



**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

**CITY OF MISHAWAKA
YEAR ENDED DECEMBER 31, 2006**

JEFFREY L. REA, MAYOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF MISHAWAKA

Year Ended December 31, 2006



PREPARED BY

CITY CONTROLLER'S OFFICE

Yvonne Milligan, City Controller

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Yvonne Milligan	02-14-04 to 12-31-07
Mayor	Jeffrey L. Rea	01-01-04 to 12-31-07
Clerk	Deborah S. Block	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Gary E. West	01-01-06 to 12-31-07
Members of the Common Council	John Gleissner	01-01-04 to 12-31-07
	James Benjamin	01-01-04 to 12-31-06
	Gregg A. Hixenbaugh	01-01-04 to 12-31-07
	David A. Wood	01-01-04 to 12-31-07
	Marsha G. McClure	01-01-04 to 12-31-07
	Dale E. Emmons	01-01-04 to 12-31-07
	Jason J. Mazurkiewicz	01-01-04 to 12-31-07
	Ronald S. Banicki	01-01-04 to 12-31-07
	John J. Roggeman	01-01-04 to 12-31-07
	Michael S. Compton	01-01-07 to 12-31-07



CITY OF MISHAWAKA

JEFFREY L. REA, MAYOR

OFFICE OF THE MAYOR

June 15, 2007

Members of the Common Council
Mishawaka, Indiana

Dear Council Members:

In accordance with Indiana statute, I hereby transmit to you the annual financial report of the City of Mishawaka as of December 31, 2006.

The city administration assumes responsibility for this report and believes that the data, as presented, is complete and accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the city as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of Mishawaka's financial affairs have been included.

In developing and evaluating the city's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are discussed by the Controller in her accompanying letter of transmittal and, within that framework, I believe that the city's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In accordance with the above-mentioned guidelines the accompanying report consists of four parts:

- 1) Introductory section, including the Controller's letter of transmittal;
 - 2) Financial section, including Management Discussion and Analysis, the financial statements and supplemental data of the city accompanied by our independent auditor's opinion;
 - 3) Statistical section, including a number of tables of unaudited data depicting the financial history of the city for the past ten years, information on overlapping governments, and demographic and other miscellaneous information.
- Compliance section, including audit reports, federal financial assistance schedules and notes.

Indiana law requires that the financial statements of the city be audited by the State Board of Accounts. This requirement has been met and the auditor's opinion is included in the compliance section of this report.

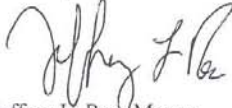
The preparation of this annual financial report could not have been accomplished without the professional competence and dedication of City Controller Yvonne Milligan and her entire staff. Their efforts over the years to upgrade the accounting and financial reporting systems of the city have substantially improved the quality of information being reported to Mishawaka citizens, the Common Council and Indiana oversight boards.

All of us in Mishawaka can take great pride that for the eighteenth consecutive year Mishawaka earned the Certificate of Achievement for Excellence in Financial Reporting from the Government Financial Officers Association. This is the highest form of recognition in the area of governmental financial reporting. Few municipalities in the State of Indiana ever receive this prestigious award.

In closing, I publicly thank the Controller and her staff for the capable and competent manner in which they perform their many duties. The Controller's Office has enhanced public respect, confidence and trust in local government. The personnel in this office continue to be a tremendous source of assistance and support for every city employee and resident.

Therefore, it is with great pride and satisfaction that I transmit this financial report and assure you and our community that the fiscal management and reporting of our city government meets every recognized standard of excellence!

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeffrey L. Rea". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent than the last name "Rea".

Jeffrey L. Rea, Mayor



CITY OF MISHAWAKA

JEFFREY L. REA, MAYOR

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GENERAL OVERVIEW

The City of Mishawaka, incorporated, as a city in 1899 is located in the north central part of the State of Indiana. Mishawaka is approximately 96 miles east of Chicago and 138 miles north of Indianapolis. The city currently occupies a land area of approximately 17 square miles and serves a population of 46,557. The central government of the city consists of the Mayor (chief executive officer) and nine-member Common Council six members of which are elected by districts each serving a four-year term.

The City of Mishawaka provides a full range of services, including police and fire protection, maintenance of highways, streets and other infrastructure, economic redevelopment, and recreational activities. Other services provided are a municipal utility including, electric, wastewater and water services.

The City of Mishawaka does not have any component units. The Mishawaka-Penn Public Library, Mishawaka School City and the Mishawaka Housing Authority have been determined to be separate reporting entities.

The annual budget serves as the foundation for the City of Mishawaka's financial planning and control. Budgetary controls are maintained at the fund level. Budget to actual comparisons demonstrate how actual revenues and expenses/expenditures compare to both the original and final revised budgets. The following schedule identifies where these comparisons can be found.

	Starting Page
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Governmental Non-major Funds	80

ECONOMIC CONDITION

The City's major challenges are to provide the infrastructure, services and public safety needed to maintain the quality of life, which has attracted considerable growth to our city. The economic condition and outlook of the government continues to show stable growth and vitality. To maintain the attractiveness of the City of Mishawaka we must balance our support systems with our quality of life amenities.

The City of Mishawaka has access to Interstate 80/90, U.S. Highways 6, 20, 31 and several state highways. The city also has access to a regional airport which is the second busiest airport in Indiana and the only one in the country that is a tri-modal airport, with air, rail and bus lines.

Because of the geographically central location, traffic counts on arterial streets reach 28,000 vehicles per day. The transportation plan is an important facet of the comprehensive plan adopted in 1992 entitled "Mishawaka 2000."

Mishawaka's 2000 Census population was 46,557 in 2005 the estimated population of Mishawaka increased to 48,497 according to the U.S. Census Bureau. Steady job growth and population growth have contributed to the stability of the community. As of December 2006 the South Bend/Mishawaka area unemployment rate remains low at 5.0%. The South Bend/Mishawaka area overall resident employment stands at 137,234 for 2006.

Locally there are ten colleges, universities and technical schools including Bethel College in Mishawaka, the University of Notre Dame, Indiana University South Bend, Saint Mary's College and Ivy Tech State College.

The largest employers in Mishawaka are in the Industry, Insurance and Education fields. The Bayer Healthcare Corporation employs approximately 555 people, Liberty Mutual Insurance Company employs approximately 860 people and the School City of Mishawaka employs an estimate of 978 people.

The total estimated value of new construction in Mishawaka during 2006 was \$108,181,838, which was the highest annual amount in the City's history. Highlighting the 2006 projects were the new Del Pilar Urgent Care Facility (\$5.4 million), the new Martins grocery store (\$4.4 million), the new Heritage Square Shopping Center (3.1 million), new Autumn Lakes Apartments, Edward Rose Development Company (\$3.3 million), the new Walgreen's

(\$1,400,000), and the new Office Depot (\$1.3 million).

Retail sales in Mishawaka totaled \$1.9 billion according to a 2002 survey of market data by the U.S. Census Bureau.

In 2006, 32 new commercial permits were issued at a cost of \$35.4 million and 168 commercial alterations/additions for an estimate of \$28 million. New single-family home construction was down in 2006 (95) compared to 147 in 2005.

Of 33 tax abatements issued to 26 companies since 1985, 26 have been in the industrial-manufacturing area. In 2006 the city granted three tax abatements to Patrick Industries, Inc., Jamil Packaging Corporation, and Culture Systems, Inc. At the end of 2006, only 10 tax abatements were outstanding.

MAJOR INITIATIVES/PROGRAMS

The following initiatives, some new and some on-going are briefly outlined to indicate the challenges and opportunities related to development currently facing the City.

Maintaining the city's long term financial health is the number one priority for the year 2006 and beyond. Trying to control property taxes and still maintaining the services that are required will be difficult process in the years to come. Legislation is under way for property tax relief which will put a burden on municipalities to spend our tax dollars wisely.

In 2006, the City of Mishawaka initiated the first proactive rezoning of privately owned property to help preserve and enhance its residential neighborhoods.

The Mishawaka River walk continues to be constructed in 2006. The Riverwalk will run east from the boat landing at Lincoln Park across a pedestrian bridge to Kamm Island, across Kamm Island to the east end where a second pedestrian bridge will return the walkway to the mainland of Mishawaka River Center. The Riverwalk project when completed will provide a ten-foot wide concrete pedestrian trail system along the riverfront connecting the central business district with four adjacent neighborhoods and three parks.

The City of Mishawaka and St. Joseph County entered into an intergovernmental agreement in November 2004 for the design and construction of an underpass to replace the at-grade crossing of Main Street and the Canadian National Railroad. Main Street is a major north-south arterial route through the city, connecting the City's Central Business District to major commercial development on the north and the U.S. 20 bypass on the south of the city. Land acquisition for this project was completed in 2006 and demolition will start in 2007.

In 2006, implementation of a \$13 million communication system was started with an estimated completion of installation and implementation mid 2007. This new system will allow each department better and faster access to information that will ultimately improve efficiency and accuracy relating to crucial situations.

In 2006, plans were unveiled for a new \$30 million 85,000 sq ft building that will be the new home for WSBT-TV, WSBT Radio Group and Schurz Communications corporate offices.

In 2006, St. Joseph Regional Medical Center broke ground on a 633,000 square foot state of the art medical facility on 90 acres of land south of Douglas Rd on the north side of Mishawaka. This project will cost as estimated \$55 million with plans to open in the fall of 2009.

The city in cooperation with the Solid Waste District continues a staffed Household Hazardous (HHH) waste collection facility. This facility is staffed full time throughout the year. The site provides residents a place to dispose of waste materials that would otherwise be disposed of in a less than favorable manner.

One of the largest projects in consideration is the Capital Avenue/SR 331 urban expressway. This highway will connect two major roadways, the Indiana Toll Road (Interstate 80/90) and US Highway 20. This roadway will open up important economic development opportunities in the corridor. We have yet to receive a definitive time schedule from the State of Indiana for the completion of this project.

In 2007 the City intends to begin the process of making Wi-Fi available to the downtown area. Wi-Fi is the cutting-edge communications infrastructure that will enhance technology in Mishawaka.

The City is continuing to develop a countywide Geographic Information System (GIS). The GIS computer technology combines mapping and information stored as data that can be collated and retrieved by location, etc. The benefits include improved regional planning and intergovernmental communication; enhanced access and coordination of vital information for police, fire and EMS; soil, drainage and topography can be layered over parcels to provide quick site analysis, immediate and easy access to infrastructure, utilities and drainage data; and land use management.

Department Focus

The Engineering Department for the City of Mishawaka has many varied responsibilities, which include: planning, design, bidding, funding and construction management for all Public Works Projects. These projects range from curbs, sidewalks, street improvements, traffic signals, school warning devices to sanitary and storm sewers. In addition to City projects, the Engineering Department reviews site plans and construction plans for proposed private development projects to ensure compliance with developmental guidelines, proper sanitary sewer connections and extensions, access and drainage requirements of the City. The Department is responsible for tracking excavation and street cuts on all public city streets and rights of ways. The issuance of excavation permits is important to protect the motoring public, existing infrastructure such as sanitary sewers, laterals and storm sewers, the City's fiber optic network, traffic control facilities and to ensure proper restoration of street cuts. In addition, it is responsible for locating the sanitary sewer, storm sewer, traffic signal interconnects, and City's fiber optic network buried within the public right-of-way and is a member of the Indiana Underground Plant Protection Service.

Traffic Engineering is another major area of responsibility within the Engineering Department with the responsibility for operation and maintenance of all of the 55 City-owned traffic signals, 13 school warning devices, and two four-way red flashers and two yellow warning flashers.

The Engineering Department provides engineering assistance for municipal utility projects on request and other major public works capital improvement projects. It also provides technical assistance for the maintenance of the City sewer system by updating all sanitary and storm sewer records. The Department responds to requests from the public to resolve concerns within their neighborhood including local and area wide drainage issues, traffic and parking issues.

In addition to these day to day operations, the Department of Engineering has developed and manages several programs that maintain the quality of life for Mishawaka's residents.

The Engineering Department is the administrative assistance to the Sewer Lateral Insurance Program that began in 1986. Specifically, the \$0.50 monthly fee for sewer insurance (included on homeowner's Mishawaka Utilities sewer bill), protects single-family residential homeowners from paying catastrophic sewer repair costs. The homeowner is responsible for paying the first \$250 of the sewer lateral repair and for all routine cleaning costs. The Sewer Insurance Fund pays costs in excess of \$250 that are determined to be directly attributable to the repair of a private sewer lateral connection between the foundation wall of the home and the City's trunk sewer main. The fund also covers all costs associated with the removal and replacement of public streets, curbs and sidewalks as a result of the repair.

The Curb and Sidewalk Replacement Program instituted in 1986, this program encourages single-family homeowners to repair or replace deteriorated public curb and sidewalks adjacent to their property and provides for a 50/50 split of the repair cost of curbs, sidewalks and drive approaches between the homeowner and the City. Since the beginning of this program, the cost for reconstruction of approximately 71,715 LF of new curb and sidewalk has been shared by the City and its residents.

The Alley Paving Program provides for a 50/50 split of costs with residents for placement of 2" of bituminous pavement 10' in width. Typically, upon request, a field inspection of each alley is conducted to determine the feasibility of paving the alley. The residents along the alley benefit from this work because of the reduction of the dirt and dust generated by traffic. The Street Department also benefits by not having to grade or oil the paved alley for at least ten years.

The MS4 program was created in response to State and Federal mandates arising from The Clean Water Act. An MS4 is a publicly owned system for collecting and conveying storm water. MS4s are not a combined sewer system and the water collected is not treated by a publicly owned treatment works. The Clean Water Act identifies storm water as a leading cause of pollution in surface water bodies and the Environmental Protection Agency (EPA) has promulgated regulations to protect surface water bodies from storm water contamination. In 1999, the EPA passed Phase II stormwater legislation placing requirements on communities larger than 10,000 people that operate their own MS4. The program was then legislated at the State level and administered by the Indiana Department of Environmental Management. This regulation is an unfunded mandate by the federal government acted on the State who in turn passed the cost and regulation responsibilities to the MS4's, i.e. the Cities, Towns, Counties, Universities and Colleges. In 2003, the State designated the City of Mishawaka as an MS4 or Municipal Separate Storm Sewer System.

FINANCIAL INFORMATION

The Management Discussion and Analysis (MD&A) (starting on page 3) summarizes the Statement of Net Assets and Statement of Activities and reviews the changes from the prior year. The actual statements are presented on pages 16-19. The Government-Wide Financial Statements are intended to present the City in a more corporate-style basis and provide a view of the whole picture. Additionally, the Fund Financial Statements starting on page 20 are designed to address the Major individual funds by category (governmental and proprietary, as well as the fiduciary by category). An explanation of these presentations can be found on page 3 of this report within the MD&A and in the Notes to the Financial Statements starting on page 32.

CASH MANAGEMENT

Due to fluctuating market conditions, cash temporarily idle during the year was invested according to Indiana Code 5-13-1 in certificates of deposit and repurchase agreements. Investment is authorized by the city according to state statutes. All of the city's checking accounts are interest bearing and/ or invested overnight in repurchase agreements. The city, in cooperation with other local governmental entities participates in bidding banking services including using concentration accounts and daily repurchase agreement provisions. It is the city's policy to invest funds with local federally insured banks that have an office located within the city limits of Mishawaka, and have been designated depositories by the State of Indiana.

RISK MANAGEMENT

In 2006, the City-wide Safety Coordinator in partnership with the Human Resources Department continued a program to encourage on-the-job safety and recognize employees with accident free work records. An accident review committee has been set up to review all on-the-job injuries. The Departments follow a procedure for risk management that includes data collection, tracking trends, and safety committees. The department also administers an employee assistance program.

The city continued self-insurance for medical benefits for employees with specific and aggregate stop loss provisions. Medical claims exceeding \$125,000 per insured on an annual basis are covered through a private carrier.

The city is covered by commercial insurance from independent third parties for the risk of torts, theft, damage to and destruction of assets, emissions and errors, job related illnesses or injuries to employees and natural disasters. 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.

INDEPENDENT AUDIT

Indiana state statute IC 5-13-1 requires each municipality to be audited by the State Board of Accounts, an agency of the State of Indiana. This requirement has been satisfied and the auditor's opinion has been included in this report.

AWARDS AND ACKNOWLEDGEMENTS

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 Mishawaka for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Mishawaka has received a Certificate of Achievement for the last twenty consecutive years (years ended December 31, 1986-2005). We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the dedicated service of the staff of the Controller's Office. Appreciation is extended to Deputy Controller Rebecca Miller. I would like to thank Doug Wiese Area Supervisor for the State Board of Accounts and the Area Field Examiners Martha Harper, Lisa Jackson, John Pajakowski and Jane Wilson for their assistance and encouragement. They have our sincere appreciation for the preparation of this report. Acknowledgment should also go to Mayor Jeffrey L. Rea and the members of the Mishawaka Common Council for their interest and support in planning and conducting the financial operations of the City.

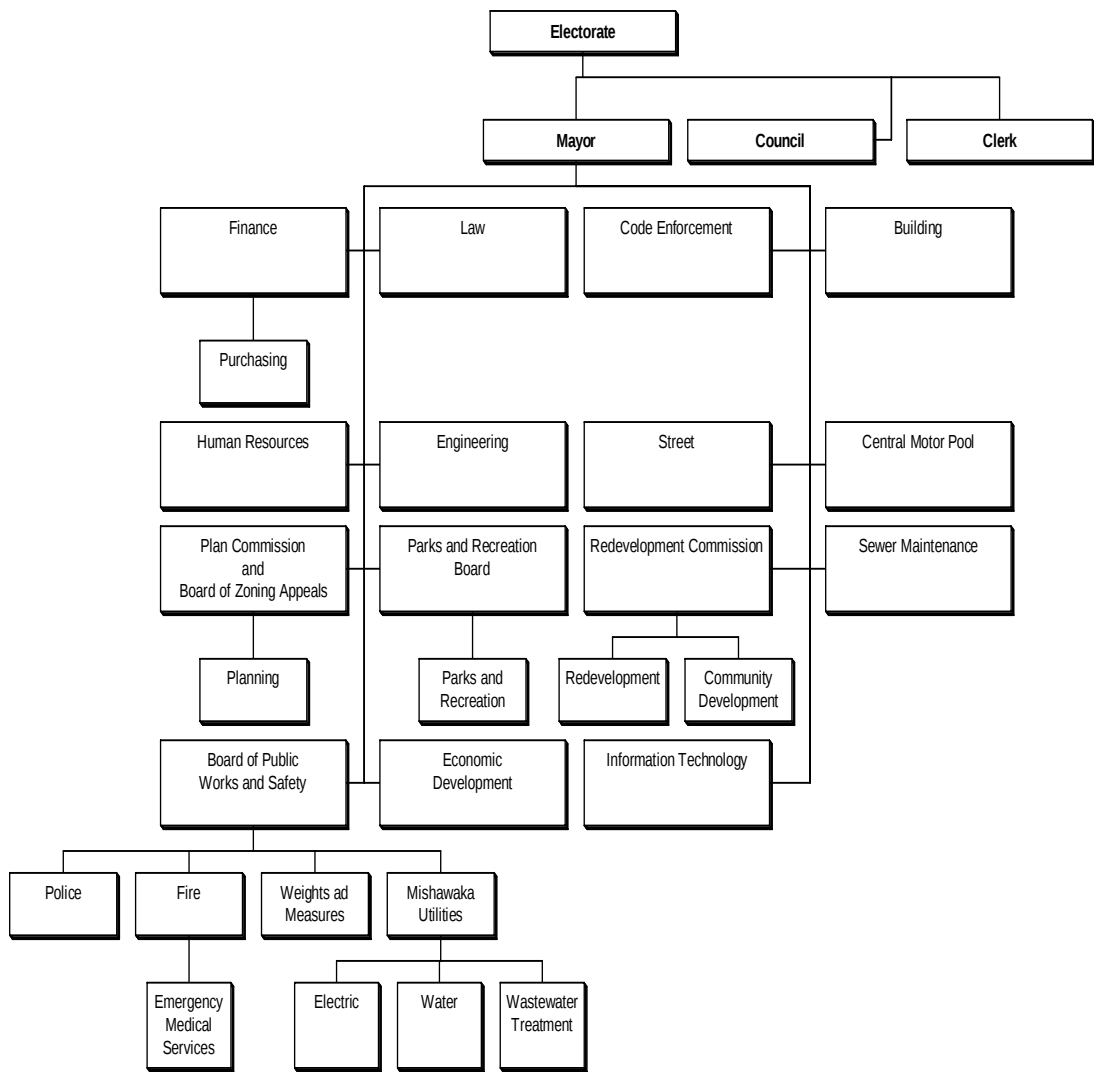
Respectfully submitted



Yvonne Milligan
City Controller

Staff: Rebecca Miller, Deputy Controller
Janet Weber
Deena Dipert
Kim Hill
Jennifer Botka
Misti Horvath

Mishawaka City Government



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mishawaka
Indiana

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

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



President

Executive Director

ANNUAL FINANCIAL REPORT

2006

CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

CITY OF MISHAWAKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR DECEMBER 31, 2006

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CITY OF MISHAWAKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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STATE OF INDIANA

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302 WEST WASHINGTON STREET
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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 MISHAWAKA, 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 Mishawaka (City), as of and for the year ended December 31, 2006, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The introductory section, combining and individual nonmajor fund financial statements, statistical tables and 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. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 24, 2007

City of Mishawaka, Indiana
Management Discussion and Analysis
For the year ended December 31, 2006

As management of the City of Mishawaka, we offer the readers of the City of Mishawaka's financial statements this narrative overview and analysis of the financial activities of the City of Mishawaka for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic financial statements and notes to the financial statements to enhance their understanding of Mishawaka's financial performance.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the Transmittal Letter, city's financial statements, and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Financial Highlights

- The assets of the City of Mishawaka exceeded its liabilities at the close of the fiscal year by \$171,353,579. Of this amount, \$54,389,051 (unrestricted net assets) may be used to meet the City of Mishawaka's ongoing obligations to citizens and creditors.
- The government's total assets increased by \$21,505,163. Of this amount governmental activities assets increased by \$14,384,175 and business type activities increased by \$7,120,988.
- As of the close of fiscal year 2006, the City of Mishawaka's governmental funds reported combined ending fund balances of \$53,933,195, an increase of \$3,786,886 (after restatement of \$36,000).
- At the end of 2006, unreserved fund balance for the General fund was \$2,560,240 (11.0% of General Fund Expenditures) compared to \$1,982,889 for 2005 which was about 8.7% of total general fund expenditures for that year.
- At the end of 2006, unreserved fund balance for TIF NW General was \$20,675,069 (which was 163% of TIF NW General expenditures for the same year) compared to \$21,798,760 for 2005 which was about 386% of total TIF NW General expenditures for that year.
- At the end of 2006, unreserved fund balance for Local Major Moves Construction was \$5,631,810. The Local Major Moves Fund was established in 2006 so no comparison data is available.
- At the end of 2006, unreserved fund balance for Other Governmental Funds was \$9,010,463 (which was 49.0% of Other Governmental Funds expenditures) compared to \$7,620,752 for 2005 which was about 48.1% of total Other Governmental Funds expenditures for that year.
- The City of Mishawaka's total bonded debt increased during the current fiscal year by a net of \$7,169,841.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all government and business-type activities are consolidated in columns, which add to a total for the Primary Government.

