



**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

**CITY OF MISHAWAKA
YEAR ENDED DECEMBER 31, 2005**

JEFFREY L. REA, MAYOR

June 10, 2006

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, 2005.

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.
- 4) 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,

Jeffrey L. Rea, Mayor

June 10, 2006

To the Honorable Mayor Jeffrey L. Rea,
Members of the Common Council, and
the Citizens of the City of Mishawaka:

The Comprehensive Annual Financial Report of the City of Mishawaka, Indiana for the fiscal year ended December 31, 2005 is hereby submitted. This report was prepared by the City Controller's Office in conjunction with the State Board of Accounts of the State of Indiana. Responsibility for the accuracy, completeness and fairness of the presentation rests with the city. We believe the data as presented is accurate in all material aspects; that it is presented fairly as set forth in the financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the city as of December 31, 2005, and that all disclosures necessary to enable the reader to gain the maximum understanding of the city's financial affairs have been included. The financial statements of the City of Mishawaka for the year-ended December 31, 2005 are fairly presented in conformity with GAAP.

The State Board of Accounts of the State of Indiana, have issued an unqualified opinion on the City of Mishawaka's financial statements for the year ended December 31, 2005. The independent auditor's opinion is located at the front of the financial section of this report.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City of Mishawaka's MD&A can be found immediately following the report of the independent auditors.

The 2005 Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and compliance. The **introductory section** includes the transmittal letters, the government's organizational chart, a list of principal city officials, and the Certificate of Achievement for Excellence in Financial Reporting awarded to the City of Mishawaka for the year ended December 31, 2004. The **financial section** begins with the independent auditors' report on the City's financial statements, the management's discussion and analysis, the basic financial statements, notes to the financial statements, required supplementary information and combining statements and schedules. The **statistical section** contains selected financial and demographic information, generally presented on a multi year basis. The **compliance section** consists of supplemental audit reports, schedules of federal awards and the internal controls necessary for compliance.

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

The following pages of this transmittal letter include a general overview of Mishawaka with discussion on the economic condition of the city also including present and future goals of the city.

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 annual budget serves as the foundation for the City of Mishawaka's financial planning and control. All departments are required to submit a request for appropriation to the Mayor during the month of July each year. The Mayor uses these requests as the starting point for developing a proposed budget. The Mayor then presents the proposed budget to the Common Council for review the Common Council then is required to hold a public hearing and adoption prior to September 30. Budgetary control is maintained by object classifications for all funds except for the General Fund, which is by object classification within each department. Budgeted appropriations cannot be transferred between object classifications without approval of the Common Council. Any revision to the appropriations for any fund or department of the General fund must be approved by the Common Council and, in some cases, by the Indiana Department of Local Finance. All annual appropriations lapse at fiscal year end unless encumbered by a purchase order or contract. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances at year-end are carried forward and added to the ensuing year's budget. Budgetary comparisons are provided in this report for the General Fund on pages 61-63 and for all Non-Major funds on pages 80-95.

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 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.

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." In 2004 the city started updating our comprehensive plan.

Mishawaka's 2000 Census population increased to 46,557, a 9.2% increase since 1990 according to the U.S. Census Bureau. Steady job growth and population growth have contributed to the stability of the community. According to the Bureau of Census in 2000 High school graduates and above age 25 + was 80% for Mishawaka. Home ownership rate for the same time period was 56%, persons below poverty was at 9.9% in 1999. As of December 2005 the South Bend/Mishawaka area unemployment rate remains low at 5.4%. The South Bend/Mishawaka area overall resident employment stands at 136,690 for 2005.

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 St. Joseph County, Indiana are in the health and education field. The University of Notre the largest employer has 4200 employees followed by Memorial Health Systems with 3600 employees.

The total estimated value of new construction in Mishawaka during 2005 was \$90,423,287., which was the second highest annual amount in the City's history. The highest annual amount in the City's history (\$90,580,698) was recorded in 1998. Highlighting the 2005 projects were the alteration/remodeling of the Mishawaka Wastewater Treatment Plant (\$33,373,000), the new Walgreens (\$1,400,000), new Autumn Ridge Apartments, Edward Rose Development Company (\$3,954,000), the construction of Indiana Cheer Elite (\$1,500,000), and two new restaurants valued at about \$1,000,000.00 each.

Retail sales in Mishawaka totaled \$1.4 billion according to a 2000 survey of market data in the South Bend Tribune. In 2005, 15 new commercial businesses were constructed at a cost of \$11.9 million. Of 30 tax abatements issued to 23 companies since 1985, 24 have been in the industrial-manufacturing area. In 2005 the city granted two tax abatements to Ironwood Enterprises, LLC and Damon Products Company. At the end of 2005, only 9 tax abatements were outstanding. The capital investment for all 9 abatements is estimated at \$33,159,121 as well as 1995 new or

retained jobs.

Our city continues to be the leader in the use of Tax Incremental Financing (TIF) for new and improved infrastructure. Projects under construction or completed in 2005 are the Main Street Underpass, Fulmer Road reconstruction, Main St and Catalpa Drive Improvements, Front St. Extension, Northeast Trunk Sewer Phase I and the Mishawaka Wastewater Funded Project.

Major Initiatives

The following paragraphs briefly outline the some new and some old initiatives of 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 and 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.

The Mishawaka Riverwalk continues to be constructed in 2005. 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 started in 2005. At the end of 2005 19 appraisals had been completed 19 offers made and 4 offers accepted in this area.

The city purchased a new accounting/payroll system in 2004 and implemented this program in the fall of 2005. This new system replaced a 20 year old program. This new system will help in the efficiency and accuracy of the city's budget, payroll and annual reporting.

In 2005 major steps were taken to fund and implement a new communications system for the city. This new system will allow each department better and faster access to information that will ultimately improve efficiency and accuracy relating to crucial situations.

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.

In 1988, the city prepared its first Capital Improvement Program, which contained about forty projects with cost estimates and a prioritization schedule. The first five years of the program were specific and the second five years were necessarily more general. Having completed the

first five years of the plan in 1994, a new plan was developed looking forward another ten years. The extension includes over 155 projects for the next ten years. Individual departmental Capital Improvement Plans are updated or implemented for departmental equipment needs as part of the budgeting process.

Planning For the Future

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..

Other public projects slated for 2006 are the plans for improvement of the East Jefferson Area which will include extensive redevelopment and revitalization of this area. Our West Mishawaka Avenue area is the city's oldest and most stable neighborhood which is on the agenda for serious attention in 2006.

In 2005, St. Joseph Regional Medical Center confirmed its earlier decision to build a new healthcare campus in the Edison Lakes Corporate Park on the City's north side. To accommodate this project, the city annexed 163 acres of land south of Douglas Road between Main Street and Fir Road. Plans are for the hospital to open in the fall of 2009. The estimated cost of the project will be in excess of \$350 million.

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.

In November of 2004, ground was broken for the expansion of the Mishawaka Wastewater plant. This expansion has an estimated cost of over \$40 mill. This project will continue on until expected completion in March, 2007.

The Electric department delivered 617 million kilowatt-hours of electricity to 26,625 meters in 2005. The Mishawaka electric distribution system, second largest in Indiana, consists of nearly 300 miles of overhead lines, 170 miles of underground lines, and 11 substations. Several projects are planned to improve efficiency including reducing line loss, further decrease unplanned outages and expand the facilities to serve even greater demands.

Department Focus

Each year the city selects a department to highlight for its efforts and accomplishments this year the Building Department has been selected for review. The five (5) employees who make up the

Building Department are the Building Commissioner, Plumbing/HVAC Inspector, Electrical Inspector, one (1) part-time inspector, and Administrator.

The City of Mishawaka was established in 1833 by enterprising individuals looking to take advantage of the iron ore deposits located on the banks of the St. Joseph River. From the construction of the first blast furnace plant and a population of 200 people in 1833, construction has been a trait of this burgeoning city.

In 1923, permits which were distributed by the Clerk's office would cost \$.25 regardless of the construction cost. Licenses ranged from a billiard business to a jitney license, which was \$5.00 per passenger depending on the number of people the vehicle could carry. The Building Department now issues all building, plumbing, heating, cooling, electrical, sign, demolition, and moving permits. The electrical, plumbing, HVAC, and general contractor licenses are also issued through this office.

In 1927, Mayor Walter Michael was empowered to designate an officer or employee of the city as Building Commissioner. The duties would be to enforce ordinances. This position now administers and supervises the office staff, inspects all construction projects within the city and participates in all inspections as needed. The commissioner assures the safety and health of the public through adherence to legal requirements and enforcement of various codes. These codes regulate the construction, use or occupancy of buildings and structures both public and private. In 2005, the building department issued 1,167 building permits along with 527 licenses for general contractors.

The Common Council established the Office of Inspection of Plumbing and House Drainage in 1933. Mayor Edward Went then appointed a Plumbing Board along with a Plumbing Inspector in 1935. The application fee for a plumbing license was \$15.00, which has since increased to \$100.00 as of December 2005 for the same license.

The Plumbing Inspector is responsible for all phases of residential, commercial, and industrial plumbing new and replacement. The inspector must possess substantial knowledge and understanding along with enforcement of state and city codes.

With the Plumbing Department completing its first year in 1940, there were 238 plumbing permits issued along with 31 licenses. In 2005, a total of 691 plumbing permits were issued along with 166 plumbing registrations.

The Electrical Inspector was a city electrician who worked under the Electric Department. The license fee in 1935 was \$100.00 and \$12.00 for a renewal. Since December of 2005, both new and renewed electrical licenses are \$100.00.

The Electrical Inspector administers inspections of all electrical projects in the city. This person must possess knowledge and understanding of state, city and national electrical codes for all aspects of operations, procedures, and safety for enforcement of such codes and ordinances. In 2005, 591 electrical permits were issued along with 213 electrical licenses.

The HVAC Inspector is responsible for inspecting all phases of residential (including remodeling and additions), commercial, and industrial heating and cooling, new and replacement. This person must be knowledgeable in all aspects of HVAC operations, procedures and safety factors along with substantial knowledge and understanding of the state, city and national codes. There were 556 HVAC permits issued in 2005 and 145 HVAC licenses.

The estimated construction cost in 1923 was \$2,745,945.00 for 600 new residences, 399 new garages, and 22 new businesses. Permits were \$.25 regardless of the construction cost. The estimated cost a new home ranged from \$2,500.00 to \$5,000.00 and garages ranged from \$100.00 to \$400.00. In 2005, the estimated construction cost was \$90,423,287.00 for 147 new residences, 23 multi-family, 27 garages, 15 new businesses, and alterations for a total of 1,167 total building permits.

In 2005, the department made 5,516 recorded inspections. This number does not depict the inspections needed for advice, repairs, or citizens working without a permit and/or license. The process begins with the acceptance of building plans, continuing inspections during construction, and ending with a final occupancy inspection. Buildings are inspected to eliminate any hazardous condition for the occupants and users of the structures.

The Mishawaka Building Department issued a total of 3,170 permits, 1,088 licenses, and 5,516 inspections in 2005. We as a department will continue to assure the citizens and contractors of Mishawaka that they will be treated fairly, professionally, efficiently, and courteously. The Building Department will ensure the safety of all, protecting lives and investments by policing and enforcing all building codes and ordinances.

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 **16-18**. 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 **19** 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 **4** of 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 carries traditional insurance for workers' compensation, vehicle fleet collision and comprehensive, general liability, public official's liability, property and casualty, inland marine and boiler coverage.

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.

Certificate of Achievement for Excellence In Financial Reporting

The Government Finance Officers Association (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, 2004. 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 CAFR 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 nineteen consecutive years (years ended December 31, 1986-2004). We believe our 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.

Acknowledgments

The preparation of this report has been a departmental challenge and could not have been accomplished without the support and dedication of the staff of the Controller's Office. Special 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,

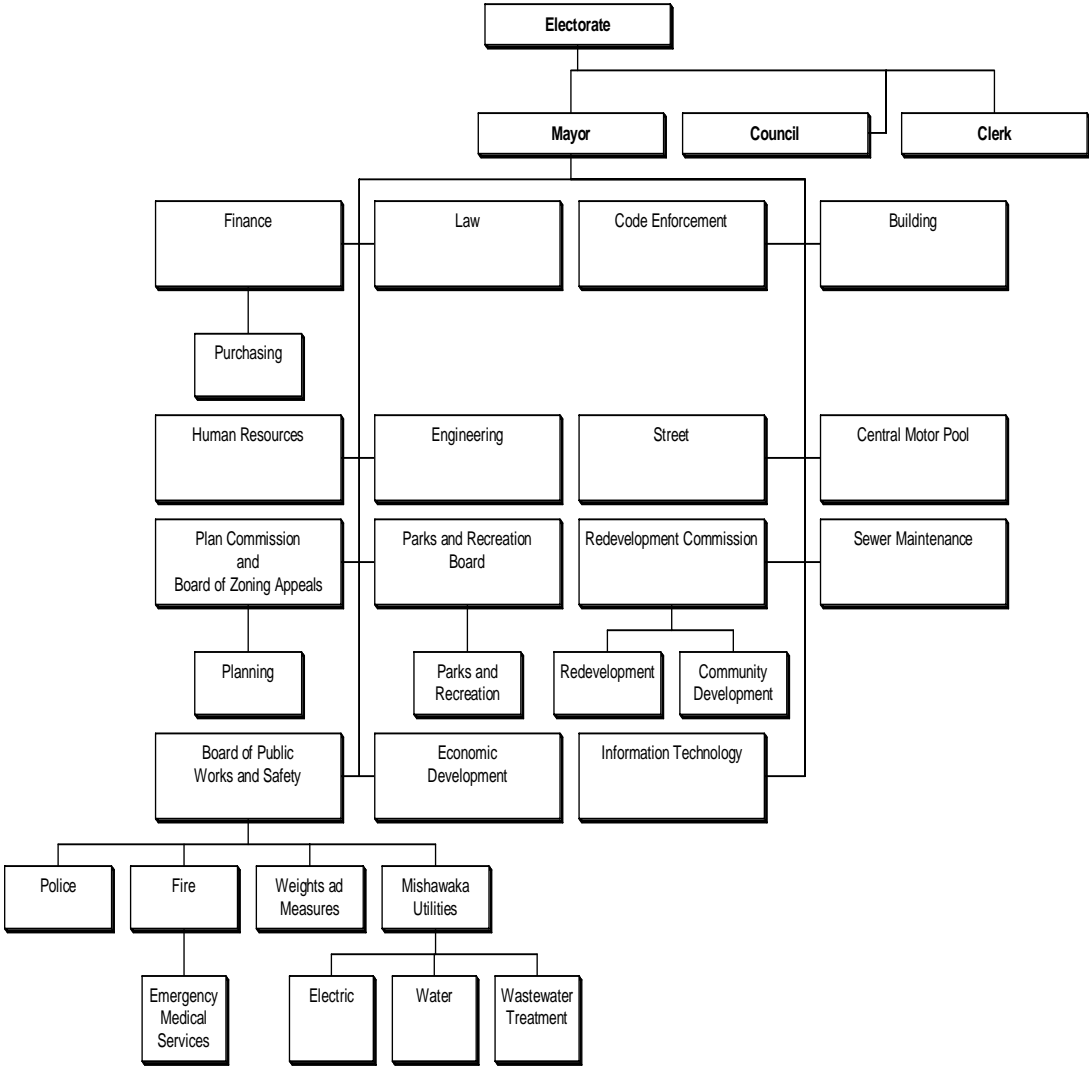
Alex Flores, John Pajakowski and John Rucano for their assistance and encouragement. They have our sincere appreciation for the preparation of this report. Acknowledgment should also go to Mayor Jeffrey L. Rea and the members of the Mishawaka Common Council for their interest and support in planning and conducting the financial operations of the City.

Respectfully submitted

Yvonne Milligan
City Controller

Staff: Rebecca Miller, Deputy Controller
Elizabeth Ann Fisher
Janet Weber
Deena Dipert
Kim Hill
Jennifer Botka
Lesley Green

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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2005

CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

CITY OF MISHAWAKA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR DECEMBER 31, 2005

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
I. INTRODUCTORY SECTION	
Table of Contents	i-ii
City Officials	iii
Mayor's Letter of Transmittal	
Controller's Letter of Transmittal	
Organization Chart	
Certificate of Achievement	
II. FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	1-2
Management's Discussion and Analysis	3-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16-17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19-20
Statement of Revenues, Expenditures and Other Changes in Fund Balances – Governmental Funds	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Assets – Proprietary Funds	24-25
Statement of Revenues, Expenses and Other Changes in Fund Net Assets – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27-28
Statement of Fiduciary Net Assets – Fiduciary Funds	29
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	31
Notes to Financial Statements	32-57
Required Supplementary Information:	
Schedules of Funding Progress	59
Schedules of Contributions From the Employer and Other Contributing Entities	60
Budgetary Comparison Schedules	61-63
Budget/GAAP Reconciliation	64
Combining Statements and Schedules	
Nonmajor Governmental Funds:	
Description	65-67
Combining Balance Sheet	68-73
Combining Statement of Revenues, Expenditures and Other Changes in Fund Balances	74-79
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	80-95
Fiduciary Funds:	
Description	97
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	98
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	99
Combining Statement of Changes in Assets and Liabilities – Agency Funds	100

CITY OF MISHAWAKA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR DECEMBER 31, 2005

TABLE OF CONTENTS
 (Continued)

<u>Description</u>	<u>Page</u>
III. STATISTICAL SECTION:	
General Governmental Expenditures by Function	103
General Government Revenues by Source	104
Property Tax Levies and Collections	105
Assessed and Estimated Actual Value of Taxable Property.....	106
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	107
Computation of Legal Debt Margin	108
Ratio of Annual Debt Service Expenditures for General Obligation and Tax Incremental Financing Bonded Debt to Total General Governmental Expenditures	109
Revenue Bond Coverage	110
Property Tax Rates – Direct and Overlapping Governments	111
Computation of Direct and Overlapping Debt	112
Demographic Statistics	113
Property Value, Construction, and Bank Deposits.....	114
Principal Taxpayers	115
Largest Employers	116
Miscellaneous Statistics.....	117
Salaries of Principal Officials	118
Largest Electric Utility Users.....	119
Largest Water Utility Users	120
Largest Wastewater Utility Users.....	121
IV. COMPLIANCE SECTION	
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	124
Independent Auditor's Report on Compliance With Requirements Applicable to Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	125-126
Schedule of Expenditures of Federal Awards.....	127
Notes to Schedule of Expenditures of Federal Awards	128
Schedule of Findings and Questioned Costs.....	129
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	130

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	Phillip R. Miller Gary E. West	01-01-05 to 06-20-05 06-21-05 to 12-31-06
Members of the Common Council	John Gleissner James Benjamin Gregg A. Hixenbaugh David Allen Wood Marsha G. McClure Dale Emmons Jason Mazurkiewicz Ronald Banicki John J. Roggeman	01-01-04 to 12-31-07 01-01-04 to 12-31-07 01-01-04 to 12-31-07 01-01-04 to 12-31-07 01-01-04 to 12-31-07 01-01-04 to 12-31-07 01-01-04 to 12-31-07 01-01-04 to 12-31-07 01-01-04 to 12-31-07



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

TO: THE OFFICIALS OF THE CITY OF 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, 2005, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The 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 11, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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 are 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 are 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 11, 2006

City of Mishawaka, Indiana
Management Discussion and Analysis
For the year ended December 31, 2005

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, 2005. 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 \$150,285,353. Of this amount, \$43,780,569 (unrestricted net assets) may be used to meet the City of Mishawaka's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$15,302,689. Of this amount governmental activities assets increased by \$6,980,827 and business type activities increased by \$8,321,862.
- As of the close of fiscal year 2005, the City of Mishawaka's governmental funds reported combined ending fund balances of \$50,146,309, an increase of \$9,190,556.
- At the end of 2005, unreserved fund balance for the general fund was \$1,982,889(8.7% of General Fund Expenditures) compared to \$1,771,831 for 2004 which was about 8.4% of total general fund expenditures for that year.
- At the end of 2005, unreserved fund balance for TIF NW General was \$21,978,760(which was 386% of TIF NW General expenditures for the same year) compared to \$17,246,965 for 2004 which was about 362% of total TIF NW General expenditures for that year.
- At the end of 2005, unreserved fund balance for Other Governmental Funds was \$7,620,752 (which was 48.1% of Other Governmental Funds expenditures) compared to \$8,949,069 for 2004 which was about 44.9% 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 \$2,473,808.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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: These statements are designed to provide readers with a broad overview of the City of Mishawaka's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City of Mishawaka's assets and liabilities as of December 31, 2005, 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 of activities displays the expenses of the City's various programs 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 and TIF NW General.

