1%	928,112.55	178%
Northeast TIF District	429	0.00	0%	0.00	0%	0.00	0%	0.00	0%	13,467.51	100%
Southside Development Area TIF District	430	0.00	0%	0.00	0%	25,350.91	100%	28,565.37	13%	457,985.43	1503%
Erskine Commons TIF District	431	0.00	0%	0.00	0%	547.62	100%	2,584.68	372%	2,890.85	12%
Erskine Village TIF District	432	0.00	0%	0.00	0%	109,247.79	100%	305,398.91	180%	775,621.72	154%
Douglas Road TIF District	435	0.00	0%	0.00	0%	0.00	0%	0.00	0%	13,940.78	0%
Fire Department Employees Pension	701	1,416,008.00	12%	1,293,471.00	-9%	1,443,033.00	12%	1,554,387.00	8%	1,536,839.00	-1%
Police Department Employees Pension	702	1,269,527.00	12%	1,128,733.00	-11%	1,296,055.00	15%	1,397,265.00	8%	1,380,555.00	-1%
Total		\$69,096,006.49	15%	\$66,228,896.00	-4%	\$68,099,332.16	3%	\$74,495,010.49	9%	\$77,422,867.31	4%

Source - City Accounting System

City of South Bend, Indiana
Principal Real Property Taxpayers - Current and Nine Years Ago
December 31, 2007

Taxpayer	Type of Business	2007			1998		
		Net Assessed Real Value	Rank	Percent of Total	Net Assessed Value	Rank	Percent of Total
Edward Rose of Indiana	Apartments & Real Estate	40,395,200	1	1.60%	\$ 7,172,300	5	0.57%
Memorial Health Systems, Inc.	Health Care	23,015,350	2	0.91%	-	-	-
Park Jefferson Realty, LLC	Apartments & Real Estate	22,682,900	3	0.90%	-	-	-
Maple Lane Apartments	Apartments & Real Estate	15,850,600	4	0.63%	-	-	-
Marriott Hotel	Hotel	15,565,600	5	0.62%	-	-	-
Crest Net Lease, Inc.	Apartments & Real Estate	13,967,830	6	0.55%	6,627,870	6	0.53%
1st Source Bank	Financial Institution	13,763,900	7	0.55%	9,286,540	3	0.74%
Dwellco Ltd. Partnership	Home Construction	11,953,000	8	0.47%	28,027,260	1	2.23%
Aimco Turtle Creek	Apartments & Real Estate	11,817,600	9	0.47%	4,338,090	9	0.35%
Honeywell	Airplane & Auto Parts	10,667,762	10	0.42%	-	-	-
New Energy Company	Ethanol Plant	-	-	-	12,172,265	2	0.97%
American Electric Power	Electric Utility	-	-	-	9,258,900	4	0.74%
A.E. Goetze	Manufacturing	-	-	-	5,910,743	7	0.47%
South Bend Tribune	Newspaper Publishing	-	-	-	4,468,475	8	0.36%
Northern Indiana Public Service Corporation	Gas Utility	-	-	-	4,295,640	10	0.34%
Total Net Assessed Value - Ten Largest Taxpayers		\$179,679,742		7.13%	\$91,558,083		7.29%
Total Net Assessed Value		\$2,520,098,365		100.00%	\$1,255,769,217		100.00%

Note - Separate schedules are prepared for the ten largest taxpayers for 2007 based on real and personal property assessed values because this is how the tax information is maintained by the St. Joseph County Auditor's Office. In 1998, a consolidated schedule for real and personal property was prepared. The net asset value for 1998 was restated to reflect the state legislation for tax year 2001 pay 2002 that changed the tax rates from 33% to 100% of assessed valuation. This conversion had no impact on total tax dollars. Assessed values increased and tax rates decreased.

Source: St. Joseph County Auditor's Office and 1998 City of South Bend Comprehensive Annual Financial Report

City of South Bend, Indiana
Ten Largest Taxpayers - Personal Property
December 31, 2007

Taxpayer	Type of Business	Net	
		Assessed Personal Value	Percent of Total
Honeywell	Airplane & Auto Parts	\$48,232,040	9.60%
American Electric Power	Electric Utility	36,033,310	7.17%
Indiana Bell Telephone/SBC Communications	Telephone Company	24,005,630	4.78%
Federal Mogul Powertrain Systems	Automotive Supplier	23,234,950	4.63%
Northern Indiana Public Service Company	Natural Gas Utility	17,251,390	3.43%
Comcast	Cable Television	14,325,620	2.85%
United Parcel Service	Parcel Delivery	12,008,630	2.39%
Robert Bosch Corporation	Automotive Supplier	8,546,330	1.70%
New Energy Corporation	Ethanol Production	8,436,460	1.68%
South Bend Tribune Company	Newspaper Publishing	7,236,560	1.44%
Total Net Assessed Value - Ten Largest Taxpayers		<u>\$199,310,920</u>	39.68%
Total Net Assessed Value (Personal and Utilities)		<u>\$502,258,782</u>	100.00%

Information on the ten largest personal property taxpayers is not available for 1998.

Source: St. Joseph County Auditor's office

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

ECONOMIC DEVELOPMENT INCOME TAX (EDIT) REVENUE

Distribution Year	EDIT Tax Rate (1)	Total Est County EDIT Collections	Rate of Growth	South Bend EDIT Distribution*	Rate of Growth	South Bend as a Percent of Total
1998	0.20%	\$7,849,187	106.56%	\$2,871,297	95.86%	36.6%
1999	0.20%	8,253,561	5.15%	3,156,441	9.93%	38.2%
2000	0.20%	8,717,424	5.62%	3,105,473	-1.61%	35.6%
2001	0.20%	9,240,470	6.00%	3,430,327	10.46%	37.1%
2002	0.20%	14,687,146 (2)	58.94%	5,462,867 (2)	59.25%	37.2%
2003	0.20%	9,378,695	-36.14%	3,689,202	-32.47%	39.3%
2004	0.20%	9,106,517	-2.90%	3,448,688	-6.52%	37.9%
2005	0.20%	8,984,150	-1.34%	3,464,152	0.45%	38.6%
2006	0.20%	10,610,460	18.10%	4,013,475	15.86%	37.8%
2007	0.20%	10,558,004	-0.49%	3,702,467	-7.75%	35.1%

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

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

Source - State of Department of Local Government Finance CEDIT Distribution Reports

COUNTY OPTION INCOME TAX (COIT) REVENUE

Distribution Year	COIT Tax Rate (3)	Total County COIT Distributions	Rate of Growth	South Bend COIT Distribution	Rate of Growth	South Bend as a Percent of Total
1998	0.20%	\$2,361,605	n/a	\$732,080	n/a	31.0%
1999	0.30%	5,538,599	134.53%	1,698,624	132.03%	30.7%
2000	0.40%	7,326,809	32.29%	2,378,487	40.02%	32.5%
2001	0.50%	14,106,045	92.53%	4,491,922	88.86%	31.8%
2002	0.60%	29,185,724	106.90%	9,458,584	110.57%	32.4%
2003	0.60%	23,625,717	-19.05%	8,015,301	-15.26%	33.9%
2004	0.60%	21,703,185	-8.14%	7,001,199	-12.65%	32.3%
2005	0.60%	16,628,131	-23.38%	5,490,218	-21.58%	33.0%
2006	0.60%	20,689,958	24.43%	6,382,478	16.25%	30.8%
2007	0.60%	16,993,346	-17.87%	5,160,903	-19.14%	30.4%