The statement of net assets presents information on all of the City of Mishawaka's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets

may serve as a useful indicator of whether the financial position of the City of Mishawaka is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which the cash is received or disbursed. The statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and business type activities net of the related revenues, as well as a separate presentation of revenues available for general purposes.

Both of the government-wide financial statements distinguish the functions of the City of Mishawaka that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mishawaka include general government, public safety, highways and streets, sanitation, community development, culture and recreation and interest on long-term debt. The business type activities of the City of Mishawaka include a water, wastewater and electric utility. The major governmental activities of the City of Mishawaka consist of General Government, TIF NW General and Local Major Moves Construction funds.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and reporting of resources that are segregated for specific activities or objectives. The City of Mishawaka, 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 Mishawaka are divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The focus is on Major Funds rather than the previous financial reporting model's fund types.

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 the government-wide financial statements, governmental fund financial statements focus on near-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 near-term financing requirements. Governmental funds use the modified accrual basis of accounting.

General Government Revenues

The following schedule presents a summary of general revenues for the year ended December 31, 2006.

<u>Revenues</u>	<u>2006 Amount</u>	<u>% of Total</u>
Taxes: General Property	\$ 35,575,614	63.4%
Licenses and permits	456,108	.8%
Intergovernmental	15,239,090	27.1%
Charges for services	1,614,125	2.9%
Fines and forfeits	59,303	.1%
Interest	1,908,162	3.4%
Sales and Use of Property	130,425	.2%
Gifts and Donations	109,615	.2%
Other	<u>1,039,292</u>	<u>1.9%</u>
Total	<u>\$ 56,131,734</u>	<u>100.0%</u>

As shown above, the City of Mishawaka's single largest source of revenue is generated by property taxation. This revenue is based on a relationship between assessed property valuation of industrial, commercial and residential parcels, both real and personal and the application of a tax rate to arrive at the total levy. Taxable property is assessed at 100% of the true tax value.

The City of Mishawaka has the ability through the State of Indiana to increase its general property tax levy by a maximum of 5%. In 2006 the increase was 3.89%. The above property tax revenue includes taxes collected on behalf of the following funds: General Fund, Park and Recreation Fund, Motor Vehicle Highway Fund, Cumulative Capital Development Fund, Cumulative Sewer Fund, Cumulative Fire Equipment and Building Fund, Fire Pension Fund, Police Pension Fund, various capital funds for the City of Mishawaka's Redevelopment Tax Incremental Financing (TIF) Funds and a special levy to cover debt service on general obligation bonds. Approximately 74.1% of the General Funds 2006 total revenue was derived from property taxes, the TIF NW General derived 93.2% of its revenue from property tax and the Other Governmental Funds property tax percentage was 43.3% of total revenue. EDIT and COIT were established to support the purpose of taking the tax burden away from homeowners. Intergovernmental revenue primarily consists of Economic Development Income Tax (EDIT) and County Option Income Tax (COIT). Economic Development Income Tax was enacted July 1, 1995 at one-tenth of a percent (0.1%) but was then increased by ordinance beginning in 1998 to two-tenths of a percent (0.2%). The city received, 1,210,000, \$1,218,998, and 1,418,236 of CEDIT distributions for the years 2004, 2005 and 2006 respectively. County Option Income Tax was enacted in July of 1997 at two-tenths of a percent (0.2%) and increased yearly by one-tenth of a percent (0.1%) to a maximum of six-tenths of a percent (0.6%). The city received \$2,390,838, \$1,922,927, and 2,193,706 of COIT distributions for the years 2004, 2005 and 2006 respectively. Other intergovernmental revenue includes alcoholic beverage tax, wheel tax, vehicle excise tax and cigarette tax. User fees have been analyzed each year with some increases but future increases or new user fees will need to be implemented to shift the burden of taxation.

General Government Expenditures

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

<u>Expenditures</u>	<u>2006 Amount</u>
General Government	\$ 5,162,219
Public Safety	26,693,125
Highways and Streets	13,332,613
Sanitation	4,876
Culture and Recreation	4,514,737
Community Development	1,319,494
Debt service	<u>3,246,887</u>
Total	<u>\$ 54,273,951</u>

The City of Mishawaka breaks its general government expenditures into six categories: general government, public safety, highways and streets, sanitation, culture and recreation, and community development. Combined in the expenditure totals are also capital outlay which is listed separately on the statement of revenues, expenditures, and changes in fund balances for governmental funds. Debt service is also listed separately in the report. As you can see in the above summary, public safety has the highest total of expenditures for general government \$26,693,125 or 49.2% while Highways and Streets and Culture and Recreation are at 24.6% and 8.3% respectively. Data for each non-major fund is provided in the form of combining statements elsewhere in this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City of Mishawaka's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mishawaka maintains over 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General, TIF NW General, and the Local Major Moves Construction funds all of which are considered to be major funds. Data from the other funds are combined and presented in one column labeled Other Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mishawaka adopts an annual appropriated budget for the majority of its funds. A budgetary comparison statement has been provided for the major funds to demonstrate compliance with the budgets as required supplementary information.

Proprietary funds: Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is provided separately in the proprietary statement of net assets and the proprietary statement of revenues, expense and changes in fund net assets for the electric, water and wastewater utility which are considered major funds. Proprietary funds use the accrual basis of accounting. The City of Mishawaka maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mishawaka maintains three enterprise funds to account for its electric, water and wastewater utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Mishawaka's various functions. The City of Mishawaka uses an internal service fund to account for its self-funding group health insurance. Because this service predominantly benefits governmental rather than business-type activities, it has been included within the governmental activities in the government-wide financial statements but is combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City of Mishawaka. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Mishawaka's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Mishawaka's fiduciary duties are accounted for in both Trust and Agency Funds. The primary trust funds are the Police Pension, Fire Pension and Utility Pension Funds (explained below). The one Agency fund is the Redevelopment Revolving Fund.

Pension Trust Fund Operations

Most City of Mishawaka 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 and the 1937 Firefighters' Pension Fund. These two funds are administered by the Local Pension Board. This group of police officers and firefighters will continue to decline in the future, both as a total member and as a percentage of total payrolls of both the police and fire departments and of the City as a whole. The 1925 and 1937 Police and Fire Pension Plans are funded through a combination of property taxes levied by the City and distributions from the State of Indiana Pension Relief Fund. As a result of 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 Utility Pension fund covers all the City of Mishawaka utility workers except for sewer employees who are covered by PERF. The Utility Pension fund is administered by the City of Mishawaka's Board of Works and provides retirement, disability, and death benefits to plan members and beneficiaries. Funding requirements are established by the plan administrator. Currently, employees are not required to make any contributions to the plan. The Utility Pension Plan is funded by revenue received from utility services.

Notes to the financial statements

The notes provide additional information that is essential to 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 also provides certain required supplementary information. The combining statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately after the basic financial statements. Also included are budget comparisons for governmental funds other than the General Fund, TIF NW General Fund and the Local Major Moves Construction Fund which are major funds.

Government-Wide Financial Statement Analysis

Summary of Net Assets

The following table reflects a summary of Net Assets compared to the prior year

City of Mishawaka Statement of Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 58,535,646	\$66,526,128	\$ 30,508,553	\$43,163,942	\$ 89,044,199	\$109,690,070
Capital assets	<u>46,986,663</u>	<u>58,023,001</u>	<u>115,036,618</u>	<u>130,365,239</u>	<u>162,023,281</u>	<u>188,388,240</u>
Total assets	105,522,309	124,549,129	145,545,171	173,529,181	251,067,480	298,078,310
Long-term liabilities	34,819,271	35,407,148	57,449,454	77,373,079	92,268,725	112,780,227
Other liabilities	<u>3,190,622</u>	<u>7,682,327</u>	<u>5,322,780</u>	<u>6,262,177</u>	<u>8,513,402</u>	<u>13,944,504</u>
Total liabilities	38,009,893	43,089,475	62,772,234	83,635,256	100,782,127	126,724,731
Net assets:						
Invested in capital assets, net of related debt	43,584,806	55,396,506	58,414,662	53,687,905	101,999,468	109,084,411
Restricted	1,184,297	993,490	3,321,019	6,886,627	4,505,316	7,880,117
Unrestricted	<u>22,743,313</u>	<u>25,069,658</u>	<u>21,037,256</u>	<u>29,319,393</u>	<u>43,780,569</u>	<u>54,389,051</u>
Total net assets	\$ 67,512,416	\$81,459,654	\$ 82,772,937	\$89,893,925	\$150,285,333	\$171,353,579

Normal Impacts

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. 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.

Current and other assets consist mainly of cash, investments, and receivables from property taxes, intergovernmental sources, and interest. Capital assets include land, improvements to land, construction in progress, buildings and improvements, equipment, and infrastructure such as roads, and sidewalks and curbs. Long-term liabilities consist mainly of notes and loans payable, bonds payable and capital leases. Other liabilities include mainly accounts payable, accrued payroll, customer deposits and taxes payable.

Borrowing of capital will increase current assets and long-term debt. Spending borrowed proceeds on new capital will reduce current assets and increase capital assets. Spending of non-borrowed current assets on new capital will reduce current assets and increase capital assets and will reduce unrestricted net assets

and increase invested in capital assets, net of related debt. Principal payment on debt will reduce current assets and reduce long-term debt and reduce unrestricted net assets and increase invested in capital assets, net of related debt. Reduction of Capital Assets through depreciation will reduce capital assets and invested in capital assets, net of related debt.

Current Year Impacts

At December 31, 2006, the City of Mishawaka's assets exceeded liabilities by \$171,353,579 an increase of \$21.1 million from the previous year. The largest portion of the City of Mishawaka's net assets reflects its investment in capital assets (59.1%), less any related debt used to acquire those assets that are still outstanding.

At the end of 2006, the City of Mishawaka is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior year 2005.

At year end the City of Mishawaka's net assets were \$171,353,579. This amount is made up of \$109,084,411 invested in capital assets (e.g., land, buildings, machinery, and equipment) net of related debt, \$7,880,117 assets with external restrictions upon its use, and \$54,389,051 of unrestricted assets that are available for future use as directed by management.

There was a decrease of \$190 thousand in restricted net assets reported in connection with the City of Mishawaka's governmental type activities. Almost all of this decrease was associated with a pay-off of a Park District Bond.

Summary of Changes in Net Assets

The following table summarizes the changes in net assets for the current and previous year.

**City of Mishawaka
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
REVENUES						
Program revenues:						
Charges for services	\$ 2,699,109	\$ 3,117,705	\$52,903,409	\$53,662,977	\$55,602,518	\$ 56,780,682
Operating grants and contributions	1,661,515	1,257,136			1,661,515	1,257,136
Capital grants and contributions	4,326,826	10,410,884	1,451,446	1,656,673	5,778,272	12,067,557
General revenues:						
Property taxes	35,172,645	34,552,665			35,172,645	34,552,665
Grants and contributions not restricted to specific programs	3,667,444	3,808,209			3,667,444	3,808,209
Unrestricted investment earnings	981,943	1,908,162	738,382	1,372,025	1,720,325	3,280,187
Other revenue	41,646	51,568			41,646	51,568
Loss on sale of assets	(243,984)				(243,984)	-0-
Total revenues	48,307,144	55,106,329	55,093,237	56,691,675	103,400,381	111,798,004
EXPENSES						
General government	5,874,794	5,220,058			5,874,794	5,220,058
Public safety	23,380,191	25,344,096			23,380,191	25,344,096
Highways and streets	4,745,217	4,954,958			4,745,217	4,954,958
Sanitation	20,000	4,876			20,000	4,876
Community development	2,657,176	997,139			2,657,176	997,139
Culture and recreation	3,595,595	3,452,283			3,595,595	3,452,283
Interest on long-term debt	847,749	669,642			847,749	669,642
Water utility			6,597,036	6,794,418	6,597,036	6,794,418
Wastewater utility			5,849,788	6,921,257	5,849,788	6,921,257
Electric utility			34,530,146	35,934,114	34,530,146	35,934,114
Total expenses	41,120,722	40,643,052	46,976,970	49,649,789	88,097,692	90,292,841
Changes in net assets before transfers	7,186,422	14,463,277	8,116,267	7,041,886	15,302,689	21,505,163
Transfers	(205,595)	(79,102)	205,595	79,102		
Change in net assets	6,908,827	14,384,175	8,321,862	7,120,988	15,302,689	21,505,163
Net assets-Beginning	60,531,589	67,075,479	74,451,075	82,772,937	134,982,664	149,848,416
Net assets-Ending *	\$67,512,416	\$81,459,654	\$82,772,937	\$89,893,925	\$150,285,353	\$171,353,579

*** 2005 Net assets ending restated**

Normal Impacts

Revenue:

When comparing revenue, economic conditions can reflect a declining, stable or growing environment and may have a great impact on property, sales, gas and other taxes as well as public spending for building permits, user fees and volumes of consumption. While certain tax rates are set by statute, the City Council has authority to impose and increase or decrease rates (utility charges, user fees, permits, etc.). Certain recurring revenues (block grants, state sharing, etc.) may experience changes periodically while others (or one-time) grants are less predictable and may often distort revenue comparisons from year to year.

Expenses:

Within certain expense categories (Police, Fire, Parks and Recreation, etc.), programs added or deleted from year to year may change to meet community needs. Staffing needs may change from year to year to meet the changes in services. Staffing costs (salaries and benefits) represent 62% of the city's primary government operating cost. Some functions may experience unusual changes due to the specific cost (fuel, chemicals, etc.)

Current Year Impacts

Governmental Activities:

Governmental activities change in net assets from 2005 increased by \$7.5 million.

Charges for services revenue increased by \$418 thousand or 15.5%. Most of the increase was in building permit fees and ambulance run charges.

Operating grants and contributions saw a decrease of about \$404 thousand or 25%. This was due to completion or discontinuation of DOJ grants.

Capital grants and contributions increased \$6.1 million or 140%. In 2006, the State of Indiana leased the toll road and the city's contribution received from this sale was \$5.8 million.

Unrestricted investment earnings increased \$926 thousand or 94%. The increase in contributions from the sale of the toll road and the market rate had a positive effect on the City's interest earnings.

Business Type Activities

Business Type Activities change in net assets from 2005 decreased by \$1.2 million

An increase in wastewater rates was implemented in 2006 this increase represented \$1.1 million in receipt of charges for that utility. The utility expenses were mostly seen in the wastewater department that has almost completed its expansion project. Overall the utilities seem to be holding steady on revenue and expenses.

Fund Financial Statement Analysis

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

Governmental Funds:

The focus of the City of Mishawaka's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Mishawaka'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.

As of the end of the current fiscal year, the City of Mishawaka's governmental funds reported combined ending fund balances of \$53,933,195 an increase of \$3.7 million from the prior year. Over one-half of the increase, \$37.8 million constitutes unreserved fund balance, which is available for spending at the City of Mishawaka's discretion. The majority of the unreserved balance is for capital projects. The remainder of the balance (\$16.1 million) is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$4.4 million), to pay debt service (\$2.9 million), for loans receivable (\$504 thousand) and for capital assets held for resale \$8.25 million.

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.

The general fund is also the chief operating fund of the City of Mishawaka. As of December 31, 2006, the unreserved balance was \$2,560,240 and the total balance in the general fund was \$2,967,997 a slight increase of \$548,610 from 2005. As a measure of the general fund's liquidity, it may be useful to compare

both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.0% of the total general fund expenditures, while total fund balance represents 12.8% of the same amount.

Another major fund is TIF NW General. As of December 31, 2006, the unreserved balance was \$20,675,069 and the total balance in the TIF NW General was \$28,926,569, a decrease of \$1,303,691 from 2005. TIF NW General is a capital project fund and the decrease is due to completing and starting new projects. As a measure of the TIF NW General's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Unreserved fund balance represents 163% of the total TIF NW General fund expenditures while total fund balance represents 228% of the same amount.

Local Major Moves Construction is a new major fund for 2006. The unreserved fund balance for 2006 is \$5.6 million with a fund balance of \$5.6 million. This fund has not had any activity for 2006 as far as expenses.

Individual fund data for each non-major governmental fund is provided in the combining statements in the Supplemental Information section of this report.

Proprietary Funds:

The City of Mishawaka's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water, wastewater and electric funds at the end of 2006 amounted to \$29,319,393 and the internal service funds were \$2,212,558. All proprietary funds had increases in net assets during the year. The basic proprietary fund financial statements can be found later in this report.

Fiduciary Funds:

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

General Fund Budgetary Highlights

The City of Mishawaka adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The final budget was more than the original budget by \$353,686. An amended original budget can be explained by an encumbrance rollover, a current year budget increase or a reduction in budget by the state. In 2006 the submitted budget to the state was increased with additional appropriations during 2006. The general fund budget is reviewed throughout the year and amended from time to time with the approval of the City Council. The City of Mishawaka tries to maintain its original budget by transferring funds from one account line to another. If this does not cover expenses then the City of Mishawaka appropriates from its fund balance. At the end of the fiscal year the actual expenditures are projected and the following financial information is condensed from the required supplementary information and the budget comparison schedules.

The actual revenues in 2006 were \$750,593 over budget and expenditures were \$976,655 under budget. Higher cash flow available due to bond sales and toll road lease proceeds helped increase interest earned (\$300,968) in 2006. 2006 was the best year in Mishawaka's history for building permits issued. EMS run charges had a slight increase in 2006. Property tax revenue increased by \$264,480 in 2006. The 2006 budget had employee positions in place but not filled. This created a savings on the salary along with the benefits that would have been charged to these positions. Other savings were seen from frugal spending, and expenditures being less than originally anticipated.

Capital Assets and Long Term Debt Liability:

Capital Assets

The City of Mishawaka's investment in capital assets for its governmental and business type activities at December 31, 2006 amounts to \$188,388,240 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, equipment, vehicles and roads. A detailed note of these capital assets can be found in the Notes to the Financial Statements (Note III C).

Major capital asset projects completed and added during the current fiscal year include the following:

- Main Street Underpass property acquisition completed
- Jefferson Road Improvements right-of- way acquisition completed
- Front Street Extension Project completed- \$ 1,011,512
- Milburn Blvd. Improvements first phase design 2006
- 2006 Summer Street, Sidewalk and Curb Program- \$1,076,305
- SJRMC Infrastructure- \$8-10 million.

City of Mishawaka's Capital Assets (Net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 5,523,027	\$10,849,388	\$1,079,568	\$1,079,568	\$ 6,602,595	\$11,928,956
Construction in progress	12,088,763	12,775,140	26,344,298	39,637,909	38,433,061	52,413,049
Buildings	9,173,890	8,840,658	25,878,693	25,205,575	35,052,583	34,046,233
Improvements other than buildings	6,737,746	6,737,857	52,428,601	55,279,198	59,166,347	62,017,055
Machinery and equipment	5,356,986	5,314,002	8,632,147	8,495,422	13,989,133	13,809,424
Transportation equipment	-	-	673,311	667,567	673,311	667,567
Infrastructure being depreciated	8,106,251	13,505,956	-0-	-0-	8,106,251	13,505,956
Total	\$46,986,663	\$ 58,023,001	\$115,036,618	\$130,365,239	\$162,023,281	\$188,388,240

Debt Outstanding

At December 31, 2006, the City had a number of debt issues outstanding. These issues included \$8,525,000 of general obligation bonds, \$6,325,000 of revenue bonds payable from governmental funds, and \$21,660,654 of revenue bonds payable from enterprise funds. Under the Indiana Constitution and state statute the City of Mishawaka's general obligation bonded debt issuances are subject to a legal limitation based upon 2% of assessed value of real and personal property.

The City's bonded debt increased by \$885,000 from the prior year. This increase was due to the City of Mishawaka issuing a General Obligation bond of \$1,550,000 for Park and Recreation Department Improvements.

The City of Mishawaka Utility issued a revenue bond (\$8,450,000) for upgrades to the wastewater treatment plant.

Outstanding Bonded Debt at Year-end

	<u>2006</u>	<u>2005</u>
Governmental:		
General Obligation	\$8,525,000	\$7,640,000
Tax Increment	<u>6,325,000</u>	<u>7,450,000</u>
Sub-total	14,850,000	15,090,000
Business Type:		
Water Utility	\$4,330,000	\$4,530,000
Wastewater Utility	<u>17,330,654</u>	<u>9,720,813</u>
Sub-total	21,660,654	14,250,813
Total	\$36,510,654	\$29,340,813

A detailed listing of the city's debt can be found in the Notes to the Basic Financial Statements (Note III H). A calculation of the City's legal debt limitation can be found in the statistical section of this report.

Economic Factors and next year's budgets and rates

The City of Mishawaka is located in the north central part of the State of Indiana. The economic condition and outlook of the government continues to show stable growth and vitality. Steady job growth and population growth have contributed to the stability of the community. The City of Mishawaka's 2000 Census population increased to 46,557. This was a 9.3% increase since 1990 according to the U.S. Census Bureau. Unemployment in the State of Indiana remains low at 5.0%* for December 2006. Labor force for St. Joseph County increased in 2006 to 137,234* compared to 134,798* in 2005.

*These statistics are seasonally adjusted

New construction in Mishawaka was valued at \$108 million which was an increase of approximately \$18 million from 2005 and the largest construction year in the history of Mishawaka.

In 2005 state law was enacted to phase in a 2% circuit breaker to Saint Joseph County, Indiana. The circuit breakers legislation will reduce all property tax by the year 2010 to no more than 2% of property assessed valuation. In 2007 an implementation process needs to be started to increase or add a new income tax to St. Joseph County, Indiana to help alleviate the loss in revenue to the municipalities.

The adopted FY2007 Civil City Budget is \$40,788,783 which is 5.6% higher than in FY 2006. The General Fund budget for FY2007 is \$24,866,984 or 2.7% higher than FY2006. Electric, Water, and Wastewater rates will stay steady for FY2007.

City Highlights

- In 2006, the Mishawaka GIS project was recognized at the state-wide GIS Conference hosted by the Indiana Geographic Information Council. The city received the 2006 award for the best citywide GIS project in the state for cities under 100,000 population.
- In 2006 a long awaited agreement was reached for development of the city's riverfront property which was initially cleared in 2000. The Redevelopment Commission selected a master developer for this property. Ironworks, LLC of Mishawaka is the development team headed by Mr. Robert Stephens.
- The Main Street grade separation has completed its acquisition and will start demolition in 2007. Road construction should begin in mid 2007. Estimated cost of this project is \$27 million.

- The Redevelopment Department's First Time Homebuyer Program was enhanced in 2006 by the development of its own subdivision. Over the past three years the department has built 15 new homes.
- St. Joseph Regional Medical Center broke ground for a new hospital in 2006 valued at \$355 million.
- A CVS Pharmacy was constructed as part of our downtown redevelopment. This structure entails a 10,880 sq. ft. pharmacy and 1,496 sq ft. of retail space.

Requests for information

The financial report is designed to provide a general overview of the City of Mishawaka's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, 600 E. 3rd Street, Mishawaka, IN 46544 or by email at www.mishawakacity.com.