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.

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, 2005.

<u>Revenues</u>	<u>2005 Amount</u>	<u>% of Total</u>
Taxes: General Property	\$ 35,083,567	72.5%
Licenses and permits	313,195	.6%
Intergovernmental	9,626,565	19.9%
Charges for services	1,795,176	3.7%
Fines and forfeits	88,543	.2%
Interest	981,943	2.0%
Sales and Use of Property	108,537	.2%
Gifts and Donations	90,933	.2%
Other	<u>344,371</u>	<u>.7%</u>
Total	<u>\$ 48,432,830</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 2005 the increase was 4.4%. 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 74.4% of the General Funds 2005 total revenue was derived from property taxes, the TIF NW General derived 95.5% of its revenue from property tax and the Other Governmental Funds property tax percentage was 46.5% of total revenue. New sources of revenue need to be identified to shift the burden from homeowners. EDIT and COIT were established to support that purpose. 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, \$1,342,863, 1,210,000, and \$1,218,998 of EDIT distributions for the years 2003, 2004 and 2005 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 \$2,813,697, \$2,390,838 and \$1,922,927 of COIT distributions for the years 2003, 2004 and 2005 respectively. Other intergovernmental revenue includes alcoholic beverage tax, wheel tax, vehicle excise tax and cigarette tax. User fees were reanalyzed in 2005 with some increases but future increases or new users 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, 2005.

<u>Expenditures</u>	<u>2005 Amount</u>
General Government	\$ 6,136,790
Public Safety	17,897,471
Highways and Streets	8,050,282
Sanitation	20,000
Culture and Recreation	5,532,618
Community Development	2,888,957
Debt service	<u>3,774,480</u>
Total	<u>\$ 44,300,598</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 \$17,897,471 or 40.4% while Highways and Streets and Culture and Recreation are at 18.1% and 12.5% respectively. The public safety and general government's functions were approximately 98% of the General Funds 2005 expenditures. 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 45 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 fund

and the TIF NW General fund both 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. 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.

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 Agency Funds are Park Rental Deposit, Redevelopment Revolving, and Payroll with related employee deductions.

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 City of Mishawaka. 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 Utility Pension fund covers all the City of Mishawaka utility workers. The Utility Pension fund is also administered by the City of Mishawaka.

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 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 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 and the TIF NW General Fund, a major capital project fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. At December 31, 2005, the City of Mishawaka’s assets exceeded liabilities by \$150,285,353 an increase of \$15.3 million from the previous year. The largest portion of the City of Mishawaka’s net assets reflects its investment in capital assets (65%), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The City of Mishawaka has produced government-wide financial statements using full accrual basis of accounting and economic resources measurement focus. The following tables present a two year comparison of condensed financial information on net assets and changes in net assets.

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and Other Assets	\$ 40,803,171	\$58,535,646	\$ 26,130,197	\$30,508,553	\$ 66,933,368	\$ 89,044,199
Capital assets	<u>50,388,686</u>	<u>46,986,663</u>	<u>90,709,368</u>	<u>115,036,618</u>	<u>141,098,054</u>	<u>162,023,281</u>
Total assets	91,191,857	105,522,309	116,839,565	145,545,171	208,031,422	251,067,480
Long-term liabilities	27,593,456	34,819,271	38,313,162	57,449,454	65,906,618	92,268,725
Other liabilities	<u>3,066,812</u>	<u>3,190,622</u>	<u>4,075,328</u>	<u>5,322,780</u>	<u>7,142,140</u>	<u>8,513,402</u>
Total liabilities	30,660,268	38,009,893	42,388,490	62,772,234	73,048,758	100,782,127
Net assets:						
Invested in capital assets, net of related debt	37,867,826	43,584,806	49,993,152	58,414,662	87,860,978	101,999,468
Restricted	447,219	1,184,297	2,316,792	3,321,019	2,764,011	4,505,316
Unrestricted	<u>22,216,544</u>	<u>22,743,313</u>	<u>22,141,131</u>	<u>21,037,256</u>	<u>44,357,675</u>	<u>43,780,569</u>
Total net assets	<u>\$ 60,531,589</u>	<u>\$67,512,416</u>	<u>\$ 74,451,075</u>	<u>\$82,772,937</u>	<u>\$134,982,664</u>	<u>\$150,285,353</u>

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.

At the end of 2005, 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 2004.

At year end the City of Mishawaka's net assets were \$150,285,353. This amount is made up of \$101,999,468 invested in capital assets (e.g., land, buildings, machinery, and equipment) net of related debt, \$4,505,316 assets with external restrictions upon its use, and \$43,780,569 of unrestricted assets that are available for future use as directed by management.

There was an increase of \$737 thousand in restricted net assets reported in connection with the City of Mishawaka's governmental type activities. Almost all of this increase was associated with the purchase of a new general obligation bond. The governments net assets increased by \$15.3 million during the current fiscal year.

**City of Mishawaka's
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues						
Program revenues:						
Charges for services	\$ 2,443,569	\$ 2,699,109	\$52,866,373	\$52,903,409	\$55,309,942	\$55,602,518
Operating grants and contributions	2,143,953	1,661,515			2,143,953	1,661,515
Capital grants and contributions	4,494,949	4,326,826	846,168	1,451,446	5,341,117	5,778,272
General revenues:						
Property taxes	31,758,286	35,172,645			31,758,286	35,172,645
Grants and contributions not restricted to specific programs	4,201,761	3,667,444			4,201,761	3,667,444
Unrestricted investment earnings	278,677	981,943	204,666	738,382	483,343	1,720,325
Other revenue	268,780	41,646			268,780	41,646
Loss on sale of assets	-	(243,984)			-	(243,984)
Total revenues	45,589,975	48,307,144	53,917,207	55,093,237	99,507,182	103,400,381
Expenses						
General government	5,922,122	5,874,794			5,922,122	5,874,794
Public safety	19,352,725	23,380,191			19,352,725	23,380,191
Highways and streets	3,834,156	4,745,217			3,834,156	4,745,217
Sanitation	35,725	20,000			35,725	20,000
Economic development	3,201,954	2,657,176			3,201,954	2,657,176
Culture and recreation	3,148,419	3,595,595			3,148,419	3,595,595
Interest on long-term debt	795,567	847,749			795,567	847,749
Water utility			6,973,978	6,597,036	6,973,978	6,597,036
Wastewater utility			5,747,658	5,849,788	5,747,658	5,849,788
Electric utility			33,182,687	34,530,146	33,182,687	34,530,146
Total expenses	36,290,668	41,120,722	45,904,323	46,976,970	82,194,991	88,097,692
Changes in net assets before transfers and capital contributions	9,299,307	7,186,422	8,012,884	8,116,267	17,312,191	15,302,689
Transfers	(90,756)	(205,595)	90,756	205,595		
Change in net assets	9,208,551	6,980,827	8,103,640	8,321,862	17,312,191	15,302,689
Net assets-Beginning	51,323,038	60,531,589	66,347,435	74,451,075	117,670,473	134,982,664
Net assets-Ending	\$60,531,589	\$67,512,416	\$74,451,075	\$82,772,937	\$134,982,664	\$150,285,353

Governmental Activities

Governmental activities change in net assets from 2004 decreased by \$2.1 million. The decrease in changes in net assets from 2004 in Governmental Activities was primarily due to an increase in expenses which outstripped increases in revenue for the same period of time. The actual change in net assets for the year ending 2005 was \$6.9 million this was primarily due to an increase in expenditures for capital assets of \$4.8 million.

Revenue increased \$2.8 million due to property tax distributions paid in 2005 which were due in 2004. Expenses increased \$4.8 million primarily in Public Safety due to increased pension and health care cost and capital asset related purchases.

Business Type Activities

Business Type Activities change in net assets from 2004 decreased by \$218 thousand. The Business Type Activities seem to be holding steady on revenues and expenses. The actual change in net assets for the year ending 2005 was \$8.3 million primarily due to steady revenue from utility customers and carefully watching expenses for the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 \$50,146,309 an increase of \$9.1 million from the prior year. Over one-half of this total (\$31,582,401) constitutes unreserved fund balance, which is available for spending at the City of Mishawaka's discretion. The majority of the increase in unreserved balances is for capital projects. The remainder of the balance (\$18,563,908) 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 (\$7,161,524), to pay debt service (\$2,905,602), for loans receivable (\$245,282), and for capital assets held for resale (\$8,251,500).

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, 2005, the unreserved balance (\$1,982,889) and the total balance in the general fund was \$2,419,387 a slight increase (\$208,441) from 2004. 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 8.7% of the total general fund expenditures, while total fund balance represents 10.6% of the same amount.

The other major fund is TIF NW General. As of December 31, 2005, the unreserved balance (\$21,978,760) and the total balance in the TIF NW General was \$30,230,260, an increase of \$4,731,795 from 2004. TIF NW General is a capital project fund and the increase is due to major projects in the planning stage but not yet completed or ready for construction. 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 386% of the total TIF NW General fund expenditures, while total fund balance represents 531% of the same amount.

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 2005 amounted to \$21,037,256 and the internal service funds were \$1,184,262. 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 less than the original budget by \$301,257. 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 2005 the submitted budget to the state was reduced upon passage. 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 are \$3,438,107 over budget and expenditures are \$872,438 under budget. A delay in sending out tax bills in 2004 kept the city from receiving its final distribution in property tax for 2004 which in turn created an increase in revenue for 2005(\$3,135,937). Small increases were seen in Interest and Other revenue. The 2005 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 ACTIVITY

Capital Assets: The City of Mishawaka’s investment in capital assets for its governmental and business type activities at December 31, 2005 amounts to \$162,023,281 (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:

- Major Road Improvements listed below-\$2,786,000.
- Jefferson Road Improvements-Right of Way purchases
- Main Street and Catalpa Improvements
- Front Street Extension
- Douglas Road Improvements Ph I
- Fulmer Road Extension Ph I
- 2005 Summer Street Sidewalk and Curb Program
- West Street Improvements
- Beutter Park Completion - \$3,300,000.
- Jefferson Road Lift Station relocation- \$270,000

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

	Governmental Activities		Business Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Land	\$ 5,005,818	\$5,523,027	\$1,079,568	\$1,079,568	\$6,085,386	\$6,602,595
Construction in progress	7,763,518	12,088,763	2,715,209	26,344,298	10,478,727	38,433,061
Buildings	9,593,687	9,173,890	26,618,658	25,878,693	36,212,345	35,052,583
Improvements other than buildings	6,802,607	6,737,746	55,350,729	52,428,601	62,153,336	59,166,347
Machinery and equipment	5,551,846	5,356,986	4,289,154	8,632,147	9,841,000	13,989,133
Transportation equipment	-	-	656,050	673,311	656,050	673,311
Infrastructure	7,419,710	8,106,251	-0-	-0-	7,419,710	8,106,251
Total	\$42,137,186	\$ 46,986,663	\$90,709,368	\$115,036,618	\$132,846,554	\$162,023,281

Debt administration: At December 31, 2005, the City had a number of debt issues outstanding. These issues included \$7,640,000 of general obligation bonds, \$7,450,000 of revenue bonds payable from governmental funds, and \$14,045,721 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 \$2,473,808 from the prior year. This increase was due to the City of Mishawaka issuing a General Obligation bond of \$5,000,000 to purchase a new public safety communication system.

During the current year, the City of Mishawaka issued a new revenue bond to advance refund a 1999 bond issue to take advantage of a favorable interest rate, from an average rate of 5.5% (1999) to an average 3.85% (2005).

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 remains low at 5.4% for December 2005. Labor force for St. Joseph County decreased slightly to 136,690 from 137,900.

New construction in Mishawaka was valued at \$90,423,287 million for 2005 which was the second highest annual amount in the City's history. The highest amount ever recorded was in 1998 in the amount of \$90,580,698.

The year 2006 will be another year of serious thought and consideration on how we can alleviate the burden of property tax on the citizens of Mishawaka. Many considerations are being looked at. Possibly some type of new income tax would be a fairer way to spread the burden.

CITY HIGHLIGHTS

- The City of Mishawaka is continuing to move forward on the GIS technology for efficient storage and retrieval of information and production of intelligent maps.
- In 2005 the City Planning Department prepared a Comprehensive Plan for Communities. This plan served as an outline for the 2025 Comprehensive Plan update.
- In 2005 the city began the implementation of a new 800 MHz Trunked Digital Radio Voice System. The project has an estimated cost of \$8.million.
- A \$40 million expansion to our wastewater treatment plant was started in 2004. At the end of 2005 the project was approximately 50% complete. This expansion will serve the dual purpose of providing capacity for continued growth in the city and will cut annual combined sewer overflow volume in half.
- In 2005 the Robert C. Beutter Riverfront Park was completed at a cost of \$3.3 million. This is the first development along the Uniroyal track set for development in the near future.
- Our city continues to participate in public-private partnerships by utilizing Tax Incremental Financing (TIF) for new and improved infrastructure such as the soon to be started Mishawaka River Center. In 1999 the City acquired the entire Uniroyal Industrial site from the bankruptcy Trustee by exercising the purchase option of the lease. The site is now cleared and a Riverfront Park was completed in 2005. Plans were received at the end of 2005 for a residential development north of the River Front Park. The city is looking to the future with development along the St Joseph River in downtown Mishawaka available for investment and development. The conceptual plan for the Mishawaka River Center will dramatically change the downtown landscape and riverfront.
- Large Projects on the horizon are: The Main Street Grade Separation is in the land acquisition stage estimated cost \$27 million. The Capital Avenue/SR 331 Improvements is a highly anticipated road project in our area. The Jefferson Road Improvement Project has a tentative completion date of late summer 2006 with a cost of \$3.4 million. Development of the new St. Joseph Regional Medical Center has an estimated cost of \$355 million.