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

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

CITY OF SOUTH BEND, INDIANA
TOTAL COUNTY OPTION INCOME TAX DISTRIBUTIONS BY TAXING UNIT
2001-2007

<u>Unit of Government</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Total County Certified Distribution	\$30,859,812.00	\$31,044,322.00	\$26,484,316.00	\$26,536,784.00	\$28,136,084.00	\$37,769,988.00	\$22,452,248.00
Less: Homestead Credit (1)	(13,866,466.00)	(9,767,699.00)	(9,856,185.00)	(4,559,287.00)	(8,749,937.00)	(8,839,985.00)	(8,183,890.00)
Total Distributive Shares	\$16,993,346.00	\$21,276,623.00	\$16,628,131.00	\$21,977,497.00	\$19,386,147.00	\$28,930,003.00	\$14,268,358.00
Distributive Shares/Total County Distribution	55.07%	68.54%	62.78%	82.82%	68.90%	76.60%	63.55%
Amount							
St. Joseph County	\$7,376,623.00	\$8,440,988.00	\$6,427,640.00	\$8,578,046.00	\$7,245,150.00	\$11,721,648.00	\$5,910,247.00
Townships	648,364.00	834,727.00	759,050.00	1,002,449.00	783,227.00	1,039,887.00	550,072.00
City of South Bend - Civil City	5,077,450.00	6,733,129.00	5,306,680.00	6,849,450.00	6,342,861.00	9,100,110.00	4,498,381.00
Other Cities & Towns	1,982,192.00	2,616,698.00	2,028,358.00	2,658,984.00	2,536,818.00	3,644,267.00	1,753,467.00
Libraries	1,285,029.00	1,706,495.00	1,319,023.00	1,699,459.00	1,555,407.00	2,051,510.00	999,502.00
Special Districts	623,688.00	944,586.00	787,380.00	1,189,109.00	922,684.00	1,372,581.00	556,689.00
Total	\$16,993,346.00	\$21,276,623.00	\$16,628,131.00	\$21,977,497.00	\$19,386,147.00	\$28,930,003.00	\$14,268,358.00
Percentage of Distribution							
St. Joseph County	43.41%	39.67%	38.66%	39.03%	37.37%	40.52%	41.42%
Townships	3.82%	3.92%	4.56%	4.56%	4.04%	3.59%	3.86%
City of South Bend - Civil City	29.88%	31.65%	31.91%	31.17%	32.72%	31.46%	31.53%
Other Cities & Towns	11.66%	12.30%	12.20%	12.10%	13.09%	12.60%	12.29%
Libraries	7.56%	8.02%	7.93%	7.73%	8.02%	7.09%	7.01%
Special Districts	3.67%	4.44%	4.74%	5.41%	4.76%	4.74%	3.90%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

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

**CITY OF SOUTH BEND, INDIANA
TEN LARGEST WATER CUSTOMERS
DECEMBER 31, 2007**

Name	2007 Revenue	Percentage of		Usage CCF*
		Total Water	Operating Revenue	
South Bend Community Schools	\$ 163,940	1.19%		85,609
Allied Signal Aerospace Company	162,914	1.18%		188,646
Memorial Health Systems	118,331	0.86%		131,511
St. Joseph Medical System	59,500	0.43%		57,992
Aramark Uniform Services Inc.	34,607	0.25%		43,441
Steel Warehouse	28,340	0.21%		25,493
Federal Mogul South Bend Inc	25,402	0.18%		30,490
Countryside Association	22,622	0.16%		26,524
Valley American Limited Partnership	20,212	0.15%		23,330
Bosch Braking System	4,686	0.03%		3,933
Total of Ten Largest Water Customers	\$ 640,554	4.66%		
Total for Operating Revenue for Water Works	\$ 13,748,213	100.00%		

* Hundreds of Cubic Feet

**CITY OF SOUTH BEND, INDIANA
TEN LARGEST SEWAGE WORKS CUSTOMERS
DECEMBER 31, 2007**

Name	2007 Revenue	Percentage of		Usage CCF*
		Total Water	Operating Revenue	
I/N TEK Plant	\$ 1,070,049	7.78%		739,351
University of Notre Dame	722,739	5.26%		567,910
New Energy Company of Indiana	462,704	3.37%		298,787
Allied Signal Aerospace	353,995	2.57%		186,705
Memorial Health System	254,663	1.85%		131,509
South Bend Community Schools	344,053	2.50%		84,651
St. Joseph Medical System	141,816	1.03%		57,992
Aramark Uniform Services Inc	77,148	0.56%		43,441
Nimet Industries Inc	63,940	0.47%		42,141
Town of New Carlisle	62,490	0.45%		50,394
Total of Ten Largest Sewer Customers	\$ 3,553,597	25.85%		
Total Operating Revenue for Wastewater	\$ 13,748,213	100.00%		

* Hundreds of Cubic Feet

City of South Bend, Indiana
Gasoline Tax Collections - Cash Basis
Last Ten Fiscal Years

Year	LR&S Fund	MVH Fund	Total Gas Tax	% Change
1998	\$2,029,187.47	\$2,999,958.06	\$5,029,145.53	10.56%
1999	2,426,569.29	3,013,623.57	5,440,192.86	8.17%
2000	2,865,756.91	3,124,541.57	5,990,298.48	10.11%
2001	2,023,141.61	3,116,993.62	5,140,135.23	-14.19%
2002	1,213,105.72	2,996,406.58	4,209,512.30	-18.11%
2003	1,186,193.43	3,334,297.66	4,520,491.09	7.39%
2004	1,192,573.83	3,461,562.94	4,654,136.77	2.96%
2005	1,212,413.47	3,397,432.68	4,609,846.15	-0.95%
2006	1,201,538.02	3,327,313.56	4,528,851.58	-1.76%
2007	1,171,731.65	3,243,817.60	4,415,549.25	-2.50%

Distributions of gas tax revenue are made monthly by the Indiana Department of Revenue to the Local Road and Street (LR&S) and Motor Vehicle Highway (MVH) funds for use in construction and maintenance of streets and highways. Distributions are based on a complex formula developed by the state which takes into account population, road and street mileage and other factors.

Source: City Accounting Records

City of South Bend, Indiana
Wheel and Excise Surtax Collections - Cash Basis
Last Ten Fiscal Years

Year	LR&S Fund	MVH Fund	Total Wheel Tax	% Change
2004	\$1,953,078.55	\$0.00	\$1,953,078.55	100.00%
2005	1,914,529.56	0.00	1,914,529.56	-1.97%
2006	1,849,924.31	0.00	1,849,924.31	-3.37%
2007	1,966,003.46	0.00	1,966,003.46	6.27%

Effective January 1 2004, St. Joseph County enacted a wheel tax and annual license excise surtax as allowed by State law to provide additional funding for road maintenance and repair. State law allows an annual wheel tax of \$5-40 per vehicle and an annual license excise surtax of 2-10%. St. Joseph County has enacted a \$25 County Excise surtax. The tax applies to all passenger cars, trucks less than 11,000 pounds, buses, tractors and motorcycles registered in the County. (Other rates apply to recreational vehicles, semitrailers and trucks exceeding 11,000 pounds.) The tax is collected by the Indiana Bureau of Motor Vehicles, remitted to the County and distributed monthly to the local units based on population and road miles.

During 2004-2007, the City of South Bend deposited the wheel tax and excise surtax in its Local Road and Street (LR&S) fund. During 2008 and thereafter, the City will deposit the taxes in its Motor Vehicle Highway (MVH) fund.