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CITY OF MISHAWAKA
STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 50,354,736	\$ 16,177,364	\$ 66,532,100
Receivables (net of allowances for uncollectibles):			
Interest	189,485	98,186	287,671
Taxes	1,971,376	-	1,971,376
Accounts	438,079	3,402,610	3,840,689
Other	-	111,606	111,606
Intergovernmental	523,164	-	523,164
Loans	661,983	-	661,983
Inventories	-	1,798,242	1,798,242
Prepaid expense	481,936	383,928	865,864
Deferred charges	212,524	1,423,682	1,636,206
Restricted assets:			
Cash and cash equivalents	2,881,281	19,752,260	22,633,541
Interest	10,680	16,064	26,744
Taxes receivable	59,108	-	59,108
Intergovernmental receivable	2,421	-	2,421
Assets held for resale	8,251,500	-	8,251,500
Capital assets:			
Land and construction in progress	23,624,528	40,717,477	64,342,005
Other capital assets, net of depreciation	34,398,473	89,647,762	124,046,235
Net pension asset	487,855	-	487,855
Total assets	124,549,129	173,529,181	298,078,310

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

Continued on next page

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

<u>Liabilities</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Accounts payable	2,543,924	3,534,018	6,077,942
Accrued payroll and withholdings payable	70,049	102,815	172,864
Contracts payable	4,355,008	-	4,355,008
Taxes payable	-	155,116	155,116
Accrued interest payable	8,506	545,841	554,347
Unearned revenue	-	396,796	396,796
Estimate for unfilled claims	106,000	-	106,000
Notes and loans payable	368,166	-	368,166
Payable from restricted assets:			
Customer deposits	-	1,527,591	1,527,591
Accounts payable	750	-	750
Interest payable	229,924	-	229,924
Noncurrent liabilities:			
Due within one year:			
General obligation bonds payable	780,000	-	780,000
Revenue bonds payable	-	1,670,000	1,670,000
TIF bonds payable	1,180,000	-	1,180,000
Compensated absences	368,632	31,380	400,012
Capital lease obligations	79,104	121,512	200,616
Notes and loans payable	288,644	1,834,000	2,122,644
Due in more than one year:			
General obligation bonds payable (net of unamortized discounts)	7,698,477	-	7,698,477
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	19,646,003	19,646,003
TIF bonds payable (net of unamortized discounts)	5,065,269	-	5,065,269
Compensated absences	261,354	206,229	467,583
Capital lease obligations	167,994	90,907	258,901
Notes and loans payable	558,753	53,527,331	54,086,084
Net pension obligation	18,958,921	245,717	19,204,638
Total liabilities	<u>43,089,475</u>	<u>83,635,256</u>	<u>126,724,731</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	55,396,506	53,687,905	109,084,411
Restricted for:			
Debt service	993,490	6,886,627	7,880,117
Unrestricted	<u>25,069,658</u>	<u>29,319,393</u>	<u>54,389,051</u>
Total net assets	<u>\$ 81,459,654</u>	<u>\$ 89,893,925</u>	<u>\$ 171,353,579</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 5,220,058	\$ 892,455	\$ -	\$ 257,589	\$ (4,070,014)	\$ -	\$ (4,070,014)
Public safety	25,344,096	657,308	157,061	594,452	(23,935,275)	-	(23,935,275)
Highways and streets	4,954,958	27,462	-	9,514,772	4,587,276	-	4,587,276
Sanitation	4,876	-	-	-	(4,876)	-	(4,876)
Community development	997,139	624,524	968,343	-	595,728	-	595,728
Culture and recreation	3,452,283	915,956	131,732	44,071	(2,360,524)	-	(2,360,524)
Interest on long-term debt	669,642	-	-	-	(669,642)	-	(669,642)
Total governmental activities	40,643,052	3,117,705	1,257,136	10,410,884	(25,857,327)	-	(25,857,327)
Business-type activities:							
Water	6,794,418	7,804,735	-	1,347,678	-	2,357,995	2,357,995
Wastewater	6,921,257	8,284,304	-	308,995	-	1,672,042	1,672,042
Electric	35,934,114	37,573,938	-	-	-	1,639,824	1,639,824
Total business-type activities	49,649,789	53,662,977	-	1,656,673	-	5,669,861	5,669,861
Total primary government	\$ 90,292,841	\$ 56,780,682	\$ 1,257,136	\$ 12,067,557	(25,857,327)	5,669,861	(20,187,466)
General revenues:							
Property taxes					34,552,665	-	34,552,665
Grants and contributions not restricted to specific programs					3,808,209	-	3,808,209
Unrestricted investment earnings					1,908,162	1,372,025	3,280,187
Other					51,568	-	51,568
Transfers					(79,102)	79,102	-
Total general revenues and transfers					40,241,502	1,451,127	41,692,629
Change in net assets					14,384,175	7,120,988	21,505,163
Net assets - beginning					67,075,479	82,772,937	149,848,416
Net assets - ending					\$ 81,459,654	\$ 89,893,925	\$ 171,353,579

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

CITY OF MISHAWAKA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	General	TIF NW General	Local Major Moves Construction	Other Governmental Funds	Totals
<u>Assets</u>					
Cash and cash equivalents	\$ 3,082,777	\$ 23,556,315	\$ 5,613,259	\$ 18,237,324	\$ 50,489,675
Receivables (net of allowances for uncollectibles):					
Interest	76,502	77,851	18,551	27,261	200,165
Taxes	1,256,588	324,880	-	449,016	2,030,484
Accounts	408,599	-	-	29,480	438,079
Intergovernmental	123,869	-	-	401,716	525,585
Loans	-	-	-	661,983	661,983
Assets held for resale	-	8,251,500	-	-	8,251,500
Total assets	<u>\$ 4,948,335</u>	<u>\$ 32,210,546</u>	<u>\$ 5,631,810</u>	<u>\$ 19,806,780</u>	<u>\$ 62,597,471</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 627,594	\$ 52,900	\$ -	\$ 1,436,396	\$ 2,116,890
Accrued payroll and withholdings payable	36,012	-	-	34,037	70,049
Contracts payable	-	2,906,197	-	1,448,811	4,355,008
Unearned revenue	1,316,732	324,880	-	480,717	2,122,329
Total liabilities	<u>1,980,338</u>	<u>3,283,977</u>	<u>-</u>	<u>3,399,961</u>	<u>8,664,276</u>
Fund balances:					
Reserved for:					
Encumbrances	407,757	-	-	4,000,266	4,408,023
Noncurrent loans receivable	-	-	-	504,879	504,879
Debt service	-	-	-	2,891,211	2,891,211
Assets held for resale	-	8,251,500	-	-	8,251,500
Unreserved, reported in:					
General fund	2,560,240	-	-	-	2,560,240
Special revenue funds	-	-	-	3,962,226	3,962,226
Capital projects funds	-	20,675,069	5,631,810	5,048,237	31,355,116
Total fund balances	<u>2,967,997</u>	<u>28,926,569</u>	<u>5,631,810</u>	<u>16,406,819</u>	<u>53,933,195</u>
Total liabilities and fund balances	<u>\$ 4,948,335</u>	<u>\$ 32,210,546</u>	<u>\$ 5,631,810</u>	<u>\$ 19,806,780</u>	

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

Continued on next page

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

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.

Governmental capital assets	77,532,686	
Less accumulated depreciation	<u>(19,509,685)</u>	58,023,001

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

Prepaid expenses	481,936	
Deferred charges	212,524	
Net pension asset	<u>487,855</u>	1,182,315

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.

2,212,558

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds payable	(8,525,000)	
TIF bonds payable	(6,325,000)	
Bond discount	126,254	
Accrued interest payable	(238,430)	
Compensated absences	(629,986)	
Capital lease obligations	(247,098)	
Notes and loans payable	(1,215,563)	
Net pension obligation	<u>(18,958,921)</u>	(36,013,744)

Unearned revenue in governmental fund is susceptible to full accrual on the entity-wide statements

2,122,329

Net assets of governmental activities

\$ 81,459,654

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

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

	General	TIF NW General	Local Major Moves Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 15,857,632	\$ 13,272,898	\$ -	\$ 6,445,084	\$ 35,575,614
Licenses and permits	426,891	-	-	29,217	456,108
Intergovernmental	3,810,572	-	5,538,667	5,889,851	15,239,090
Charges for services	704,025	-	-	941,209	1,645,234
Fines and forfeits	46,020	-	-	13,283	59,303
Interest	474,975	961,577	93,143	378,467	1,908,162
Sale and use of property	18,428	-	-	329,739	348,167
Gifts and donations	-	-	-	109,615	109,615
Other	54,158	9	-	736,274	790,441
Total revenues	<u>21,392,701</u>	<u>14,234,484</u>	<u>5,631,810</u>	<u>14,872,739</u>	<u>56,131,734</u>
Expenditures:					
Current:					
General government	4,703,034	-	-	109,741	4,812,775
Public safety	18,170,867	-	-	219,656	18,390,523
Highways and streets	308,120	-	-	2,983,629	3,291,749
Sanitation	4,876	-	-	-	4,876
Culture and recreation	-	-	-	2,970,164	2,970,164
Community development	38,092	-	-	1,166,760	1,204,852
Debt service:					
Principal	-	-	-	2,606,451	2,606,451
Interest	-	-	-	611,817	611,817
Bond issuance costs	-	-	-	28,619	28,619
Capital outlay:					
General government	-	215,951	-	133,493	349,444
Public safety	-	2,700,000	-	5,602,602	8,302,602
Highways and streets	-	8,190,710	-	1,850,154	10,040,864
Culture and recreation	-	1,496,673	-	47,900	1,544,573
Community development	-	64,503	-	50,139	114,642
Total expenditures	<u>23,224,989</u>	<u>12,667,837</u>	<u>-</u>	<u>18,381,125</u>	<u>54,273,951</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,832,288)</u>	<u>1,566,647</u>	<u>5,631,810</u>	<u>(3,508,386)</u>	<u>1,857,783</u>
Other financing sources (uses):					
Transfers in	2,380,898	-	-	1,583,042	3,963,940
Transfers out	-	(2,870,338)	-	(1,172,704)	(4,043,042)
General obligation bond issuance	-	-	-	1,550,000	1,550,000
Discount on bond issuance	-	-	-	(5,000)	(5,000)
Loan proceeds	-	-	-	499,205	499,205
Total other financing sources and uses	<u>2,380,898</u>	<u>(2,870,338)</u>	<u>-</u>	<u>2,454,543</u>	<u>1,965,103</u>
Net change in fund balances	548,610	(1,303,691)	5,631,810	(1,053,843)	3,822,886
Fund balances - beginning	<u>2,419,387</u>	<u>30,230,260</u>	<u>-</u>	<u>17,460,662</u>	<u>50,110,309</u>
Fund balances - ending	<u>\$ 2,967,997</u>	<u>\$ 28,926,569</u>	<u>\$ 5,631,810</u>	<u>\$ 16,406,819</u>	<u>\$ 53,933,195</u>

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

CITY OF MISHAWAKA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2006

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

Net change in fund balances - total governmental funds	\$	\$ 3,822,886
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.		
Expenditures for capital assets	13,573,905	
Less current year depreciation expense	<u>(2,537,567)</u>	11,036,338
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,025,405)	(1,025,405)
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.		
Loan issuance	(499,205)	
Issuance of general obligation bonds	(1,550,000)	
Less discounts	5,000	
Bond issuance costs	28,619	
Principal debt payments	<u>2,606,451</u>	590,865
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.		
Amortization of current year bond discount	(21,520)	
Amortization of current year bond issuance cost	(30,093)	
Accrued interest	(11,095)	
Prepaid expenses	(115,609)	
Change in compensated absences	(27,579)	
Change in net pension obligation	<u>(862,909)</u>	(1,068,805)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		<u>1,028,296</u>
Change in net assets of governmental activities (statement of activities)		<u>\$ 14,384,175</u>

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

CITY OF MISHAWAKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

<u>Assets</u>	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Total</u>	
Current assets:					
Cash and cash equivalents	\$ 2,883,782	\$ 2,593,902	\$ 10,699,680	\$ 16,177,364	\$ 2,746,342
Interest receivable	20,480	45,035	32,671	98,186	-
Accounts receivable (net of allowance)	383,568	492,602	2,526,440	3,402,610	-
Accounts receivable - other (net of allowance)	896	-	110,710	111,606	-
Interfund receivables:					
Interfund loans	-	-	56,204	56,204	-
Inventories	173,770	-	1,624,472	1,798,242	-
Prepaid items	125,234	115,949	142,745	383,928	-
Restricted cash and cash equivalents:					
Customer deposits	254,035	1,280	1,265,345	1,520,660	-
Revenue bond covenant accounts	1,419,367	4,713,260	754,000	6,886,627	-
Repair account	10,381	2,651,253	240,885	2,902,519	-
Capital outlay accounts	99,094	8,343,360	-	8,442,454	-
Interest receivable	-	16,064	-	16,064	-
Total current assets	<u>5,370,607</u>	<u>18,972,705</u>	<u>17,453,152</u>	<u>41,796,464</u>	<u>2,746,342</u>
Noncurrent assets:					
Deferred charges	<u>148,117</u>	<u>333,187</u>	<u>942,378</u>	<u>1,423,682</u>	<u>-</u>
Capital assets:					
Land and construction in progress	730,649	39,679,096	307,732	40,717,477	-
Other capital assets (net of accumulated depreciation)	<u>42,308,081</u>	<u>22,199,321</u>	<u>25,140,360</u>	<u>89,647,762</u>	<u>-</u>
Total capital assets	<u>43,038,730</u>	<u>61,878,417</u>	<u>25,448,092</u>	<u>130,365,239</u>	<u>-</u>
Total noncurrent assets	<u>43,186,847</u>	<u>62,211,604</u>	<u>26,390,470</u>	<u>131,788,921</u>	<u>-</u>
Total assets	<u>48,557,454</u>	<u>81,184,309</u>	<u>43,843,622</u>	<u>173,585,385</u>	<u>2,746,342</u>

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

Continued on next page

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

<u>Liabilities</u>	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Total</u>	
Current liabilities:					
Accounts payable	55,078	277,822	3,201,118	3,534,018	427,784
Accrued payroll and withholdings payable	30,425	29,333	43,057	102,815	-
Interfund payables:					
Interfund services provided and used	28,102	28,102	-	56,204	-
Estimate for unfiled claims	-	-	-	-	106,000
Taxes payable	19,928	-	135,188	155,116	-
Accrued interest payable	10,681	485,371	49,789	545,841	-
Deferred revenue - unearned	396,796	-	-	396,796	-
Compensated absences	8,423	8,346	14,611	31,380	-
Current liabilities payable from restricted assets:					
Customer deposits	260,885	1,280	1,265,426	1,527,591	-
Capital leases payable	13,138	108,374	-	121,512	-
Notes and loans payable	1,040,000	794,000	-	1,834,000	-
Revenue bonds payable	210,000	1,460,000	-	1,670,000	-
Total current liabilities	<u>2,073,456</u>	<u>3,192,628</u>	<u>4,709,189</u>	<u>9,975,273</u>	<u>533,784</u>
Noncurrent liabilities:					
Compensated absences	84,930	46,089	75,210	206,229	-
Capital leases payable	45,262	45,645	-	90,907	-
Notes and loans payable	18,957,271	34,570,060	-	53,527,331	-
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	4,058,184	15,587,819	-	19,646,003	-
Net pension obligation	79,160	49,912	116,645	245,717	-
Total noncurrent liabilities	<u>23,224,807</u>	<u>50,299,525</u>	<u>191,855</u>	<u>73,716,187</u>	<u>-</u>
Total liabilities	<u>25,298,263</u>	<u>53,492,153</u>	<u>4,901,044</u>	<u>83,691,460</u>	<u>533,784</u>
<u>Net assets</u>					
Invested in capital assets, net of related debt	18,773,275	9,466,538	25,448,092	53,687,905	-
Restricted for debt service	1,419,367	4,713,260	754,000	6,886,627	-
Unrestricted	<u>3,066,549</u>	<u>13,512,358</u>	<u>12,740,486</u>	<u>29,319,393</u>	<u>2,212,558</u>
Total net assets	<u>\$ 23,259,191</u>	<u>\$ 27,692,156</u>	<u>\$ 38,942,578</u>	<u>\$ 89,893,925</u>	<u>\$ 2,212,558</u>

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

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

	Enterprise Funds				Internal
	Water Utility	Wastewater Utility	Electric Utility	Total	Service Fund
Operating revenues:					
Unmetered water revenue	\$ 8,540	\$ -	\$ -	\$ 8,540	\$ -
Metered water revenue:					
Residential	4,917,200	-	12,809,755	17,726,955	-
Commercial	1,404,085	-	23,854,717	25,258,802	-
Public street and highway lighting	-	-	368,953	368,953	-
Fire protection revenue	1,076,310	-	-	1,076,310	-
Penalties	39,153	109,503	150,133	298,789	-
Employee/employer contributions	-	-	-	-	6,999,193
Measured revenue:					
Residential	-	4,413,538	-	4,413,538	-
Commercial	-	3,516,398	-	3,516,398	-
Other	314,197	244,865	384,644	943,706	1,034,740
Total operating revenues	7,759,485	8,284,304	37,568,202	53,611,991	8,033,933
Operating expenses:					
Source of supply and expense - operations and maintenance	1,120,404	1,349,098	-	2,469,502	-
Transmission and distribution	1,488,973	-	3,103,848	4,592,821	-
Treatment and disposal expense - operations and maintenance	696,838	590,769	-	1,287,607	-
Customer accounts	372,917	-	598,183	971,100	-
Administration and general	807,422	1,333,996	2,504,875	4,646,293	-
Insurance claims and premiums	-	-	-	-	7,005,637
Purchased power	-	-	27,755,208	27,755,208	-
Sewer - operation and maintenance	-	823,303	-	823,303	-
Pretreatment - operation and maintenance	-	48,889	-	48,889	-
Chemicals	-	189,845	-	189,845	-
Bad debt expense	11,440	3,618	27,564	42,622	-
Depreciation	1,256,674	1,044,510	1,823,282	4,124,466	-
Total operating expenses	5,754,668	5,384,028	35,812,960	46,951,656	7,005,637
Operating income	2,004,817	2,900,276	1,755,242	6,660,335	1,028,296
Nonoperating revenues (expenses):					
Interest and investment revenue	255,457	552,467	564,101	1,372,025	-
Miscellaneous revenue	45,250	-	5,736	50,986	-
Interest expense	(863,278)	(1,467,726)	(49,789)	(2,380,793)	-
Amortization expense	(14,644)	(67,865)	(27,358)	(109,867)	-
Loss on disposal of assets	(161,828)	(1,638)	(44,007)	(207,473)	-
Total nonoperating expenses	(739,043)	(984,762)	448,683	(1,275,122)	-
Income before contributions and transfers	1,265,774	1,915,514	2,203,925	5,385,213	1,028,296
Capital contributions	1,347,678	308,995	-	1,656,673	-
Transfers in	-	1,660,000	-	1,660,000	-
Transfers out	(472,005)	(245,432)	(863,461)	(1,580,898)	-
Change in net assets	2,141,447	3,639,077	1,340,464	7,120,988	1,028,296
Total net assets - beginning	21,117,744	24,053,079	37,602,114	82,772,937	1,184,262
Total net assets - ending	\$ 23,259,191	\$ 27,692,156	\$ 38,942,578	\$ 89,893,925	\$ 2,212,558

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

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

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,740,772	\$ 8,183,642	\$ 37,241,798	\$ 53,166,212	\$ -
Receipts from interfund services provided	-	-	-	-	6,999,193
Payments to suppliers	(1,794,051)	(1,746,243)	(29,670,186)	(33,210,480)	-
Payments to employees	(2,692,940)	(2,480,858)	(3,840,516)	(9,014,314)	-
Payments for interfund services used	-	-	-	-	(6,838,630)
Other receipts (payments)	45,250	-	5,736	50,986	1,034,740
Net cash provided by operating activities	3,299,031	3,956,541	3,736,832	10,992,404	1,195,303
Cash flows from noncapital financing activities:					
Interfund loans	(300,000)	-	300,000	-	-
Transfer from other funds	-	3,320,000	-	3,320,000	-
Transfer to other funds	(472,005)	(245,432)	(863,461)	(1,580,898)	-
Net cash provided (used) by noncapital financing activities	(772,005)	3,074,568	(563,461)	1,739,102	-
Cash flows from capital and related financing activities:					
Issuance of capital debt	-	8,287,741	-	8,287,741	-
Capital contributions	1,744,475	-	-	1,744,475	-
Proceeds of sale of capital assets	224,881	-	144,773	369,654	-
Acquisition and construction of capital assets	(1,547,294)	(1,004,855)	(3,369,399)	(5,921,548)	-
Principal paid on bonds	(200,000)	(1,045,000)	-	(1,245,000)	-
Principal paid on capital leases	(37,622)	(106,386)	-	(144,008)	-
Principal paid on loans	(1,015,000)	(672,000)	-	(1,687,000)	-
Interest paid on bonds	(280,526)	(180,570)	-	(461,096)	-
Interest paid on capital leases	(6,009)	(10,437)	-	(16,446)	-
Interest paid on loans	(573,610)	(865,186)	-	(1,438,796)	-
Interest paid on customer deposits	(8,828)	(144)	(42,280)	(51,252)	-
Net cash provided (used) by capital and related financing activities	(1,699,533)	4,403,163	(3,266,906)	(563,276)	-
Cash flows from investing activities:					
Interest received	261,137	539,488	607,331	1,407,956	-
Net increase in cash and cash equivalents	1,088,630	11,973,760	513,796	13,576,186	1,195,303
Cash and cash equivalents, January 1 (Including \$1,319,330, \$3,925,019, \$1,808,532, and \$99,213 for the customer deposits, revenue bond covenant account, repair account and capital outlay account, respectively, reported in restricted accounts)	3,578,029	6,329,295	12,446,114	22,353,438	1,551,039
Cash and cash equivalents, December 31 (Including \$1,520,660, \$6,886,627, \$2,902,519, and \$8,442,454 for the customer deposits, revenue bond covenant account, repair account and capital outlay account, respectively, reported in restricted accounts)	\$ 4,666,659	\$ 18,303,055	\$ 12,959,910	\$ 35,929,624	\$ 2,746,342

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

Continued on next page

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

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 2,004,817	\$ 2,900,276	\$ 1,755,242	\$ 6,660,335	\$ 1,028,296
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,256,674	1,044,510	1,823,282	4,124,466	-
Bad debt expense	11,440	3,618	27,564	42,622	-
Nonoperating revenue	45,250	-	5,736	50,986	-
(Increase) decrease in assets:					
Accounts receivable	(18,713)	(100,662)	(326,404)	(445,779)	-
Interfund services provided or used	-	-	(24,024)	(24,024)	-
Inventories	(30,611)	-	(263,376)	(293,987)	-
Prepaid items	(8,000)	2,656	(5,647)	(10,991)	-
Increase (decrease) in liabilities:					
Customer deposits	43,438	40	158,953	202,431	-
Accounts payable	(18,650)	89,673	557,452	628,475	111,007
Accrued payroll and withholdings payable	7,574	6,829	5,789	20,192	-
Interfund payables	12,012	12,012	-	24,024	-
Taxes payables	(15,876)	-	17,276	1,400	-
Estimate for unfilled claims	-	-	-	-	56,000
Compensated absences payable	3,624	(4,236)	(2,910)	(3,522)	-
Net pension obligation payable	6,052	1,825	7,899	15,776	-
Total adjustments	1,294,214	1,056,265	1,981,590	4,332,069	167,007
Net cash provided by operating activities	\$ 3,299,031	\$ 3,956,541	\$ 3,736,832	\$ 10,992,404	\$ 1,195,303
Noncash investing, capital and financing activities:					
Accreted value on capital appreciation bonds	\$ -	\$ 204,841	\$ -	\$ 204,841	\$ -
Issuance costs paid from bond issuance	-	92,200	-	92,200	-
Purchase of capital assets on account	-	61,220	353,102	414,322	-
Work in progress on account	4,882	27,085	4,444	36,411	-
Work in progress financed through debt (SRF loan)	6,279	14,340,799	-	14,347,078	-
Disposal of capital assets	530,288	124,226	622,123	1,276,637	-
Contributed capital assets from government	-	308,995	-	308,995	-
Transfer of work in progress to depreciated capital assets	1,478,518	-	914,684	2,393,202	-

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

CITY OF MISHAWAKA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2006

<u>Assets</u>	Pension Trust Funds	Agency Funds
Cash and cash equivalents	\$ 1,409,525	\$ 41,319
Receivables:		
Accounts	-	5,483
Interest and dividends	34,874	-
Taxes	99,833	-
Intergovernmental	4,089	-
Total receivables	138,796	5,483
Investments at fair value:		
Government sponsored enterprise	2,017,650	-
Corporate obligations	126,160	-
Mutual funds	10,512,995	-
Total investments	12,656,805	-
Total assets	14,205,126	\$ 46,802
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	-	\$ 46,375
Accrued payroll and withholdings payable	-	427
Noncurrent liabilities:		
D.R.O.P. payable - due within one year	32,050	-
Total liabilities	\$ 32,050	\$ 46,802
<u>Net assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	14,173,076	
Total net assets	\$ 14,173,076	

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

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

<u>Additions</u>	Pension Trust Funds
Contributions:	
State	\$ 2,146,736
Employer	1,939,389
Plan members	<u>5,772</u>
Total contributions	<u>4,091,897</u>
Investment income:	
Net increase in fair value of investments	399,197
Interest	<u>1,035,878</u>
Total investment income	1,435,075
Less investment expense:	
Investment activity expense	<u>29,084</u>
Net investment income	<u>1,405,991</u>
Total additions	<u>5,497,888</u>
<u>Deductions</u>	
Benefits	4,250,543
Administrative expense	<u>29,664</u>
Total deductions	<u>4,280,207</u>
Changes in net assets	1,217,681
Net assets - beginning	<u>12,955,395</u>
Net assets - ending	<u>\$ 14,173,076</u>

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Mishawaka (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, electric, water, wastewater, and urban redevelopment and housing.