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, 2005

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 43,456,222	\$ 15,201,344	\$ 58,657,566
Receivables (net of allowances for uncollectibles):			
Interest	229,196	150,180	379,376
Taxes	2,988,449	-	2,988,449
Accounts	261,432	3,077,762	3,339,194
Other	-	33,296	33,296
Intergovernmental	394,505	-	394,505
Loans	288,191	-	288,191
Internal balances	(1,660,000)	1,660,000	-
Inventories	-	1,504,255	1,504,255
Prepaid expense	597,545	372,937	970,482
Deferred charges	213,998	1,356,685	1,570,683
Net pension asset	541,561	-	541,561
Restricted assets:			
Cash and cash equivalents	2,906,102	7,152,094	10,058,196
Taxes receivable	64,984	-	64,984
Intergovernmental receivable	1,961	-	1,961
Assets held for resale	8,251,500	-	8,251,500
Capital assets:			
Land and construction in progress	17,611,790	27,423,866	45,035,656
Other capital assets, net of depreciation	<u>29,374,873</u>	<u>87,612,752</u>	<u>116,987,625</u>
 Total assets	 <u>105,522,309</u>	 <u>145,545,171</u>	 <u>251,067,480</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
December 31, 2005
(Continued)

<u>Liabilities</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts payable	1,585,875	2,814,372	4,400,247
Accrued payroll and withholdings payable	119,767	82,623	202,390
Contracts payable	913,731	587,140	1,500,871
Taxes payable	-	153,716	153,716
Accrued interest payable	207,089	347,403	554,492
Unearned revenue	34,364	-	34,364
Estimate for unfiled claims	50,000	-	50,000
Notes and loans payable	259,050	-	259,050
Payable from restricted assets:			
Customer deposits	-	1,325,160	1,325,160
Accounts payable	500	12,366	12,866
Interest payable	20,246	-	20,246
Noncurrent liabilities:			
Due within one year:			
General obligation bonds payable	663,750	-	663,750
Revenue bonds payable	-	1,245,000	1,245,000
TIF bonds payable	1,125,000	-	1,125,000
Compensated absences	120,361	165,533	285,894
Capital lease obligations	146,677	144,008	290,685
Notes and loans payable	279,685	1,177,000	1,456,685
Due in more than one year:			
General obligation bonds payable (net of unamortized discounts)	6,928,337	-	6,928,337
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	12,675,702	12,675,702
TIF bonds payable (net of unamortized discounts)	6,230,139	-	6,230,139
Compensated absences	81,109	75,598	156,707
Capital lease obligations	247,098	212,419	459,517
Notes and loans payable	847,397	41,524,253	42,371,650
Net pension obligation	18,149,718	229,941	18,379,659
Total liabilities	<u>38,009,893</u>	<u>62,772,234</u>	<u>100,782,127</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	43,584,806	58,414,662	101,999,468
Restricted for:			
Debt service	1,184,297	3,321,019	4,505,316
Unrestricted	<u>22,743,313</u>	<u>21,037,256</u>	<u>43,780,569</u>
Total net assets	<u>\$ 67,512,416</u>	<u>\$ 82,772,937</u>	<u>\$ 150,285,353</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 5,874,794	\$ 941,009	\$ -	\$ 343,876	\$ (4,589,909)	\$ -	\$ (4,589,909)
Public safety	23,380,191	344,116	196,454	478,780	(22,360,841)	-	(22,360,841)
Highways and streets	4,745,217	343,430	-	3,333,411	(1,068,376)	-	(1,068,376)
Sanitation	20,000	-	-	-	(20,000)	-	(20,000)
Community development	2,657,176	156,850	1,296,425	12,500	(1,191,401)	-	(1,191,401)
Culture and recreation	3,595,595	913,704	168,636	158,259	(2,354,996)	-	(2,354,996)
Interest on long-term debt	847,749	-	-	-	(847,749)	-	(847,749)
Total governmental activities	<u>41,120,722</u>	<u>2,699,109</u>	<u>1,661,515</u>	<u>4,326,826</u>	<u>(32,433,272)</u>	<u>-</u>	<u>(32,433,272)</u>
Business-type activities:							
Water	6,597,036	8,074,554	-	961,142	-	2,438,660	2,438,660
Wastewater	5,849,788	7,797,148	-	490,304	-	2,437,664	2,437,664
Electric	34,530,146	37,031,707	-	-	-	2,501,561	2,501,561
Total business-type activities	<u>46,976,970</u>	<u>52,903,409</u>	<u>-</u>	<u>1,451,446</u>	<u>-</u>	<u>7,377,885</u>	<u>7,377,885</u>
Total primary government	<u>\$ 88,097,692</u>	<u>\$ 55,602,518</u>	<u>\$ 1,661,515</u>	<u>\$ 5,778,272</u>	<u>(32,433,272)</u>	<u>7,377,885</u>	<u>(25,055,387)</u>
General revenues:							
Property taxes					35,172,645	-	35,172,645
Grants and contributions not restricted to specific programs					3,667,444	-	3,667,444
Unrestricted investment earnings					981,943	738,382	1,720,325
Other					41,646	-	41,646
Loss on sale of assets					(243,984)	-	(243,984)
Transfers					(205,595)	205,595	-
Total general revenues and transfers					<u>39,414,099</u>	<u>943,977</u>	<u>40,358,076</u>
Change in net assets					6,980,827	8,321,862	15,302,689
Net assets - beginning					60,531,589	74,451,075	134,982,664
Net assets - ending					<u>\$ 67,512,416</u>	<u>\$ 82,772,937</u>	<u>\$ 150,285,353</u>

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

CITY OF MISHAWAKA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

<u>Assets</u>	<u>General</u>	<u>TIF NW General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 2,712,517	\$ 24,277,686	\$ 17,821,082	\$ 44,811,285
Receivables (net of allowances for uncollectibles):				
Interest	77,495	112,654	39,047	229,196
Taxes	1,828,689	588,579	636,165	3,053,433
Accounts	259,554	-	1,878	261,432
Intergovernmental	117,751	-	278,715	396,466
Loans	-	-	288,191	288,191
Assets held for resale	-	8,251,500	-	8,251,500
Total assets	<u>\$ 4,996,006</u>	<u>\$ 33,230,419</u>	<u>\$ 19,065,078</u>	<u>\$ 57,291,503</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 640,823	\$ 101,424	\$ 527,351	\$ 1,269,598
Accrued payroll and withholdings payable	44,600	-	75,167	119,767
Contracts payable	-	650,156	263,575	913,731
Interfund payable	-	1,660,000	-	1,660,000
Unearned revenue	1,891,196	588,579	702,323	3,182,098
Total liabilities	<u>2,576,619</u>	<u>3,000,159</u>	<u>1,568,416</u>	<u>7,145,194</u>
Fund balances:				
Reserved for:				
Encumbrances	436,498	-	6,725,026	7,161,524
Noncurrent loans receivable	-	-	245,282	245,282
Debt service	-	-	2,905,602	2,905,602
Assets held for resale	-	8,251,500	-	8,251,500
Unreserved, reported in:				
General fund	1,982,889	-	-	1,982,889
Special revenue funds	-	-	3,019,006	3,019,006
Capital projects funds	-	21,978,760	4,601,746	26,580,506
Total fund balances	<u>2,419,387</u>	<u>30,230,260</u>	<u>17,496,662</u>	<u>50,146,309</u>
Total liabilities and fund balances	<u>\$ 4,996,006</u>	<u>\$ 33,230,419</u>	<u>\$ 19,065,078</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, 2005
(Continued)

	Other Governmental Funds	Totals
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	64,313,443	
Less accumulated depreciation	(17,326,780)	46,986,663
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
Prepaid expenses	597,545	
Deferred charges	213,998	
Net pension asset	541,561	1,353,104
<p>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.</p>		
		1,184,262
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
General obligation bonds payable	(7,640,000)	
TIF bonds payable	(7,450,000)	
Bond discount	142,774	
Accrued interest payable	(227,335)	
Compensated absences	(201,470)	
Capital lease obligations	(393,775)	
Notes and loans payable	(1,386,132)	
Net pension obligation	(18,149,718)	(35,305,656)
<p>Unearned revenue in governmental fund is susceptible to full accrual on the entity-wide statements</p>		
		3,147,734
Net assets of governmental activities		\$ 67,512,416

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, 2005

	General	TIF NW General	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 15,184,165	\$ 13,351,774	\$ 6,547,628	\$ 35,083,567
Licenses and permits	300,971	-	12,224	313,195
Intergovernmental	3,645,489	-	5,981,076	9,626,565
Charges for services	800,347	-	994,829	1,795,176
Fines and forfeits	84,435	-	4,108	88,543
Interest	334,739	551,939	95,265	981,943
Sale and use of property	8,385	-	100,152	108,537
Gifts and donations	-	-	90,933	90,933
Other	41,646	65,953	236,772	344,371
Total revenues	20,400,177	13,969,666	14,062,987	48,432,830
Expenditures:				
Current:				
General government	5,433,468	-	79,365	5,512,833
Public safety	16,915,526	-	188,436	17,103,962
Highways and streets	359,942	-	4,095,220	4,455,162
Sanitation	20,000	-	-	20,000
Culture and recreation	-	-	3,108,446	3,108,446
Community development	41,392	-	2,084,609	2,126,001
Debt service:				
Principal	-	-	3,064,530	3,064,530
Interest	-	-	586,338	586,338
Bond issuance costs	-	-	123,612	123,612

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

Continued on next page

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

	<u>General</u>	<u>TIF NW General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures (continued):				
Capital outlay:				
General government	-	-	623,957	623,957
Public safety	-	-	793,509	793,509
Highways and streets	-	2,878,665	716,455	3,595,120
Culture and recreation	-	2,265,913	158,259	2,424,172
Community development	-	548,105	214,851	762,956
	<u>22,770,328</u>	<u>5,692,683</u>	<u>15,837,587</u>	<u>44,300,598</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(2,370,151)</u>	<u>8,276,983</u>	<u>(1,774,600)</u>	<u>4,132,232</u>
Other financing sources (uses):				
Transfers in	2,580,392	-	2,743,378	5,323,770
Transfers out	(1,800)	(3,545,188)	(1,982,377)	(5,529,365)
Refunding bonds issued	-	-	2,625,000	2,625,000
General obligation bonds issued	-	-	5,000,000	5,000,000
Discount on debt issuance	-	-	(62,332)	(62,332)
Payment to refunded bond escrow agent	-	-	(2,557,799)	(2,557,799)
Loan proceeds	-	-	259,050	259,050
	<u>2,578,592</u>	<u>(3,545,188)</u>	<u>6,024,920</u>	<u>5,058,324</u>
Total other financing sources and uses				
Net change in fund balances	208,441	4,731,795	4,250,320	9,190,556
Fund balances - beginning	<u>2,210,946</u>	<u>25,498,465</u>	<u>13,246,342</u>	<u>40,955,753</u>
Fund balances - ending	<u>\$ 2,419,387</u>	<u>\$ 30,230,260</u>	<u>\$ 17,496,662</u>	<u>\$ 50,146,309</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, 2005

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

Net change in fund balances - total governmental funds	\$	-	\$ 9,190,556
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		7,094,116	
Less current year depreciation expense		(2,000,655)	
Loss on sale of assets		<u>(243,984)</u>	4,849,477
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
		<u>118,298</u>	118,298
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 proceeds		(259,050)	
Issuance of general obligation bonds		(5,000,000)	
Issuance of TIF refunding bonds		(2,625,000)	
Less discounts		62,332	
Bond costs		106,741	
Payments to escrow agent for refunding		2,557,799	
Principal debt payments		<u>3,064,530</u>	(2,092,648)
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		(19,444)	
Amortization of current year bond issuance cost		(25,321)	
Amortization of loss on refunding		(212,632)	
Accrued interest		12,857	
Prepaid expenses		142,363	
Change in compensated absences		(14,810)	
Change in net pension obligation		<u>(5,019,052)</u>	(5,136,039)
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>51,183</u>
Change in net assets of governmental activities (statement of activities)			<u>\$ 6,980,827</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, 2005

<u>Assets</u>	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Current assets:					
Cash and cash equivalents	\$ 2,022,293	\$ 2,684,315	\$ 10,494,736	\$ 15,201,344	\$ 1,551,039
Interest receivable	26,160	48,120	75,900	150,180	-
Accounts receivable (net of allowance)	373,438	395,559	2,308,765	3,077,762	-
Accounts receivable - other (net of allowance)	3,752	-	29,544	33,296	-
Interfund receivables:					
Loans	-	-	300,000	300,000	-
Other	-	1,660,000	32,180	1,692,180	-
Inventories	143,159	-	1,361,096	1,504,255	-
Prepaid items	117,234	118,605	137,098	372,937	-
Restricted cash and cash equivalents:					
Customer deposits	211,597	1,240	1,106,493	1,319,330	-
Revenue bond covenant accounts	1,234,664	2,086,355	604,000	3,925,019	-
Repair account	10,381	1,557,266	240,885	1,808,532	-
Capital outlay accounts	99,094	119	-	99,213	-
 Total current assets	 4,241,772	 8,551,579	 16,690,697	 29,484,048	 1,551,039
 Deferred charges	 158,182	 228,766	 969,737	 1,356,685	 -
Capital assets:					
Land and construction in progress	1,328,120	25,157,336	938,410	27,423,866	-
Other capital assets (net of accumulated depreciation)	41,807,905	22,498,356	23,306,491	87,612,752	-
 Total capital assets	 43,136,025	 47,655,692	 24,244,901	 115,036,618	 -
 Total noncurrent assets	 43,294,207	 47,884,458	 25,214,638	 116,393,303	 -
 Total assets	 47,535,979	 56,436,037	 41,905,335	 145,877,351	 1,551,039

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, 2005
(Continued)

<u>Liabilities</u>	<u>Business-Type Activities - Enterprise Funds</u>				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Current liabilities:					
Accounts payable	68,845	61,298	2,684,229	2,814,372	316,777
Contracts payable	-	473,558	113,582	587,140	-
Accrued payroll and withholdings payable	22,851	22,504	37,268	82,623	-
Interfund payables:					
Interfund services provided and used	16,090	16,090	-	32,180	-
Estimate for unfilled claims	-	-	-	-	50,000
Taxes payable	35,804	-	117,912	153,716	-
Accrued interest payable	16,376	288,747	42,280	347,403	-
Compensated absences	49,192	43,454	72,887	165,533	-
Current liabilities payable from restricted assets:					
Customer deposits	217,447	1,240	1,106,473	1,325,160	-
Accounts payable	12,366	-	-	12,366	-
Capital leases payable	37,622	106,386	-	144,008	-
Notes and loans payable	505,000	672,000	-	1,177,000	-
Revenue bonds payable	200,000	1,045,000	-	1,245,000	-
Total current liabilities	1,181,593	2,730,277	4,174,631	8,086,501	366,777
Noncurrent liabilities:					
Compensated absences	40,537	15,217	19,844	75,598	-
Capital leases payable	58,400	154,019	-	212,419	-
Interfund loans	300,000	-	-	300,000	-
Notes and loans payable	20,500,992	21,023,261	-	41,524,253	-
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	4,263,605	8,412,097	-	12,675,702	-
Net pension obligation	73,108	48,087	108,746	229,941	-
Total noncurrent liabilities	25,236,642	29,652,681	128,590	55,017,913	-
Total liabilities	26,418,235	32,382,958	4,303,221	63,104,414	366,777
Net Assets					
Invested in capital assets, net of related debt	17,666,428	16,503,333	24,244,901	58,414,662	-
Restricted for debt service	1,234,664	2,086,355	-	3,321,019	-
Unrestricted	2,216,652	5,463,391	13,357,213	21,037,256	1,184,262
Total net assets	\$ 21,117,744	\$ 24,053,079	\$ 37,602,114	\$ 82,772,937	\$ 1,184,262

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

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

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Operating revenues:					
Unmetered water revenue	\$ 8,420	\$ -	\$ -	\$ 8,420	\$ -
Metered water revenue:					
Residential	5,191,403	-	12,733,840	17,925,243	-
Commercial	1,498,253	-	23,401,779	24,900,032	-
Public street and highway lighting	-	-	368,147	368,147	-
Fire protection revenue	1,039,747	-	-	1,039,747	-
Penalties	39,969	103,332	147,048	290,349	-
Employee/employer contributions	-	-	-	-	6,066,128
Measured revenue:					
Residential	-	4,113,699	-	4,113,699	-
Commercial	-	3,392,731	-	3,392,731	-
Other	262,346	187,386	375,157	824,889	-
Total operating revenues	8,040,138	7,797,148	37,025,971	52,863,257	6,066,128
Operating expenses:					
Source of supply and expense - operations and maintenance	1,123,495	771,295	-	1,894,790	-
Transmission and distribution	1,377,957	1,419,886	3,378,299	6,176,142	-
Treatment and disposal expense - operations and maintenance	658,775	590,230	-	1,249,005	-
Customer accounts	348,799	384,566	655,191	1,388,556	-
Administration and general	808,773	823,456	2,387,667	4,019,896	-
Insurance claims and premiums	-	-	-	-	6,014,945
Purchased power	-	-	26,250,547	26,250,547	-
Bad debt expense	17,155	3,118	73,680	93,953	-
Depreciation	1,289,305	1,057,115	1,612,618	3,959,038	-
Total operating expenses	5,624,259	5,049,666	34,358,002	45,031,927	6,014,945
Operating income	2,415,879	2,747,482	2,667,969	7,831,330	51,183
Nonoperating revenues (expenses):					
Interest and investment revenue	140,194	252,384	345,804	738,382	-
Miscellaneous revenue	34,416	-	5,736	40,152	-
Interest expense	(901,266)	(738,136)	(42,280)	(1,681,682)	-
Amortization expense	(14,644)	(60,834)	(27,358)	(102,836)	-
Loss on disposal of assets	(56,867)	(1,152)	(102,506)	(160,525)	-
Total nonoperating expenses	(798,167)	(547,738)	179,396	(1,166,509)	-
Income before contributions and transfers	1,617,712	2,199,744	2,847,365	6,664,821	51,183
Capital contributions	961,142	490,304	-	1,451,446	-
Transfers in	-	1,720,000	-	1,720,000	-
Transfers out	(458,076)	(253,171)	(803,158)	(1,514,405)	-
Change in net assets	2,120,778	4,156,877	2,044,207	8,321,862	51,183
Total net assets - beginning	18,996,966	19,896,202	35,557,907	74,451,075	1,133,079
Total net assets - ending	\$ 21,117,744	\$ 24,053,079	\$ 37,602,114	\$ 82,772,937	\$ 1,184,262

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, 2005

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,024,174	\$ 7,764,243	\$ 36,758,596	\$ 52,547,013	\$ -
Receipts from interfund services provided	-	-	-	-	6,066,128
Payments to suppliers	(1,688,488)	(1,711,470)	(28,618,388)	(32,018,346)	-
Payments to employees	(2,720,200)	(2,359,447)	(3,825,479)	(8,905,126)	-
Payments for interfund services used	-	-	-	-	(5,949,483)
Other receipts (payments)	<u>34,416</u>	<u>-</u>	<u>5,736</u>	<u>40,152</u>	<u>-</u>
Net cash provided by operating activities	<u>3,649,902</u>	<u>3,693,326</u>	<u>4,320,465</u>	<u>11,663,693</u>	<u>116,645</u>
Cash flows from noncapital financing activities:					
Transfer from other funds	450,000	1,660,000	3,425,000	5,535,000	-
Transfer to other funds	<u>(758,076)</u>	<u>(253,171)</u>	<u>(803,158)</u>	<u>(1,814,405)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	(308,076)	1,406,829	2,621,842	3,720,595	-
Cash flows from capital and related financing activities:					
Capital contributions	961,142	-	-	961,142	-
Proceeds of sale of capital assets	89,820	-	2,247	92,067	-
Acquisition and construction of capital assets	(907,394)	(701,874)	(3,634,190)	(5,243,458)	-
Principal paid on bonds	(185,000)	(1,025,000)	-	(1,210,000)	-
Principal paid on capital leases	(65,329)	(101,929)	-	(167,258)	-
Principal paid on loans	(980,000)	(661,000)	-	(1,641,000)	-
Interest paid on bonds	(40,383)	(201,950)	-	(242,333)	-
Interest paid on capital leases	(10,326)	(15,207)	-	(25,533)	-
Interest paid on loans	(839,477)	(102,610)	-	(942,087)	-
Interest paid on customer deposits	<u>(7,963)</u>	<u>-</u>	<u>(36,847)</u>	<u>(44,810)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,984,910)</u>	<u>(2,809,570)</u>	<u>(3,668,790)</u>	<u>(8,463,270)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	<u>116,262</u>	<u>208,723</u>	<u>293,091</u>	<u>618,076</u>	<u>-</u>
Net increase in cash and cash equivalents	1,473,178	2,499,308	3,566,608	7,539,094	116,645
Cash and cash equivalents, January 1 (Including \$1,120,366 , \$2,920,792, \$745,981 and \$99,253 for the customer deposits, revenue bond covenant account, repair account and capital outlay account, respectively, reported in restricted accounts)	<u>2,104,851</u>	<u>3,829,987</u>	<u>8,879,506</u>	<u>14,814,344</u>	<u>1,434,394</u>
Cash and cash equivalents, December 31 (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)	<u>\$ 3,578,029</u>	<u>\$ 6,329,295</u>	<u>\$ 12,446,114</u>	<u>\$ 22,353,438</u>	<u>\$ 1,551,039</u>