Source: City Accounting Records

DEBT CAPACITY

These schedules present information to help the reader to assess the affordability of the City of South Bend's current level of outstanding debt and the ability of the City of South Bend to issue additional debt in the future.

**CITY OF SOUTH BEND, INDIANA
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2007**

CIVIL CITY

Net Assessed Valuation (2006 pay 2007) of Taxable Property in South Bend	\$	3,022,357,147
Debt limit: 2% of net assessed value		60,447,143
Amount of debt applicable to limit:		
Total bonded debt subject to debt limit: EDIT Bonds	\$	6,685,000
Less: Cash on hand designated for debt service		<u>0</u>
Total debt applicable to debt limit		<u>6,685,000</u>
Legal debt margin - Civil City	\$	<u>53,762,143</u>
Amount of debt subject to limit/debt limit		11.06%

REDEVELOPMENT AUTHORITY

Net Assessed Valuation (2006 pay 2007) of Taxable Property in South Bend	\$	3,022,357,147
Debt limit: 2% of net assessed value		60,447,143
Amount of debt applicable to limit:		
Total bonded debt subject to debt limit: Studebaker Bond	\$	0
Less: Cash on hand designated for debt service		<u>0</u>
Total debt applicable to debt limit		<u>0</u>
Legal debt margin - Redevelopment Authority	\$	<u>60,447,143</u>
Amount of debt subject to limit/debt limit		0.00%

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

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Civil City										
Debt Limit (1)	\$37,149,105	\$37,548,459	\$38,797,956	\$38,956,549	\$39,176,697	\$59,362,052	\$56,157,007	\$56,378,096	\$56,705,318	\$60,447,143
Total Net Debt Applicable To Limit	11,530,000	11,150,000	10,750,000	10,330,000	9,882,500	9,412,500	8,937,500	8,395,000	7,367,825	6,685,000
Legal Debt Margin	25,619,105	26,398,459	28,047,956	28,626,549	29,294,197	49,949,552	47,219,507	47,983,096	49,337,493	53,762,143
Percentage of Debt Limit	31.04%	29.69%	27.71%	26.52%	25.23%	15.86%	15.92%	14.89%	12.99%	11.06%
Redevelopment Authority										
Debt Limit (1)	\$37,149,105	\$37,548,459	\$38,797,956	\$38,956,549	\$39,176,697	\$59,362,052	\$56,157,007	\$56,378,096	\$56,705,318	\$60,447,143
Total Net Debt Applicable To Limit	3,855,000	3,380,000	2,880,000	2,355,000	1,810,000	1,235,000	628,000	0	0	0
Legal Debt Margin	33,294,105	34,168,459	35,917,956	36,601,549	37,366,697	58,127,052	55,529,007	56,378,096	56,705,318	60,447,143
Percentage of Debt Limit	10.38%	9.00%	7.42%	6.05%	4.62%	2.08%	1.12%	0.00%	0.00%	0.00%

(1) A 2% of net assessed value debt limit has been established by the Constitution of the State of Indiana for certain type of debt including general obligation bonds, Economic Development Income Tax bonds and tax revenue notes. This limitation does not apply to revenue bonds payable from governmental or proprietary funds.

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Estimated Population	Debt Per Capita	South Bend Estimated Personal Income	South Bend Debt Percent of Income
	General Obligation Bonds	Revenue Bonds	Mortgage Bonds	Notes/Loans Payable	Capital Leases	Revenue Bonds	Mortgage Bonds	Notes/Loans Payable	Capital Leases						
1998	\$4,085,000	\$52,125,000	\$0	\$1,455,000	\$6,884,599	\$55,970,000	\$0	\$211,000	\$1,839,761	\$122,570,360	102,100	1,200	\$2,524,933,000	4.85%	
1999	3,620,000	50,100,000	2,383,664	3,605,000	5,415,856	58,868,239	0	193,000	1,269,772	125,455,531	99,417	1,262	2,232,408,735	5.62%	
2000	3,135,000	47,425,000	2,112,792	2,815,705	5,315,127	33,970,000	0	16,987,125	1,386,997	113,147,746	107,789	1,050	2,858,133,124	3.96%	
2001	2,820,000	60,565,000	9,903,603	3,040,000	3,471,901	31,380,000	1,137,000	22,411,957	814,025	135,343,486	107,789	1,256	3,013,672,651	4.49%	
2002	2,085,000	63,175,000	9,565,497	8,172,424	3,455,652	34,675,000	1,137,000	21,999,758	578,455	144,843,786	106,558	1,359	3,080,485,222	4.70%	
2003	1,525,000	85,070,000	30,112,808	8,131,984	3,659,322	31,625,000	1,099,005	21,338,647	794,885	183,356,651	105,540	1,737	3,143,825,520	5.83%	
2004	935,000	82,135,000	29,525,289	7,948,868	2,971,007	39,815,000	1,058,415	21,730,271	520,389	186,639,239	105,540	1,768	3,307,623,600	5.64%	
2005	320,000	84,225,000	28,994,057	9,539,771	3,454,627	35,990,000	1,015,980	20,659,864	1,710,033	185,909,332	105,540	1,762	3,411,897,120	5.45%	
2006	0	82,445,000	27,337,124	11,758,552	3,533,187	44,345,000	972,315	19,258,433	1,523,594	191,173,205	105,540	1,811	3,486,408,360	5.48%	
2007	0	78,570,000	25,957,839	7,900,658	7,695,487	73,145,000	926,805	18,380,491	1,127,394	213,703,674	105,540	2,025	3,560,814,060	6.00%	
Percent of Total Debt	0.00%	36.77%	12.15%	3.70%	3.60%	34.23%	0.43%	8.60%	0.53%	100.00%					

Sources: City of South Bend Comprehensive Annual Financial Reports
 Population statistics obtained from the U.S. Census Bureau. Most recent estimate was for 2003.
 City of South Bend estimated personal income is computed as estimated City population x South Bend Metro Area Per Capita Income (see Demographic Statistics)

**CITY OF SOUTH BEND, INDIANA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2007**

	Gross Debt	Percentage Applicable to South Bend	Amount Applicable to South Bend	Debt Per Capita	Ratio of Debt/ Net Assessed Value	Ratio of Debt/ Personal Income
Direct Debt:						
City of South Bend						
General Obligation Bonds	\$ 0	100.00%	\$ 0			
Revenue Bonds - Governmental Activities	78,570,000	100.00%	78,570,000			
Revenue Bonds - Business-Type Activities	73,145,000	100.00%	73,145,000			
Mortgage Bonds - Governmental Activities	25,957,839	100.00%	25,957,839			
Mortgage Bonds - Business-Type Activities	926,805	100.00%	926,805			
Notes Payable - Governmental Activities	7,900,658	100.00%	7,900,658			
Notes Payable - Business-Type Activities	18,380,491	100.00%	18,380,491			
Capital Leases - Governmental Activities	7,695,487	100.00%	7,695,487			
Capital Leases - Business-Type Activities	1,127,394	100.00%	1,127,394			
Total Direct Debt of Primary Government			\$ 213,703,674	\$ 2,024.86	7.1%	6.0%
Overlapping Debt (3)(4)						
St. Joseph County	\$ 113,246,547	30.21%	34,211,782			
St. Joseph County Public Library	15,330,000	50.58%	7,753,914			
South Bend Community School Corporation	203,997,806	54.39%	110,954,407			
Penn-Harris-Madison School Corporation	93,872,555	2.62%	2,459,461			
Mishawaka Penn Township Public Library	8,365,000	3.37%	281,901			
Total Overlapping Debt			155,661,464	1,474.90	5.2%	4.4%
Total Direct and Overlapping Debt			\$ 369,365,138	\$ 3,499.76	12.2%	10.4%

Ratio Factors

Total Net Assessed Valuation (2006 payable 2007)	\$ 3,022,357,147
Population - 2003 US Census Bureau	105,540 (1)
South Bend Metropolitan Area Per Capita Income	33,739 (2)
Estimated South Bend Total Personal Income (1 x 2)	\$ 3,560,814,060

- (1) Population statistics obtained from the U.S. Census Bureau (<http://quickfacts.census.gov>). Most recent estimate was for 2003.
- (2) South Bend-Mishawaka, IN Metropolitan area Profile (www.stats.indiana.edu).
- (3) Overlapping debt information obtained from Umbaugh Associates, Indianapolis, Indiana.
- (4) Overlapping debt percentages are based the net assessed value of South Bend properties in proportion to the total net assessed value.