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

Related Organizations

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

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. 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.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within sixty 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, and claims and judgments, are recorded only when payment is due.

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

The primary government reports the following major governmental funds:

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

The TIF NW General fund accounts for expenditures made for public improvement projects in the Northwest (NW) property tax incremental financing district. Financing is provided by incremental taxes collected on property located in this district. Amounts needed for bond retirement are transferred annually to the proper debt service fund.

The Local Major Moves Construction fund accounts for expenditures made for construction of highways, roads and bridges. Financing was provided by a distribution from the proceeds of the seventy-five year lease of the state's toll road.

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

Additionally, the primary government reports the following fund types:

The internal service fund accounts for employee medical coverage provided to other departments or to other governments on a cost-reimbursement basis.

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

The agency fund accounts for assets held by the primary government as an agent for administrative costs of the Redevelopment Department.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water, wastewater and electric functions and various other functions of the government. 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.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

2. Interfund Transactions and Balances

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

3. Property Taxes

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

4. 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.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life (Years)
Buildings and improvements	\$ 100,000	Straight-line	20-50
Equipment	5,000	Straight-line	3-15
Roads – collectors and residential	3,000,000	Straight-line	10-35
Water collection systems	500	Straight-line	5-50
Wastewater distribution and collection systems	500	Straight-line	4-50
Electric distribution system	500	Straight-line	5-50

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. Flexible Time – primary government employees earn flexible time off at the rate of one-half day per month and may accumulate to a maximum of twenty-five days. The primary government may buy back flexible time off days from any employee up to a maximum of six flexible time off days per year. Flexible time off is paid to employees upon termination.
- b. Vacation Leave – non-union primary government employees earn vacation leave at rates from ten days to twenty-five days per year based upon the number of years of service. Union utility employees earn vacation leave at rates from five to thirty days per year based upon the number of years of service, plus one day for each year of service after thirty years. Vacation leave does not accumulate from year to year.
- c. Compensatory Leave – Police officers, fire fighters and emergency medical technicians have accumulated overtime-compensatory leave for a variety of reasons.

Flexible time off and compensatory leave is accrued when incurred and reported as a liability in the statement of net assets and the proprietary fund statements. No liability is recognized in the governmental fund statements as no amounts were due and payable at year-end for terminated employees.

CITY OF MISHAWAKA
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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Fund Equity

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

II. Stewardship, Compliance and Accountability

Budgetary Information

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

General

Major governmental funds:

Capital projects fund – Local Major Moves Construction

Nonmajor governmental funds:

Special revenue funds – Motor Vehicle Highway, Local Road and Street, Park and Recreation, Rainy Day, Unsafe Building, Law Enforcement Continuing Education, Local Law Enforcement Block Grant, Park Nonreverting Operating, State Grant

Debt service fund – Municipal Bond No. 1

Capital projects funds – Cumulative Building and Fire Fighting Equipment, Cumulative Capital Improvements, Cumulative Sewer, Cumulative Capital Development, Park Bond Capital, CEDIT, Radio Bond Capital

CITY OF MISHAWAKA
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 Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

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

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 City's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2006, the bank balance held at Indiana Trust in the amount of \$36,715 was uncollateralized and exposed to custodial credit risk. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. The Utilities Pension Fund Board of Trustees has established an investment policy for the Utility's Retirement Plan. This investment policy outlines parameters for investment activity for the pension plan. As of December 31, 2006, the City had the following investments:

Investment Type	Primary Government	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-2	More Than 2
Utility pension funds:				
Government sponsored enterprise	\$ 2,017,650	\$ 653,619	\$ 99,781	\$ 1,264,250
Corporate bonds	126,160	-	126,160	-
Mutual funds	10,512,995	10,512,995	-	-
Totals	<u>\$ 12,656,805</u>	<u>\$ 11,166,614</u>	<u>\$ 225,941</u>	<u>\$ 1,264,250</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Policies

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

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

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.

The Utility Pension Plan is not subject to the same investment laws as the City. The investment policy for the Utility Pension Plan was adopted by the board on August 27, 1999. Authorized investments include common or preferred stocks, bonds, debentures, notes or other evidences of indebtedness or ownership, or other securities, in any corporation, mutual investment fund, investment company, association or business trust; bonds or other obligation or securities issued by the United States of America or any state or governmental subdivision or instrumentality thereof; and real and personal property of all kinds, including leaseholds on improved and unimproved real estate.

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 Utility's Pension Plan does not have a formal investment policy for custodial credit risk for investments. At December 31, 2006, the City, through the Utility Pension Fund, held investments in Mutual Funds, Corporate Bonds and Government Sponsored Enterprises in the amount of \$12,656,805. Of these investments \$12,656,805 were held by the counterparty's trust department or agent but not in the City's name.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Utility's Pension Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utility's Pension Plan does not have a formal investment policy for credit risk. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	Moody's Rating	City's Investments		
		Mutual Funds	Corporate Bonds	Government Sponsored Enterprise
AAA	Aaa	\$ -	\$ -	\$ 2,017,650
AA	Aa	-	126,160	-
Unrated	Unrated	10,512,995	-	-
Totals		<u>\$ 10,512,995</u>	<u>\$ 126,160</u>	<u>\$ 2,017,650</u>

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. The Utility Pension Board has not adopted a policy for the concentration of credit risk. More than 5% of the Pension's investments are in Federal Home Loan Bank in the amount of \$1,363,290. These investments represent 11% of the total investment for the Plan.

B. Loans Receivables

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

<u>Fund</u>	<u>Receivable</u>	<u>Noncurrent</u>
Special revenue funds:		
Industrial Development	\$ 19,267	\$ 9,902
Community Development	<u>642,716</u>	<u>494,977</u>
Totals	<u>\$ 661,983</u>	<u>\$ 504,879</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

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

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,523,027	\$ 5,326,361	\$ -	\$ 10,849,388
Construction in progress	<u>12,088,763</u>	<u>6,914,048</u>	<u>6,227,671</u>	<u>12,775,140</u>
Total capital assets, not being depreciated	<u>17,611,790</u>	<u>12,240,409</u>	<u>6,227,671</u>	<u>23,624,528</u>
Capital assets, being depreciated:				
Buildings	13,552,015	27,261	44,208	13,535,068
Improvements other than buildings	9,627,741	529,703	46,186	10,111,258
Machinery and equipment	14,637,246	1,128,721	354,662	15,411,305
Infrastructure being depreciated	<u>8,884,651</u>	<u>5,965,876</u>	<u>-</u>	<u>14,850,527</u>
Totals	<u>46,701,653</u>	<u>7,651,561</u>	<u>445,056</u>	<u>53,908,158</u>
Less accumulated depreciation for:				
Buildings	4,378,125	316,285	-	4,694,410
Improvements other than buildings	2,889,995	483,406	-	3,373,401
Machinery and equipment	9,280,260	1,171,705	354,662	10,097,303
Infrastructure being depreciated	<u>778,400</u>	<u>566,171</u>	<u>-</u>	<u>1,344,571</u>
Totals	<u>17,326,780</u>	<u>2,537,567</u>	<u>354,662</u>	<u>19,509,685</u>
Total capital assets, being depreciated, net	<u>29,374,873</u>	<u>5,113,994</u>	<u>90,394</u>	<u>34,398,473</u>
Total governmental activities capital assets, net	<u>\$ 46,986,663</u>	<u>\$ 17,354,403</u>	<u>\$ 6,318,065</u>	<u>\$ 58,023,001</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,079,568	\$ -	\$ -	\$ 1,079,568
Construction in progress	<u>26,344,298</u>	<u>15,686,813</u>	<u>2,393,202</u>	<u>39,637,909</u>
Total capital assets, not being depreciated	<u>27,423,866</u>	<u>15,686,813</u>	<u>2,393,202</u>	<u>40,717,477</u>
Capital assets, being depreciated:				
Buildings	34,141,230	99,919	-	34,241,149
Improvements other than buildings	78,078,575	5,180,721	215,363	83,043,933
Machinery and equipment	22,332,769	1,095,877	532,106	22,896,540
Transportation	<u>3,332,546</u>	<u>360,087</u>	<u>529,168</u>	<u>3,163,465</u>
Totals	<u>137,885,120</u>	<u>6,736,604</u>	<u>1,276,637</u>	<u>143,345,087</u>
Less accumulated depreciation for:				
Buildings	8,262,537	773,037	-	9,035,574
Improvements other than buildings	25,649,974	2,291,379	176,618	27,764,735
Machinery and equipment	13,700,622	800,079	99,583	14,401,118
Transportation	<u>2,659,235</u>	<u>259,971</u>	<u>423,308</u>	<u>2,495,898</u>
Totals	<u>50,272,368</u>	<u>4,124,466</u>	<u>699,509</u>	<u>53,697,325</u>
Total capital assets, being depreciated, net	<u>87,612,752</u>	<u>2,612,138</u>	<u>577,128</u>	<u>89,647,762</u>
Total business-type activities capital assets, net	<u>\$ 115,036,618</u>	<u>\$ 18,298,951</u>	<u>\$ 2,970,330</u>	<u>\$ 130,365,239</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Governmental activities:	
General government	\$ 125,007
Public safety	701,072
Highways and streets	1,004,344
Culture and recreation	667,753
Community development	<u>39,391</u>
Total depreciation expense - governmental activities	<u>\$ 2,537,567</u>
Business-type activities:	
Water	\$ 1,256,674
Wastewater	1,044,510
Electric	<u>1,823,282</u>
Total depreciation expense - business-type activities	<u>\$ 4,124,466</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Expended to December 31, 2006</u>	<u>Committed</u>
Governmental activities:		
Main Street Underpass	\$ 2,437,247	\$ 1,611,692
Main Street at Catalpa	310,793	18,859
Jefferson Blvd improvements	611,723	601,708
Front Street extension	1,176,990	954,239
SJPMC Construction	131,990	93,610
Other street projects	615,786	282,742
Riverfront Park	4,097,814	132,442
Riverwalk	1,350,844	3,084,389
Park projects	73,261	21,900
Communication System	1,957,926	7,017,260
Other police projects	<u>10,766</u>	<u>-</u>
Totals - governmental activities	<u>\$ 12,775,140</u>	<u>\$ 13,818,841</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Project</u>	<u>Expended to December 31, 2006</u>	<u>Committed</u>
Business-type activities:		
Water Utility:		
Bachtel Plant machinery	\$ 9,097	\$ -
Northbridge Valley Section I	111,609	-
Wastewater Utility:		
Milburn improvements	349,950	18,110,050
WWTP design and expansion	38,369,832	5,743,767
NE Trunk Phase I	764,071	25,036,929
Wilson Blvd sewer project	33,350	-
	<u> </u>	<u> </u>
Totals - business-type activities	<u>\$ 39,637,909</u>	<u>\$ 48,890,746</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

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

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Business-type:		
Electric Utility	Water Utility	\$ 28,102
Electric Utility	Wastewater Utility	<u>28,102</u>
Total		<u>\$ 56,204</u>

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Governmental:		
TIF NW General Fund	Nonmajor governmental	\$ 1,210,338
TIF NW General Fund	Wastewater Utility	1,660,000
Nonmajor governmental	General Fund	800,000
Nonmajor governmental	Nonmajor governmental	372,704
Business-type:		
Water Utility	General Fund	472,005
Wastewater Utility	General Fund	245,432
Electric Utility	General Fund	<u>863,461</u>
Total		<u>\$ 5,623,940</u>

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

Capital Leases

The primary government has entered into various capital leases for fire equipment, sewer cleaner, a telemetry system, construction equipment and transportation equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2007	\$ 89,157	\$ 96,961
2008	89,156	70,408
2009	89,157	34,000
2010	<u>-</u>	<u>33,925</u>
Total minimum lease payments	267,470	235,294
Less amount representing interest	<u>20,372</u>	<u>22,875</u>
Present value of net minimum lease payments	<u>\$ 247,098</u>	<u>\$ 212,419</u>

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Governmental Activities	Business-Type Activities
Improvements other than buildings	\$ -	\$ 442,000
Machinery and equipment	<u>389,000</u>	<u>447,360</u>
Totals	389,000	889,360
Less: accumulated depreciation	<u>60,511</u>	<u>645,245</u>
Totals	<u>\$ 328,489</u>	<u>\$ 244,115</u>

G. Short-Term Liabilities

Revolving Line of Credit:

The primary government uses a revolving line of credit to finance the first time home buyers program.

Short-term debt activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Short-term loans	<u>\$ 259,050</u>	<u>\$ 499,205</u>	<u>\$ 390,089</u>	<u>\$ 368,166</u>

H. Long-Term Liabilities

1. General Obligation Bonds

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

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

Purpose	Interest Rates	Balance December 31	Less Unamortized Discount	Amount
2004 Refunding of 1993 police station bonds	3%	\$ 2,130,000	\$ 16,254	\$ 2,113,746
2005 Communication equipment	3.5% to 4%	4,845,000	25,269	4,819,731
2006 Park and recreation	3.85%	<u>1,550,000</u>	<u>5,000</u>	<u>1,545,000</u>
Totals		<u>\$ 8,525,000</u>	<u>\$ 46,523</u>	<u>\$ 8,478,477</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Tax Incremental Financing (TIF) Bonds

The City issues TIF bonds to be repaid from the property tax revenue generated from the increased assessed valuation of property located within the TIF district.

Purpose	Interest Rates	Balance December 31	Less Unamortized Discount	Amount
2001 Redevelopment NW District TIF refunding	5%	\$ 3,740,000	\$ 47,960	\$ 3,692,040
2001 Redevelopment CBD District TIF refunding	4.85%	195,000	2,600	192,400
2005 Redevelopment SS District TIF refunding	3.25% to 4%	2,390,000	29,171	2,360,829
Totals		<u>\$ 6,325,000</u>	<u>\$ 79,731</u>	<u>\$ 6,245,269</u>

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

Year Ended December 31	Governmental Activities			
	General Obligation Bonds		TIF Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 780,000	\$ 281,091	\$ 1,180,000	\$ 272,642
2008	915,000	276,942	1,235,000	217,151
2009	945,000	245,284	1,250,000	158,633
2010	985,000	212,132	1,265,000	100,211
2011	1,020,000	177,117	315,000	51,752
2012-2016	<u>3,880,000</u>	<u>335,041</u>	<u>1,080,000</u>	<u>88,497</u>
Totals	<u>\$ 8,525,000</u>	<u>\$ 1,527,607</u>	<u>\$ 6,325,000</u>	<u>\$ 888,886</u>

3. Revenue Bonds

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

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Discount	Less: Deferral on Refunding	Revenue Bonds
2000 Water revenue bonds	4.5% to 5.5%	\$ 4,330,000	\$ 61,816	\$ -	\$ 4,268,184
1994 Wastewater capital appreciation bonds	5.55% to 5.65%	3,805,654	15,027	-	3,790,627
2002 Wastewater refunding revenue bonds	1.3% to 3.7%	5,075,000	33,675	164,074	4,877,251
2006 Wastewater revenue bonds, Series A	3.625% to 4.0%	8,450,000	70,059	-	8,379,941
Totals		<u>\$ 21,660,654</u>	<u>\$ 180,577</u>	<u>\$ 164,074</u>	<u>\$ 21,316,003</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2007	\$ 1,670,000	\$ 599,208
2008	1,625,000	646,053
2009	1,675,000	590,016
2010	1,750,000	528,756
2011	1,205,000	462,080
2012-2016	7,690,654	1,907,224
2017-2021	3,360,000	878,009
2022-2026	2,685,000	300,000
Totals	<u>\$ 21,660,654</u>	<u>\$ 5,911,346</u>

4. Notes and Loans Payable

The primary government has entered into various notes/loans. Loans for the business-type activities consist of loans from the State Revolving Loan Fund. Annual debt service requirements to maturity for the governmental activities notes/loans are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 288,644	\$ 22,244
2008	295,753	13,978
2009	174,000	5,500
2010	89,000	1,112
Totals	<u>\$ 847,397</u>	<u>\$ 42,834</u>

Annual debt service requirements to maturity for the State Revolving Loans for the business-type activities are as follows:

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended		
<u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,834,000	\$ 2,083,228
2008	1,893,000	2,023,214
2009	1,950,000	1,961,207
2010	2,025,000	1,897,217
2011	2,008,000	1,830,902
2012-2016	12,737,000	8,127,658
2017-2021	20,398,000	5,296,240
2022-2026	<u>12,516,331</u>	<u>73,030</u>
Totals	<u>\$ 55,361,331</u>	<u>\$ 23,292,696</u>

Under terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the wastewater plant expansion and improvements. Funds are loaned to the Utility as construction costs are incurred to the maximum allowed. The 2004 loan established a maximum draw of \$41,620,000. As of December 31, 2006, the loan principal balance was \$35,029,060. Annual debt service requirements to maturity for the 2004 loan will not be determined until planned construction is completed. The interest rate on the loan is 3.69% but no interest accrued until 2005.

5. Advance Refunding

In prior years, the Mishawaka Wastewater Utility defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. At December 31, 2006, \$5,105,000 of bonds outstanding are considered defeased.

6. Changes in Long-Term Liabilities

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

<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:					
General obligation	\$ 7,640,000	\$ 1,550,000	\$ 665,000	\$ 8,525,000	\$ 780,000
TIF	7,450,000	-	1,125,000	6,325,000	1,180,000
Less deferred amount:					
For issuance discounts	<u>142,774</u>	<u>5,000</u>	<u>21,520</u>	<u>126,254</u>	<u>-</u>
Total bonds payable	14,947,226	1,545,000	1,768,480	14,723,746	1,960,000

CITY OF MISHAWAKA
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 (continued):					
Capital leases	393,775	-	146,677	247,098	79,104
Notes and loans payable	1,127,082	-	279,685	847,397	288,644
Net pension obligation	18,149,718	809,203	-	18,958,921	-
Compensated absences	<u>602,407</u>	<u>350,303</u>	<u>322,724</u>	<u>629,986</u>	<u>368,632</u>
Total governmental activities long-term liabilities	<u>\$ 35,220,208</u>	<u>\$ 2,704,506</u>	<u>\$ 2,517,566</u>	<u>\$ 35,407,148</u>	<u>\$ 2,696,380</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 4,530,000	\$ -	\$ 200,000	\$ 4,330,000	\$ 210,000
Wastewater Utility	9,720,813	8,654,841	1,045,000	17,330,654	1,460,000
Less deferred amount:					
On refunding	125,019	70,059	14,501	180,577	-
For issuance discounts	<u>205,091</u>	<u>-</u>	<u>41,017</u>	<u>164,074</u>	<u>-</u>
Total revenue bonds payable	13,920,703	8,584,782	1,189,482	21,316,003	1,670,000
Capital leases	356,427	-	144,008	212,419	121,512
Compensated absences	241,131	-	3,522	237,609	31,380
Notes and loans payable	42,701,253	14,347,078	1,687,000	55,361,331	1,712,000
Net pension obligation	<u>229,941</u>	<u>15,776</u>	<u>-</u>	<u>245,717</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 57,449,455</u>	<u>\$ 22,947,636</u>	<u>\$ 3,024,012</u>	<u>\$ 77,373,079</u>	<u>\$ 3,534,892</u>

Compensated absences for governmental activities typically have been liquidated from the general fund.

I. Restricted Assets

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

Customer deposits	\$ 1,520,660
Revenue bond covenant accounts	6,886,627
Repair accounts	2,902,519
Capital outlay accounts	8,442,454
Interest receivable	<u>16,064</u>
Total restricted assets	<u>\$ 19,768,324</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

J. Restatements and Reclassifications

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government. The following schedule presents a summary of restated beginning balances by opinion units. Prior period adjustments for governmental activities represent an increase in compensated absences of \$400,937 and decrease in loans receivable of \$36,000. Prior period adjustments for governmental funds represent a decrease in loans receivable of \$36,000.

Opinion Unit	Balance as Reported December 31, 2005	Prior Period Adjustments	Balance as Restated January 1, 2006
Governmental activities:			
Net assets	\$ 67,512,416	\$ (436,937)	\$ 67,075,479
Governmental funds:			
Other governmental funds:			
Fund balance	17,496,662	(36,000)	17,460,662

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 (excluding postemployment benefits); and natural disasters.