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

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CITY OF MISHAWAKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005
(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	\$ 2,415,879	\$ 2,747,482	\$ 2,667,969	\$ 7,831,330	\$ 51,183
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,289,305	1,057,115	1,612,618	3,959,038	-
Bad debt expense	17,155	3,118	73,680	93,953	-
Nonoperating revenue	34,416	(264)	5,736	39,888	-
(Increase) decrease in assets:					
Accounts receivable	(33,119)	(36,343)	(267,375)	(336,837)	-
Inventories	7,149	-	(36,410)	(29,261)	-
Prepaid items	(6,070)	(18,111)	33,674	9,493	-
Increase (decrease) in liabilities:					
Customer deposits	30,475	320	170,763	201,558	-
Accounts payable	(44,890)	(16,644)	154,363	92,829	90,462
Accrued payroll and withholdings payable	5,103	4,803	8,222	18,128	-
Interfund loans	(785)	(785)	1,570	-	-
Taxes payables	9,331	-	(57,982)	(48,651)	-
Estimate for unfilled claims	-	-	-	-	(25,000)
Net pension obligation payable	(74,047)	(47,365)	(46,363)	(167,775)	-
Total adjustments	<u>1,234,023</u>	<u>945,844</u>	<u>1,652,496</u>	<u>3,832,363</u>	<u>65,462</u>
Net cash provided by operating activities	<u>\$ 3,649,902</u>	<u>\$ 3,693,326</u>	<u>\$ 4,320,465</u>	<u>\$ 11,663,693</u>	<u>\$ 116,645</u>
Noncash investing, capital and financing activities:					
Accreted value on capital appreciation bonds	\$ -	\$ 193,808	\$ -	\$ 193,808	\$ -
Purchase of equipment on account	12,366	16,266	398,484	427,116	-
Work in progress on account	-	473,558	114,782	588,340	-
Debt issued cost incurred through debt (SRF loan)	-	29,052	-	29,052	-
Work in progress financed through debt (SRF loan)	274,086	21,769,860	-	22,043,946	-
Disposal of capital assets	233,099	(43,290)	311,748	501,557	-
Contributed capital assets	961,142	490,304	-	1,451,446	-

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, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,574,744	\$ 28,901
Receivables:		
Accounts	-	32,395
Interest and dividends	27,157	-
Taxes	87,018	-
Intergovernmental	<u>2,626</u>	<u>-</u>
Total receivables	<u>116,801</u>	<u>32,395</u>
Investments at fair value:		
Government sponsored enterprise	2,136,002	-
Corporate obligations	128,716	-
Mutual funds	<u>8,999,132</u>	<u>-</u>
Total investments	<u>11,263,850</u>	<u>-</u>
Total assets	<u>12,955,395</u>	<u>\$ 61,296</u>
 <u>Liabilities</u>		
Accounts payable	-	\$ 61,022
Accrued payroll and withholdings payable	<u>-</u>	<u>274</u>
Total liabilities	<u>-</u>	<u>\$ 61,296</u>
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	<u>12,955,395</u>	
Total net assets	<u>\$ 12,955,395</u>	

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

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CITY OF MISHAWAKA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	<u>Pension Trust Funds</u>
<u>Additions</u>	
Contributions:	
Employer	\$ 3,321,912
Plan members	<u>17,015</u>
Total contributions	<u>3,338,927</u>
Investment income:	
Net increase in fair value of investments	301,055
Interest	<u>334,598</u>
Total investment income	635,653
Less investment expense:	
Investment activity expense	<u>26,633</u>
Net investment income	<u>609,020</u>
Total additions	<u>3,947,947</u>
<u>Deductions</u>	
Benefits	4,087,162
Administrative expense	<u>20,260</u>
Total deductions	<u>4,107,422</u>
Changes in net assets	(159,475)
Net assets - beginning	<u>13,114,870</u>
Net assets - ending	<u>\$ 12,955,395</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. 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 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.

Agency funds account for assets held by the primary government as an agent for administrative costs of the Redevelopment Department.

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and 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.

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

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund Transactions and Balances

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

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the 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 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.

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

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life (Years)
Buildings and improvements	\$ 5,000	Straight-line	20-50
Equipment	5,000	Straight-line	3-15
Roads – collectors and residential	5,000	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.

Flexible time off is accrued when incurred and reported as a liability in the Statement of Net Assets. Only amounts due and payable at year end are included in the governmental fund statements.

8. Long-Term Obligations

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 Department of Local Government Finance. The budget becomes legally enacted after the City Controller receives approval of the Department of Local Government Finance.

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

The following governmental funds had legally adopted budgets:

- General
- 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
- Municipal Bond No. 1
- Cumulative Building and Fire Fighting Equipment
- Cumulative Capital Improvement
- Cumulative Sewer
- Cumulative Capital Development
- Radio Bond Capital
- CEDIT

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2005, the bank balance held at Indiana Trust in the amount of \$451,411 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, 2005, the City had the following investments:

Investment Type	Primary Government Market Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Utility Pension Fund:				
Government sponsored enterprise	\$ 2,136,002	\$ 445,051	\$ 538,672	\$ 1,152,279
Corporate bonds	128,716	-	128,716	-
Mutual funds	9,015,848	9,015,848	-	-
Totals	<u>\$ 11,280,566</u>	<u>\$ 9,460,899</u>	<u>\$ 667,388</u>	<u>\$ 1,152,279</u>

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 fifty percent (50%) of the funds held by the city and available for investment. The portfolio of an investment company or

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the City, through the Utility Pension Fund, held investments in Mutual Funds, Corporate Bonds and Government Sponsored Enterprises in the amount of \$11,263,850. Of these investments \$11,263,850 were held by the counterparty's trust department or agent but not in the City's name.

Interest Rate Risk

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

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Standard and Poor's Rating	Moody's Rating	City's Investments		
		Mutual Funds	Corporate Bonds	Government Sponsored Enterprise
AAA	Aaa	\$ -	\$ -	\$ 2,119,286
AA	Aa	-	128,716	-
Unrated	Unrated	<u>9,015,848</u>	<u>-</u>	<u>-</u>
Totals		<u>\$ 9,015,848</u>	<u>\$ 128,716</u>	<u>\$ 2,119,286</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 \$1,396,247. These investments represent 12% 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	\$ 31,204	\$ 19,137
Community Development	201,599	178,199
Property Rehabilitation Revolving	<u>55,388</u>	<u>47,946</u>
Totals	<u>\$ 288,191</u>	<u>\$ 245,282</u>

C. Capital Assets

For the year ended December 31, 2004, certain changes have been made to the classifications of assets categories as noted in the following schedule. Capital asset activity for the year ended December 31, 2005, was as follows:

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Primary Government	Beginning Balance	Reclassifications	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 5,005,818	\$ -	\$ 5,005,818	\$ 517,209	\$ -	\$ 5,523,027
Construction in progress	7,763,518	326,482	8,090,000	3,998,763	-	12,088,763
Total capital assets, not being depreciated	12,769,336	326,482	13,095,818	4,515,972	-	17,611,790
Capital assets, being depreciated:						
Buildings	14,552,663	(888,789)	13,663,874	61,315	173,174	13,552,015
Improvements other than buildings	8,991,258	69,435	9,060,693	567,048	-	9,627,741
Machinery and equipment	13,797,896	470,846	14,268,742	923,646	555,142	14,637,246
Infrastructure being depreciated	7,836,490	22,026	7,858,516	1,026,135	-	8,884,651
Totals	45,178,307	(326,482)	44,851,825	2,578,144	728,316	46,701,653
Less accumulated depreciation for:						
Buildings	4,958,976	(872,867)	4,086,109	306,803	14,787	4,378,125
Improvements other than buildings	2,188,651	540,216	2,728,867	161,128	-	2,889,995
Machinery and equipment	8,246,050	329,791	8,575,841	1,173,964	469,545	9,280,260
Infrastructure being depreciated	416,780	2,860	419,640	358,760	-	778,400
Totals	15,810,457	-	15,810,457	2,000,655	484,332	17,326,780
Total capital assets, being depreciated, net	29,367,850	(326,482)	29,041,368	577,489	243,984	29,374,873
Total governmental activities capital assets, net	\$ 42,137,186	\$ -	\$ 42,137,186	\$ 5,093,461	\$ 243,984	\$ 46,986,663
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 1,079,568	\$ -	\$ 1,079,568	\$ -	\$ -	\$ 1,079,568
Construction in progress	2,715,209	-	2,715,209	24,114,289	485,200	26,344,298
Total capital assets, not being depreciated	3,794,777	-	3,794,777	24,114,289	485,200	27,423,866
Capital assets, being depreciated:						
Buildings	34,166,323	(551,392)	33,614,931	527,090	791	34,141,230
Improvements other than buildings	86,302,904	(11,203,388)	75,099,516	3,486,232	507,173	78,078,575
Machinery and equipment	9,974,760	11,754,780	21,729,540	633,573	30,344	22,332,769
Transportation	3,103,672	-	3,103,672	262,580	33,706	3,332,546
Totals	133,547,659	-	133,547,659	4,909,475	572,014	137,885,120
Less accumulated depreciation for:						
Buildings	7,547,665	(44,206)	7,503,459	759,685	607	8,262,537
Improvements other than buildings	30,952,175	(7,225,780)	23,726,395	2,167,564	243,985	25,649,974
Machinery and equipment	5,685,606	7,269,986	12,955,592	771,193	26,163	13,700,622
Transportation	2,447,622	-	2,447,622	260,596	48,983	2,659,235
Totals	46,633,068	-	46,633,068	3,959,038	319,738	50,272,368
Total capital assets, being depreciated, net	86,914,591	-	86,914,591	950,437	252,276	87,612,752
Total business-type activities capital assets, net	\$ 90,709,368	\$ -	\$ 90,709,368	\$ 25,064,726	\$ 737,476	\$ 115,036,618

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	\$ 268,639
Public safety	795,847
Highways and streets	588,269
Culture and recreation	346,967
Community development	<u>933</u>
Total depreciation expense - governmental activities	<u>\$ 2,000,655</u>
Business-type activities:	
Water	\$ 1,289,305
Wastewater	1,057,115
Electric	<u>1,612,618</u>
Total depreciation expense - business-type activities	<u>\$ 3,959,038</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	Expended to December 31, 2005	Committed
Governmental activities:		
Fulmer Road	\$ 772,588	\$ 509,268
Douglas Road improvements	332,646	68,417
Main Street Gateway	1,148,693	99,956
Indian Ridge improvements	428,552	65,333
North Main Street	1,073,885	609,750
Main Street at Catalpa	68,533	261,119
Jefferson Blvd improvements	584,270	75,071
Front Street extension	213,618	792,979
Main Street Underpass	892,799	1,224,966
Curbs, sidewalks and streets	1,464,575	-
Other street projects	480,912	265,016
Park projects	4,438,042	8,468
Police firing range	<u>189,650</u>	<u>52,815</u>
Totals - governmental	<u>\$ 12,088,763</u>	<u>\$ 4,033,158</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Project</u>	<u>Expended to December 31, 2005</u>	<u>Committed</u>
Business-type activities:		
Water Utility:		
Village/Fir widening	\$ 467,644	\$ 73,589
Fir Road phase 2 & 3	250,533	10,000
Wastewater Utility:		
Milburn Improvements	349,948	16,894,052
WWTP design	2,173,588	12
WWTP expansion	21,855,446	20,084,554
NE Trunk Phase I	616,462	19,397,038
Electric Utility Upgrades	<u>630,677</u>	<u>219,323</u>
Totals - business-type	<u>\$ 26,344,298</u>	<u>\$ 56,678,568</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

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

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Business-type:		
Wastewater Utility	TIF NW General Fund	\$ 1,660,000
Electric Utility	Water Utility	316,090
Electric Utility	Wastewater Utility	<u>16,090</u>
Totals		<u>\$ 1,992,180</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, 2005, were as follows:

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Governmental:		
General Fund	Nonmajor governmental	\$ 1,800
TIF NW General Fund	Nonmajor governmental	1,825,188
TIF NW General Fund	Wastewater Utility	1,720,000
Nonmajor governmental	General Fund	1,065,987
Nonmajor governmental	Nonmajor governmental	916,390
Business-type:		
Water Utility	General Fund	458,076
Wastewater Utility	General Fund	253,171
Electric Utility	General Fund	<u>803,158</u>
Totals		<u>\$ 7,043,770</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, 2005, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2006	\$ 162,276	\$ 160,769
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	429,746	396,063
Less amount representing interest	<u>35,971</u>	<u>39,636</u>
Present value of net minimum lease payments	<u>\$ 393,775</u>	<u>\$ 356,427</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	Governmental Activities	Business-Type Activities
Improvements other than buildings	\$ -	\$ 442,000
Machinery and equipment	721,815	447,360
Transportation equipment	-	115,200
Totals	721,815	1,004,560
Less: accumulated depreciation	115,933	737,405
Totals	\$ 605,882	\$ 267,155

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, 2005, was as follows:

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Short-term loans	\$ 4,027	\$ 259,050	\$ 4,027	\$ 259,050

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:

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Balance December 31	Less Unamortized Discount	Amount
1996 Park and recreation	5%	\$ 260,000	\$ 1,250	\$ 258,750
2004 Refunding of 1993 police station bonds	3%	2,380,000	18,421	2,361,579
2005 Communication equipment	3.5% to 4%	<u>5,000,000</u>	<u>28,242</u>	<u>4,971,758</u>
Totals		<u>\$ 7,640,000</u>	<u>\$ 47,913</u>	<u>\$ 7,592,087</u>

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	Unamortized Discount	Amount
2001 Redevelopment NW District TIF refunding	5%	\$ 4,560,000	\$ 58,618	\$ 4,501,382
2001 Redevelopment CBD District TIF refunding	4.85%	265,000	3,640	261,360
2005 Redevelopment SS District TIF refunding	3.1% to 4.1%	<u>2,625,000</u>	<u>32,603</u>	<u>2,592,397</u>
Totals		<u>\$ 7,450,000</u>	<u>\$ 94,861</u>	<u>\$ 7,355,139</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
2006	\$ 665,000	\$ 229,644	\$ 1,125,000	\$ 329,628
2007	690,000	245,783	1,180,000	272,642
2008	715,000	222,657	1,235,000	217,151
2009	735,000	198,795	1,250,000	158,633
2010	765,000	173,825	1,265,000	100,211
2011-2015	3,185,000	440,901	1,395,000	140,249
2016-2020	<u>885,000</u>	<u>6,000</u>	-	-
Totals	<u>\$ 7,640,000</u>	<u>\$ 1,517,605</u>	<u>\$ 7,450,000</u>	<u>\$ 1,218,514</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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%	\$ 4,530,000	\$ 66,395	\$ -	\$ 4,463,605
1994 Wastewater capital appreciation bonds	5.55% to 5.65%	3,600,813	16,867	-	3,583,946
2002 Wastewater refunding revenue bonds	1.3% to 3.7%	<u>6,120,000</u>	<u>41,757</u>	<u>205,092</u>	<u>5,873,151</u>
Totals		<u>\$ 14,250,813</u>	<u>\$ 125,019</u>	<u>\$ 205,092</u>	<u>\$ 13,920,702</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2006	\$ 1,245,000	\$ 415,248
2007	1,280,000	380,793
2008	1,325,000	340,710
2009	1,365,000	295,639
2010	1,425,000	245,708
2011-2015	5,730,813	1,191,673
2016-2020	<u>1,880,000</u>	<u>269,856</u>
Totals	<u>\$ 14,250,813</u>	<u>\$ 3,139,627</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
2006	\$ 279,685	\$ 30,253
2007	288,644	22,244
2008	295,753	13,978
2009	174,000	5,500
2010	<u>89,000</u>	<u>1,113</u>
Totals	<u>\$ 1,127,082</u>	<u>\$ 73,088</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ended	Principal	Interest
<u>December 31</u>	<u> </u>	<u> </u>
2006	\$ 1,037,000	\$ 620,807
2007	1,063,000	590,309
2008	1,093,000	558,985
2009	1,119,000	526,775
2010	1,165,000	493,744
2011-2015	6,319,000	1,935,362
2016-2020	7,256,000	948,294
2021-2025	<u>2,310,992</u>	<u>70,515</u>
Totals	<u>\$ 21,362,992</u>	<u>\$ 5,744,791</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, 2005, the loan principal balance was \$21,338,261. 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

On July 14, 2005, the City of Mishawaka issued \$2,625,000 in refunding revenue bonds with an average interest rate of 3.85% to advance refund \$2,490,000 of 1999 Redevelopment SS District TIF bonds with an average interest rate of 5.5%. The net proceeds of \$2,557,799 (after payment of \$34,598 in issuance costs and \$32,603 in bond discount) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Redevelopment SS District TIF bonds. As a result, these bonds are considered to be refunded and the liability for those bonds has been removed from the balance sheet. The refunding resulted in an accounting loss of \$118,251. The refunded bonds were called and paid off in 2005 and the accounting loss was charged to interest expense in 2005. The City of Mishawaka, in effect, decreased its aggregate debt service payment by \$142,388 over the next 10 years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$120,466.