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

Fiscal Year	Principal	Interest	Total Debt		Total General Government Expenditures		Ratio of Debt Service To Total General Govt. Expenditures
			Service		General Government Expenditures		
1998	445,000	207,418	652,418		88,454,203		0.74%
1999	465,000	188,173	653,173		96,063,811		0.68%
2000	485,000	168,120	653,120		100,389,862		0.65%
2001	515,000	145,830	660,830		103,772,221		0.64%
2002	535,000	121,778	656,778		114,015,410		0.58%
2003	560,000	96,260	656,260		124,125,088		0.53%
2004	590,000	66,260	656,260		133,062,773		0.49%
2005	615,000	39,445	654,445		130,713,640		0.50%
2006	320,000	8,160	328,160		129,527,536		0.25%
2007	0	0	0		128,209,220		0.00%

The City of South Bend has no General Obligation Bonds outstanding. The 1977 Studebaker Corridor bonds were paid off during 2006.

Source - City of South Bend Comprehensive Annual Financial Reports

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

Tax Year/ Collection Year	Population (1)	Assessed Value	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Percent of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1997/1998	102,100	\$619,151,749	\$4,085,000	\$230,000	\$3,855,000	0.62%	37.76
1998/1999	99,417	625,807,646	3,620,000	240,000	3,380,000	0.54%	34.00
1999/2000	107,789	646,632,596	3,135,000	255,000	2,880,000	0.45%	26.72
2000/2001	107,789	649,275,809	2,620,000	265,000	2,355,000	0.36%	21.85
2001/2002	106,558	1,948,862,000 (2)	2,085,000	275,000	1,810,000	0.09%	16.99
2002/2003	105,540	2,968,102,614	1,525,000	290,000	1,235,000	0.04%	11.70
2003/2004	105,540	2,807,850,346	935,000	305,000	630,000	0.02%	5.97
2004/2005	105,540	2,818,940,818	320,000	320,000	0	0.00%	0.00
2005/2006	105,540	2,835,265,890	0	0	0	0.00%	0.00
2006/2007	105,540	3,022,157,147	0	0	0	0.00%	0.00

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

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

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

Year	Gross Operating Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Coverage
				Principal	Interest	Total	
1998	\$10,410,313	\$5,545,310	\$4,865,003	\$1,385,000	\$1,313,900	\$2,698,900	180%
1999	10,873,836	6,431,774	4,442,062	1,535,000	1,168,185	2,703,185	164%
2000	10,162,297	6,174,716	3,987,581	1,605,000	1,100,993	2,705,993	147%
2001	9,987,425	6,421,198	3,566,227	1,675,000	1,031,523	2,706,523	132%
2002	11,756,071	6,317,766	5,438,305	1,755,000	956,443	2,711,443	201%
2003	11,745,196	6,637,856	5,107,340	1,845,000	878,570	2,723,570	188%
2004	11,323,882	7,256,695	4,067,187	1,935,000	795,540	2,730,540	149%
2005	11,926,479	7,770,464	4,156,015	2,040,000	708,030	2,748,030	151%
2006	13,166,166	7,369,035	5,797,131	2,485,622	1,042,309	3,527,931	164%
2007	13,748,213	8,296,075	5,452,138	2,764,265	1,015,524	3,779,789	144%

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

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

Source - City of South Bend Comprehensive Annual Financial Report and Annual Report (CTAR-2)

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

Year	Gross Operating Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Coverage
				Principal	Interest	Total	
1998	\$12,584,026	\$6,577,011	\$6,007,015	\$515,000	\$389,838	\$904,838	664%
1999	12,502,608	7,163,295	5,339,313	560,000	366,663	926,663	576%
2000	12,625,139	7,626,129	4,999,010	575,000	341,463	916,463	545%
2001	12,388,161	7,801,488	4,586,673	0 (2)	682,782	682,782	672%
2002	12,096,411	7,618,883	4,477,528	655,000	238,963	893,963	501%
2003	12,415,376	8,175,595	4,239,781	680,000	185,175	865,175	490%
2004	14,124,695	9,337,324	4,787,371	705,000	266,586	971,586	493%
2005	14,639,963	11,200,692	3,439,271	1,180,000	577,943	1,757,943	196%
2006	18,058,615	9,650,301	8,408,314	2,481,626	1,273,423	3,755,049	224%
2007	20,685,490	10,389,691	10,295,799	2,445,000	1,632,473	4,077,473	253%

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

(2) The Sewage Works Revenue Bonds were refunded during 2001.

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

Source - City of South Bend Comprehensive Annual Financial Report and Annual Report (CTAR-2)

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules present various demographic and economic indicators to help the reader understand the environment within the City of South Bend that affects the City's financial activities.

**CITY OF SOUTH BEND, INDIANA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Year	City of South Bend Population (1)		South Bend Metropolitan Area Median Family Income (2)		South Bend Metro Area Total Personal Income (2)		South Bend Metro Area Per Capita Income (4)		City of South Bend Public School Enrollment (3)		South Bend Metropolitan Area Labor Force (4)		South Bend Metropolitan Area Unemployment (4)		South Bend Metropolitan Area Unemployment Rate	
	Population	Percent Increase/Decrease	Income	Percent Increase/Decrease	Income (Millions)	Percent Increase/Decrease	Income	Percent Increase/Decrease	Enrollment	Percent Increase/Decrease	Force	Percent Increase/Decrease	Unemployment	Percent Increase/Decrease	Rate	Rate
1998	102,100		35,249	6.4%	6,525	7.3%	24,730	7.1%	20,950	0.2%	135,971	-0.5%	3,799	-16.0%	2.8%	
1999	99,417	-2.6%	34,203	-3.0%	6,744	3.4%	25,455	2.9%	21,195	1.2%	134,368	-1.2%	4,177	9.9%	3.1%	
2000	107,789	8.4%	34,702	1.5%	7,049	4.5%	26,516	4.2%	21,327	0.6%	134,598	0.2%	4,550	8.9%	3.4%	
2001	107,789	0.0%	40,816	17.6%	7,426	5.3%	27,959	5.4%	21,362	0.2%	135,360	0.6%	6,250	37.4%	4.6%	
2002	106,558	-1.1%	40,816	0.0%	7,671	3.3%	28,909	3.4%	21,059	-1.4%	135,020	-0.3%	6,170	-1.3%	4.6%	
2003	105,540	-1.0%	37,140	-9.0%	7,887	2.8%	29,788	3.0%	21,981	4.4%	137,040	1.5%	6,470	4.9%	4.7%	
2004	105,540	0.0%	39,940	7.5%	8,295	5.2%	31,340	5.2%	22,140	0.7%	136,990	0.0%	5,890	-9.0%	5.3%	
2005	105,540	0.0%	37,971	-4.9%	8,565	3.3%	32,328	3.2%	22,100	-0.2%	134,798	-1.6%	7,116	20.8%	5.1%	
2006	105,540	0.0%	39,046	2.8%	8,958	4.6%	33,034	2.2%	21,926	-0.8%	136,217	1.1%	6,988	-1.8%	5.1%	
2007	105,540	0.0%	Unavailable	N/A	8,978	0.2%	33,739	2.1%	21,715	-1.0%	132,698	-2.6%	6,473	-7.4%	4.9%	