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

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

The primary government has chosen to establish a risk financing fund for risks associated with employee health insurance. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Inter-fund premiums are charged to each fund based on the insured funds' number of employees and are reported as expenditures of the fund. Provisions are also made for unexpected and unusual claims.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

	<u>2005</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$ 301,315	\$ 366,777
Incurred claims and changes in estimates	5,289,042	7,005,637
Claim payments	<u>5,223,580</u>	<u>6,838,630</u>
Unpaid claims, end of fiscal year	<u>\$ 366,777</u>	<u>\$ 533,784</u>

B. Conduit Debt Obligation

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

As of December 31, 2006, there was one series of Economic Development Revenue Bonds outstanding with an aggregate principal amount payable of \$3,200,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health care benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government on or after attaining normal retirement age. Currently, seventy-one retirees meet these eligibility requirements. The primary government annually provides \$400 for PERF covered employees with less than twenty years of service and provides \$5,707 for each police and fire retiree and for each PERF covered employee with more than twenty years of service with the retirees paying the remainder of the cost of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, expenditures of \$1,040,455 were recognized for postemployment benefits.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

b. 1925 Police Officers' Pension Plan

Plan Description

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

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

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

d. Utility Pension Plan

Plan Description

The City's utilities (water, wastewater and electric) contribute to the Utility Pension Plan, a single employer defined pension plan administered by the Indiana Trust & Investment Management Company, as trustee. The plan covers all employees of the three utilities except for sewer employees of the Wastewater Utility who are covered by PERF. The plan is administered by the City's Board of Works, as provided by state statute (IC 8-1.5-3-7) and provides retirement, disability, and death benefits to plan members and beneficiaries. The trustee does not issue a publicly available financial report that includes financial statements and supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the plan administrator. Currently, employees are not required to make any contributions to the plan. The utilities' annual pension cost for the current year 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.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension	Utility Pension
Annual required contribution	\$ 416,712	\$ 1,569,000	\$ 2,295,600	\$ 569,825
Interest on net pension obligation	(39,263)	398,700	684,500	44,161
Adjustment to annual required contribution	44,743	(482,900)	(829,100)	(5,752)
Annual pension cost	422,192	1,484,800	2,151,000	608,234
Contributions made	368,486	1,077,196	1,651,741	592,458
Increase in net pension obligation	53,706	407,604	499,259	15,776
Net pension obligation, beginning of year	(541,561)	6,644,288	11,407,770	229,941
Net pension obligation, end of year	\$ (487,855)	\$ 7,051,892	\$ 11,907,029	\$ 245,717

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension	Utility Pension
Contribution rates:				
City	5.38%	1,372%	820%	9.9%
Plan Members	3%	6%	6%	
Actuarial valuation date	07-01-05	01-01-05	01-01-05	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age	Aggregate cost
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	*
Amortization period	40 years	30 years	30 years	*
Amortization period (from date)	07-01-97	01-01-05	01-01-05	*
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital	Fair value

*The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial present value of projected benefits of the group in excess of the actuarial value of assets is allocated on a level basis over the earnings of the group.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

e. Financial Statements for Defined Benefit Plans

Statements of Fiduciary Net Assets:

<u>Assets</u>	1925 Police Pension	1937 Firefighters' Pension	Utility Pension
Cash and cash equivalents	\$ 458,739	\$ 627,652	\$ 323,134
Receivables:			
Interest and dividends	-	-	34,874
Taxes	41,746	58,087	-
Intergovernmental	1,710	2,379	-
Total receivables	43,456	60,466	34,874
Investments at fair value:			
Government sponsored enterprise	-	-	2,017,650
Corporate obligations	-	-	126,160
Mutual funds	-	-	10,512,995
Total investments	-	-	12,656,805
Total assets	502,195	688,118	13,014,813
<u>Liabilities</u>			
Noncurrent liabilities:			
D.R.O.P. payable - due within one year	-	32,050	-
<u>Net assets</u>			
Held in trust for:			
Employees' pension benefits	\$ 502,195	\$ 656,068	\$ 13,014,813

Statements of Changes in Fiduciary Net Assets:

<u>Additions</u>	1925 Police Pension	1937 Firefighters' Pension	Utility Pension
Contributions:			
Employer	\$ 1,423,418	\$ 2,070,249	\$ 592,458
Plan members	1,529	4,243	-
Total contributions	1,424,947	2,074,492	592,458

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1925 Police Pension	1937 Firefighters' Pension	Utility Pension
<u>Additions (continued)</u>			
Investment income:			
Net increase in fair value of investments	-	-	399,197
Interest	-	-	1,035,878
Total investment income	-	-	1,435,075
Less investment expense:			
Investment activity expense	-	-	29,084
Net investment income	-	-	1,405,991
Total additions	1,424,947	2,074,492	1,998,449
<u>Deductions</u>			
Benefits	1,397,699	2,166,349	686,495
Administrative expense	1,463	6,124	22,077
Total deductions	1,399,162	2,172,473	708,572
Changes in net assets	25,785	(97,981)	1,289,877
Net assets - beginning	476,410	754,049	11,724,936
Net assets - ending	\$ 502,195	\$ 656,068	\$ 13,014,813

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension	Utility Pension
Investment rate of return	7.25%	6%	6%	7.75%
Projected future salary increases:				
Total	5%	4%	4%	5%
Attributed to inflation	4%	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%	1%
Cost-of-living adjustments	2%	2.75%/4%*	4%	2%

*2.75% converted members; 4% nonconverted members

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

PERF			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-04	\$ 291,616	135%	\$ (507,437)
06-30-05	341,195	129%	(541,561)
06-30-06	422,192	108%	(487,855)

1925 Police Officers' Pension Plan			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-03	\$ 2,071,000	51%	\$ 5,598,607
12-31-04	2,114,400	51%	6,644,288
12-31-05	1,484,800	73%	7,051,892

1937 Firefighters' Pension Plan			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-03	\$ 3,003,700	54%	\$ 9,878,493
12-31-04	3,054,900	50%	11,407,770
12-31-05	2,151,000	77%	11,907,029

Utility Pension Plan			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
01-01-04	\$ 590,667	78%	\$ 397,716
01-01-05	587,148	101%	229,941
01-01-06	608,235	101%	245,717

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

	1925 Police Officers' Pension	1937 Firefighters' Pension	Utility Pension
Retires and beneficiaries currently receiving benefits	59	90	45
Terminated employees entitled to but not yet receiving benefits	-	-	-
Current active employees	3	4	148

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

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

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$1,713,516, \$1,666,750, and \$1,476,249, respectively, equal to the required contributions for each year.

Pursuant to Indiana statute, certain City police officers and fire fighters are eligible for the deferred retirement option plan (D.R.O.P.). Active police officers and fire fighters, who are eligible to retire, may declare their retirement date and then receive a lump sum at retirement based on pension factors. The lump sum amount, for those who have declared, is recognized as D.R.O.P. payable. The City's liability is recognized net of a 50% reduction which is the minimum the State will reimburse in the following year.

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 6,731,673	\$ 6,866,507	\$ (134,834)	98%	\$ 6,984,326	(2%)
07-01-05	7,029,248	7,802,736	(773,488)	90%	7,203,417	(11%)
07-01-06	7,375,475	7,842,949	(467,474)	94%	7,085,272	(7%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 431,408	\$ 20,296,000	\$ (19,864,592)	2%	\$ 207,400	(9,578%)
01-01-02	1,219,412	20,820,000	(19,600,588)	6%	145,900	(13,434%)
01-01-03	1,278,941	19,697,900	(18,418,959)	6%	265,300	(6,943%)
01-01-04	1,069,051	20,660,000	(19,590,949)	5%	157,600	(12,431%)
01-01-05	803,253	21,548,900	(20,745,647)	4%	174,700	(11,875%)
01-01-06	476,410	21,548,900	(21,072,490)	2%	176,500	(11,939%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 778,330	\$ 31,901,600	\$ (31,123,270)	2%	\$ 484,000	(6,430%)
01-01-02	1,874,735	30,678,100	(28,803,365)	6%	467,200	(6,165%)
01-01-03	1,758,190	28,851,500	(27,093,310)	6%	597,800	(4,532%)
01-01-04	1,624,395	30,123,300	(28,498,905)	5%	466,000	(6,116%)
01-01-05	1,236,696	30,914,900	(29,678,204)	4%	433,100	(6,853%)
01-01-06	754,049	29,758,700	(29,004,651)	3%	262,600	(11,045%)

CITY OF MISHAWAKA
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		
		City	State	
12-31-00	\$ 1,980,200	35%	33%	
12-31-01	2,090,800	26%	73%	
12-31-02	2,210,400	26%	35%	
12-31-03	2,278,000	14%	34%	
12-31-04	2,396,700	13%	30%	
12-31-05	1,569,000	23%	46%	

1937 Firefighters' Pension Plan				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
12-31-00	\$ 3,171,500	22%	26%	
12-31-01	3,323,400	23%	24%	
12-31-02	3,312,400	26%	28%	
12-31-03	3,387,400	21%	27%	
12-31-04	3,553,000	15%	26%	
12-31-05	2,295,600	26%	46%	

Employer Contributions - Utility Pension Plan			
Year Ending	Annual Required Contribution (ARC)	Percentage Contributed	
01-01-00	\$ 307,904	120%	
01-01-01	352,465	98%	
01-01-02	443,370	86%	
01-01-03	576,000	83%	
01-01-04	550,325	83%	
01-01-05	549,845	137%	
01-01-06	569,825	96%	

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 15,463,891	\$ 15,593,152	\$ 15,857,632	\$ 264,480
Licenses and permits	290,200	290,200	462,435	172,235
Intergovernmental	3,879,167	3,979,183	3,802,091	(177,092)
Charges for services	351,000	351,000	592,198	241,198
Fines and forfeits	39,000	39,000	19,139	(19,861)
Interest	175,000	175,000	475,968	300,968
Sale and use of property	-	-	18,428	18,428
Other	463,000	463,000	413,237	(49,763)
Total revenues	20,661,258	20,890,535	21,641,128	750,593
Expenditures:				
Current:				
General government:				
Mayor:				
Personal services	122,736	122,736	122,736	-
Supplies	2,870	2,870	2,131	739
Other services and charges	14,274	14,337	13,428	909
City Clerk:				
Personal services	107,500	107,500	107,500	-
Supplies	2,963	1,463	1,175	288
Other services and charges	23,383	12,883	11,696	1,187
Capital outlay	5,000	17,000	13,166	3,834
Central Motor Pool:				
Personal services	533,088	533,088	397,909	135,179
Supplies	496,116	646,116	633,903	12,213
Other services and charges	60,147	60,386	41,730	18,656
Capital outlay	250	250	-	250
Common Council:				
Personal services	84,186	84,186	84,186	-
Supplies	500	500	42	458
Other services and charges	9,786	9,786	7,870	1,916
City Hall:				
Personal services	26,480	26,480	24,850	1,630
Supplies	4,085	4,085	4,085	-
Capital outlay	250	250	250	-
Controller:				
Personal services	6,852,230	6,852,230	6,462,129	390,101
Supplies	16,128	16,128	10,286	5,842
Other services and charges	1,824,722	1,824,824	1,730,839	93,985
Capital outlay	250	250	105	145
Human Resources:				
Personal services	81,192	81,192	75,002	6,190
Supplies	1,000	1,000	631	369
Other services and charges	21,109	21,109	12,337	8,772
Capital outlay	688	688	655	33
Information Technology:				
Personal services	167,636	167,636	167,634	2
Supplies	1,000	1,000	423	577
Other services and charges	18,473	18,473	8,362	10,111
Capital outlay	301	301	136	165
Cemetery:				
Other services and charges	15,000	15,000	15,000	-
Legal:				
Personal services	91,120	91,120	91,119	1
Supplies	3,000	3,000	1,926	1,074
Other services and charges	22,884	22,884	22,432	452
Capital outlay	2,250	2,250	-	2,250

Continued on next page

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2006
(Continued)

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
General government (continued):				
Planning:				
Personal services	172,234	172,234	172,209	25
Supplies	4,053	4,053	2,576	1,477
Other services and charges	62,865	62,865	58,972	3,893
Capital outlay	7,950	7,950	7,698	252
Total general government	10,859,699	11,010,103	10,307,128	702,975
Public safety:				
Police:				
Personal services	6,370,555	6,461,523	6,325,301	136,222
Supplies	64,852	68,438	59,557	8,881
Other services and charges	151,188	154,227	143,805	10,422
Capital outlay	22,209	24,258	24,258	-
Fire:				
Personal services	4,833,069	4,888,069	4,869,202	18,867
Supplies	79,416	82,448	70,882	11,566
Other services and charges	333,382	366,382	353,943	12,439
Capital outlay	30,577	30,577	30,180	397
Code Enforcement:				
Personal services	228,574	228,574	225,320	3,254
Supplies	2,595	2,595	2,456	139
Other services and charges	14,850	14,850	8,231	6,619
Capital outlay	1,230	1,230	668	562
Building Department:				
Personal services	183,307	195,307	191,677	3,630
Supplies	3,150	3,150	2,324	826
Other services and charges	4,350	4,440	2,748	1,692
Capital outlay	200	200	200	-
Emergency Medical Service:				
Personal services	1,064,058	1,058,576	1,025,766	32,810
Supplies	35,101	41,101	35,235	5,866
Other services and charges	45,040	45,040	32,015	13,025
Capital outlay	3,500	3,500	2,282	1,218
Weights and Measures:				
Other services and charges	75	75	75	-
Capital outlay	168	168	168	-
Total public safety	13,471,446	13,674,728	13,406,293	268,435
Highways and streets:				
Engineering:				
Personal services	292,734	292,734	292,733	1
Supplies	2,531	2,531	2,524	7
Other services and charges	26,400	26,400	21,541	4,859
Capital outlay	1,781	1,781	1,527	254
Total highways and streets	323,446	323,446	318,325	5,121
Sanitation:				
Recycling:				
Supplies	5,000	5,000	4,876	124
Other services and charges	35,000	35,000	35,000	-
Total sanitation	40,000	40,000	39,876	124

Continued on next page

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2006
(Continued)

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
Community development:				
Redevelopment:				
Personal services	33,000	33,000	33,000	-
Supplies	250	250	250	-
Other services and charges	4,300	4,300	4,300	-
Total urban redevelopment and housing	37,550	37,550	37,550	-
Total expenditures	24,732,141	25,085,827	24,109,172	976,655
Deficiency of revenues under expenditures	(4,070,883)	(4,195,292)	(2,468,044)	1,727,248
Other financing uses:				
Transfers in	2,000,000	2,000,000	2,380,897	380,897
Net change in fund balances	(2,070,883)	(2,195,292)	(87,147)	2,108,145
Fund balances - beginning	2,712,517	2,712,517	2,712,517	-
Fund balances - ending	<u>\$ 641,634</u>	<u>\$ 517,225</u>	<u>\$ 2,625,370</u>	<u>\$ 2,108,145</u>

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET/GAAP RECONCILIATION
GENERAL FUND
For The Year Ended December 31, 2006

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

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

	<u>General</u>
Net change in fund balance, budget basis	\$ (87,147)
To adjust revenues for accruals	156,533
To adjust expenditures for accruals	21,817
To adjust expenditures for encumbrances	<u>457,407</u>
Net change in fund balance, GAAP basis	<u><u>\$ 548,610</u></u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Motor Vehicle Highway -	To account for street construction and the operations of the street and maintenance department. Financing is provided by state motor vehicle highway distributions and a specific annual property tax levy.
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.
Park and Recreation -	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.
Park and Recreation Gift -	To account for donations to the Park and Recreation Department.
Rainy Day -	To account for supplemental distributions of COIT and CEDIT. These funds can be used for any purpose permitted by state statute for other revenues of the city.
Police Drug Investigation Assistance -	To account for expenditures for drug and arson investigation and training of police personnel financed by state grants, donations, and sale of confiscated assets.
Off-Street Parking -	To account for operations of city owned parking lots. Revenues are received from parking permit fees.
Alley Paving -	To account for revenue received from residents for improvements to alleys.
Sidewalk and Curb Repair -	To account for revenue received from residents for improvements to adjacent sidewalks and curbs.
Industrial Development -	To account for state loans to provide loan money to business and commercial customers for rehabilitation.
Unsafe Building -	To account for expenditures and revenue related to demolition of unsafe buildings.
Mishawaka Gift -	To account for donations for various projects.
Law Enforcement Continuing Education -	To account for court fees, fees charged for furnishing accident reports, handgun application fees and fees charged for vehicle inspections. Expenditures are for the continuing education and training of law enforcement officers.
Local Law Enforcement Block Grant -	To account for federal grant funds received to purchase equipment for the Police Department.
Insurance Recovery -	To account for insurance adjustment proceeds to cover repair claims.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Bicentennial Gift -	To account for donations for the bicentennial celebration. Interest earned on these monies is receipted to this fund.
Community Development -	To account for Housing and Urban Development (HUD) monies used for low or no interest residential rehabilitation loans and for urban redevelopment and housing. Pay back monies from loans are also used for these purposes.
Property Rehabilitation Revolving -	To account for Housing and Urban Development (HUD) monies used for low or no interest residential rehabilitation loans. Pay back monies from loans are also used for this purpose.
DOC Community Development -	To account for specific projects originally funded by state grants from the Department of Commerce. Some of the grant money was used to make loans to local businesses. New projects funded with payback monies must be approved by the Department of Commerce.
Park Nonreverting Operating -	To account for some operating expenses at the city pools and golf course. Financing is provided by improvement fees charged by the Park Department.
Criminal Assistance Grant -	To account for state funds received for criminal prevention and intervention programs coordinated by the police department.
State Grant -	To account for state funds received for street improvements to the Capital Avenue corridor.
<u>Debt Service Funds</u>	
Municipal Bond No. 1 -	To account for debt retirement of the City's general obligation bonds and several capital leases. Financing is provided by a specific tax levy.
TIF (Tax Incremental Financing) CBD Redemption and Reserve -	To account for debt retirement of the Central Business District (CBD) bond issues. Financing is provided by transfers from the Tax Incremental Financing CBD General Fund.
TIF (Tax Incremental Financing) NW Redemption and Reserve -	To account for debt retirement for the Northwest (NW) District bond issues. Financing is provided by transfers from the Tax Incremental Financing NW General Fund.
TIF (Tax Incremental Financing) SS Redemption and Reserve -	To account for debt retirement for the Southside (SS) District bond issue. Financing is provided by transfers from the Tax Incremental Financing SS General Fund.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Capital Projects Funds

Cumulative Building and Fire Fighting Equipment -	To account for financial resources for the purchase of fire equipment. Financing is provided by a specific property tax levy.
Cumulative Capital Improvement -	To account for financial resources related to improvement projects financed by state cigarette tax distributions. Transfers may be made to the General Fund.
Cumulative Sewer -	To account for financial resources for the construction or repairing of storm sewers or sewage disposal plants and sanitary sewers. Financing is provided by a specific property tax levy.
General Improvement -	To account for revenue and expenditures for public improvement projects. Project costs are assessed against property owners benefited by the improvement projects. The time period for payment of the assessments cannot exceed five years. All interest and penalties collected on assessments are receipted to the General Fund.
Consolidated Project Expenditures -	To account for balances remaining in closed out funds and to pay expenditures incurred on these past projects.
Cumulative Capital Development -	To account for financial resources related to development projects. Financing is provided by a specific property tax levy.
Park Bond Capital -	To account for expenditures made for various improvements to park properties. Financing is provided from proceeds of a general obligation bond issue.
Radio Bond Capital	To account for expenditures made for updates to the city's communication system. Financing is provided from the proceeds of a general obligation bond issue.
County Economic Development Income Tax (CEDIT) -	To account for financial resources related to development projects. Financing is provided by a tax on income.
Tax Incremental Financing (TIF) CBD General -	To account for expenditures made for public improvement projects in the Central Business District (CBD) property tax incremental financing district. Financing is provided by incremental taxes collected on property located in this district. Amounts needed for bond retirement are transferred annually to the proper debt service fund.
Tax Incremental Financing (TIF) SS General -	To account for expenditures made for public improvement projects in the Southside (SS) property tax incremental financing district. Financing is provided by incremental taxes collected on property located in this district. Amounts needed for bond retirement are transferred annually to the proper debt service fund.