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, 2005, \$6,095,000 of bonds outstanding are considered defeased.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, 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	\$ 3,250,000	\$ 5,000,000	\$ 610,000	\$ 7,640,000	\$ 663,750
TIF	8,350,000	2,625,000	3,525,000	7,450,000	1,125,000
Less deferred amount:					
On refunding	94,381	118,251	212,632	-	-
For issuance discounts	<u>131,725</u>	<u>62,332</u>	<u>51,283</u>	<u>142,774</u>	<u>-</u>
Total bonds payable	11,373,894	7,444,417	3,871,085	14,947,226	1,788,750
Capital leases	536,424	-	142,649	393,775	146,677
Notes and loans payable	2,399,936	-	1,272,854	1,127,082	279,685
Net pension obligation	12,589,105	5,019,052	-	17,608,157	-
Compensated absences	<u>186,660</u>	<u>127,907</u>	<u>113,097</u>	<u>201,470</u>	<u>120,361</u>
Total governmental activities long-term liabilities	<u>\$ 27,086,019</u>	<u>\$ 12,591,376</u>	<u>\$ 5,399,685</u>	<u>\$ 34,277,710</u>	<u>\$ 2,335,473</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 4,715,000	\$ -	\$ 185,000	\$ 4,530,000	\$ 200,000
Wastewater Utility	10,552,005	193,808	1,025,000	9,720,813	1,045,000
Less deferred amount:					
On refunding	139,520	-	14,501	125,019	-
For issuance discounts	<u>246,110</u>	<u>-</u>	<u>41,019</u>	<u>205,091</u>	<u>-</u>
Total revenue bonds payable	14,881,375	193,808	1,154,480	13,920,703	1,245,000
Capital leases	523,685	-	167,258	356,427	144,008
Compensated absences	241,131	-	-	241,131	165,533
Notes and loans payable	22,269,255	22,072,998	1,641,000	42,701,253	1,177,000
Net pension obligation	<u>397,716</u>	<u>-</u>	<u>167,775</u>	<u>229,941</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 38,313,162</u>	<u>\$ 22,266,806</u>	<u>\$ 3,130,513</u>	<u>\$ 57,449,455</u>	<u>\$ 2,731,541</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	\$ 1,319,330
Revenue bond covenant accounts	3,925,019
Repair accounts	1,808,532
Capital outlay accounts	<u>99,213</u>
Total restricted assets	<u>\$ 7,152,094</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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:

	2004	2005
Unpaid claims, beginning of fiscal year	\$ 472,744	\$ 301,315
Incurred claims and changes in estimates	6,082,358	5,289,042
Claim payments	6,253,787	5,223,580
Unpaid claims, end of fiscal year	\$ 301,315	\$ 366,777

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.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

As of December 31, 2005, there was one series of Economic Development Revenue Bonds outstanding with an aggregate principal amount payable of \$4,160,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health care benefits, as authorized by IC 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 \$4,813 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, 2005, expenditures of \$1,306,246 were recognized for postemployment benefits.

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% percent 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.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

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.

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.

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension	Utility Pension
Annual required contribution	\$ 336,060	\$ 2,396,700	\$ 3,553,000	\$ 549,845
Interest on net pension obligation	(36,789)	377,900	666,800	42,613
Adjustment to annual required contribution	41,924	(660,200)	(1,164,900)	(5,310)
Annual pension cost	341,195	2,114,400	3,054,900	587,148
Contributions made	375,319	1,022,339	1,474,343	754,923
Increase (decrease) in net pension obligation	(34,124)	1,092,061	1,580,557	(167,775)
Net pension obligation, beginning of year	(507,437)	5,598,607	9,878,493	397,716
Net pension obligation, end of year	<u>\$ (541,561)</u>	<u>\$ 6,690,668</u>	<u>\$ 11,459,050</u>	<u>\$ 229,941</u>

	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	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age	Aggregate cost
Amortization method	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years	*
Amortization period (from date)	07-1-97	01-01-05	01-01-05	*
Asset valuation method	4 year smoothed market	4 year Smoothed market	4 year smoothed market	Market 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>	<u>1925 Police Pension</u>	<u>1937 Firefighters' Pension</u>	<u>Utility Pension</u>
Cash and cash equivalents	\$ 444,669	\$ 696,146	\$ 433,929
Receivables:			
Interest and dividends	-	-	27,157
Taxes	30,811	56,207	-
Intergovernmental	930	1,696	-
Total receivables	<u>31,741</u>	<u>57,903</u>	<u>27,157</u>
Investments at fair value:			
Government sponsored enterprise	-	-	2,136,002
Corporate obligations	-	-	128,716
Mutual funds	-	-	8,999,132
Total investments	<u>-</u>	<u>-</u>	<u>11,263,850</u>
Total assets	<u>\$ 476,410</u>	<u>\$ 754,049</u>	<u>\$ 11,724,936</u>
<u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	<u>\$ 476,410</u>	<u>\$ 754,049</u>	<u>\$ 11,724,936</u>

Statements of Changes in Fiduciary Net Assets:

<u>Additions</u>	<u>1925 Police Pension</u>	<u>1937 Firefighters' Pension</u>	<u>Utility Pension</u>
Contributions:			
Employer	\$ 1,077,196	\$ 1,651,741	\$ 592,975
Plan members	4,032	12,983	-
Total contributions	<u>1,081,228</u>	<u>1,664,724</u>	<u>592,975</u>

CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Additions (continued)</u>	<u>1925 Police Pension</u>	<u>1937 Firefighters' Pension</u>	<u>Utility Pension</u>
Investment income:			
Net increase in fair value of investments	-	-	301,055
Interest	<u>1,773</u>	<u>1,674</u>	<u>331,151</u>
Total investment income	1,773	1,674	632,206
Less investment expense:			
Investment activity expense	<u>-</u>	<u>-</u>	<u>26,633</u>
Net investment income	<u>1,773</u>	<u>1,674</u>	<u>605,573</u>
Total additions	<u>1,083,001</u>	<u>1,666,398</u>	<u>1,198,548</u>
<u>Deductions</u>			
Benefits	1,407,055	2,142,893	537,214
Administrative expense	<u>2,789</u>	<u>6,152</u>	<u>11,319</u>
Total deductions	<u>1,409,844</u>	<u>2,149,045</u>	<u>548,533</u>
Changes in net assets	(326,843)	(482,647)	650,015
Net assets - beginning	<u>803,253</u>	<u>1,236,696</u>	<u>11,074,921</u>
Net assets - ending	<u>\$ 476,410</u>	<u>\$ 754,049</u>	<u>\$ 11,724,936</u>

Administrative expenses are financed by property taxes and state distributions.

<u>Actuarial Assumptions</u>	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>	<u>Utility Pension</u>
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
06-30-03	\$ 330,960	113%	\$ (406,023)
06-30-04	291,616	135%	(507,437)
06-30-05	341,195	129%	(541,561)

1925 Police Officers' Pension Plan			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-02	\$ 2,052,800	65%	\$ 4,590,374
12-31-03	2,071,000	51%	5,598,607
12-31-04	2,114,400	48%	6,690,668

1937 Firefighters' Pension Plan			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-02	\$ 3,025,100	53%	\$ 8,509,168
12-31-03	3,003,700	54%	9,878,493
12-31-04	3,054,900	48%	11,459,050

Utility Pension Plan			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
01-01-03	\$ 620,135	77%	\$ 265,671
01-01-04	590,667	78%	397,716
01-01-05	587,148	101%	229,941

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

	1925 Police Officers' Pension	1937 Firefighters' Pension	Utility Pension
Retires and beneficiaries currently receiving benefits	59	89	47
Terminated employees entitled to but not yet receiving benefits	-	-	-
Current active employees	4	5	147

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, 2005, 2004, and 2003, were \$1,666,750, \$1,476,249, and \$1,384,354, respectively, equal to the required contributions for each year.

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CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 6,589,880	\$ 6,382,591	\$ 207,289	103%	\$ 6,631,519	3%
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%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 141,516	\$ 19,818,300	\$(19,676,784)	1%	\$ 231,800	(8,489%)
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	756,873	21,548,900	(20,792,027)	4%	174,700	(11,902%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 528,592	\$ 31,203,400	\$(30,674,808)	2%	\$ 563,100	(5,447%)
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	1,185,416	30,914,900	(29,729,484)	4%	433,100	(6,864%)

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
12-31-99	\$ 1,934,700	20%	27%
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%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-99	\$ 3,002,000	16%	28%
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%

Employer Contributions - Utility Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage Contributed
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%

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 17,723,916	\$ 17,723,916	\$ 20,859,853	\$ 3,135,937
Licenses and permits	256,100	256,100	299,357	43,257
Intergovernmental	4,090,361	4,090,361	3,682,912	(407,449)
Charges for services	507,000	507,000	784,923	277,923
Fines and forfeits	36,000	36,000	84,355	48,355
Interest	60,000	60,000	279,335	219,335
Other	170,000	170,000	290,749	120,749
Total revenues	22,843,377	22,843,377	26,281,484	3,438,107
Expenditures:				
Current:				
General government:				
Mayor				
Personal services	127,011	127,011	110,160	16,851
Supplies	2,818	2,818	2,817	1
Other services and charges	26,024	26,024	20,466	5,558
Capital outlay	1,500	1,500	-	1,500
City Clerk				
Personal services	107,500	107,500	107,500	-
Supplies	2,787	30,570	19,425	11,145
Other services and charges	38,683	10,900	8,081	2,819
Capital outlay	5,000	5,000	-	5,000
Central Motor Pool				
Personal services	538,300	540,800	507,723	33,077
Supplies	459,034	612,154	598,301	13,853
Other services and charges	70,879	70,879	42,249	28,630
Capital outlay	16,000	11,000	4,485	6,515
Common Council				
Personal services	84,186	84,186	84,186	-
Supplies	500	500	-	500
Other services and charges	13,084	13,084	3,303	9,781
City Hall				
Personal services	42,263	42,263	39,445	2,818
Supplies	4,700	4,700	3,949	751
Other services and charges	500	500	386	114
Capital outlay	500	500	182	318
Controller				
Personal services	6,083,609	5,755,101	5,719,769	35,332
Supplies	16,498	16,498	10,422	6,076
Other services and charges	1,812,714	1,956,442	1,894,990	61,452
Capital outlay	5,000	5,000	435	4,565
Human Resources				
Personal services	102,841	102,841	102,812	29
Supplies	1,205	1,205	903	302
Other services and charges	23,235	23,235	14,140	9,095
Capital outlay	500	500	496	4
Information Technology				
Personal services	161,724	161,724	126,369	35,355
Supplies	2,500	2,500	1,676	824
Other services and charges	32,650	32,650	15,099	17,551
Capital outlay	988	988	293	695
Cemetery				
Other services and charges	15,000	15,000	15,000	-
Legal				
Personal services	112,558	112,558	112,556	2
Supplies	1,000	1,000	195	805
Other services and charges	20,000	20,000	18,660	1,340
Capital outlay	2,500	2,500	1,766	734

Continued on next page

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2005
(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	223,746	220,746	220,664	82
Supplies	4,421	4,421	4,378	43
Other services and charges	74,128	70,128	62,124	8,004
Capital outlay	700	7,700	7,700	-
Total general government	<u>10,238,786</u>	<u>10,204,626</u>	<u>9,883,105</u>	<u>321,521</u>
Public safety:				
Police				
Personal services	6,481,396	6,325,693	6,243,464	82,229
Supplies	59,592	61,616	61,290	326
Other services and charges	168,144	171,551	160,197	11,354
Capital outlay	40,686	42,914	28,970	13,944
Fire				
Personal services	4,826,000	4,911,265	4,804,182	107,083
Supplies	77,843	90,568	69,226	21,342
Other services and charges	348,054	351,322	313,698	37,624
Capital outlay	288,294	67,794	44,298	23,496
Code Enforcement				
Personal services	223,574	223,574	201,400	22,174
Supplies	2,100	2,100	1,632	468
Other services and charges	18,850	18,850	13,135	5,715
Capital outlay	1,100	1,100	480	620
Building Department				
Personal services	193,807	193,807	192,541	1,266
Supplies	2,250	3,000	2,160	840
Other services and charges	4,010	3,260	1,214	2,046
Capital outlay	500	500	21	479
Emergency Medical Service				
Personal services	986,040	986,040	933,966	52,074
Supplies	42,839	42,839	29,665	13,174
Other services and charges	53,913	54,102	30,058	24,044
Capital outlay	52,812	52,812	16,429	36,383
Weights and Measures				
Personal services	21,853	21,853	8,426	13,427
Supplies	600	600	290	310
Other services and charges	2,640	2,640	293	2,347
Capital outlay	900	900	409	491
Total public safety	<u>13,897,797</u>	<u>13,630,700</u>	<u>13,157,444</u>	<u>473,256</u>
Highways and streets:				
Engineering				
Personal services	334,130	334,130	295,409	38,721
Supplies	8,073	8,073	3,392	4,681
Other services and charges	29,900	29,900	24,866	5,034
Capital outlay	57,589	57,589	55,499	2,090
Total highways and streets	<u>429,692</u>	<u>429,692</u>	<u>379,166</u>	<u>50,526</u>
Sanitation:				
Recycling				
Other services and charges	20,000	20,000	20,000	-
Total sanitation	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>

Continued on next page

CITY OF MISHAWAKA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2005
(Continued)

	<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 (continued):				
Current (continued):				
Community Development:				
Redevelopment				
Personal services	47,000	47,000	33,000	14,000
Supplies	1,000	1,000	146	854
Other services and charges	<u>20,762</u>	<u>20,762</u>	<u>8,481</u>	<u>12,281</u>
Total community development	<u>68,762</u>	<u>68,762</u>	<u>41,627</u>	<u>27,135</u>
Total expenditures	<u>24,655,037</u>	<u>24,353,780</u>	<u>23,481,342</u>	<u>872,438</u>
Deficiency of revenues under expenditures	(1,811,660)	(1,510,403)	2,800,142	4,310,545
Other financing (sources) uses:				
Transfers in	2,052,914	2,052,914	2,580,392	527,478
Transfers out	<u>-</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,052,914</u>	<u>2,051,114</u>	<u>2,578,592</u>	<u>527,478</u>
Net change in fund balances	241,254	540,711	5,378,734	4,838,023
Fund balances - beginning	<u>24,882</u>	<u>24,882</u>	<u>24,882</u>	<u>-</u>
Fund balances - ending	<u>\$ 266,136</u>	<u>\$ 565,593</u>	<u>\$ 5,403,616</u>	<u>\$ 4,838,023</u>

CITY OF MISHAWAKA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET/GAAP RECONCILIATION
 GENERAL FUND
 For The Year Ended December 31, 2005

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

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

	General
Net change in fund balance, budget basis	\$ 5,378,734
To adjust revenues for accruals	(5,613,335)
To adjust expenditures for accruals	(65,859)
To adjust expenditures for encumbrances	508,901
Net change in fund balance, GAAP basis	\$ 208,441

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.
Disaster Relief -	To account for state funds received for repairs after weather disasters.
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.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Levy Excess -	To account for property taxes received which exceed 100% of the ad valorem property tax levy.
Insurance Recovery -	To account for insurance adjustment proceeds to cover repair claims.
Bicentennial Gift -	To account for donations for the bicentennial celebration. Interest earned on these monies is received 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 benefitted 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, 2005

	Special Revenue								
	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park and Recreation Gift	Rainy Day	Disaster Relief	Police Drug Investigation Assistance	Off-Street Parking	Alley Paving
<u>Assets</u>									
Cash and cash equivalents	\$ 471,085	\$ 630,367	\$ 852,548	\$ 76,026	\$ 493,863	\$ -	\$ 4,902	\$ 22,964	\$ 2,675
Receivables (net of allowances for uncollectibles):									
Interest	-	-	-	-	-	-	-	-	-
Taxes	120,630	-	273,752	-	-	-	-	-	-
Accounts	-	-	1,368	-	-	-	-	65	-
Intergovernmental	168,836	81,725	8,260	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Total assets	\$ 760,551	\$ 712,092	\$ 1,135,928	\$ 76,026	\$ 493,863	\$ -	\$ 4,902	\$ 23,029	\$ 2,675
<u>Liabilities and Fund Balances</u>									
Liabilities:									
Accounts payable	\$ 180,862	\$ 62,200	\$ 60,781	\$ 361	\$ 20,374	\$ -	\$ -	\$ 874	\$ -
Accrued wages payable	57,855	-	17,312	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-	-
Unearned revenue	124,270	-	282,012	-	-	-	-	-	-
Total liabilities	362,987	62,200	360,105	361	20,374	-	-	874	-
Fund Balances:									
Reserved for:									
Encumbrances	36,473	325,993	6,358	-	20,374	-	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Unreserved, reported in:									
Special revenue funds	361,091	323,899	769,465	75,665	453,115	-	4,902	22,155	2,675
Capital projects funds	-	-	-	-	-	-	-	-	-
Total fund balances	397,564	649,892	775,823	75,665	473,489	-	4,902	22,155	2,675
Total liabilities and fund balances	\$ 760,551	\$ 712,092	\$ 1,135,928	\$ 76,026	\$ 493,863	\$ -	\$ 4,902	\$ 23,029	\$ 2,675

Continued on next page

CITY OF MISHAWAKA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2005
 (Continued)

	Special Revenue							
	Sidewalk and Curb Repair	Industrial Development	Unsafe Building	Mishawaka Gift	Law Enforcement Continuing Education	Local Law Enforcement Block Grant	Levy Excess	Insurance Recovery
<u>Assets</u>								
Cash and cash equivalents	\$ -	\$ 24,916	\$ 335	\$ 49,981	\$ 72,114	\$ 31,901	\$ -	\$ 87,923
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	80	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Loans	-	31,204	-	-	-	-	-	-
Total assets	\$ -	\$ 56,120	\$ 335	\$ 49,981	\$ 72,194	\$ 31,901	\$ -	\$ 87,923
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	20,395	-	-
Total liabilities	-	-	-	-	125	20,395	-	-
Fund Balances:								
Reserved for:								
Encumbrances	-	-	-	-	1,271	30,971	-	-
Noncurrent loans receivable	-	19,137	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	-	36,983	335	49,981	70,798	(19,465)	-	87,923
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	-	56,120	335	49,981	72,069	11,506	-	87,923
Total liabilities and fund balances	\$ -	\$ 56,120	\$ 335	\$ 49,981	\$ 72,194	\$ 31,901	\$ -	\$ 87,923