Sources:

- (1) U.S. Census Bureau (<http://quickfacts.census.gov>). Most recent estimate was for 2003.
- (2) South Bend, Indiana Wikipedia Encyclopedia <http://en.wikipedia.org>
- (3) South Bend Community School Corporation Administration office
- (4) South Bend-Mishawaka, IN, MI Metropolitan Area Profile (<http://www.stats.indiana.edu>).
- (5) U.S. Census Bureau (<http://factfinder.census.gov>). Information available for 2006.

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

Calendar Year	Amount in Millions		Amount in Billions		Annual Percentage of Increase		
	St. Joseph Co. Personal Income	Indiana Personal Income	U.S. Personal Income	St. Joseph Co. Personal Income	Indiana Personal Income	U.S. Personal Income	
1998	6,525	149,336	7,416	7.34%	7.60%	7.37%	
1999	6,744	154,842	7,796	3.36%	3.69%	5.12%	
2000	7,049	165,285	8,422	4.52%	6.74%	8.03%	
2001	7,426	167,881	8,717	5.35%	1.57%	3.50%	
2002	7,671	172,474	8,873	3.30%	2.74%	1.79%	
2003	7,887	178,675	9,150	2.82%	3.60%	3.12%	
2004	8,295	186,210	9,711	5.17%	4.22%	6.13%	
2005	8,565	193,348	10,284	3.25%	3.83%	5.90%	
2006	8,958	203,502	10,968	4.59%	5.25%	6.65%	
2007	8,978	204,877	11,074	0.22%	0.68%	0.97%	
Average Annual Growth - Most Recent 5 Years				3.21%	3.51%	4.55%	
Average Annual Growth - Most Recent 10 Years				3.99%	3.99%	4.86%	

Obtained from STATS Indiana, a website sponsored by the Indiana Business Research Center at Indiana University's Kelley School of Business. Website address: www.stats.indiana.edu. Accessed May 27, 2008. Information is updated through 2007.

Changed basis from "Net Earnings by Place of Residence" to "Personal Income" for this comparison.

City of South Bend, Indiana
Principal Employers - Current and Nine Years Ago
December 31, 2007

Employer	Type of Business	2007		1998	
		Number of Employees	Rank	Number of Employees	Rank
University of Notre Dame	College/University	4,459	1	3,905	1
South Bend Community School Corporation	Public Schools	3,295	2	3,200	2
Memorial Health System	Health Care	3,008	3	2,750	3
AM General	Manufacturing/Assembly	2,400	4	1,244	9
St. Joseph Regional Medical Center, Inc.	Health Care	2,291	5	2,524	4
St. Joseph County	Government	2,025	6	1,308	8
The Diocese of Fort Wayne/South Bend	Parochial Schools	1,750	7	1,750	5
Indiana University at South Bend	College/University	1,400	8	1,439	6
City of South Bend	Government	1,230	9	1,359	7
Wal-Mart	Retail Dept. Store	1,111	10	0	

Source - Chamber of Commerce of St. Joseph County, City of South Bend Department of Administration and Finance, and telephone calls to individuals employers.
 (Information not available for The Diocese of Fort Wayne/South Bend for 1998.)

OPERATING AND OTHER INFORMATION

These schedules contain information about the City of South Bend's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. Included in this section is other non-required information that the City has determined is relevant and useful to the reader of the financial statements.

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

<u>Function/program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Physical arrests	4,796	4,821	4,889	4,873	4,990	5,003	5,041	5,056	5,932	4,589
Parking violations	777	763	751	760	623	655	688	722	515	1,820
Traffic violations	15,184	14,920	14,212	13,317	13,936	13,873	14,052	13,411	16,583	1,626
Fire										
Emergency responses	16,537	17,500	18,935	20,224	20,112	19,429	19,031	20,438	21,815	21,942
Fires extinguished	449	686	742	422	485	541	407	564	601	543
Inspections	9,215	9,152	8,954	8,906	10,332	5,375	4,820	5,584	4,875	4,302
Refuse collection										
Refuse collected (tons per day)	256	252	169	243	266	284	266	238	269	267
Other public works										
Street resurfacing (miles)	N/A	23.80	26.30	22.10	28.00	27.50	30.20	29.30	15.00	16.50
Potholes repaired (tonnage)	N/A	650.89	577.20	653.83	389.10	341.87	560.41	372.06	239.88	923.00
Parks and recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	700	700	750	700	1,000
Fitness Center Admissions	0	0	0	871	16,773	33,361	35,426	37,247	61,452	63,088
Water										
New billable housing starts	444	412	388	401	407	439	427	445	471	321
Water mains breaks	60	96	90	76	72	90	78	80	54	105
Average daily consumption (thousands of gallons)	21,795	22,263	20,848	20,939	22,678	20,269	19,461	20,071	17,704	19,042
Wastewater										
Average daily sewage treatment (thousands of gallons)	44,000	42,800	44,100	44,100	44,100	38,200	31,800	31,800	32,800	35,970

Sources: Various city departments

N/A - information not available

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

<u>Function/program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	2	2	2	2	2	2	2	2	2	2
Patrol units	22	22	24	24	24	24	25	25	25	25
Fire										
Stations	11	11	11	11	11	11	11	11	11	11
Rescue units	31	31	31	31	31	31	31	31	31	32
Refuse collection										
Collection trucks	25	25	25	25	24	24	21	23	22	22
Other public works										
Streets (miles)	N/A	492	494	494	496	496	498	498	500	500
Streetslights	105	108	108	108	109	109	109	109	109	2,200
Traffic signals	156	158	160	161	161	162	163	164	167	160
Parks and recreation										
Acreage	1,278	1,278	1,278	1,278	1,278	1,292	1,292	1,292	1,292	1,292
Playgrounds	47	47	47	47	47	47	47	47	47	47
Baseball/softball diamonds	26	26	26	26	26	26	26	26	26	27
Soccer/football fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	2	2	2	2	2	2	2	2	2	2
Community center	4	4	5	5	5	5	5	5	5	5
Water										
Water mains (miles)	494	498	510	520	527	529	538	547	553	574
Fire hydrants	4,302	4,421	4,547	*4,354	4,481	4,669	4,819	4,914	5,013	4,000
Storage capacity (thousands of gallons)	15,800	15,800	15,800	15,800	15,800	17,300	17,300	17,300	17,300	17,300
Wastewater										
Sanitary sewers (miles)	540	540	540	540	540	540	540	540	540	540
Storm sewers (miles)	200	200	200	200	200	200	200	200	200	200
Treatment capacity (thousands of gallons)	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000