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

	Special Revenue							
<u>Assets</u>	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park and Recreation Gift	Rainy Day	Police Drug Investigation Assistance	Off-Street Parking	Alley Paving
Cash and cash equivalents	\$ 1,548,801	\$ 734,211	\$ 1,174,609	\$ 82,153	\$ 12,661	\$ 1,268	\$ 37,410	\$ -
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	98,428	-	175,792	-	-	-	-	-
Accounts	-	-	4,262	-	-	-	-	-
Intergovernmental	293,119	80,928	7,200	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,940,348</u>	<u>\$ 815,139</u>	<u>\$ 1,361,863</u>	<u>\$ 82,153</u>	<u>\$ 12,661</u>	<u>\$ 1,268</u>	<u>\$ 37,410</u>	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 76,353	\$ 11,800	\$ 71,635	\$ 2,082	\$ 1,773	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	21,278	-	12,759	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Unearned revenue	102,460	-	182,992	-	-	-	-	-
Total liabilities	<u>200,091</u>	<u>11,800</u>	<u>267,386</u>	<u>2,082</u>	<u>1,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:								
Reserved for:								
Encumbrances	393,881	393,809	12,218	-	10,888	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	1,346,376	409,530	1,082,259	80,071	-	1,268	37,410	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	<u>1,740,257</u>	<u>803,339</u>	<u>1,094,477</u>	<u>80,071</u>	<u>10,888</u>	<u>1,268</u>	<u>37,410</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,940,348</u>	<u>\$ 815,139</u>	<u>\$ 1,361,863</u>	<u>\$ 82,153</u>	<u>\$ 12,661</u>	<u>\$ 1,268</u>	<u>\$ 37,410</u>	<u>\$ -</u>

Continued on next page

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

	Special Revenue						
	Sidewalk and Curb Repair	Industrial Development	Unsafe Building	Mishawaka Gift	Law Enforcement Continuing Education	Local Law Enforcement Block Grant	Insurance Recovery
<u>Assets</u>							
Cash and cash equivalents	\$ 761	\$ 37,694	\$ 259	\$ 64,694	\$ 68,594	\$ 9,546	\$ 93,804
Receivables (net of allowances for uncollectibles):							
Interest	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Accounts	-	-	-	-	7,304	-	16,021
Intergovernmental	-	-	-	-	-	-	-
Loans	-	19,267	-	-	-	-	-
Total assets	<u>\$ 761</u>	<u>\$ 56,961</u>	<u>\$ 259</u>	<u>\$ 64,694</u>	<u>\$ 75,898</u>	<u>\$ 9,546</u>	<u>\$ 109,825</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 578	\$ 1,441	\$ -	\$ 6,945
Accrued payroll and withholdings payable	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>578</u>	<u>1,441</u>	<u>-</u>	<u>6,945</u>
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	-	2,837	8,619	-
Noncurrent loans receivable	-	9,902	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unreserved, reported in:							
Special revenue funds	761	47,059	259	64,116	71,620	927	102,880
Capital projects funds	-	-	-	-	-	-	-
Total fund balances	<u>761</u>	<u>56,961</u>	<u>259</u>	<u>64,116</u>	<u>74,457</u>	<u>9,546</u>	<u>102,880</u>
Total liabilities and fund balances	<u>\$ 761</u>	<u>\$ 56,961</u>	<u>\$ 259</u>	<u>\$ 64,694</u>	<u>\$ 75,898</u>	<u>\$ 9,546</u>	<u>\$ 109,825</u>

Continued on next page

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

	Special Revenue							
	Bicentennial Gift	Community Development	Property Rehabilitation Revolving	DOC Community Development	Park Nonreverting Operating	Criminal Assistance Grant	State Grant	Total
<u>Assets</u>								
Cash and cash equivalents	\$ 1,225	\$ 24,810	\$ 341,553	\$ 5,581	\$ 277,460	\$ 63,911	\$ 70,006	\$ 4,651,011
Receivables (net of allowances for uncollectibles):								
Interest	4	-	-	-	-	-	-	4
Taxes	-	-	-	-	-	-	-	274,220
Accounts	-	-	-	-	1,893	-	-	29,480
Intergovernmental	-	-	-	-	-	-	-	381,247
Loans	-	642,716	-	-	-	-	-	661,983
	<u>-</u>	<u>642,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>661,983</u>
Total assets	<u>\$ 1,229</u>	<u>\$ 667,526</u>	<u>\$ 341,553</u>	<u>\$ 5,581</u>	<u>\$ 279,353</u>	<u>\$ 63,911</u>	<u>\$ 70,006</u>	<u>\$ 5,997,945</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ -	\$ 19,433	\$ 5,796	\$ -	\$ -	\$ 7,527	\$ -	\$ 205,363
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	34,037
Contracts payable	-	153,116	-	-	-	-	-	153,116
Unearned revenue	-	-	-	-	-	-	-	285,452
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,452</u>
Total liabilities	<u>-</u>	<u>172,549</u>	<u>5,796</u>	<u>-</u>	<u>-</u>	<u>7,527</u>	<u>-</u>	<u>677,968</u>
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	30,620	-	-	852,872
Noncurrent loans receivable	-	494,977	-	-	-	-	-	504,879
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	1,229	-	335,757	5,581	248,733	56,384	70,006	3,962,226
Capital projects funds	-	-	-	-	-	-	-	-
	<u>1,229</u>	<u>494,977</u>	<u>335,757</u>	<u>5,581</u>	<u>279,353</u>	<u>56,384</u>	<u>70,006</u>	<u>5,319,977</u>
Total fund balances	<u>1,229</u>	<u>494,977</u>	<u>335,757</u>	<u>5,581</u>	<u>279,353</u>	<u>56,384</u>	<u>70,006</u>	<u>5,319,977</u>
Total liabilities and fund balances	<u>\$ 1,229</u>	<u>\$ 667,526</u>	<u>\$ 341,553</u>	<u>\$ 5,581</u>	<u>\$ 279,353</u>	<u>\$ 63,911</u>	<u>\$ 70,006</u>	<u>\$ 5,997,945</u>

Continued on next page

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

	Debt Service							
<u>Assets</u>	<u>Municipal Bond No. 1</u>	<u>TIF CBD Redemption</u>	<u>TIF CBD Reserve</u>	<u>TIF NW Redemption</u>	<u>TIF NW Reserve</u>	<u>TIF SS Redemption</u>	<u>TIF SS Reserve</u>	<u>Totals</u>
Cash and cash equivalents	\$ 449,596	\$ 7,528	\$ 76,049	\$ 664,208	\$ 993,531	\$ 343,750	\$ 346,619	\$ 2,881,281
Receivables (net of allowances for uncollectibles):								
Interest	-	716	716	3,837	3,837	787	787	10,680
Taxes	59,108	-	-	-	-	-	-	59,108
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	2,421	-	-	-	-	-	-	2,421
Loans	-	-	-	-	-	-	-	-
Total assets	<u>\$ 511,125</u>	<u>\$ 8,244</u>	<u>\$ 76,765</u>	<u>\$ 668,045</u>	<u>\$ 997,368</u>	<u>\$ 344,537</u>	<u>\$ 347,406</u>	<u>\$ 2,953,490</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Unearned revenue	61,529	-	-	-	-	-	-	61,529
Total liabilities	<u>62,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,279</u>
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Debt service	448,846	8,244	76,765	668,045	997,368	344,537	347,406	2,891,211
Unreserved, reported in:								
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	<u>448,846</u>	<u>8,244</u>	<u>76,765</u>	<u>668,045</u>	<u>997,368</u>	<u>344,537</u>	<u>347,406</u>	<u>2,891,211</u>
Total liabilities and fund balances	<u>\$ 511,125</u>	<u>\$ 8,244</u>	<u>\$ 76,765</u>	<u>\$ 668,045</u>	<u>\$ 997,368</u>	<u>\$ 344,537</u>	<u>\$ 347,406</u>	<u>\$ 2,953,490</u>

Continued on next page

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

	Capital Projects					
<u>Assets</u>	Cumulative Building and Fire Fighting Equipment	Cumulative Capital Improvement	Cumulative Sewer	General Improvement	Consolidated Project Expenditures	Cumulative Capital Development
Cash and cash equivalents	\$ 150,974	\$ 262,855	\$ 1,998,558	\$ 55,567	\$ 29,136	\$ 653,101
Receivables (net of allowances for uncollectibles):						
Interest	-	-	-	-	-	-
Taxes	3,575	-	44,171	-	-	36,895
Accounts	-	-	-	-	-	-
Intergovernmental	146	14,582	1,809	-	-	1,511
Loans	-	-	-	-	-	-
Total assets	<u>\$ 154,695</u>	<u>\$ 277,437</u>	<u>\$ 2,044,538</u>	<u>\$ 55,567</u>	<u>\$ 29,136</u>	<u>\$ 691,507</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 2,974	\$ -	\$ 18,439	\$ -	\$ -	\$ 73,536
Accrued payroll and withholdings payable	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Unearned revenue	3,721	14,582	45,980	-	-	38,406
Total liabilities	<u>6,695</u>	<u>14,582</u>	<u>64,419</u>	<u>-</u>	<u>-</u>	<u>111,942</u>
Fund balances:						
Reserved for:						
Encumbrances	8,197	-	459,055	-	-	180,247
Noncurrent loans receivable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unreserved, reported in:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	139,803	262,855	1,521,064	55,567	29,136	399,318
Total fund balances	<u>148,000</u>	<u>262,855</u>	<u>1,980,119</u>	<u>55,567</u>	<u>29,136</u>	<u>579,565</u>
Total liabilities and fund balances	<u>\$ 154,695</u>	<u>\$ 277,437</u>	<u>\$ 2,044,538</u>	<u>\$ 55,567</u>	<u>\$ 29,136</u>	<u>\$ 691,507</u>

Continued on next page

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

	Capital Projects						Total Nonmajor Governmental Funds
<u>Assets</u>	Park Bond Capital	Radio Bond Capital	CEDIT	TIF CBD General	TIF SS General	Totals	
Cash and cash equivalents	\$ 1,545,123	\$ 3,052,476	\$ 993,725	\$ 277,276	\$ 1,686,241	\$ 10,705,032	\$ 18,237,324
Receivables (net of allowances for uncollectibles):							
Interest	-	10,088	-	916	5,573	16,577	27,261
Taxes	-	-	-	2,895	28,152	115,688	449,016
Accounts	-	-	-	-	-	-	29,480
Intergovernmental	-	-	-	-	-	18,048	401,716
Loans	-	-	-	-	-	-	661,983
Total assets	<u>\$ 1,545,123</u>	<u>\$ 3,062,564</u>	<u>\$ 993,725</u>	<u>\$ 281,087</u>	<u>\$ 1,719,966</u>	<u>\$ 10,855,345</u>	<u>\$ 19,806,780</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 28,619	\$ 1,091,458	\$ 8,295	\$ 6,962	\$ -	\$ 1,230,283	1,436,396
Accrued payroll and withholdings payable	-	-	-	-	-	-	34,037
Contracts payable	-	1,295,695	-	-	-	1,295,695	1,448,811
Unearned revenue	-	-	-	2,895	28,152	133,736	480,717
Total liabilities	<u>28,619</u>	<u>2,387,153</u>	<u>8,295</u>	<u>9,857</u>	<u>28,152</u>	<u>2,659,714</u>	<u>3,399,961</u>
Fund balances:							
Reserved for:							
Encumbrances	1,516,504	675,411	307,980	-	-	3,147,394	4,000,266
Noncurrent loans receivable	-	-	-	-	-	-	504,879
Debt service	-	-	-	-	-	-	2,891,211
Unreserved, reported in:							
Special revenue funds	-	-	-	-	-	-	3,962,226
Capital projects funds	-	-	677,450	271,230	1,691,814	5,048,237	5,048,237
Total fund balances	<u>1,516,504</u>	<u>675,411</u>	<u>985,430</u>	<u>271,230</u>	<u>1,691,814</u>	<u>8,195,631</u>	<u>16,406,819</u>
Total liabilities and fund balances	<u>\$ 1,545,123</u>	<u>\$ 3,062,564</u>	<u>\$ 993,725</u>	<u>\$ 281,087</u>	<u>\$ 1,719,966</u>	<u>\$ 10,855,345</u>	<u>\$ 19,806,780</u>

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

	Special Revenue							
	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park and Recreation Gift	Rainy Day	Police Drug Investigation Assistance	Off-Street Parking	Alley Paving
Revenues:								
Taxes:								
Property	\$ 1,242,699	\$ -	\$ 2,219,450	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	20,677	-
Intergovernmental	2,696,035	485,631	132,792	-	-	7,582	-	-
Charges for services	5,700	-	602,244	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Sale and use of property	-	-	61,815	-	-	-	-	-
Gifts and donations	-	-	-	81,685	-	-	-	-
Other	21,753	-	-	-	-	-	-	-
Total Revenues	<u>3,966,187</u>	<u>485,631</u>	<u>3,016,301</u>	<u>81,685</u>	<u>-</u>	<u>7,582</u>	<u>20,677</u>	<u>-</u>
Expenditures:								
Current:								
General government	-	-	-	-	62,601	-	-	-
Public safety	-	-	-	-	-	11,216	5,422	-
Highways and streets	2,623,494	332,184	-	-	-	-	-	2,675
Culture and recreation	-	-	2,697,647	77,279	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total Expenditures	<u>2,623,494</u>	<u>332,184</u>	<u>2,697,647</u>	<u>77,279</u>	<u>62,601</u>	<u>11,216</u>	<u>5,422</u>	<u>2,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,342,693</u>	<u>153,447</u>	<u>318,654</u>	<u>4,406</u>	<u>(62,601)</u>	<u>(3,634)</u>	<u>15,255</u>	<u>(2,675)</u>
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(400,000)	-	-	-
General obligation bonds issuance	-	-	-	-	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-	-
Loan issuance	-	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,342,693</u>	<u>153,447</u>	<u>318,654</u>	<u>4,406</u>	<u>(462,601)</u>	<u>(3,634)</u>	<u>15,255</u>	<u>(2,675)</u>
Fund Balances - January 1	<u>397,564</u>	<u>649,892</u>	<u>775,823</u>	<u>75,665</u>	<u>473,489</u>	<u>4,902</u>	<u>22,155</u>	<u>2,675</u>
Fund Balances - December 31	<u>\$ 1,740,257</u>	<u>\$ 803,339</u>	<u>\$ 1,094,477</u>	<u>\$ 80,071</u>	<u>\$ 10,888</u>	<u>\$ 1,268</u>	<u>\$ 37,410</u>	<u>\$ -</u>

Continued on next page

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

	Special Revenue						
	Sidewalk and Curb Repair	Industrial Development	Unsafe Building	Mishawaka Gift	Law Enforcement Continuing Education	Local Law Enforcement Block Grant	Insurance Recovery
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	8,540	-	-
Intergovernmental	-	-	-	-	5,184	20,395	-
Charges for services	-	-	-	-	24,617	-	-
Fines and forfeits	-	-	-	-	13,283	-	-
Interest	-	-	-	-	-	-	-
Sale and use of property	-	-	-	-	-	-	-
Gifts and donations	-	-	-	27,930	-	-	-
Other	26,037	841	-	-	-	-	62,097
Total Revenues	26,037	841	-	27,930	51,624	20,395	62,097
Expenditures:							
Current:							
General government	-	-	-	-	-	-	47,140
Public safety	-	-	-	-	49,236	22,355	-
Highways and streets	25,276	-	-	-	-	-	-
Culture and recreation	-	-	-	13,795	-	-	-
Community development	-	-	76	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Capital Outlay							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Total Expenditures	25,276	-	76	13,795	49,236	22,355	47,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	761	841	(76)	14,135	2,388	(1,960)	14,957
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
General obligation bonds issuance	-	-	-	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-
Loan issuance	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-	-	-	-
Net Change in Fund Balances	761	841	(76)	14,135	2,388	(1,960)	14,957
Fund Balances - January 1	-	56,120	335	49,981	72,069	11,506	87,923
Fund Balances - December 31	\$ 761	\$ 56,961	\$ 259	\$ 64,116	\$ 74,457	\$ 9,546	\$ 102,880

Continued on next page

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

	Special Revenue							
	Bicentennial Gift	Community Development	Property Rehabilitation Revolving	DOC Community Development	Park Nonreverting Operating	Criminal Assistance Grant	State Grant	Totals
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,462,149
Licenses and permits	-	-	-	-	-	-	-	29,217
Intergovernmental	-	467,893	260,855	-	-	123,900	-	4,200,267
Charges for services	-	-	-	-	113,953	-	-	746,514
Fines and forfeits	-	-	-	-	-	-	-	13,283
Interest	57	-	1,331	-	-	-	-	1,388
Sale and use of property	-	-	-	-	28,329	-	-	90,144
Gifts and donations	-	-	-	-	-	-	-	109,615
Other	-	92,047	531,636	-	-	-	-	734,411
Total Revenues	57	559,940	793,822	-	142,282	123,900	-	9,386,988
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	109,741
Public safety	-	-	-	-	-	131,427	-	219,656
Highways and streets	-	-	-	-	-	-	-	2,983,629
Culture and recreation	-	-	-	-	181,443	-	-	2,970,164
Community development	-	286,946	859,206	-	-	-	20,532	1,166,760
Debt Service:								
Principal	-	-	390,089	-	35,963	-	-	426,052
Interest	-	-	4,883	-	-	-	-	4,883
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total Expenditures	-	286,946	1,254,178	-	217,406	131,427	20,532	7,880,885
Excess (Deficiency) of Revenues Over (Under) Expenditures	57	272,994	(460,356)	-	(75,124)	(7,527)	(20,532)	1,506,103
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(400,000)
General obligation bonds issuance	-	-	-	-	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-	-
Loan issuance	-	-	499,205	-	-	-	-	499,205
Total Other Financing Sources and Uses	-	-	499,205	-	-	-	-	99,205
Net Change in Fund Balances	57	272,994	38,849	-	(75,124)	(7,527)	(20,532)	1,605,308
Fund Balances - January 1	1,172	221,983	296,908	5,581	354,477	63,911	90,538	3,714,669
Fund Balances - December 31	\$ 1,229	\$ 494,977	\$ 335,757	\$ 5,581	\$ 279,353	\$ 56,384	\$ 70,006	\$ 5,319,977

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

	Debt Service							
	Municipal Bond No. 1	TIF CBD Redemption	TIF CBD Reserve	TIF NW Redemption	TIF NW Reserve	TIF SS Redemption	TIF SS Reserve	Totals
Revenues:								
Taxes:								
Property	\$ 746,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 746,264
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	42,763	-	-	-	-	-	-	42,763
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	-	8,199	8,199	51,184	51,184	12,410	12,410	143,586
Sale and use of property	-	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenues	<u>789,027</u>	<u>8,199</u>	<u>8,199</u>	<u>51,184</u>	<u>51,184</u>	<u>12,410</u>	<u>12,410</u>	<u>932,613</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt Service:								
Principal	665,000	70,000	-	981,000	-	235,000	-	1,951,000
Interest	231,444	12,004	-	235,850	-	99,748	-	579,046
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total Expenditures	<u>896,444</u>	<u>82,004</u>	<u>-</u>	<u>1,216,850</u>	<u>-</u>	<u>334,748</u>	<u>-</u>	<u>2,530,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107,417)</u>	<u>(73,805)</u>	<u>8,199</u>	<u>(1,165,666)</u>	<u>51,184</u>	<u>(322,338)</u>	<u>12,410</u>	<u>(1,597,433)</u>
Other Financing Sources (Uses):								
Transfers in	-	40,577	-	1,210,338	-	332,127	-	1,583,042
Transfers out	-	-	-	-	-	-	-	-
General obligation bonds issuance	-	-	-	-	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-	-
Loan issuance	-	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>40,577</u>	<u>-</u>	<u>1,210,338</u>	<u>-</u>	<u>332,127</u>	<u>-</u>	<u>1,583,042</u>
Net Change in Fund Balances	<u>(107,417)</u>	<u>(33,228)</u>	<u>8,199</u>	<u>44,672</u>	<u>51,184</u>	<u>9,789</u>	<u>12,410</u>	<u>(14,391)</u>
Fund Balances - January 1	<u>556,263</u>	<u>41,472</u>	<u>68,566</u>	<u>623,373</u>	<u>946,184</u>	<u>334,748</u>	<u>334,996</u>	<u>2,905,602</u>
Fund Balances - December 31	<u>\$ 448,846</u>	<u>\$ 8,244</u>	<u>\$ 76,765</u>	<u>\$ 668,045</u>	<u>\$ 997,368</u>	<u>\$ 344,537</u>	<u>\$ 347,406</u>	<u>\$ 2,891,211</u>

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

	Capital Projects						
	Cumulative Building and Fire Fighting Equipment	Cumulative Capital Improvement	Cumulative Sewer	General Improvement	Consolidated Project Expenditures	Cumulative Capital Development	Park Bond Capital
Revenues:							
Taxes:							
Property	\$ 45,130	\$ -	\$ 557,683	\$ -	\$ -	\$ 465,810	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,586	166,325	31,957	-	-	26,692	-
Charges for services	-	-	194,695	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Sale and use of property	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	-
Other	-	-	1,863	-	-	-	-
Total Revenues	47,716	166,325	786,198	-	-	492,502	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	28,619
Capital Outlay							
General government	-	-	-	-	-	86,493	-
Public safety	42,951	-	576,061	-	-	186,232	-
Highways and streets	-	-	-	-	-	151,379	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	3,754	-	-
Total Expenditures	42,951	-	576,061	-	3,754	424,104	28,619
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,765	166,325	210,137	-	(3,754)	68,398	(28,619)
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(400,000)	-	-	-	-	-
General obligation bonds issuance	-	-	-	-	-	-	1,550,000
Discount on debt issuance	-	-	-	-	-	-	(5,000)
Loan issuance	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	-	(400,000)	-	-	-	-	1,545,000
Net Change in Fund Balances	4,765	(233,675)	210,137	-	(3,754)	68,398	1,516,381
Fund Balances - January 1	143,235	496,530	1,769,982	55,567	32,890	511,167	123
Fund Balances - December 31	\$ 148,000	\$ 262,855	\$ 1,980,119	\$ 55,567	\$ 29,136	\$ 579,565	\$ 1,516,504

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

	Capital Projects					Total Nonmajor Governmental Funds
	Radio Bond Capital	CEDIT	TIF CBD General	TIF SS General	Totals	
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ 55,456	\$ 1,112,592	\$ 2,236,671	\$ 6,445,084
Licenses and permits	-	-	-	-	-	29,217
Intergovernmental	-	1,418,236	1,025	-	1,646,821	5,889,851
Charges for services	-	-	-	-	194,695	941,209
Fines and forfeits	-	-	-	-	-	13,283
Interest	177,868	-	6,278	49,347	233,493	378,467
Sale and use of property	-	-	239,595	-	239,595	329,739
Gifts and donations	-	-	-	-	-	109,615
Other	-	-	-	-	1,863	736,274
Total Revenues	<u>177,868</u>	<u>1,418,236</u>	<u>302,354</u>	<u>1,161,939</u>	<u>4,553,138</u>	<u>14,872,739</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	109,741
Public safety	-	-	-	-	-	219,656
Highways and streets	-	-	-	-	-	2,983,629
Culture and recreation	-	-	-	-	-	2,970,164
Community development	-	-	-	-	-	1,166,760
Debt Service:						
Principal	-	229,399	-	-	229,399	2,606,451
Interest	-	27,888	-	-	27,888	611,817
Bond issuance costs	-	-	-	-	28,619	28,619
Capital Outlay						
General government	-	47,000	-	-	133,493	133,493
Public safety	4,444,419	352,939	-	-	5,602,602	5,602,602
Highways and streets	-	873,027	-	825,748	1,850,154	1,850,154
Culture and recreation	-	47,900	-	-	47,900	47,900
Community development	-	-	46,385	-	50,139	50,139
Total Expenditures	<u>4,444,419</u>	<u>1,578,153</u>	<u>46,385</u>	<u>825,748</u>	<u>7,970,194</u>	<u>18,381,125</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,266,551)</u>	<u>(159,917)</u>	<u>255,969</u>	<u>336,191</u>	<u>(3,417,056)</u>	<u>(3,508,386)</u>
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	-	1,583,042
Transfers out	-	-	(40,577)	(332,127)	(772,704)	(1,172,704)
General obligation bonds issuance	-	-	-	-	1,550,000	1,550,000
Discount on debt issuance	-	-	-	-	(5,000)	(5,000)
Loan issuance	-	-	-	-	-	499,205
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(40,577)</u>	<u>(332,127)</u>	<u>772,296</u>	<u>2,454,543</u>
Net Change in Fund Balances	<u>(4,266,551)</u>	<u>(159,917)</u>	<u>215,392</u>	<u>4,064</u>	<u>(2,644,760)</u>	<u>(1,053,843)</u>
Fund Balances - January 1	<u>4,941,962</u>	<u>1,145,347</u>	<u>55,838</u>	<u>1,687,750</u>	<u>10,840,391</u>	<u>17,460,662</u>
Fund Balances - December 31	<u>\$ 675,411</u>	<u>\$ 985,430</u>	<u>\$ 271,230</u>	<u>\$ 1,691,814</u>	<u>\$ 8,195,631</u>	<u>\$ 16,406,819</u>

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

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 908,796	\$ 1,221,408	\$ 1,242,699	\$ 21,291
Intergovernmental	2,231,851	1,987,314	2,572,144	584,830
Charges for services	5,610	5,610	5,700	90
Other	<u>44,000</u>	<u>44,000</u>	<u>21,753</u>	<u>(22,247)</u>
Total revenues	<u>3,190,257</u>	<u>3,258,332</u>	<u>3,842,296</u>	<u>583,964</u>
Expenditures:				
Current:				
Highways and streets:				
Personal services	1,903,858	1,858,858	1,649,919	208,939
Supplies	566,289	590,289	471,784	118,505
Other services and charges	1,098,199	1,119,199	1,066,788	52,411
Capital outlay	<u>41,283</u>	<u>41,283</u>	<u>38,216</u>	<u>3,067</u>
Total expenditures	<u>3,609,629</u>	<u>3,609,629</u>	<u>3,226,707</u>	<u>382,922</u>
Net change in fund balances	(419,372)	(351,297)	615,589	966,886
Fund balances - beginning	<u>471,085</u>	<u>471,085</u>	<u>471,085</u>	<u>-</u>
Fund balances - ending	<u>\$ 51,713</u>	<u>\$ 119,788</u>	<u>\$ 1,086,674</u>	<u>\$ 966,886</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 615,589	
To adjust revenues for accruals			123,891	
To adjust expenditures for accruals			141,086	
To adjust expenditures for encumbrances			<u>462,127</u>	
Net change in fund balance, GAAP basis			<u>\$ 1,342,693</u>	