Continued on next page

CITY OF MISHAWAKA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2005
 (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	\$ 1,165	\$ 30,822	\$ 343,849	\$ 6,831	\$ 356,985	\$ 89,300	\$ 90,538	\$ 3,741,090
Receivables (net of allowances for uncollectibles):								
Interest	7	-	1,331	-	-	-	-	1,338
Taxes	-	-	-	-	-	-	-	394,382
Accounts	-	-	-	-	365	-	-	1,878
Intergovernmental	-	-	-	-	-	-	-	258,821
Loans	-	201,599	55,388	-	-	-	-	288,191
	<u>-</u>	<u>201,599</u>	<u>55,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,191</u>
Total assets	<u>\$ 1,172</u>	<u>\$ 232,421</u>	<u>\$ 400,568</u>	<u>\$ 6,831</u>	<u>\$ 357,350</u>	<u>\$ 89,300</u>	<u>\$ 90,538</u>	<u>\$ 4,685,700</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ -	\$ 29,826	\$ 48,272	\$ 1,250	\$ 2,873	\$ 11,420	\$ -	\$ 419,218
Accrued wages payable	-	-	-	-	-	-	-	75,167
Contracts payable	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	13,969	-	440,646
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,969</u>	<u>-</u>	<u>440,646</u>
Total liabilities	<u>-</u>	<u>29,826</u>	<u>48,272</u>	<u>1,250</u>	<u>2,873</u>	<u>25,389</u>	<u>-</u>	<u>935,031</u>
Fund Balances:								
Reserved for:								
Encumbrances	-	-	-	-	44,409	-	20,532	486,381
Noncurrent loans receivable	-	178,199	47,946	-	-	-	-	245,282
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	1,172	24,396	304,350	5,581	310,068	63,911	70,006	3,019,006
Capital projects funds	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,172</u>	<u>202,595</u>	<u>352,296</u>	<u>5,581</u>	<u>354,477</u>	<u>63,911</u>	<u>90,538</u>	<u>3,750,669</u>
Total liabilities and fund balances	<u>\$ 1,172</u>	<u>\$ 232,421</u>	<u>\$ 400,568</u>	<u>\$ 6,831</u>	<u>\$ 357,350</u>	<u>\$ 89,300</u>	<u>\$ 90,538</u>	<u>\$ 4,685,700</u>

Continued on next page

CITY OF MISHAWAKA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2005
 (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
<u>Assets</u>								
Cash and cash equivalents	\$ 556,763	\$ 41,472	\$ 68,566	\$ 623,373	\$ 946,184	\$ 334,748	\$ 334,996	\$ 2,906,102
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	64,984	-	-	-	-	-	-	64,984
Accounts	-	-	-	-	-	-	-	-
Intergovernmental	1,961	-	-	-	-	-	-	1,961
Loans	-	-	-	-	-	-	-	-
Total assets	<u>\$ 623,708</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>\$ 2,973,047</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
Accrued wages payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Unearned revenue	66,945	-	-	-	-	-	-	66,945
Total liabilities	<u>67,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,445</u>
Fund Balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Debt service	556,263	41,472	68,566	623,373	946,184	334,748	334,996	2,905,602
Unreserved, reported in:								
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 623,708</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>\$ 2,973,047</u>

Continued on next page

CITY OF MISHAWAKA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2005
 (Continued)

	Capital Projects					
	Cumulative Building and Fire Fighting Equipment	Cumulative Capital Improvement	Cumulative Sewer	General Improvement	Consolidated Project Expenditures	Cumulative Capital Development
<u>Assets</u>						
Cash and cash equivalents	\$ 146,778	\$ 496,530	\$ 1,843,908	\$ 55,567	\$ 32,940	\$ 694,430
Receivables (net of allowances for uncollectibles):						
Interest	-	-	-	-	-	-
Taxes	5,229	-	64,610	-	-	53,966
Accounts	-	-	-	-	-	-
Intergovernmental	158	14,198	1,949	-	-	1,628
Loans	-	-	-	-	-	-
Total assets	<u>\$ 152,165</u>	<u>\$ 510,728</u>	<u>\$ 1,910,467</u>	<u>\$ 55,567</u>	<u>\$ 32,940</u>	<u>\$ 750,024</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 3,543	\$ -	\$ -	\$ -	\$ 50	\$ 45,466
Accrued wages payable	-	-	-	-	-	-
Contracts payable	-	-	73,926	-	-	137,797
Unearned revenue	5,387	14,198	66,559	-	-	55,594
Total liabilities	<u>8,930</u>	<u>14,198</u>	<u>140,485</u>	<u>-</u>	<u>50</u>	<u>238,857</u>
Fund Balances:						
Reserved for:						
Encumbrances	9,726	-	241,676	-	-	348,866
Noncurrent loans receivable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unreserved, reported in:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	133,509	496,530	1,528,306	55,567	32,890	162,301
Total fund balances	<u>143,235</u>	<u>496,530</u>	<u>1,769,982</u>	<u>55,567</u>	<u>32,890</u>	<u>511,167</u>
Total liabilities and fund balances	<u>\$ 152,165</u>	<u>\$ 510,728</u>	<u>\$ 1,910,467</u>	<u>\$ 55,567</u>	<u>\$ 32,940</u>	<u>\$ 750,024</u>

Continued on next page

CITY OF MISHAWAKA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2005
 (Continued)

	Capital Projects					Totals	Total Nonmajor Governmental Funds
	Park Bond Capital	Radio Bond Capital	CEDIT	TIF CBD General	TIF SS General		
<u>Assets</u>							
Cash and cash equivalents	\$ 123	\$ 4,913,025	\$ 1,254,176	\$ 55,607	\$ 1,680,806	\$ 11,173,890	\$ 17,821,082
Receivables (net of allowances for uncollectibles):							
Interest	-	28,937	-	231	8,541	37,709	39,047
Taxes	-	-	-	4,068	48,926	176,799	636,165
Accounts	-	-	-	-	-	-	1,878
Intergovernmental	-	-	-	-	-	17,933	278,715
Loans	-	-	-	-	-	-	288,191
Total assets	\$ 123	\$ 4,941,962	\$ 1,254,176	\$ 59,906	\$ 1,738,273	\$ 11,406,331	\$ 19,065,078
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 56,977	\$ -	\$ 1,597	\$ 107,633	\$ 527,351
Accrued wages payable	-	-	-	-	-	-	75,167
Contracts payable	-	-	51,852	-	-	263,575	263,575
Unearned revenue	-	-	-	4,068	48,926	194,732	702,323
Total liabilities	-	-	108,829	4,068	50,523	565,940	1,568,416
Fund Balances:							
Reserved for:							
Encumbrances	-	4,941,962	696,415	-	-	6,238,645	6,725,026
Noncurrent loans receivable	-	-	-	-	-	-	245,282
Debt service	-	-	-	-	-	-	2,905,602
Unreserved, reported in:							
Special revenue funds	-	-	-	-	-	-	3,019,006
Capital projects funds	123	-	448,932	55,838	1,687,750	4,601,746	4,601,746
Total fund balances	123	4,941,962	1,145,347	55,838	1,687,750	10,840,391	17,496,662
Total liabilities and fund balances	\$ 123	\$ 4,941,962	\$ 1,254,176	\$ 59,906	\$ 1,738,273	\$ 11,406,331	\$ 19,065,078

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

	Special Revenue								
	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park and Recreation Gift	Rainy Day	Disaster Relief	Police Drug Investigation Assistance	Off-Street Parking	Alley Paving
Revenues:									
Taxes:									
Property	\$ 1,011,247	\$ -	\$ 2,276,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	7,704	-
Intergovernmental	2,284,102	492,614	164,788	-	-	-	1,426	-	-
Charges for services	6,082	-	580,560	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Sale and use of property	-	-	77,825	-	-	-	-	-	-
Gifts and donations	-	-	-	74,685	-	-	-	-	-
Other	5,605	-	16,874	-	-	-	-	-	-
Total revenues	3,307,036	492,614	3,116,750	74,685	-	-	1,426	7,704	-
Expenditures:									
Current:									
General government	-	-	-	-	16,094	4,954	-	-	-
Public safety	-	-	-	-	-	-	9,015	6,495	-
Highways, streets and roadways	3,593,315	487,512	-	-	-	-	-	-	-
Culture and recreation	-	-	2,857,730	88,075	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	92,965	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-
Capital Outlay									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Highways, streets and roadways	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-
Total expenditures	3,593,315	487,512	2,857,730	88,075	109,059	4,954	9,015	6,495	-
Excess (deficiency) of revenues over (under) expenditures	(286,279)	5,102	259,020	(13,390)	(109,059)	(4,954)	(7,589)	1,209	-
Other financing sources (uses):									
Transfers in	35,607	-	60,944	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Refunding bond issued	-	-	-	-	-	-	-	-	-
General obligation bond issued	-	-	-	-	-	-	-	-	-
Discount on debt	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	35,607	-	60,944	-	-	-	-	-	-
Net change in fund balances	(250,672)	5,102	319,964	(13,390)	(109,059)	(4,954)	(7,589)	1,209	-
Fund balances - January 1	648,236	644,790	455,859	89,055	582,548	4,954	12,491	20,946	2,675
Fund balances - December 31	\$ 397,564	\$ 649,892	\$ 775,823	\$ 75,665	\$ 473,489	\$ -	\$ 4,902	\$ 22,155	\$ 2,675

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, 2005
 (Continued)

	Special Revenue							
	Sidewalk and Curb Repair	Industrial Development	Unsafe Building	Mishawaka Gift	Law Enforcement Continuing Education	Local Law Enforcement Block Grant	Levy Excess	Insurance Recovery
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 643,817	\$ -
Licenses and permits	-	-	-	-	4,520	-	-	-
Intergovernmental	-	-	-	-	-	4,009	-	-
Charges for services	-	-	-	-	24,193	-	-	-
Fines and forfeits	-	-	-	-	4,108	-	-	-
Interest	-	-	-	-	-	-	-	-
Sale and use of property	-	-	-	-	-	-	-	-
Gifts and donations	-	-	-	16,248	-	-	-	-
Other	14,393	1,480	-	-	125	-	-	29,795
Total revenues	<u>14,393</u>	<u>1,480</u>	<u>-</u>	<u>16,248</u>	<u>32,946</u>	<u>4,009</u>	<u>643,817</u>	<u>29,795</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	20,488	37,829
Public safety	-	-	-	-	30,603	3	-	-
Highways, streets and roadways	14,393	-	-	-	-	-	-	-
Culture and recreation	-	-	-	53,955	-	-	-	-
Community development	-	6,879	652	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways, streets and roadways	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	<u>14,393</u>	<u>6,879</u>	<u>652</u>	<u>53,955</u>	<u>30,603</u>	<u>3</u>	<u>20,488</u>	<u>37,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(5,399)</u>	<u>(652)</u>	<u>(37,707)</u>	<u>2,343</u>	<u>4,006</u>	<u>623,329</u>	<u>(8,034)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	1,800	-	-	-
Transfers out	-	-	-	-	-	-	(623,329)	-
Refunding bond issued	-	-	-	-	-	-	-	-
General obligation bond issued	-	-	-	-	-	-	-	-
Discount on debt	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>(623,329)</u>	<u>-</u>
Net change in fund balances	-	(5,399)	(652)	(37,707)	4,143	4,006	-	(8,034)
Fund balances - January 1	-	61,519	987	87,688	67,926	7,500	-	95,957
Fund balances - December 31	<u>\$ -</u>	<u>\$ 56,120</u>	<u>\$ 335</u>	<u>\$ 49,981</u>	<u>\$ 72,069</u>	<u>\$ 11,506</u>	<u>\$ -</u>	<u>\$ 87,923</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, 2005
 (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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,931,767
Licenses and permits	-	-	-	-	-	-	-	12,224
Intergovernmental	-	934,216	362,209	-	-	141,019	50,000	4,434,383
Charges for services	-	-	-	-	125,185	-	-	736,020
Fines and forfeits	-	-	-	-	-	-	-	4,108
Interest	36	-	4,642	29	-	-	-	4,707
Sale and use of property	-	-	-	-	22,327	-	-	100,152
Gifts and donations	-	-	-	-	-	-	-	90,933
Other	-	115,964	39,406	-	-	-	-	223,642
Total revenues	36	1,050,180	406,257	29	147,512	141,019	50,000	9,537,936
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	79,365
Public safety	-	-	-	-	-	142,320	-	188,436
Highways, streets and roadways	-	-	-	-	-	-	-	4,095,220
Culture and recreation	-	-	-	-	108,686	-	-	3,108,446
Community development	-	1,341,057	507,374	107,500	-	-	121,147	2,084,609
Debt Service:								
Principal	-	1,000,000	4,027	-	-	-	-	1,004,027
Interest and fiscal charges	-	-	-	-	-	-	-	92,965
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways, streets and roadways	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	-	2,341,057	511,401	107,500	108,686	142,320	121,147	10,653,068
Excess (deficiency) of revenues over (under) expenditures	36	(1,290,877)	(105,144)	(107,471)	38,826	(1,301)	(71,147)	(1,115,132)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	98,351
Transfers out	-	-	-	-	-	-	-	(623,329)
Refunding bond issued	-	-	-	-	-	-	-	-
General obligation bond issued	-	-	-	-	-	-	-	-
Discount on debt	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Loan proceeds	-	-	259,050	-	-	-	-	259,050
Total other financing sources and uses	-	-	259,050	-	-	-	-	(265,928)
Net change in fund balances	36	(1,290,877)	153,906	(107,471)	38,826	(1,301)	(71,147)	(1,381,060)
Fund balances - January 1	1,136	1,493,472	198,390	113,052	315,651	65,212	161,685	5,131,729
Fund balances - December 31	\$ 1,172	\$ 202,595	\$ 352,296	\$ 5,581	\$ 354,477	\$ 63,911	\$ 90,538	\$ 3,750,669

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, 2005
 (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	\$ 544,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544,548
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	38,329	-	-	-	-	-	-	38,329
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Sale and use of property	-	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	-	-
Other	6,149	-	-	-	-	-	-	6,149
Total revenues	589,026	-	-	-	-	-	-	589,026
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways, streets and roadways	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt Service:								
Principal	610,000	70,000	-	938,000	-	185,000	-	1,803,000
Interest and fiscal charges	89,680	15,399	-	279,313	-	73,254	-	457,646
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways, streets and roadways	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	699,680	85,399	-	1,217,313	-	258,254	-	2,260,646
Excess (deficiency) of revenues over (under) expenditures	(110,654)	(85,399)	-	(1,217,313)	-	(258,254)	-	(1,671,620)
Other financing sources (uses):								
Transfers in	28,125	126,825	-	1,825,188	-	590,326	-	2,570,464
Transfers out	-	-	-	-	-	(31,936)	(9,961)	(41,897)
Refunding bond issued	-	-	-	-	-	2,625,000	-	2,625,000
General obligation bond issued	-	-	-	-	-	-	-	-
Discount on debt	-	-	-	-	-	(32,603)	-	(32,603)
Payment to refunded bond escrow agent	-	-	-	-	-	(2,557,799)	-	(2,557,799)
Loan proceeds	-	-	-	-	-	-	-	-
Total other financing sources and uses	28,125	126,825	-	1,825,188	-	592,988	(9,961)	2,563,165
Net change in fund balances	(82,529)	41,426	-	607,875	-	334,734	(9,961)	891,545
Fund balances - January 1	638,792	46	68,566	15,498	946,184	14	344,957	2,014,057
Fund balances - December 31	<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>

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, 2005
 (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	\$ 43,498	\$ -	\$ 537,498	\$ -	\$ -	\$ 448,951	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	84,504	143,921	38,109	-	-	31,830	-
Charges for services	-	-	258,809	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Sale and use of property	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	128,002	143,921	834,416	-	-	480,781	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways, streets and roadways	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Capital Outlay							
General government	-	-	-	-	-	495,232	-
Public safety	90,904	-	431,155	-	-	-	-
Highways, streets and roadways	-	-	-	-	-	37,575	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	5,751	-	-
Total expenditures	90,904	-	431,155	-	5,751	532,807	-
Excess (deficiency) of revenues over (under) expenditures	37,098	143,921	403,261	-	(5,751)	(52,026)	-
Other financing sources (uses):							
Transfers in	1,342	-	16,565	-	-	14,759	-
Transfers out	-	(600,000)	-	-	-	-	-
Refunding bond issued	-	-	-	-	-	-	-
General obligation bond issued	-	-	-	-	-	-	-
Discount on debt	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-
Total other financing sources and uses	1,342	(600,000)	16,565	-	-	14,759	-
Net change in fund balances	38,440	(456,079)	419,826	-	(5,751)	(37,267)	-
Fund balances - January 1	104,795	952,609	1,350,156	55,567	38,641	548,434	123
Fund balances - December 31	\$ 143,235	\$ 496,530	\$ 1,769,982	\$ 55,567	\$ 32,890	\$ 511,167	\$ 123

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, 2005
 (Continued)