* No longer includes Clay hydrants

Sources: Various city departments

N/A - information not available

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

Year	Residential		Commercial		Public Utility		Manufacturing		Commercial, Public Utility and Manufacturing		Total Value Increase/ (Decrease)
	Number of Permits	Residential Value (in 000's)	Residential Value Increase/ (Decrease)	Commercial Number of Permits	Commercial Value (in 000's)	Public Utility Number of Permits	Public Utility Value (in 000's)	Manufacturing Number of Permits	Manufacturing Value (in 000's)	Public Utility and Manufacturing Total Value (in 000's)	
1998	143	13,586	27.1%	27	28,275	1,195	26,871	2	4,870	60,016	-9.3%
1999	186	19,119	40.7%	40	52,735	1,407	23,085	2	4,760	80,580	34.3%
2000	160	15,833	-17.2%	18	6,792	2,355	74,127	2	3,490	84,409	4.8%
2001	101	11,316	-28.5%	28	12,307	2,253	60,035	5	17,362	89,704	6.3%
2002	107	11,707	3.5%	24	35,810	2,222	47,710	2	2,475	85,995	-4.1%
2003	140	19,573	67.2%	28	13,280	1,822	42,435	2	375	56,090	-34.8%
2004	147	20,203	3.2%	20	24,340	2,823	50,910	3	847	76,097	35.7%
2005	166	25,123	24.4%	17	28,578	2,611	39,435	1	6,000	74,013	-2.7%
2006	102	17,241	-31.4%	21	36,749	2,282	34,836	2	7,927	79,512	7.4%
2007	103	18,314	6.3%	28	27,082	1,907	28,720	5	6,612	62,414	-21.5%

Source - Consolidated City/County Building Department and City Engineering Department.

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

<u>Department</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> Budget
<u>General Government</u>											
Mayor's Office	8.75	8.75	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00
City Clerk's Office	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Common Council (elected officials, part-time)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Administration and Finance	27.00	28.00	27.00	27.00	28.00	28.00	29.00	31.00	32.00	31.00	29.00
City Attorney's Office	13.00	13.00	14.00	13.00	13.00	14.00	15.00	15.00	15.00	15.00	15.00
Code Enforcement	25.00	23.00	26.00	26.00	27.00	27.00	28.00	28.00	28.00	27.00	27.00
Engineering	29.00	30.00	32.25	32.00	21.00	21.00	20.00	19.00	19.00	18.50	18.50
<u>Public Safety</u>											
Police Department	314.33	314.33	314.33	315.33	317.00	316.00	315.00	317.00	317.00	320.00	317.00
Communication Center	28.00	28.00	28.00	28.00	28.00	29.00	31.00	31.00	31.00	30.00	30.00
Fire Department	257.00	257.00	257.00	257.00	257.00	257.00	257.00	255.00	255.00	254.00	254.00
Building Maintenance for Fire & Police Dept	5.00	5.00	5.00	5.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
<u>Culture and Recreation</u>											
Parks and Recreation	128.00	128.00	127.00	132.00	132.00	126.00	124.00	123.00	122.00	122.00	121.00
Convention and Events Management (1)	58.00	53.87	52.00	44.00	48.33	49.00	50.00	50.00	49.00	16.00	15.00
<u>Economic Development</u>											
Community and Economic Development	43.50	44.50	44.50	44.50	45.00	44.00	42.00	42.00	42.00	35.00	33.00
<u>Highways and Streets</u>											
Street Department	83.00	80.00	83.00	82.00	81.00	77.00	71.00	71.00	66.00	54.00	54.00
Traffic & Lighting	0.00	0.00	0.00	0.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00
<u>Enterprise Funds</u>											
Water Works	105.00	100.00	96.00	97.00	95.00	87.00	87.00	86.00	86.00	86.00	80.00
Wastewater	95.00	90.00	91.00	90.00	89.00	85.00	85.00	81.00	82.00	82.50	84.50
Solid Waste	45.00	44.00	45.00	45.00	42.00	35.00	31.00	31.00	31.00	26.00	26.00
Building Department	20.00	20.00	20.00	20.00	20.00	20.00	22.00	22.00	22.00	22.00	22.00
<u>Internal Service Fund</u>											
Central Services	60.00	59.00	56.00	53.00	53.00	53.00	50.00	50.00	49.00	49.00	46.00
Total Positions	1,358.58	1,340.45	1,341.08	1,333.83	1,338.33	1,309.00	1,298.00	1,294.00	1,288.00	1,230.00	1,213.00

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

<u>Department</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> Budget
<u>Summary by Activity</u>											
General Government	116.75	116.75	122.25	121.00	113.00	114.00	116.00	117.00	118.00	115.50	112.50
Public Safety	604.33	604.33	604.33	605.33	608.00	608.00	609.00	610.00	610.00	611.00	608.00
Culture and Recreation (1)	186.00	181.87	179.00	176.00	180.33	175.00	174.00	173.00	171.00	138.00	136.00
Economic Development	43.50	44.50	44.50	44.50	45.00	44.00	42.00	42.00	42.00	35.00	33.00
Highways and Streets	83.00	80.00	83.00	82.00	93.00	88.00	82.00	82.00	77.00	65.00	65.00
Enterprise Funds	265.00	254.00	252.00	252.00	246.00	227.00	225.00	220.00	221.00	216.50	212.50
Internal Service Fund	60.00	59.00	56.00	53.00	53.00	53.00	50.00	50.00	49.00	49.00	46.00
Total Positions	1,358.58	1,340.45	1,341.08	1,333.83	1,338.33	1,309.00	1,298.00	1,294.00	1,288.00	1,230.00	1,213.00

Total Reduction in Positions (1998-2008) 145.58 (10.7% of workforce)

Excludes seasonal, part-time and temporary positions

(1) Includes reduction of 34 positions in the City's convention facility (Century Center) during 2007. Century Center is being managed by a private company under an agreement with the City of South Bend.

Source: City of South Bends Performance Based Budgets

City of South Bend, Indiana Salary Rate Comparison 1990 - 2008

Year	-----1st Class Patrol Officer-----		---1st Class Fire Fighter---		Non-bargaining	Teamsters
	Percent	Base Salary	Percent	Base Salary		
1990	3.62%	20,071.00	4.74%	19,869.00	3.00-4.00%	.25 per hour
1991	0.92%	20,256.00	2.52%	20,369.00	3.00%	.25 per hour
1992	4.69%	21,206.00	2.45%	20,869.00	3.00%	.30 per hour
1993	0.44%	21,300.00	5.00%	21,912.00	4.24%	0.00%
1994	2.35%	21,800.00	0.00%	21,912.00	1.50% + \$300.00 bonus	.15 per hour
1995	4.82%	22,850.00	3.00%	22,569.00	1.50% + \$300.00 bonus	.30 per hour
1996	4.38%	23,850.00	5.00%	23,697.00	3.00%	.27 per hour
1997	4.19%	24,850.00	4.87%	24,850.00	3.00%	.33 per hour
1998	4.63%	26,000.00	0.60%	25,000.00	3.00%	.37 per hour
1999	3.85%	27,000.00	2.60%	25,650.00	3.25%	3.50%
2000	5.56%	28,500.00	9.34%	28,045.00	3.50%	3.50%
2001	9.74%	31,275.00	11.52%	31,275.00	3.50%	4.00%
2002	4.50%	32,682.00	4.03%	32,534.00	4.00%	4.00%
2003	5.57%	34,504.00	4.04%	33,850.00	4.00%	4.00%
2004	6.01%	36,578.00	5.17%	35,600.00	4.00%	4.00%
2005	9.36%	40,000.00	12.36%	40,000.00	4.00%	4.00%
2006	2.50%	41,000.00	2.00%	40,800.00	2.00%	4.25%
2007	2.50%	42,025.00	2.50%	41,820.00	\$750/0%	.38 per hour
2008	3.50%	43,496.00	3.50%	43,285.00	3.00%	3.00%