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

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 482,000	\$ 401,824	\$ 486,428	\$ 84,604
Expenditures:				
Current:				
Highways and streets:				
Capital outlay	788,193	788,193	788,193	-
Net change in fund balances	(306,193)	(386,369)	(301,765)	84,604
Fund balances - beginning	630,367	630,367	630,367	-
Fund balances - ending	<u>\$ 324,174</u>	<u>\$ 243,998</u>	<u>\$ 328,602</u>	<u>\$ 84,604</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (301,765)	
To adjust revenues for accruals			(797)	
To adjust expenditures for accruals			50,400	
To adjust expenditures for encumbrances			<u>405,609</u>	
Net change in fund balance, GAAP basis			<u>\$ 153,447</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - PARK AND RECREATION
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 2,253,800	\$ 2,181,425	\$ 2,219,450	\$ 38,025
Intergovernmental	132,663	139,566	132,792	(6,774)
Charges for services	500,000	500,000	568,241	68,241
Other	-	-	92,924	92,924
Total revenues	<u>2,886,463</u>	<u>2,820,991</u>	<u>3,013,407</u>	<u>192,416</u>
Expenditures:				
Current:				
Culture and recreation:				
Personal services	2,383,345	2,330,345	1,988,883	341,462
Supplies	273,000	273,000	252,578	20,422
Other services and charges	558,044	611,944	506,098	105,846
Capital outlay	<u>13,371</u>	<u>13,371</u>	<u>12,483</u>	<u>888</u>
Total expenditures	<u>3,227,760</u>	<u>3,228,660</u>	<u>2,760,042</u>	<u>468,618</u>
Net change in fund balances	(341,297)	(407,669)	253,365	661,034
Fund balances - beginning	<u>852,548</u>	<u>852,548</u>	<u>852,548</u>	<u>-</u>
Fund balances - ending	<u>\$ 511,251</u>	<u>\$ 444,879</u>	<u>\$ 1,105,913</u>	<u>\$ 661,034</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 253,365	
To adjust revenues for accruals			2,894	
To adjust expenditures for accruals			(6,301)	
To adjust expenditures for encumbrances			<u>68,696</u>	
Net change in fund balance, GAAP basis			<u>\$ 318,654</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - RAINY DAY
For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
General government:				
Other services and charges	\$ 20,374	\$ 93,862	\$ 93,862	\$ -
Other financing sources				
Transfers out	-	(400,000)	(400,000)	-
Net change in fund balances	(20,374)	(493,862)	(493,862)	-
Fund balances - beginning	493,863	493,863	493,863	-
Fund balances - ending	<u>\$ 473,489</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (493,862)	
To adjust expenditures for accruals			18,601	
To adjust expenditures for encumbrances			<u>12,660</u>	
Net change in fund balance, GAAP basis			<u>\$ (462,601)</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - UNSAFE BUILDING
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Community development:				
Other services and charges	\$ 200	\$ 187	\$ 76	\$ 111
Net change in fund balances	(200)	(187)	(76)	(111)
Fund balances - beginning	335	335	335	-
Fund balances - ending	<u>\$ 135</u>	<u>\$ 148</u>	<u>\$ 259</u>	<u>\$ (111)</u>

Budget/GAAP Reconciliation

No reconciliation necessary since budgetary basis equals GAAP basis

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - LAW ENFORCEMENT CONTINUING EDUCATION
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 4,000	\$ 4,000	\$ 8,330	\$ 4,330
Intergovernmental	-	-	5,184	5,184
Charges for services	21,000	21,000	24,592	3,592
Fines and forfeits	5,000	5,000	6,294	1,294
Total revenues	30,000	30,000	44,400	14,400
Expenditures:				
Current:				
Public safety:				
Supplies	6,000	6,000	6,000	-
Other services and charges	31,271	31,271	28,198	3,073
Capital outlay	18,000	18,000	18,000	-
Total expenditures	55,271	55,271	52,198	3,073
Net change in fund balances	(25,271)	(25,271)	(7,798)	17,473
Fund balances - beginning	72,114	72,114	72,114	-
Fund balances - ending	\$ 46,843	\$ 46,843	\$ 64,316	\$ 17,473
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (7,798)	
To adjust revenues for accruals			7,224	
To adjust expenditures for accruals			(1,316)	
To adjust expenditures for encumbrances			4,278	
Net change in fund balance, GAAP basis			\$ 2,388	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - LOCAL LAW ENFORCEMENT BLOCK GRANT
For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Public safety:				
Capital outlay	\$ 30,974	\$ 30,974	\$ 30,974	\$ -
Net change in fund balances	(30,974)	(30,974)	(30,974)	-
Fund balances - beginning	<u>31,901</u>	<u>31,901</u>	<u>31,901</u>	<u>-</u>
Fund balances - ending	<u>\$ 927</u>	<u>\$ 927</u>	<u>\$ 927</u>	<u>\$ -</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (30,974)	
To adjust revenues for accruals			20,395	
To adjust expenditures for encumbrances			<u>8,619</u>	
Net change in fund balance, GAAP basis			<u>\$ (1,960)</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - PARK NONREVERTING OPERATING
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 150,000	\$ 150,000	\$ 112,425	\$ (37,575)
Other	-	-	28,329	28,329
Total revenues	150,000	150,000	140,754	(9,246)
Expenditures:				
Current:				
Culture and recreation:				
Supplies	17,792	15,650	6,009	9,641
Capital outlay	295,990	265,370	244,890	20,480
Total expenditures	313,782	281,020	250,899	30,121
Net change in fund balances	(163,782)	(131,020)	(110,145)	20,875
Fund balances - beginning	356,985	356,985	356,985	-
Fund balances - ending	\$ 193,203	\$ 225,965	\$ 246,840	\$ 20,875
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (110,145)	
To adjust revenues for accruals			1,528	
To adjust expenditures for accruals			2,873	
To adjust expenditures for encumbrances			30,620	
Net change in fund balance, GAAP basis			\$ (75,124)	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - STATE GRANT
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Community development:				
Capital outlay	\$ 20,532	\$ 20,532	\$ 20,532	\$ -
Net change in fund balances	(20,532)	(20,532)	(20,532)	-
Fund balances - beginning	90,538	90,538	90,538	-
Fund balances - ending	<u>\$ 70,006</u>	<u>\$ 70,006</u>	<u>\$ 70,006</u>	<u>\$ -</u>

Budget/GAAP Reconciliation

No reconciliation necessary since budgetary basis equals GAAP basis

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS - MUNICIPAL BOND NO.1
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 1,041,311	\$ 733,479	\$ 746,264	\$ 12,785
Intergovernmental	57,555	47,139	42,763	(4,376)
Total revenues	1,098,866	780,618	789,027	8,409
Expenditures:				
Debt service:				
Principal	809,535	809,535	809,534	1
Interest and fiscal agent fees	92,410	92,410	87,410	5,000
Total expenditures	901,945	901,945	896,944	5,001
Net change in fund balances	196,921	(121,327)	(107,917)	13,410
Fund balances - beginning	556,763	556,763	556,763	-
Fund balances - ending	\$ 753,684	\$ 435,436	\$ 448,846	\$ 13,410
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (107,917)	
To adjust expenditures for accruals			(250)	
To adjust expenditures for encumbrances			750	
Net change in fund balance, GAAP basis			\$ (107,417)	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - CUMULATIVE BUILDING AND FIRE FIGHTING EQUIPMENT
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 58,684	\$ 44,357	\$ 45,130	\$ 773
Intergovernmental	2,445	2,098	2,586	488
Total revenues	61,129	46,455	47,716	1,261
Expenditures:				
Capital outlay:				
Public safety				
Capital outlay	63,269	63,269	52,840	10,429
Net change in fund balances	(2,140)	(16,814)	(5,124)	11,690
Fund balances - beginning	146,778	146,778	146,778	-
Fund balances - ending	<u>\$ 144,638</u>	<u>\$ 129,964</u>	<u>\$ 141,654</u>	<u>\$ 11,690</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (5,124)	
To adjust expenditures for accruals			569	
To adjust expenditures for encumbrances			9,320	
Net change in fund balance, GAAP basis			<u>\$ 4,765</u>	

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

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 162,018	\$ 162,018	\$ 166,325	\$ 4,307
Other financing uses:				
Transfers out	-	400,000	400,000	-
Net change in fund balances	162,018	(237,982)	(233,675)	4,307
Fund balances - beginning	496,530	496,530	496,530	-
Fund balances - ending	<u>\$ 658,548</u>	<u>\$ 258,548</u>	<u>\$ 262,855</u>	<u>\$ 4,307</u>

Budget/GAAP Reconciliation

No reconciliation necessary since budgetary basis equals GAAP basis

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - CUMULATIVE SEWER
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 549,613	\$ 548,129	\$ 557,683	\$ 9,554
Intergovernmental	29,938	35,069	31,957	(3,112)
Charges for services	-	-	194,695	194,695
Other	-	-	1,863	1,863
Total revenues	<u>579,551</u>	<u>583,198</u>	<u>786,198</u>	<u>203,000</u>
Expenditures:				
Capital outlay:				
Public safety:				
Other services and charges	540,603	540,603	540,603	-
Capital outlay	-	550,000	550,000	-
Total expenditures	<u>540,603</u>	<u>1,090,603</u>	<u>1,090,603</u>	<u>-</u>
Net change in fund balances	38,948	(507,405)	(304,405)	203,000
Fund balances - beginning	<u>1,843,908</u>	<u>1,843,908</u>	<u>1,843,908</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,882,856</u>	<u>\$ 1,336,503</u>	<u>\$ 1,539,503</u>	<u>\$ 203,000</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (304,405)	
To adjust expenditures for accruals			55,487	
To adjust expenditures for encumbrances			<u>459,055</u>	
Net change in fund balance, GAAP basis			<u>\$ 210,137</u>	

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

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 459,550	\$ 461,270	\$ 465,810	\$ 4,540
Intergovernmental	25,284	30,919	26,692	(4,227)
Total revenues	<u>484,834</u>	<u>492,189</u>	<u>492,502</u>	<u>313</u>
Expenditures:				
Capital outlay:				
General government:				
Other services and charges	153,000	153,000	153,000	-
Capital outlay	<u>684,260</u>	<u>684,260</u>	<u>633,844</u>	<u>50,416</u>
Total expenditures	<u>837,260</u>	<u>837,260</u>	<u>786,844</u>	<u>50,416</u>
Net change in fund balances	(352,426)	(345,071)	(294,342)	50,729
Fund balances - beginning	<u>694,430</u>	<u>694,430</u>	<u>694,430</u>	-
Fund balances - ending	<u>\$ 342,004</u>	<u>\$ 349,359</u>	<u>\$ 400,088</u>	<u>\$ 50,729</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (294,342)	
To adjust expenditures for accruals			109,727	
To adjust expenditures for encumbrances			<u>253,013</u>	
Net change in fund balance, GAAP basis			<u>\$ 68,398</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - CEDIT
For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,210,000	\$ 1,210,000	\$ 1,418,236	\$ 208,236
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,210,000</u>	<u>1,210,000</u>	<u>1,418,236</u>	<u>208,236</u>
Expenditures:				
Capital outlay:				
General government:				
Other services and charges	57,000	57,000	57,000	-
Public safety:				
Capital outlay	658,843	658,843	620,583	38,260
Highways and streets:				
Capital outlay	880,885	880,885	880,885	-
Culture and recreation:				
Capital outlay	210,091	216,424	171,444	44,980
Debt service:				
Principal	229,399	229,399	229,399	-
Interest and fiscal agent fees	<u>27,888</u>	<u>27,888</u>	<u>27,888</u>	<u>-</u>
Total expenditures	<u>2,064,106</u>	<u>2,070,439</u>	<u>1,987,199</u>	<u>83,240</u>
Net change in fund balances	(854,106)	(860,439)	(568,963)	291,476
Fund balances - beginning	<u>1,254,176</u>	<u>1,254,176</u>	<u>1,254,176</u>	<u>-</u>
Fund balances - ending	<u>\$ 400,070</u>	<u>\$ 393,737</u>	<u>\$ 685,213</u>	<u>\$ 291,476</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (568,963)	
To adjust expenditures for accruals			100,534	
To adjust expenditures for encumbrances			<u>308,512</u>	
Net change in fund balance, GAAP basis			<u>\$ (159,917)</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - RADIO BOND CAPITAL
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other	\$ -	\$ -	\$ 196,717	\$ 196,717
Expenditures:				
Capital outlay:				
Public safety:				
Capital outlay	7,903,441	7,903,441	7,903,441	-
Net change in fund balances	(7,903,441)	(7,903,441)	(7,706,724)	196,717
Fund balances - beginning	4,913,025	4,913,025	4,913,025	-
Fund balances - ending	<u>\$ (2,990,416)</u>	<u>\$ (2,990,416)</u>	<u>\$ (2,793,699)</u>	<u>\$ 196,717</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (7,706,724)	
To adjust revenues for accruals			(18,849)	
To adjust expenditures for accruals			(2,387,153)	
To adjust expenditures for encumbrances			<u>5,846,175</u>	
Net change in fund balance, GAAP basis			<u>\$ (4,266,551)</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - PARK BOND CAPITAL
For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Capital outlay:				
Culture and recreation:				
Other services and charges	\$ -	\$ 55,000	\$ 55,000	\$ -
Capital outlay	-	1,495,000	1,495,000	-
Total expenditures	-	1,550,000	1,550,000	-
Other financing sources:				
General obligation bonds issued	-	-	1,545,000	1,545,000
Net change in fund balances	-	(1,550,000)	(5,000)	1,545,000
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ (1,550,000)</u>	<u>\$ (5,000)</u>	<u>\$ 1,545,000</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (5,000)	
To adjust expenditures for accruals			(28,619)	
To adjust expenditures for encumbrances			1,550,000	
Net change in fund balance, GAAP basis			<u>\$ 1,516,381</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - LOCAL MAJOR MOVES CONSTRUCTION
For The Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 5,538,667	\$ 5,538,667
Interest	-	-	74,592	74,592
Total revenues	-	-	5,613,259	5,613,259
Net change in fund balances	-	-	5,613,259	5,613,259
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 5,613,259	\$ 5,613,259
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 5,613,259	
To adjust revenues for accruals			18,551	
Net change in fund balance, GAAP basis			\$ 5,631,810	

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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 fire-fighters 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.
Utility Pension -	To account for the provision of retirement benefits to utilities' employees. Financing is provided by contributions from each utility.

Agency Fund

Redevelopment Revolving -	To account for administrative and operating expenditures of the Redevelopment Department. Financing is provided by transfers from other funds administered by this department.
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CITY OF MISHAWAKA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
December 31, 2006

	1925 Police Pension	1937 Firefighters' Pension	Utility Pension	Totals
<u>Assets</u>				
Cash and cash equivalents	\$ 458,739	\$ 627,652	\$ 323,134	\$ 1,409,525
Receivables:				
Interest and dividends	-	-	34,874	34,874
Taxes	41,746	58,087	-	99,833
Intergovernmental	1,710	2,379	-	4,089
Total receivables	43,456	60,466	34,874	138,796
Investments at fair value:				
Government sponsored enterprise	-	-	2,017,650	2,017,650
Corporate obligations	-	-	126,160	126,160
Mutual funds	-	-	10,512,995	10,512,995
Total investments	-	-	12,656,805	12,656,805
Total assets	502,195	688,118	13,014,813	14,205,126
<u>Liabilities</u>				
Noncurrent liabilities:				
D.R.O.P. payable - due within one year	-	32,050	-	32,050
<u>Net assets</u>				
Held in trust for:				
Employees' pension benefits	\$ 502,195	\$ 656,068	\$ 13,014,813	\$ 14,173,076

CITY OF MISHAWAKA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For The Year Ended December 31, 2006

	1925 Police Pension	1937 Firefighters' Pension	Utility Pension	Totals
<u>Additions</u>				
Contributions:				
State	\$ 854,443	\$ 1,292,293	\$ -	\$ 2,146,736
Employer	568,975	777,956	592,458	1,939,389
Plan members	<u>1,529</u>	<u>4,243</u>	<u>-</u>	<u>5,772</u>
Total contributions	<u>1,424,947</u>	<u>2,074,492</u>	<u>592,458</u>	<u>4,091,897</u>
Investment income:				
Net increase in fair value of investments	-	-	399,197	399,197
Interest	<u>-</u>	<u>-</u>	<u>1,035,878</u>	<u>1,035,878</u>
Total investment income	-	-	1,435,075	1,435,075
Less investment expense:				
Investment activity expense	<u>-</u>	<u>-</u>	<u>29,084</u>	<u>29,084</u>
Net investment income	<u>-</u>	<u>-</u>	<u>1,405,991</u>	<u>1,405,991</u>
Total additions	<u>1,424,947</u>	<u>2,074,492</u>	<u>1,998,449</u>	<u>5,497,888</u>
<u>Deductions</u>				
Benefits	1,397,699	2,166,349	686,495	4,250,543
Administrative expense	<u>1,463</u>	<u>6,124</u>	<u>22,077</u>	<u>29,664</u>
Total deductions	<u>1,399,162</u>	<u>2,172,473</u>	<u>708,572</u>	<u>4,280,207</u>
Changes in net assets	25,785	(97,981)	1,289,877	1,217,681
Net assets - beginning	<u>476,410</u>	<u>754,049</u>	<u>11,724,936</u>	<u>12,955,395</u>
Net assets - ending	<u>\$ 502,195</u>	<u>\$ 656,068</u>	<u>\$ 13,014,813</u>	<u>\$ 14,173,076</u>

CITY OF MISHAWAKA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUND
 For The Year Ended December 31, 2006

	Redevelopment Revolving
Assets:	
Cash and cash equivalents, January 1, 2006	\$ 28,901
Additions	447,958
Deductions	<u>(435,540)</u>
Cash and cash equivalents, December 31, 2006	<u>41,319</u>
Accounts receivable, January 1, 2006	32,395
Additions	5,483
Deductions	<u>(32,395)</u>
Accounts receivable, December 31, 2006	<u>5,483</u>
Total assets, December 31, 2006	<u><u>\$ 46,802</u></u>
Liabilities:	
Accounts payable, January 1, 2006	\$ 61,022
Additions	46,375
Deductions	<u>(61,022)</u>
Accounts payable, December 31, 2006	<u>46,375</u>
Accrued payroll and withholdings payable, January 1, 2006	274
Additions	427
Deductions	<u>(274)</u>
Accrued payroll and withholdings payable, December 31, 2006	<u>427</u>
Total liabilities, December 31, 2006	<u><u>\$ 46,802</u></u>

STATISTICAL SECTION
(Not Covered by Auditors' Opinion)

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 MISHAWAKA, 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 Mishawaka (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance

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

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

STATE BOARD OF ACCOUNTS

April 24, 2007



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

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

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express such an opinion.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

April 24, 2007

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant:			
CDBG-Entitlement and (HUD-Administered) Small Cities Cluster Community Development Block Grants/Entitlement Grants	14.218	B03MC180017 B05MC180017 B06MC180017	\$ 1,108 173,390 <u>421,918</u>
Total for cluster			<u>596,416</u>
Pass-Through St. Joseph County Housing Consortium HOME Investment Partnerships Program	14.239	HO-05-480 HO-06-480	129,335 <u>135,941</u>
Total for program			<u>265,276</u>
Total for federal grantor agency			<u>861,692</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant Program	16.592	2004-LB-BX-1294	<u>17,644</u>
Bulletproof Vest Partnership Program	16.607	FY 2006	<u>5,549</u>
Gang Resistance Education and Training	16.737	2004JVFX0088	<u>6,586</u>
Pass-Through School City of Mishawaka Public Safety Partnership and Community Policing Grants	16.710	2005CKWX0533	<u>16,435</u>
Total for federal grantor agency			<u>46,214</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	PT-06-04-07-47 PT-07-04-01-25 FACT - JB06-03-08-03	42,075 7,527 <u>8,358</u>
Pass-Through St. Joseph County Prosecutor			
Total for program			<u>57,960</u>
Pass-Through Indiana Criminal Justice Institute Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	154AL-06-03-03-19 157PT-06-04-09-01 K8-07-03-01-16	72,569 1,684 <u>17,400</u>
Total for program			<u>91,653</u>
Total for federal grantor agency			<u>149,613</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	CS18232701	5,545,468
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW-19910602	<u>2,813</u>
Total for federal grantor agency			<u>5,548,281</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Department of Energy and Defense Development State Energy Program	81.041	EDS A313-5-AES-42	<u>30,000</u>
Total federal awards expended			<u>\$ 6,635,800</u>

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

CITY OF MISHAWAKA
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 Mishawaka (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note II. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 62,740</u>

CITY OF MISHAWAKA
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
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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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 MISHAWAKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MISHAWAKA, INDIANA STATISTICAL SECTION

This part of the City of Mishawaka's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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	<u>Page(s)</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Net Assets by Component	104
Changes in Net Assets	105-106
Fund Balances, Governmental Funds	107
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Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
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Direct and Overlapping Property Tax Rates	110
Principal Property Tax Payers	111
Property Tax Levies and Collections	112
Debt Capacity	
These Schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type	113
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**CITY OF MISHAWAKA, INDIANA
CONTENTS (CONTINUED)**

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Statistics	119
Largest Employers	120

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs

Full-time Equivalent City Government Employees by Function	121
Operating Indicators by Function	122
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CITY OF MISHAWAKA, INDIANA
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 55,396,506	\$ 43,584,806	\$ 37,867,826	\$ 31,127,147
Restricted	993,490	1,184,297	447,219	1,773,669
Unrestricted	<u>25,069,658</u>	<u>22,743,313</u>	<u>22,216,544</u>	<u>18,422,222</u>
Total governmental activities net assets	<u>\$ 81,459,654</u>	<u>\$ 67,512,416</u>	<u>\$ 60,531,589</u>	<u>\$ 51,323,038</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 53,687,905	\$ 58,414,662	\$ 49,993,152	\$ 49,875,935
Restricted	6,886,627	3,321,019	231,679	1,921,475
Unrestricted	<u>29,319,393</u>	<u>21,037,256</u>	<u>22,141,131</u>	<u>14,550,025</u>
Total business-type activities net assets	<u>\$ 89,893,925</u>	<u>\$ 82,772,937</u>	<u>\$ 74,451,075</u>	<u>\$ 66,347,435</u>
Primary government				
Invested in capital assets, net of related debt	\$ 109,084,411	\$ 101,999,468	\$ 87,860,978	\$ 81,003,082
Restricted	7,880,117	4,505,316	2,764,011	3,695,144
Unrestricted	<u>54,389,051</u>	<u>43,780,569</u>	<u>44,357,675</u>	<u>32,972,247</u>
Total primary government net assets	<u>\$ 171,353,579</u>	<u>\$ 150,285,353</u>	<u>\$ 134,982,664</u>	<u>\$ 117,670,473</u>