	Capital Projects				Totals	Total Nonmajor Governmental Funds
	Radio Bond Capital	CEDIT	TIF CBD General	TIF SS General		
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ 59,218	\$ 982,148	\$ 2,071,313	\$ 6,547,628
Licenses and permits	-	-	-	-	-	12,224
Intergovernmental	-	1,210,000	-	-	1,508,364	5,981,076
Charges for services	-	-	-	-	258,809	994,829
Fines and forfeits	-	-	-	-	-	4,108
Interest	43,834	-	4,536	42,188	90,558	95,265
Sale and use of property	-	-	-	-	-	100,152
Gifts and donations	-	-	-	-	-	90,933
Other	-	6,981	-	-	6,981	236,772
Total revenues	<u>43,834</u>	<u>1,216,981</u>	<u>63,754</u>	<u>1,024,336</u>	<u>3,936,025</u>	<u>14,062,987</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	79,365
Public safety	-	-	-	-	-	188,436
Highways, streets and roadways	-	-	-	-	-	4,095,220
Culture and recreation	-	-	-	-	-	3,108,446
Community development	-	-	-	-	-	2,084,609
Debt Service:						
Principal	-	257,503	-	-	257,503	3,064,530
Interest and fiscal charges	-	35,727	-	-	35,727	586,338
Bond issuance costs	72,143	-	-	51,469	123,612	123,612
Capital Outlay						
General government	-	128,725	-	-	623,957	623,957
Public safety	-	271,450	-	-	793,509	793,509
Highways, streets and roadways	-	553,323	-	125,557	716,455	716,455
Culture and recreation	-	158,259	-	-	158,259	158,259
Community development	-	12,500	196,600	-	214,851	214,851
Total expenditures	<u>72,143</u>	<u>1,417,487</u>	<u>196,600</u>	<u>177,026</u>	<u>2,923,873</u>	<u>15,837,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,309)</u>	<u>(200,506)</u>	<u>(132,846)</u>	<u>847,310</u>	<u>1,012,152</u>	<u>(1,774,600)</u>
Other financing sources (uses):						
Transfers in	-	-	-	41,897	74,563	2,743,378
Transfers out	-	-	(126,825)	(590,326)	(1,317,151)	(1,982,377)
Refunding bond issued	-	-	-	-	-	2,625,000
General obligation bond issued	5,000,000	-	-	-	5,000,000	5,000,000
Discount on debt	(29,729)	-	-	-	(29,729)	(62,332)
Payment to refunded bond escrow agent	-	-	-	-	-	(2,557,799)
Loan proceeds	-	-	-	-	-	259,050
Total other financing sources and uses	<u>4,970,271</u>	<u>-</u>	<u>(126,825)</u>	<u>(548,429)</u>	<u>3,727,683</u>	<u>6,024,920</u>
Net change in fund balances	4,941,962	(200,506)	(259,671)	298,881	4,739,835	4,250,320
Fund balances - January 1	-	1,345,853	315,509	1,388,869	6,100,556	13,246,342
Fund balances - December 31	<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>\$ 17,496,662</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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 1,004,017	\$ 1,004,017	\$ 1,459,960	\$ 455,943
Intergovernmental	2,292,894	2,292,894	2,354,133	61,239
Charges for services	5,610	5,610	6,082	472
Other	-	-	5,605	5,605
Total revenues	<u>3,302,521</u>	<u>3,302,521</u>	<u>3,825,780</u>	<u>523,259</u>
Expenditures:				
Current:				
Highways and streets				
Personal services	1,975,821	1,902,621	1,820,467	82,154
Supplies	499,028	580,992	551,701	29,291
Other services and charges	1,326,648	1,214,321	1,147,882	66,439
Capital outlay	<u>111,000</u>	<u>124,000</u>	<u>113,988</u>	<u>10,012</u>
Total expenditures	<u>3,912,497</u>	<u>3,821,934</u>	<u>3,634,038</u>	<u>187,896</u>
Other financing sources:				
Transfers in	-	-	35,607	35,607
Net change in fund balances	(609,976)	(519,413)	227,349	746,762
Fund balances - beginning	<u>104,230</u>	<u>104,230</u>	<u>104,230</u>	-
Fund balances - ending	<u>\$ (505,746)</u>	<u>\$ (415,183)</u>	<u>\$ 331,579</u>	<u>\$ 746,762</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 227,349	
To adjust revenues for accruals			(518,744)	
To adjust expenditures for accruals			(98,783)	
To adjust expenditures for encumbrances			<u>139,506</u>	
Net change in fund balance, GAAP basis			<u>\$ (250,672)</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, 2005

	<u>Budgeted Amounts</u>		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 488,090	\$ 488,090	\$ 491,253	\$ 3,163
Expenditures:				
Current:				
Highways and streets				
Capital outlay	<u>813,506</u>	<u>813,505</u>	<u>813,505</u>	<u>-</u>
Net change in fund balances	(325,416)	(325,415)	(322,252)	3,163
Fund balances - beginning	<u>564,426</u>	<u>564,426</u>	<u>564,426</u>	<u>-</u>
Fund balances - ending	<u>\$ 239,010</u>	<u>\$ 239,011</u>	<u>\$ 242,174</u>	<u>\$ 3,163</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (322,252)	
To adjust revenues for accruals			1,361	
To adjust expenditures for accruals			(62,200)	
To adjust expenditures for encumbrances			<u>388,193</u>	
Net change in fund balance, GAAP basis			<u>\$ 5,102</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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 2,797,844	\$ 2,797,844	\$ 3,203,212	\$ 405,368
Intergovernmental	214,361	214,361	164,788	(49,573)
Charges for services	480,000	480,000	580,464	100,464
Other	-	-	94,699	94,699
Total revenues	<u>3,492,205</u>	<u>3,492,205</u>	<u>4,043,163</u>	<u>550,958</u>
Expenditures:				
Current:				
Culture and recreation:				
Personal services	2,431,892	2,339,892	2,103,252	236,640
Supplies	263,281	279,281	237,852	41,429
Other services and charges	579,778	662,368	562,601	99,767
Capital outlay	<u>38,071</u>	<u>38,071</u>	<u>31,529</u>	<u>6,542</u>
Total expenditures	<u>3,313,022</u>	<u>3,319,612</u>	<u>2,935,234</u>	<u>384,378</u>
Other financing sources:				
Transfers in	-	-	60,944	60,944
Net change in fund balances	179,183	172,593	1,168,873	996,280
Fund balances - beginning	<u>8,975</u>	<u>8,975</u>	<u>8,975</u>	-
Fund balances - ending	<u>\$ 188,158</u>	<u>\$ 181,568</u>	<u>\$ 1,177,848</u>	<u>\$ 996,280</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 1,168,873	
To adjust revenues for accruals			(926,413)	
To adjust expenditures for accruals			27,804	
To adjust expenditures for encumbrances			<u>49,700</u>	
Net change in fund balance, GAAP basis			<u>\$ 319,964</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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
General government:				
Other services and charges	\$ -	\$ 159,999	\$ 22,994	\$ 137,005
Debt service:				
Interest and fiscal agent fees	-	166,001	92,965	73,036
Total expenditures	-	326,000	115,959	210,041
Net change in fund balances	-	(326,000)	(115,959)	210,041
Fund balances - beginning	589,448	589,448	589,448	-
Fund balances - ending	<u>\$ 589,448</u>	<u>\$ 263,448</u>	<u>\$ 473,489</u>	<u>\$ 210,041</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			(115,959)	
To adjust expenditures for accruals			(13,474)	
To adjust expenditures for encumbrances			20,374	
Net change in fund balance, GAAP basis			<u>\$ (109,059)</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, 2005

	<u>Budgeted Amounts</u>		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Community development				
Other services and charges	\$ 800	\$ 800	\$ 652	\$ 148
Net change in fund balances	(800)	(800)	(652)	(148)
Fund balances - beginning	<u>987</u>	<u>987</u>	<u>987</u>	<u>-</u>
Fund balances - ending	<u>\$ 187</u>	<u>\$ 187</u>	<u>\$ 335</u>	<u>\$ (148)</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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 4,000	\$ 4,000	\$ 4,520	\$ 520
Charges for services	23,000	23,000	24,165	1,165
Fines and forfeits	2,000	2,000	9,384	7,384
Other	-	-	125	125
Total revenues	29,000	29,000	38,194	9,194
Expenditures:				
Current:				
Public safety				
Supplies	4,000	4,000	3,872	128
Other services and charges	29,765	29,765	20,300	9,465
Capital outlay	16,231	16,231	8,235	7,996
Total expenditures	49,996	49,996	32,407	17,589
Other financing sources:				
Transfers in	-	-	1,800	1,800
Transfers out	-	(1,960)	(1,960)	-
Net change in fund balances	(20,996)	(22,956)	5,627	28,583
Fund balances - beginning	65,216	65,216	65,216	-
Fund balances - ending	\$ 44,220	\$ 42,260	\$ 70,843	\$ 28,583
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 5,627	
To adjust revenues for accruals			(5,248)	
To adjust expenditures for accruals			2,493	
To adjust expenditures for encumbrances			1,271	
Net change in fund balance, GAAP basis			\$ 4,143	

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, 2005

	<u>Budgeted Amounts</u>		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Public safety				
Capital outlay	\$ 29,014	\$ 30,975	\$ 30,974	\$ 1
Other financing sources:				
Transfers in	-	1,960	1,960	-
Net change in fund balances	(29,014)	(29,015)	(29,014)	1
Fund balances - beginning	29,944	29,944	29,944	-
Fund balances - ending	<u>\$ 930</u>	<u>\$ 929</u>	<u>\$ 930</u>	<u>\$ 1</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (29,014)	
To adjust revenues for accruals			2,049	
To adjust expenditures for encumbrances			<u>30,971</u>	
Net change in fund balance, GAAP basis			<u>\$ 4,006</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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 150,000	\$ 150,000	\$ 124,820	\$ (25,180)
Other	-	-	22,327	22,327
Total revenues	150,000	150,000	147,147	(2,853)
Expenditures:				
Current:				
Culture and recreation:				
Supplies	15,500	15,500	3,995	11,505
Other services and charges	7,000	-	-	-
Capital outlay	171,242	178,242	149,622	28,620
Total expenditures	193,742	193,742	153,617	40,125
Net change in fund balances	(43,742)	(43,742)	(6,470)	37,272
Fund balances - beginning	316,173	316,173	316,173	-
Fund balances - ending	<u>\$ 272,431</u>	<u>\$ 272,431</u>	<u>\$ 309,703</u>	<u>\$ 37,272</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (6,470)	
To adjust revenues for accruals			365	
To adjust expenditures for accruals			(2,351)	
To adjust expenditures for encumbrances			47,282	
Net change in fund balance, GAAP basis			<u>\$ 38,826</u>	

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, 2005

	<u>Budgeted Amounts</u>		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 50,000	\$ 50,000
Expenditures:				
Current:				
Community development				
Capital outlay	<u>161,110</u>	<u>161,110</u>	<u>161,109</u>	<u>1</u>
Net change in fund balances	(161,110)	(161,110)	(111,109)	50,001
Fund balances - beginning	<u>181,115</u>	<u>181,115</u>	<u>181,115</u>	<u>-</u>
Fund balances - ending	<u>\$ 20,005</u>	<u>\$ 20,005</u>	<u>\$ 70,006</u>	<u>\$ 50,001</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (111,109)	
To adjust expenditures for accruals			19,430	
To adjust expenditures for encumbrances			<u>20,532</u>	
Net change in fund balance, GAAP basis			<u>\$ (71,147)</u>	

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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 541,006	\$ 541,006	\$ 774,424	\$ 233,418
Intergovernmental	43,939	43,939	38,329	(5,610)
Other	-	-	158,456	158,456
Total revenues	<u>584,945</u>	<u>584,945</u>	<u>971,209</u>	<u>386,264</u>
Expenditures:				
Debt service:				
Principal	529,696	610,000	610,000	-
Interest and fiscal agent fees	<u>77,031</u>	<u>94,923</u>	<u>94,530</u>	<u>393</u>
Total expenditures	<u>606,727</u>	<u>704,923</u>	<u>704,530</u>	<u>393</u>
Other financing sources:				
Transfers in	-	-	28,125	28,125
Net change in fund balances	(21,782)	(119,978)	294,804	414,782
Fund balances - beginning	<u>257,659</u>	<u>257,659</u>	<u>257,659</u>	-
Fund balances - ending	<u>\$ 235,877</u>	<u>\$ 137,681</u>	<u>\$ 552,463</u>	<u>\$ 414,782</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 294,804	
To adjust revenues for accruals			(382,183)	
To adjust expenditures for accruals			550	
To adjust expenditures for encumbrances			<u>4,300</u>	
Net change in fund balance, GAAP basis			<u>\$ (82,529)</u>	

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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 91,409	\$ 91,409	\$ 60,204	\$ (31,205)
Intergovernmental	6,090	6,090	84,504	78,414
Total revenues	97,499	97,499	144,708	47,209
Expenditures:				
Capital outlay				
Public safety				
Capital outlay	41,631	120,631	100,630	20,001
Other financing sources:				
Transfers in	-	-	1,342	1,342
Net change in fund balances	55,868	(23,132)	45,420	68,552
Fund balances - beginning	88,089	88,089	88,089	-
Fund balances - ending	\$ 143,957	\$ 64,957	\$ 133,509	\$ 68,552
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 45,420	
To adjust revenues for accruals			(16,706)	
To adjust expenditures for accruals			(3,543)	
To adjust expenditures for encumbrances			13,269	
Net change in fund balance, GAAP basis			\$ 38,440	

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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 175,054	\$ 175,054	\$ 143,921	\$ (31,133)
Other financing uses:				
Transfers out	-	600,000	600,000	-
Net change in fund balances	175,054	(424,946)	(456,079)	(31,133)
Fund balances - beginning	952,609	952,609	952,609	-
Fund balances - ending	\$ 952,609	\$ 952,609	\$ 952,609	\$ (31,133)

Budget/GAAP Reconciliation

No reconcilment 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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 526,742	\$ 526,742	\$ 744,031	\$ 217,289
Intergovernmental	47,273	47,273	38,109	(9,164)
Charges for services	-	-	258,809	258,809
Total revenues	<u>574,015</u>	<u>574,015</u>	<u>1,040,949</u>	<u>466,934</u>
Expenditures:				
Capital outlay				
Public safety				
Other services and charges	713,734	713,734	713,734	-
Capital outlay	16,893	16,893	-	16,893
Total expenditures	<u>730,627</u>	<u>730,627</u>	<u>713,734</u>	<u>16,893</u>
Other financing sources:				
Transfers in	-	-	16,565	16,565
Net change in fund balances	(156,612)	(156,612)	343,780	500,392
Fund balances - beginning	<u>1,184,526</u>	<u>1,184,526</u>	<u>1,184,526</u>	-
Fund balances - ending	<u>\$ 1,027,914</u>	<u>\$ 1,027,914</u>	<u>\$ 1,528,306</u>	<u>\$ 500,392</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 343,780	
To adjust revenues for accruals			(206,533)	
To adjust expenditures for accruals			(33,023)	
To adjust expenditures for encumbrances			315,602	
Net change in fund balance, GAAP basis			<u>\$ 419,826</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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 630,268	\$ 630,268	\$ 615,509	\$ (14,759)
Intergovernmental	31,830	31,830	31,830	-
Total revenues	<u>662,098</u>	<u>662,098</u>	<u>647,339</u>	<u>(14,759)</u>
Expenditures:				
Capital outlay				
General government				
Other services and charges	166,795	166,795	96,754	70,041
Capital outlay	<u>690,890</u>	<u>690,890</u>	<u>650,512</u>	<u>40,378</u>
Total expenditures	<u>857,685</u>	<u>857,685</u>	<u>747,266</u>	<u>110,419</u>
Other financing sources:				
Transfers in	-	-	14,759	14,759
Net change in fund balances	(195,587)	(195,587)	(85,168)	110,419
Fund balances - beginning	<u>389,338</u>	<u>389,338</u>	<u>389,338</u>	-
Fund balances - ending	<u>\$ 193,751</u>	<u>\$ 193,751</u>	<u>\$ 304,170</u>	<u>\$ 110,419</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (85,168)	
To adjust revenues for accruals			(166,558)	
To adjust expenditures for accruals			(175,801)	
To adjust expenditures for encumbrances			<u>390,260</u>	
Net change in fund balance, GAAP basis			<u>\$ (37,267)</u>	

CITY OF MISHAWAKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - CREDIT
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,218,000	\$ 1,218,000	\$ 1,210,000	\$ (8,000)
Other	-	-	6,981	6,981
Total revenues	<u>1,218,000</u>	<u>1,218,000</u>	<u>1,216,981</u>	<u>(1,019)</u>
Expenditures:				
Capital outlay				
General government				
Other services and charges	149,426	129,426	128,725	701
Public safety				
Capital outlay	295,656	462,571	401,687	60,884
Highways and streets				
Capital outlay	854,209	854,209	854,208	1
Culture and recreation				
Capital outlay	387,000	387,000	387,000	-
Community development				
Capital outlay	25,000	25,000	25,000	-
Debt Service:				
Principal	257,503	257,503	257,503	-
Interest and fiscal agent fees	<u>35,727</u>	<u>35,727</u>	<u>35,727</u>	-
Total expenditures	<u>2,004,521</u>	<u>2,151,436</u>	<u>2,089,850</u>	<u>61,586</u>
Net change in fund balances	(786,521)	(933,436)	(872,869)	60,567
Fund balances - beginning	<u>1,373,773</u>	<u>1,373,773</u>	<u>1,373,773</u>	-
Fund balances - ending	<u>\$ 587,252</u>	<u>\$ 440,337</u>	<u>\$ 500,904</u>	<u>\$ 60,567</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (872,869)	
To adjust expenditures for accruals			(80,909)	
To adjust expenditures for encumbrances			<u>753,272</u>	
Net change in fund balance, GAAP basis			<u>\$ (200,506)</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, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other	\$ -	\$ -	\$ 14,897	\$ 14,897
Expenditures:				
Capital outlay				
Public safety				
Capital outlay	-	7,975,584	7,975,584	-
Other financing sources:				
General obligation bonds issued	-	4,970,271	4,970,271	-
Net change in fund balances	-	(3,005,313)	(2,990,416)	14,897
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ (3,005,313)	\$ (2,990,416)	\$ 14,897
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (2,990,416)	
To adjust revenues for accruals			28,937	
To adjust expenditures for encumbrances			<u>7,903,441</u>	
Net change in fund balance, GAAP basis			<u>\$ 4,941,962</u>	

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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 Funds

Park Rental Deposit -	To account for the deposits and refunds for rental of park facilities.
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.
Payroll -	To account for the payroll of City employees.