Source - City of South Bend personnel records

CITY OF SOUTH BEND, INDIANA
HEALTH INSURANCE PLAN PARTICIPATION
DECEMBER 31, 2007

Active

Eligibility Groups	Single	Non-Single	Total	Avg. Age	Avg. Svc
Crossing Guard	20	0	20	57.7	18.0
Fire	51	174	225	39.8	12.1
Non-Bargaining	128	217	345	47.5	11.7
Police	59	170	229	39.7	12.9
Teamsters	76	148	224	46.4	13.1
Total Active	334	709	1,043	44.1	12.5

Inactive

Eligibility Groups	Single	Non-Single	Total	Avg. Age
Fire	37	35	72	60.4
Non-Bargaining	3	1	4	62.5
Police	33	20	53	57.6
Teamsters	5	0	5	63.0
Total Inactive < 65	78	56	134	59.5

Source: GASB 45 Financial Report for post-employment benefit plans other than pension plans prepared by Alliance Benefit Group, Indianapolis, Indiana.

CITY OF SOUTH BEND, INDIANA
HEALTH INSURANCE PLAN PARTICIPATION (CONTINUED)
DECEMBER 31, 2007

Active Age-Service Distribution

Age	<1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	Total
Under 25	19	8	0	0	0	0	0	0	0	0	27
25 to 29	19	49	19	0	0	0	0	0	0	0	87
30 to 34	13	42	58	19	0	0	0	0	0	0	132
35 to 39	12	27	56	63	10	0	0	0	0	0	168
40 to 44	3	11	35	44	47	10	0	0	0	0	150
45 to 49	5	10	26	29	31	20	14	0	0	0	135
50 to 54	9	11	19	16	14	20	30	27	0	0	146
55 to 59	4	9	13	13	8	20	12	23	6	0	108
60 to 64	3	4	10	9	13	8	3	9	3	1	63
65 to 69	1	2	3	1	5	1	1	1	1	2	18
70 & up	1	0	0	0	0	1	1	0	2	4	9
Total	89	173	239	194	128	80	61	60	12	7	1,043

Source: GASB 45 Financial Report for post-employment benefit plans other than pension plans prepared by Alliance Benefit Group, Indianapolis, Indiana.

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

Year	Banks		Savings and Loans		Credit Unions		Total Deposits in Financial Institutions Amount	Percent Increase/ (Decrease)
	Number of Branches	Deposits at June 30	Number of Branches	Deposits at June 30	Number of Branches	Deposits at June 30		
1998	31	\$1,556,550	7	\$269,054	10	\$1,001,584	\$2,827,188	13.4%
1999	31	1,571,337	9	336,305	11	1,064,852	2,972,494	5.1%
2000	33	1,634,983	9	287,561	11	1,174,357	3,096,901	4.2%
2001	34	1,688,493	11	239,588	10	1,223,040	3,151,121	1.8%
2002	34	1,671,954	11	230,681	10	1,365,450	3,268,085	3.7%
2003	27	1,669,112	10	199,232	16	1,553,939	3,422,283	4.7%
2004	30	1,400,529	10	200,558	16	1,684,765	3,285,852	-4.0%
2005	30	1,851,156	10	195,445	16	1,798,313	3,844,914	17.0%
2006	35	2,054,972	5	89,039	16	1,857,323	4,001,334	4.1%
2007	35	2,183,105	5	86,561	16	1,975,374	4,245,040	6.1%

City of South Bend Financial Institutions
2007

Total Deposits (Amounts in 000's)		Savings and Loans		Credit Unions				
Banks	Percent	Amount	Percent	Amount	Percent			
1st Source Bank	55.08%	\$1,202,459	MFB Financial	\$86,561	100%	Teacher's Credit Union	\$1,349,463	68.31%
Key Bank National Association	21.40%	467,268				Notre Dame Federal Credit Union	350,003	17.72%
Wells Fargo Bank NA	6.51%	142,223				Community Wide Credit Union	155,316	7.86%
National City Bank of Indiana	6.20%	135,421				AAA Federal Credit Union	45,476	2.30%
LaSalle Bank Midwest NA	4.86%	106,078				Policemen's Federal Credit Union	38,149	1.93%
Others (4)	5.94%	129,656				Others (5)	36,967	1.87%
Total	100.00%	\$2,183,105	Total	\$86,561	100%	Total	\$1,975,374	100.00%

The City of South Bend has its primary operating accounts at 1st Source Bank.

Sources:

Federal Deposit Insurance Corporation Website (www.fdic.gov). Deposits Market Share Report, South Bend, Deposits Inside of Market
National Credit Union Association Website (www.ncua.gov)
First Source Bank

**CITY OF SOUTH BEND, INDIANA
INSURANCE COVERAGE
2007**

<u>Type of Coverage</u>	<u>Limits of Liability</u>	<u>Estimated Annual Premium</u>
<u>LIABILITY</u>		
Comprehensive General Liability	N/A	Self-Insured
Police Professional Liability	N/A	Self-Insured
Ambulance Malpractice Liability	N/A	Self-Insured
Premises Liability (Clay Utilities, Century Center, Parking Garages)	N/A	Self-Insured
CGL - Stadium	N/A	Self-Insured
Liquor Liability	4/26/07 - 08 \$1,000,000	\$3,500 Premium
<u>CRIME</u>		
Public Employee Dishonesty	12/31/06 - 07 \$1,000,000	\$9,589 Premium
Public Official - Position Schedule Bond	N/A	N/A
<u>PROPERTY</u>		
All risk blanket building & contents	1/15/07 - 08 \$300,000,000	\$308,491 Premium
Business Income	\$10,000,000	Included in above
Boiler and Machinery	100,000,000	Included in above
Electronic Equipment	\$10,000,000	Included in above
Fine Arts Museums	\$5,000,000	Included in above
Valuable Papers	\$10,000,000	Included in above
Inland Marine Property Coverage:	1/15/07 - 08	
Electronic Equipment	\$10,000,000	
Contractors Equipment	\$5,000,000	\$16,677 Premium
<u>OTHER</u>		
Workers Compensation	1/1/07 - 08	Self-Insured
Third Party Fee		\$75,000 Fee
Excess Over Self-insured		\$131,569 Premium/Fee
\$250,000 Retention Each Accident		

City of South Bend, Indiana
Miscellaneous Statistics
December 31, 2007

Police Department

Authorized Officers	260
Vehicles	345
<u>Special Officer Groups:</u>	
K-9 Patrols	10
SWAT Team	17
Metro Drug Task Force (of 20 total)	18
NEST - Special Neighborhood Unit	8
Bicycle Patrol Officers	4
Motorcycle Patrol Officers	2
Community Relations Officers	4
Bomb Squad	7
Crime Prevention Officers	4
<u>2007 Crime Data:</u>	
Murders	7
Rapes	67
Robbery	448
Aggravated Assault	283
Residential Burglary	1,346
Non-residential Burglary	600
Larceny	4,438
Auto Theft	489
Arson	106
Calls for Service	209,123
Dispatches	124,420
Miles Driven	3,770,948
Arrests	4,589