CITY OF MISHAWAKA, INDIANA
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Expenses</u>				
Governmental activities:				
General government	\$ 5,220,058	\$ 5,874,794	\$ 5,922,122	\$ 9,493,699
Public safety	25,344,096	23,380,191	19,352,725	14,025,776
Highways and streets	4,954,958	4,745,217	3,834,156	3,477,535
Sanitation	4,876	20,000	35,725	115,742
Community development	997,139	2,657,176	3,201,954	1,984,448
Culture and recreation	3,452,283	3,595,595	3,148,419	4,626,859
Interest on long-term debt	669,642	847,749	795,567	1,231,273
Total governmental activities expenses	<u>\$ 40,643,052</u>	<u>\$ 41,120,722</u>	<u>\$ 36,290,668</u>	<u>\$ 34,955,332</u>
Business type activities:				
Water utility	\$ 6,794,418	\$ 6,597,036	\$ 6,973,978	\$ 6,553,431
Wastwater utility	6,921,257	5,849,788	5,747,658	5,705,703
Electric utility	35,934,114	34,530,146	33,182,687	33,809,655
Total business-type activities expenses	<u>49,649,789</u>	<u>46,976,970</u>	<u>45,904,323</u>	<u>46,068,789</u>
Total primary government expenses	<u>\$ 90,292,841</u>	<u>\$ 88,097,692</u>	<u>\$ 82,194,991</u>	<u>\$ 81,024,121</u>
<u>Program Revenues</u>				
Governmental activities:				
Charges for services:				
General government	892,455	941,009	952,684	3,355,867
Public safety	657,308	344,116	343,324	493,067
Highways and streets	27,462	343,430	232,955	1,216,084
Sanitation				
Community development	624,524	156,850	103,228	235,297
Culture and recreation	915,956	913,704	811,378	788,792
Interest on long-term debt				
Operating grants and contributions	1,257,136	1,661,515	2,143,953	1,823,220
Capital grants and contributions	10,410,884	4,326,826	4,494,949	3,750,172
Total governmental activities revenue	<u>14,785,725</u>	<u>8,687,450</u>	<u>9,082,471</u>	<u>11,662,499</u>
Business type activities:				
Charges for services:				
Water utility	7,804,735	8,074,554	7,516,477	7,693,485
Wastwater utility	8,284,304	7,797,148	6,927,799	6,355,832
Electric utility	37,573,938	37,031,707	38,422,097	34,720,277
Capital grants and contributions	1,656,673	1,451,446	846,168	567,998
Total business-type activities revenue	<u>55,319,650</u>	<u>54,354,855</u>	<u>53,712,541</u>	<u>49,337,592</u>
Total primary government revenue	<u>70,105,375</u>	<u>63,042,305</u>	<u>62,795,012</u>	<u>61,000,091</u>
<u>Net (Expenses) Revenues</u>				
Governmental activities:	(25,857,327)	(32,433,272)	(27,208,197)	(23,292,833)
Business-type activities	5,669,861	7,377,885	7,808,218	3,268,803
Total primary government net expense	<u>\$ (20,187,466)</u>	<u>\$ (25,055,387)</u>	<u>\$ (19,399,979)</u>	<u>\$ (20,024,030)</u>

CITY OF MISHAWAKA, INDIANA
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
(continued)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>General revenues and Other Changes in Net Assets</u>				
Governmental activities:				
Property Taxes	\$ 34,552,665	\$ 35,172,645	\$ 31,758,286	\$ 32,066,343
Grants and Contributions not restricted to specific programs	3,808,209	3,667,444	4,201,761	4,033,427
Unrestricted investment earnings	1,908,162	981,943	278,677	196,261
Other	51,568	41,646	268,780	171,491
Loss on sale of Assets	-	(243,984)		
Transfers	(79,102)	(205,595)	(90,756)	
Total governmental activities	<u>\$ 40,241,502</u>	<u>\$ 39,414,099</u>	<u>\$ 36,416,748</u>	<u>\$ 36,467,522</u>
Business type activities:				
Unrestricted investment earnings	\$ 1,372,025	\$ 738,382	\$ 204,666	\$ 198,056
Transfers	79,102	205,595	90,756	
Total business-type activities	<u>1,451,127</u>	<u>943,977</u>	<u>295,422</u>	<u>198,056</u>
Total primary government expenses	<u>\$ 41,692,629</u>	<u>\$ 40,358,076</u>	<u>\$ 36,712,170</u>	<u>\$ 36,665,578</u>
 <u>Change in Net Assets</u>				
Governmental activities:	\$ 14,384,175	\$ 6,980,827	\$ 9,208,551	\$ 13,174,689
Business-type activities	\$ 7,120,988	\$ 8,321,862	\$ 8,103,640	\$ 3,466,859
Total primary government	<u>\$ 21,505,163</u>	<u>\$ 15,302,689</u>	<u>\$ 17,312,191</u>	<u>\$ 16,641,548</u>

CITY OF MISHAWAKA, INDIANA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund				
Reserved	407,757	436,498	439,115	190,847
Unreserved	<u>2,560,240</u>	<u>1,982,889</u>	<u>1,771,831</u>	<u>2,177,804</u>
Total general fund	<u>\$ 2,967,997</u>	<u>\$ 2,419,387</u>	<u>\$ 2,210,946</u>	<u>\$ 2,368,651</u>
All Other Governmental Funds				
Reserved	15,647,856	18,127,410	12,548,773	14,452,166
Unreserved, reported in :				
Special Revenue funds	3,962,226	3,019,006	4,065,309	3,040,534
Capital projects funds	<u>31,355,116</u>	<u>26,580,506</u>	<u>22,130,725</u>	<u>16,391,047</u>
Total all other governmental funds	<u>\$ 50,965,198</u>	<u>\$ 47,726,922</u>	<u>\$ 38,744,807</u>	<u>\$ 33,883,747</u>

CITY OF MISHAWAKA, INDIANA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Revenues</u>				
Taxes	\$ 35,575,614	\$ 35,083,567	\$ 31,755,211	\$ 32,034,284
Licenses and permits	456,108	313,195	320,811	306,397
Intergovernmental	15,239,090	9,626,565	10,839,199	10,679,742
Charges for services	1,645,234	1,795,176	1,491,691	2,830,702
Fines and forfeits	59,303	88,543	84,243	106,222
Interest	1,908,162	981,943	278,677	196,261
Sale and use of property	348,167	108,537	166,146	803,226
Gifts and donations	109,615	90,933	171,127	126,139
Other	<u>790,441</u>	<u>344,371</u>	<u>478,331</u>	<u>1,020,898</u>
Total primary government expenses	<u>56,131,734</u>	<u>48,432,830</u>	<u>45,585,436</u>	<u>48,103,871</u>
<u>Expenditures</u>				
General government	4,812,775	5,512,833	4,861,220	8,695,207
Public safety	18,390,523	17,103,962	16,198,407	12,300,290
Highways and streets	3,291,749	4,455,162	4,006,762	3,596,912
Sanitation	4,876	20,000	35,725	115,742
Culture and recreation	2,970,164	3,108,446	3,524,618	3,205,792
Community development	1,204,852	2,126,001	3,053,748	1,365,347
Debt service				
Principal	2,606,451	3,064,530	2,860,884	8,122,845
Interest	611,817	586,338	782,120	1,194,427
Capital outlay	<u>20,352,125</u>	<u>8,199,714</u>	<u>7,613,045</u>	<u>9,733,795</u>
Total Expenditures	<u>54,245,332</u>	<u>44,176,986</u>	<u>42,936,529</u>	<u>48,330,357</u>
Excess of revenues over (under) expenditures	1,886,402	4,255,844	2,648,907	(226,486)
Other financing sources(uses):				
Transfers in	3,963,940	5,323,770	2,274,366	1,916,446
Transfers out	(4,043,042)	(5,529,365)	(2,365,122)	(1,916,446)
Bond issuance cost	(28,619)	(123,612)	(41,035)	
Refunding bonds issued		2,625,000	(2,683,377)	
General obligation bond issuance	1,550,000	5,000,000	2,724,412	
Discount on bond issuance	(5,000)	(62,332)		
Capital leases			397,932	
Payment to refunded bond escrow agent		(2,557,799)		
Loan proceeds	<u>499,205</u>	<u>259,050</u>	<u>1,747,272</u>	<u>600,000</u>
Total other financing sources and uses	<u>1,936,484</u>	<u>4,934,712</u>	<u>2,054,448</u>	<u>600,000</u>
Net change in fund balances	<u>\$ 3,822,886</u>	<u>\$ 9,190,556</u>	<u>\$ 4,703,355</u>	<u>\$ 373,514</u>
Debt service as a percentage of non-capital expenditures	<u>9.5%</u>	<u>10.2%</u>	<u>10.3%</u>	<u>24.1%</u>

CITY OF MISHAWAKA, INDIANA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST FOUR FISCAL YEARS

Fiscal Year Ended <u>December 31</u>	Real Property	Personal Property	Utilities	Total Taxable Assessed Value	Total Direct Tax Rate
2003	\$ 1,233,005,325	\$ 394,264,475	\$ 20,755,120	1,648,024,920	\$ 1.2476
2004	1,183,440,558	346,458,605	25,169,030	1,555,068,193	(1) 1.3313
2005	1,185,467,888	360,559,477	25,367,995	1,571,395,360	1.3382
2006	1,208,413,854	346,777,992	24,158,500	1,579,350,346	1.3899

- (1) Net assessed valuation decreased in the tax year payable 2004 because of expansion of the Interstate Commerce Exemption for inventory assessments

Note: Beginning with 2002 taxes payable in 2003, real property is valued for assessment purposes at its "true tax value" as defined in the Real Property Assessment Rule, 50 IAC 2.3., the 2002 Real Property Assessment Manual, as adopted by the DLGF. The manual defines "true tax value" as " the market value in use of property for its current use as reflected by the utility received by the owner or a similar user from the property."

CITY OF MISHAWAKA, INDIANA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE) (B)
LAST FOUR FISCAL YEARS

Fiscal Year Ended <u>December 31</u>	City	Townships	Redevelopmnet District	Library	School Districts	St. Joseph County	St Joseph Airport	Transpo	State of Indiana	St Joseph County Welfare	Total
2003	1.2476	0.0163	0.0502	0.1325	1.4205	0.7366	0.0472	0.0768	0.0033	0.0000	3.7310
2004	1.3313	0.0172	0.0565	0.1319	1.5932	0.7652	0.0346	0.0827	0.0024	0.0000	4.0150
2005	1.3382	0.0171	0.0540	0.1277	1.5691	0.7831	0.0297	0.0831	0.0024	0.0000	4.0044
2006	1.3899	0.0318	0.0520	0.1325	1.6726	0.5002	0.0301	0.0856	0.0024	0.4897	4.3868

(B) Source: St. Joseph County Auditor Certificate of Tax rates

CITY OF MISHAWAKA, INDIANA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2006			1997		
		Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Edward Rose of Indiana	Real Estate Developer	\$ 71,049,850	1	4.05%	\$ 22,712,265	3	3.53%
Meijer	Retail	34,465,860	2	2.18%	34,898,699	1	3.30%
Bayer Corporation	Manufacturing	33,701,110	3	2.13%	32,649,751	2	2.30%
University Park Associates	Retail/Management	32,631,200	4	2.07%	20,291,688	4	2.05%
Wal-Mart Stores	Retail	26,704,600	5	1.69%			
Chase Properties	Commercial Real estate	23,468,900	6	1.49%			
Gurley Leep	Automotive Dealership	22,726,250	7	1.44%			
Main Street Village	Rental Multi-Housing	21,534,720	8	1.36%			
University Commons	Rental Multi-Housing	15,754,900	9	1.00%			
Target	Retail Store	14,908,100	10	0.94%			
Amerisource Corporation	Wholesale Drugs				11,913,741	5	1.20%
Sears	Retail Store				11,845,342	6	1.20%
Jordan Motors	Automobile Dealership				11,206,948	7	1.13%
Wilshire Plaza	Retail/Management				10,946,808	8	1.11%
Indiana Bell	Utility				9,467,822	9	0.96%
Totals		<u>\$ 296,945,490</u>		<u>18.80%</u>	<u>\$ 165,933,064</u>		<u>10.51%</u>

Source: St. Joseph County Auditor

CITY OF MISHAWAKA, INDIANA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST FOUR FISCAL YEARS

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 18,772,287	\$ 20,142,671	107.30%	\$ 226,818	\$ 20,142,671	107.30%
2004	19,636,780	19,863,598	101.16%	1,234,194	19,863,598	101.16%
2005	20,497,599	21,731,793	106.02%	1,016,870	21,731,793	106.02%
2006	21,285,846	22,302,716	104.78%	-	22,302,716	104.78%

Source: St. Joseph County Auditor

Note: City of Mishawaka Corporation collections only

CITY OF MISHAWAKA, INDIANA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST FOUR FISCAL YEARS

Fiscal Year	<u>Governmental Activities</u>				<u>Business Type Activities</u>				Total Primary Government	Percentage of Personal income	Per(1) Capita
	General Obligation Bonds	Tax Increment Revenue Bonds	State Revolving Loan	Capital Leases	Water Revenue Bonds	Wastewater Revenue Bonds	State Revolving Loan	Capital Leases			
2003	3,500,000	9,335,000	1,670,000	596,067	4,890,000	11,373,611	21,872,895	599,562.00	53,837,135	3.86%	1156.37
2004	3,250,000	8,350,000	2,399,936	536,424	4,715,000	10,552,005	22,269,255	523,685.00	52,596,305	3.71%	1129.72
2005	7,640,000	7,450,000	1,127,082	393,775	4,530,000	9,720,813	42,701,253	356,427.00	73,919,350	4.91%	1587.72
2006	8,525,000	6,325,000	847,397	247,098	4,330,000	17,330,654	55,361,331	212,419	93,178,899	N/A	2001.39

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements

(1): See Demographic and Economic Statistics for personal income and population data

CITY OF MISHAWAKA, INDIANA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST FOUR FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value(1) of Property</u>	<u>Per Capita(2)</u>
2003	\$ 3,500,000	\$ 691,743	\$ 2,808,257	0.17%	\$ 60.32
2004	3,250,000	638,792	2,611,208	0.16%	56.09
2005	7,640,000	556,263	7,083,737	0.43%	152.15
2006	8,525,000	448,846	8,076,154	0.49%	173.47

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property

(2) See Demographic and Economic Statistics for personal income and population data

CITY OF MISHAWAKA, INDIANA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2006

<u>Governmental Units(3)</u>	<u>Outstanding Debt at December 31, 2006(1)</u>	<u>Estimated Percentage Applicable \$ (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
City Direct Debt (Governmental Activities)	\$ 8,525,000	100.00%	\$ 8,525,000
<u>Overlapping Debt:</u>			
School City of Mishawaka	59,775,000	99.60%	59,535,900
Mishawaka-Penn Library	9,160,000	40.27%	3,688,732
Penn-Harris-Madison School Corporation	99,188,627	19.91%	19,748,456
St. Joseph County	82,130,000	17.14%	14,077,082
St. Joseph County Airport Authority	17,445,000	17.14%	2,990,073
St. Joseph County Public Library	2,700,000	4.54%	122,580
South Bend Community School Corporation	<u>212,648,369</u>	4.78%	<u>10,164,592</u>
Subtotal for Overlapping Debt	<u>483,046,996</u>		<u>110,327,415</u>
Total Direct and Overlapping Debt	<u><u>\$ 483,046,996</u></u>		<u><u>\$ 118,852,415</u></u>

Notes: (1) Includes General Obligation Bonded Debt and Capital Leases
(2) Source: St. Joseph County Auditor
(3) Source: Debt Outstanding provided by each governmental unit.

CITY OF MISHAWAKA, INDIANA
LEGAL DEBT MARGIN INFORMATION
LAST FOUR FISCAL YEARS

	<u>Fiscal Year</u> <u>2003</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Fiscal Year</u> <u>2005</u>	<u>Fiscal Year</u> <u>2006</u>
Assessed Value	\$ 549,341,640	\$ 508,862,922	\$ 523,121,667	\$ 526,450,115
Debt Limit Percentage	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>
Debt Limit(1)	21,973,666	20,354,517	20,924,867	21,058,005
Bonds Outstanding	<u>3,500,000</u>	<u>3,250,000</u>	<u>7,640,000</u>	<u>8,525,000</u>
Subtotal	18,473,666	17,104,517	13,284,867	12,533,005
Amount Available for Debt Service	<u>691,743</u>	<u>638,792</u>	<u>556,263</u>	<u>448,846</u>
Legal Debt Margin	<u>\$ 19,165,409</u>	<u>\$ 17,743,309</u>	<u>\$ 13,841,130</u>	<u>\$ 12,981,851</u>
Total net debt applicable to the limit as a percentage of debt limit	18.26%	18.32%	55.20%	65.67%

Note: (1) Legal debt limit should not exceed 2% of 1/3 of the assessed valuation in each district.
the city has a park district and a civil city district

CITY OF MISHAWAKA, INDIANA
GENERAL OBLIGATION AND TAX INCREMENTAL FINANCING BONDS COVERAGE
LAST FOUR FISCAL YEARS

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Tax Incremental Financing Bonds</u>		<u>Total Bonded Debt Service</u>	<u>Total General Government Expenditures</u>	<u>Ratio of Debt Service to Total General Government Expenditures</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>			
2003	\$ 380,000	\$ 193,435	\$ 935,000	\$ 512,105	\$ 2,020,540	\$ 48,330,357	4.2%
2004	405,000	174,030	985,000	464,646	2,028,676	45,660,941	4.4%
2005	610,000	72,851	1,035,000	367,966	2,085,817	44,300,598	4.7%
2006	665,000	229,644	1,125,000	329,627	2,349,271	54,273,951	4.3%

CITY OF MISHAWAKA, INDIANA
REVENUE BOND COVERAGE
LAST FOUR FISCAL YEARS

Year	Gross Revenue (A)	Direct Operating Expenses (B)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 48,967,650	\$ 40,361,840	\$ 8,605,810	\$ 825,000	\$ 415,403	\$ 1,240,403	693.8%
2004	53,071,039	39,915,099	13,155,940	1,180,000	471,727	1,651,727	796.5%
2005	53,641,791	41,056,799	12,584,992	1,210,000	445,885	1,655,885	760.0%
2006	55,035,002	42,827,190	12,207,812	1,245,000	461,096	1,706,096	715.5%

Notes: (A) Includes operating and nonoperating revenue.
(B) Includes total operating expenses less depreciation expenses.

CITY OF MISHAWAKA, INDIANA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST FOUR FISCAL YEARS

Year	Population(B)	Personal Income (B)	Median Age(B)	Per Capita Income (B)	K-12 Public School Enrollment (A)	Labor Force	Unemployment Rate C
2003	48,385	6,286,616	34.9	29,927	5,102	131,823	5.3%
2004	48,385	6,659,873	34.9	31,174	5,177	132,892	5.0%
2005	48,497	(D)	35.0	32,354	5,178	134,798	5.2%
2006	48,497	(D)	35.0	(D)	5,242	137,234	5.2%

Notes: Per Capita Income is for St. Joseph County, Indiana
Unemployment rate is for St. Joseph County, Indiana
Personal Income is for St. Joseph County, Indiana
Labor Force is for St. Joseph County, Indiana

(A) Source: School City of Mishawaka
(B) Source: U.S. Department of Commerce, Bureau Economic Analysis
(C) Source: Indiana Employment and Security Division
(D) 2005-06 Information not available at this time

CITY OF MISHAWAKA, INDIANA
Largest Employers
December 31, 2006

<u>Company</u>	<u>Type of Business</u>	<u>2006</u>		<u>1997</u>	
		<u>Number of Employees</u>	<u>Rank</u>	<u>Number of Employees</u>	<u>Rank</u>
St. Joseph Regional Medical Center	Acute Healthcare	1,210	1	530	6
School City of Mishawaka	Public School	978	2	950	1
Liberty Mutual	Insurance	860	3	750	2
Meijer, Inc	Retail	610	4	600	5
City of Mishawaka	Government	543	5	530	7
Bayer Corporation	Manufacturing	503	6	620	3
Walmart	Retail	450	7	400	8
Family & Childrens Center	Social Service	389	8	400	9
Nyloncraft	Manufacturing	370	9	395	10
Bethel College	College	302	10	302	
KADA Partnership	Restaurant Management			600	4

Note: (A) Source: Individual Companies

CITY OF MISHAWAKA, INDIANA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
 BY FUNCTION
 LAST FOUR FISCAL YEARS

Full-time Equivalent Employees as of December 31

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Function</u>				
General Government:	60	66	63	68
Public Safety				
<u>Police</u>				
Officers	103	103	103	103
Civilians	27	28	26	28
<u>Fire</u>				
Firefighters	107	107	107	107
Civilians	2	1	1	1
Highways and Streets	30	37	33	38
Culture and Recreation	34	35	35	35
Water	48	47	49	50
Wastewater/Sewer	46	46	49	47
Electric	69	73	70	71

Source: Various city departments

CITY OF MISHAWAKA, INDIANA
OPERATING INDICATORS BY FUNCTION
LAST FOUR FISCAL YEARS

<u>Function</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Police				
Arrests	2,350	2,059	2,256	2,293
Parking Violations	1,474	2,289	2,692	3,111
Traffic Violations	4,568	4,044	4,163	3,987
Traffic Accident Calls	2,453	2,717	2,832	2,820
Cases Reviewed	8,114	7,812	8,106	8,911
Fire				
Fire Calls	213	253	334	244
Medical Calls	4,123	4,191	4,108	4,131
Inspections	917	1,100	964	875
Streets				
Street Resurfacing (miles)	9	9	9	9
Potholes repaired	2,000	2,000	2,000	2,000
Miles of Streets swept	8,700	10,912	8,989	7,557
Culture & recreation				
Pool Attendance(patrons)	18,512	18,176	10,740	13,664
Community Ctr Attendance	53,000	50,355	42,023	55,961
Facility Rentals	770	696	404	428
Plantings	213	95	502	69
Water				
New service lines	428	419	288	527
Average daily consumption MGD	9.4	9.4	9.3	9.3
Wastewater				
Annual Sewage Treatment (billions of gallons)	4.5	4.5	4.4	3.9
Pollutants removed (in mill of lbs.)	8.5	8.5	8.5	8.4
Electric				
Energy consumption (kW) (in thousands)	637,903	617,257	588,830	574,000
Unplanned outages	7	12	8	14

Source: Various city departments

CITY OF MISHAWAKA, INDIANA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Function</u>				
Police				
Stations	1	1	1	1
Patrol Units				
Fire				
Stations	5	5	5	5
Streets				
Miles of Streets	174.30	174.08	174.08	174.08
Street Lights	3,737	3,731	3,725	3,709
Traffic Signals	55	55	54	54
Culture & recreation				
Park Acreage	317	317	307	307
Number of Parks	27	27	26	26
Golf Courses	1	1	1	1
Swimming Pools	2	2	2	2
Tennis Courts	12	12	15	15
Community Centers	1	1	1	1
Water				
Total connections	15,539	15,852	16,037	16,150
Fire Hydrants	2,555	2,491	2,459	2,279
Wastewater				
Miles of Sewers	246.14	245.06	239.85	236.89
Electric				
Number of Sub-stations	11	11	11	11
Miles of Service Lines above/below ground	470	470	470	470

Source: Various city departments