Sewer Utility

Customers	37,018
Dry Tons of Sludge produced per year	20,511
Miles of Sanitary Sewer Lines	540
Miles of Storm Sewer Lines	200

South Bend Regional Airport

<u>Year</u>	<u>Passenger Volume</u>
1998	986,350
1999	955,232
2000	857,740
2001	739,407

Department of Public Works

Traffic Signals	160
Street Lights (City maintained)	2,250
Miles of Streets	500
Miles of Sidewalks	685
Miles of Alleys	398
Miles of Sanitary Sewers and Storm Drains	540
City Owned Vehicles	867
Trash Picked Up Per Week (in tons)	556 /wk
(Organic Resource & Landfill)	(17,725 Cu. Yd)

Sign Shop

Work orders for sign maintenance, installation or removal	3,100
Gallons of traffic paint for street markings	4,430
Pre-formed plastic arrows used for street markings	55
Built Portables	0
Railroad Crossings	3
Built Barricades	0
Special Signs Built	530

Barricades set up for 2006 events (# of events):

Block Parties	61
Parades	4
Run/Walkathons & Special Events	35
Notre Dame Football Games	7
Fireworks - Coveleski Stadium	10

Convention Facilities

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

Fire Department

Paid Department established 1887

Sworn Firefighters (51 of which are Paramedics)	248
Fire Apparatus	20
Hazardous Materials Truck	1
Reserve Pumper Trucks	3
Reserve Ladder Trucks	2
River Rescue Boats	3
Ambulances	10
Neonatal (Newborn) Units	3
Fire Runs	34,216
Ambulance Runs	13,247

Water Utility

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

Colleges and Universities

<u>Universities and Colleges</u>	<u>Enrollment</u>
The University of Notre Dame	11,733
Indiana University at South Bend	7,517
Bethel College	2,097
St. Mary's College	1,604
Holy Cross College	503
Davenport University - South Bend	299
Tri-State University - South Bend	100

Technical Colleges

IVY Tech Community College	4,001
Brown Mackie College - South Bend	739

**City of South Bend, Indiana
Miscellaneous Statistics
December 31, 2007**

2002	812,080
2003	802,191
2004	780,033
2005	693,675
2006	729,619
2007	779,356

The South Bend Regional Airport had 48,323 take-offs and landings during 2007. Approximately 30 commercial airline flights per day fly to 10 hub airports.

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

	2006	2,007
Allegiant Air	10.51%	12.62%
Cape Air	0.00%	0.13%
Continental Connection	4.90%	5.58%
Delta Connection	33.60%	33.37%
Northwest/KLM Airlines	25.89%	21.70%
United Express	25.10%	26.60%
Total	100.00%	100.00%

Bus Passengers	66,430	63,038
Train Passengers (South Shore)	281,225	292,391

Transpo

South Bend Public Transportation Corporation	232
Route Miles	3.1 million
2003 Ridership	1.8 million
2003 Miles of Service	

Notre Dame Joyce Athletic and Convocation Center
115,000 square feet of exhibit space
11,345 available seating

Motels
31 motels/hotels
6 Bed and Breakfasts
Over 2,700 available rooms

Major motels and meeting rooms:
Marriott facilities to seat 800
Holiday Inn facilities to seat 450

Other Transportation

43 Trucking Lines, 33 Terminals
2 Interstate Bus Lines
4 Major Rail Systems (freight and passenger)

Other

- Incorporated in 1865
- County Seat of St. Joseph County
- South Bend officially began under the name South Bend but the name was changed by the Post Office in 1830 to avoid confusion with other communities that used that name. The name South Bend was used because the City is located at the southernmost point of the St. Joseph River.
- Average High Temperature:
January 30 degrees Fahrenheit
July 83 degrees Fahrenheit

Health Care

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

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

Communications

Access to:

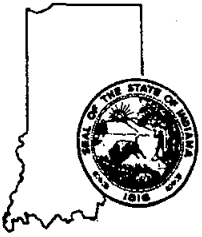
4 Major Television Networks (WNDU, WSIV, WSBT, WBNI)
1 Public Broadcasting Television Station (WNIT)
1 Local Television Station (WHME)
1 Major Newspaper (The South Bend Tribune)
24 Radio Stations

Famous Residents

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

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Bend (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2008. 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.

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

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

June 12, 2008



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

We have audited the compliance of the City of South Bend (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

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 EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

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

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

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

STATE BOARD OF ACCOUNTS

June 12, 2008

CITY OF SOUTH BEND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct Grant			
Public Works and Economic Development Cluster Economic Adjustment Assistance 06-19-01251	11.307		\$ 1,671,338
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-18-0011 B-07-MC-18-0011 Section 108 #7 Section 108 #8	2,873,474 497,447 12,055 468,536
Total for cluster			<u>3,851,512</u>
Emergency Shelter Grants Program	14.231	S-06-MC-0011 S-07-MC-0011	7,775 <u>100,152</u>
Total for program			<u>107,927</u>
Shelter Plus Care	14.238	IN36-C960101-96 IN36-C400-001 MAD IN36-C500-008 MAD IN36-C020-044 MAD IN36-C5300-009 AIDS IN36-C020-043 AIDS	13,518 61,661 42,207 19,851 16,007 <u>6,350</u>
Total for program			<u>159,594</u>
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-05-SP-IN-0475	<u>6,128</u>
Fair Housing Assistance Program - State and Local	14.401		<u>35,520</u>
Total for federal grantor agency			<u>4,160,681</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Community Capacity Development Office	16.595	2005 WSQ050056 2005 WSQ070204 2006 WSQ060020	5,500 28,424 <u>134,106</u>
Total for program			<u>168,030</u>
Public Safety Partnership and Community Policing Grants	16.710	04shwx0063	<u>108,184</u>
Gang Resistance Education and Training	16.737	2005-JVFX-0151 06jvfx0048	37,168 <u>4,721</u>
Total for program			<u>41,889</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05djbx0375 06djbx1184	28,106 <u>84,165</u>
Total for program			<u>112,271</u>

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

CITY OF SOUTH BEND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2007
 (Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>			
Direct Grant (continued)			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	06va126	49,735
Motor Vehicle Theft Protection Act Program	16.597	04gp001 04gp002	20,324 30,904
Total for program			51,228
Community Prosecution and Project Safe Neighborhoods	16.609	05gp002 05gp003	33,600 10,723
Total for program			44,323
Anti-Gang Initiative	16.744	06agn001	25,973
Total for federal grantor agency			601,633
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Governor's Council on Impaired and Dangerous Driving Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	pf-07-04-01-26	65,000
<u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>			
Direct Grant			
Employment Discrimination - State and Local Fair Employment Practices, Agency Contracts	30.002		77,756
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Brownfield Pilots Cooperative Agreements	66.811		20,315
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	bf-965-645-01-0 bf-965-546-01-0 bf-965-597-01-0	46,833 5,852 238,932
Total for program			291,617
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458		242,587
Total for federal grantor agency			554,519
Total federal awards expended			<u>\$ 7,130,927</u>

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

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

Note I. Basis of Presentation

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

Note II. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended December 31, 2007:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
CDBG – Entitlement and (HUD Administered)		
Small Cities Cluster	14.218	\$ 1,786,267
Shelter Plus Care	14.238	378,930
Crime Victim Assistance	16.575	49,735

CITY OF SOUTH BEND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 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
	Public Works and Economic Development Cluster
66.818	Brownfields Assessment and Cleanup Cooperative Agreements

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF SOUTH BEND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.