CITY OF MISHAWAKA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 December 31, 2005

<u>Assets</u>	1925 Police Pension	1937 Firefighters' Pension	Utility Pension	Totals
Cash and cash equivalents	\$ 444,669	\$ 696,146	\$ 433,929	\$ 1,574,744
Receivables:				
Interest and dividends	-	-	27,157	27,157
Taxes	30,811	56,207	-	87,018
Intergovernmental	930	1,696	-	2,626
Total receivables	<u>31,741</u>	<u>57,903</u>	<u>27,157</u>	<u>116,801</u>
Investments at fair value:				
Government sponsored enterprise	-	-	2,136,002	2,136,002
Corporate obligations	-	-	128,716	128,716
Mutual funds	-	-	8,999,132	8,999,132
Total investments	<u>-</u>	<u>-</u>	<u>11,263,850</u>	<u>11,263,850</u>
Total assets	<u>\$ 476,410</u>	<u>\$ 754,049</u>	<u>\$ 11,724,936</u>	<u>\$ 12,955,395</u>
 <u>Net Assets</u>				
Held in trust for:				
Employees' pension benefits	<u>\$ 476,410</u>	<u>\$ 754,049</u>	<u>\$ 11,724,936</u>	<u>\$ 12,955,395</u>

CITY OF MISHAWAKA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

<u>Additions</u>	1925 Police Pension	1937 Firefighters' Pension	Utility Pension	Totals
Contributions:				
Employer	\$ 1,077,196	\$ 1,651,741	\$ 592,975	\$ 3,321,912
Plan members	<u>4,032</u>	<u>12,983</u>	-	<u>17,015</u>
Total contributions	<u>1,081,228</u>	<u>1,664,724</u>	<u>592,975</u>	<u>3,338,927</u>
Investment income:				
Net increase in fair value of investments	-	-	301,055	301,055
Interest	<u>1,773</u>	<u>1,674</u>	<u>331,151</u>	<u>334,598</u>
Total investment income	1,773	1,674	632,206	635,653
Less investment expense:				
Investment activity expense	<u>-</u>	<u>-</u>	<u>26,633</u>	<u>26,633</u>
Net investment income	<u>1,773</u>	<u>1,674</u>	<u>605,573</u>	<u>609,020</u>
Total additions	<u>1,083,001</u>	<u>1,666,398</u>	<u>1,198,548</u>	<u>3,947,947</u>
<u>Deductions</u>				
Benefits	1,407,055	2,142,893	537,214	4,087,162
Administrative expense	<u>2,789</u>	<u>6,152</u>	<u>11,319</u>	<u>20,260</u>
Total deductions	<u>1,409,844</u>	<u>2,149,045</u>	<u>548,533</u>	<u>4,107,422</u>
Changes in net assets	(326,843)	(482,647)	650,015	(159,475)
Net assets - beginning	<u>803,253</u>	<u>1,236,696</u>	<u>11,074,921</u>	<u>13,114,870</u>
Net assets - ending	<u>\$ 476,410</u>	<u>\$ 754,049</u>	<u>\$ 11,724,936</u>	<u>\$ 12,955,395</u>

CITY OF MISHAWAKA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	Park Rental Deposit	Redevelopment Revolving	Payroll	Totals
Assets:				
Cash and cash equivalents, January 1, 2005	\$ 2,030	\$ 36,811	\$ 128,232	\$ 167,073
Additions	-	396,323	23,231,351	23,627,674
Deductions	<u>(2,030)</u>	<u>(404,233)</u>	<u>(23,359,583)</u>	<u>(23,765,846)</u>
Cash and cash equivalents, December 31, 2005	<u>-</u>	<u>28,901</u>	<u>-</u>	<u>28,901</u>
Accounts receivable, January 1, 2005	-	32,596	-	32,596
Additions	-	32,395	-	32,395
Deductions	<u>-</u>	<u>(32,596)</u>	<u>-</u>	<u>(32,596)</u>
Accounts receivable, December 31, 2005	<u>-</u>	<u>32,395</u>	<u>-</u>	<u>32,395</u>
Total assets, December 31, 2005	<u>\$ -</u>	<u>\$ 61,296</u>	<u>\$ -</u>	<u>\$ 61,296</u>
Liabilities:				
Accounts payable, January 1, 2005	\$ 2,030	\$ 68,992	\$ 3,558	\$ 74,580
Additions	-	61,022	-	61,022
Deductions	<u>(2,030)</u>	<u>(68,992)</u>	<u>(3,558)</u>	<u>(74,580)</u>
Accounts payable, December 31, 2005	<u>-</u>	<u>61,022</u>	<u>-</u>	<u>61,022</u>
Accrued payroll and withholdings payable, January 1, 2005	-	415	124,674	125,089
Additions	-	274	23,231,351	23,231,625
Deductions	<u>-</u>	<u>(415)</u>	<u>(23,356,025)</u>	<u>(23,356,440)</u>
Accrued payroll and withholdings payable, December 31, 2005	<u>-</u>	<u>274</u>	<u>-</u>	<u>274</u>
Total liabilities, December 31, 2005	<u>\$ -</u>	<u>\$ 61,296</u>	<u>\$ -</u>	<u>\$ 61,296</u>

STATISTICAL SECTION
(Not Covered by Auditors' Opinion)

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CITY OF MISHAWAKA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Ten Years

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Culture - Recreation</u>	<u>Community Development</u>	<u>Debt Service</u>	<u>Total</u>
2005	\$ 6,136,790	\$ 17,897,471	\$ 8,050,282	\$ 20,000	\$ 5,532,618	\$ 2,888,957	\$ 3,774,480	\$ 44,300,598 *
2004	5,136,270	17,334,453	7,521,315	35,725	6,067,551	3,198,211	6,367,416	45,660,941 *
2003	9,336,803	13,443,758	9,129,425	115,742	5,013,647	1,973,710	9,317,272	48,330,357 *
2002	8,048,679	11,573,768	3,403,586	164,763	2,795,278	1,385,062	2,786,494	30,157,630
2001	6,805,581	11,094,616	4,212,487	169,152	2,658,787	1,001,281	11,114,603	37,056,507
2000	6,467,581	10,509,034	3,523,517	169,829	2,580,065	1,032,799	1,941,948	26,224,773
1999	6,038,788	9,966,703	3,742,550	119,688	2,470,891	877,703	1,914,603	25,130,926
1998	5,453,298	9,357,992	3,733,510	21,311	2,434,991	1,018,629	1,861,971	23,881,702
1997	5,279,511	8,790,852	2,928,778	6,682	2,320,857	750,578	1,861,839	21,939,097
1996	4,667,260	7,950,563	2,588,331	50,963	2,282,891	907,053	1,907,560	20,354,621

Includes all Governmental Fund Types

* Beginning in 2003, the City implemented GASB 34. Under the new reporting model, capital outlay was distributed to the corresponding functions.

CITY OF MISHAWAKA
GENERAL GOVERNMENT REVENUE BY SOURCE
Last Ten Years

Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeits	Interest	Sale and Use of Property	Gifts and Donations	Miscellaneous	Total
2005	\$ 35,083,567	\$ 313,195	\$ 9,626,565	\$ 1,795,176	\$ 88,543	\$ 981,943	\$ 108,537	\$ 90,933	\$ 344,371	\$ 48,432,830
2004	31,755,211	320,811	10,839,199	1,491,691	84,243	278,677	166,146	171,127	478,331	45,585,436
2003	32,034,284	306,397	10,679,742	2,830,702	106,222	196,261	803,226	126,139	1,020,898	48,103,871
2002	21,670,312	336,675	3,107,064	2,723,399	61,263	155,979	76,052	131,198	333,252	28,595,194
2001	18,444,484	324,325	3,696,335	2,630,322	87,454	347,050	56,952	92,144	312,497	25,991,563
2000	16,984,155	323,599	4,534,687	2,546,544	74,586	499,905	122,426	155,006	339,498	25,580,406
1999	16,035,125	298,562	4,457,407	2,527,476	47,013	308,247	62,848	145,415	203,045	24,085,138
1998	15,100,272	296,085	3,764,762	2,302,134	48,103	509,903	67,686	135,203	393,776	22,617,924
1997	14,290,818	269,376	3,392,111	1,588,131	38,879	401,019	232,927	305,417	186,716	20,705,394
1996	12,956,232	279,382	3,166,776	1,353,444	40,370	407,786	60,821	83,159	322,060	18,670,030

Includes all Governmental Fund Types

CITY OF MISHAWAKA
PROPERTY TAX LEVIES AND COLLECTIONS (A) (B)
Last Ten Years

<u>Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes of Tax Levy</u>
2005			#DIV/0!		-	#DIV/0!		#DIV/0!
2004	62,099,769		0.0%		-	0.0%		0.0%
2003	62,337,292	58,737,605	94.2%	2,813,845	61,551,450	98.7%	5,171,870	8.3%
2002	55,254,404	52,827,942	95.6%	3,176,192	56,004,134	101.4%	3,958,841	7.2%
2001	53,561,623	50,021,861	93.4%	951,095	50,972,956	95.2%	5,008,601	9.4%
2000	52,463,442	50,853,805	96.9%	1,607,885	52,461,690	100.0%	5,063,980	9.7%
1999	52,419,106	50,079,239	95.5%	923,275	51,002,514	97.3%	5,250,143	10.0%
1998	46,694,334	44,536,672	95.4%	1,462,889	45,999,561	98.5%	4,117,408	8.8%
1997	46,488,610	44,885,773	96.6%	1,476,956	46,362,729	99.7%	4,095,680	8.8%
1996	41,722,316	40,628,413	97.4%	510,624	41,139,037	98.6%	3,952,000	9.5%

Notes: (A) Includes General, Special Revenue, Debt Service, Capital Projects and Fiduciary Fund Types, and levies for all other governmental units within Mishawaka City limits.
(B) Data is presented on the cash basis.

CITY OF MISHAWAKA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (A)
 Last Ten Years

Year	Real Property		Personal Property		Total	
	Assessed Value (B) (C)	Estimated Actual Value	Assessed Value (B) (C)	Estimated Actual Value	Assessed Value (B) (C)	Estimated Actual Value
2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2004	1,183,440,558	1,208,609,588	346,458,605	346,458,605	1,529,899,163	1,555,068,193
2003	1,233,005,325	1,233,005,325	415,019,595	415,019,595	1,648,024,920	1,648,024,920
2002	622,477,285	622,477,285	397,447,827	397,447,827	1,019,925,112	1,019,925,112
2001	202,163,413	606,490,239	132,667,932	398,003,796	334,831,345	1,004,494,035
2000	196,503,008	589,509,024	127,871,300	383,613,900	324,374,308	973,122,924
1999	192,907,798	578,723,394	129,657,145	388,971,435	322,564,943	967,694,829
1998	187,307,937	561,923,811	114,569,574	343,708,722	301,877,511	905,632,533
1997	183,410,216	550,230,648	113,624,321	340,872,963	297,034,537	891,103,611
1996	182,639,481	547,918,443	99,703,336	299,110,008	282,342,817	847,028,451

- Notes: (A) Taxable property was assessed at 33 1/3% of true cash value prior to 2002.
 (B) Source: St. Joseph County Auditor's Certified Abstract.
 (C) A general reassessment of the real property in all counties in Indiana was effective for taxes payable in 1996 and 2003.

CITY OF MISHAWAKA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA
Last Ten Years

Year	Population (B)	Assessed Value (C)	Gross Bonded Debt	Monies Available for Debt Service	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2005	46,557	\$ 1,553,334,570	\$ 7,640,000	\$ 556,263	\$ 7,083,737	0.5%	\$ 152 (E)
2004	46,557	1,555,068,193	3,250,000	638,792	2,611,208	0.2%	56.09 (D)
2003	46,557	1,648,024,920	3,500,000	691,743	2,808,257	0.2%	60.32 (A)
2002	46,557	1,019,925,112	3,880,000	694,634	3,185,366	0.3%	68.42 (A)
2001	46,557	334,831,345	4,235,000	660,918	3,574,082	1.1%	76.77 (A)
2000	42,635	324,374,308	4,570,000	621,371	3,948,629	1.2%	92.61 (A)
1999	42,635	322,564,943	4,625,000	335,271	4,289,729	1.3%	100.62 (A)
1998	42,635	301,877,511	4,820,000	371,753	4,448,247	1.5%	104.33 (A)
1997	42,635	297,034,537	4,955,000	320,123	4,634,877	1.6%	108.71 (A)
1996	42,635	282,342,817	5,065,000	295,742	4,769,258	1.7%	111.86 (A)

- Notes: (A) Includes Park District debt and Police Station Bond debt.
(B) Source: U.S. Bureau of Census - 2000 Census
(C) Taxable property was assessed at 33 1/3% of the true cash value prior to 2002.
Source: St. Joseph County Auditor's Certified abstract.
(D) Includes Park District debt and Refunded Police Station debt
(E) Includes Park District debt, Refunded Police Station debt and Radio Equipment debt

CITY OF MISHAWAKA
 COMPUTATION OF LEGAL DEBT MARGIN
 December 31, 2005

	<u>Civil City</u>	<u>Park District</u>	<u>Total</u>
Assessed Value (A)	\$ 517,778,190	\$ 517,778,190	\$ 517,778,190
Debt Limit Percentage	<u>2%</u>	<u>2%</u>	<u>2%</u>
Debt Limit	10,355,564	10,355,564	20,711,128
Bonds Outstanding	<u>7,380,000</u>	<u>260,000</u>	<u>7,640,000</u>
Subtotal	2,975,564	10,095,564	13,071,128
Amount Available for Debt Service	<u>556,263</u>	<u>-</u>	<u>556,263</u>
Legal Debt Margin	<u>\$ 3,531,827</u>	<u>\$ 10,095,564</u>	<u>\$ 13,627,391</u>

Note: (A) Beginning in year 2002, only one-third of the actual assessed value can be used to calculate the legal debt margin.

CITY OF MISHAWAKA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION AND TAX INCREMENTAL FINANCING
BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES (A)
Last Ten Years

Year	General Obligation Bonds		Tax Incremental Financing Bonds		Total Bonded Debt Service	Total General Government Expenditures	Ratio of Debt Service to Total General Government Expenditures
	Principal	Interest	Principal	Interest			
2005	\$ 610,000	\$ 72,851	\$ 1,035,000	\$ 367,966	\$ 2,085,817	\$ 44,300,598	4.7%
2004	405,000	174,030	985,000	464,646	2,028,676	45,660,941	4.4%
2003	380,000	193,435	935,000	512,105	2,020,540	48,330,357	4.2%
2002	355,000	211,380	940,000	820,612	2,326,992	30,157,630	7.7%
2001	335,000	228,120	610,000	1,026,261	2,199,381	37,056,507	5.9%
2000	55,000	237,488	475,000	789,260	1,556,747	26,224,773	5.9%
1999	195,000	249,775	445,000	673,328	1,563,103	25,130,926	6.2%
1998	135,000	262,309	415,000	700,661	1,512,970	23,881,702	6.3%
1997	110,000	274,086	400,000	727,653	1,511,739	21,939,097	6.9%
1996	105,000	202,190	435,000	815,520	1,557,710	20,354,621	7.7%

Notes: (A) Prior to 2003, included General, Special Revenue and Debt Service funds. Starting in 2003, includes all

CITY OF MISHAWAKA
REVENUE BOND COVERAGE
Last Ten Years

Year	Gross Revenue (A)	Direct Operating Expenses (B)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$ 53,641,791	\$ 41,056,799	\$ 12,584,992	\$ 1,210,000	\$ 445,885	\$ 1,655,885	760.0%
2004	53,071,039	39,915,099	13,155,940	1,180,000	471,727	1,651,727	796.5%
2003	48,967,650	40,361,840	8,605,810	825,000	415,403	1,240,403	693.8%
2002	47,915,590	40,044,928	7,870,662	1,310,000	722,886	2,032,886	387.2%
2001	46,628,035	37,657,686	8,970,349	1,575,000	793,956	2,368,956	378.7%
2000	44,333,915	38,929,678	5,404,237	1,300,000	660,592	1,960,592	275.6%
1999	43,323,370	39,060,707	4,262,663	945,000	561,715	1,506,715	282.9%
1998	44,451,245	36,687,382	7,763,863	905,000	602,928	1,507,928	514.9%
1997	38,749,914	32,661,070	6,088,844	800,000	707,926	1,507,926	403.8%
1996	38,400,439	31,435,297	6,965,142	860,000	700,100	1,560,100	446.5%

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

CITY OF MISHAWAKA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Value) (B)
Last Ten Years

Year	City of Mishawaka (A)						Overlapping Governments								
	General Fund	Special Revenue Funds	Trust and Agency Funds	Debt Service	Capital Projects	Total	Township	Redeve District	Library	School District	County	Airport	Transpo	State	Total
2005	\$ 0.9793	\$ 0.0809	\$ 0.0649	\$ 0.1468	\$ 0.0663	1.3382	\$ 0.0171	\$ 0.0540	\$ 0.1277	\$ 1.5691	\$ 0.7831	\$ 0.0297	\$ 0.0831	\$ 0.0024	4.0044
2004	0.9586	0.2206	0.0408	0.0450	0.0663	1.3313	0.0172	0.0565	0.1319	1.5932	0.7652	0.0346	0.0827	0.0024	4.0150
2003	0.9030	0.1871	0.0397	0.0545	0.0633	1.2476	0.0163	0.0502	0.1325	1.4205	0.7366	0.0472	0.0768	0.0033	3.7310
2002	1.2951	0.2827	0.1199	0.0863	0.0787	1.8627	0.0221		0.1567	2.2303	0.9473	0.0406	0.1079	0.0033	5.3709
2001	3.8205	0.7793	0.3885	0.2765	0.2359	5.5007	0.0705		0.5556	6.3580	3.1402	0.1261	0.3150	0.0100	16.0761
2000	3.5958	0.6852	0.4631	0.2617	0.2359	5.2417	0.0708		0.5139	6.3353	3.1142	0.1219	0.2994	0.0100	15.7072
1999	3.6141	0.7233	0.3195	0.2248	0.2359	5.1176	0.0118		0.5008	6.6302	3.5002	0.1312	0.2959	0.0100	16.1977
1998	3.5783	0.7302	0.3606	0.2449	0.2359	5.1499	0.0214		0.5946	5.4497	3.0079	0.0839	0.2883	0.0100	14.6057
1997	3.5569	0.7414	0.2651	0.2418	0.2089	5.0141	0.0654		0.6321	5.4750	3.2256	0.0831	0.2795	0.0100	14.7848
1996	3.4044	0.6536	0.3412	0.2002	0.2089	4.8083	0.0669		0.5020	5.4419	2.9274	0.0813	0.2726	0.0100	14.1104

Notes: (A) The majority of Mishawaka is in Penn Township, Mishawaka School City School District, and Mishawaka-Penn Public Library District. Mishawaka overlaps into the following units (with 2005 tax rates).

Clay Township	\$ 0.0198
Harris Township	0.0065
South Bend Community School Corporation	1.5969
St. Joseph County Public Library	0.1854
Penn-Harris-Madison School Corporation	1.8548

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

CITY OF MISHAWAKA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 As of December 31, 2005

Unit	Outstanding Debt at December 31, 2005(A)	Percentage Applicable to Mishawaka Coterminous Territory (B)	Debt Applicable to Coterminous Territory
<u>Direct Debt:</u>			
City of Mishawaka	\$ 7,640,000	100.00%	\$ 7,640,000
<u>Overlapping Debt:</u>			
School City of Mishawaka	57,580,996	99.10%	57,062,767
Mishawaka-Penn Library	9,450,000	42.74%	4,038,930
Penn-Harris-Madison School Corporation	126,160,341	19.91%	25,118,524
St. Joseph County	20,485,000	17.24%	3,531,614
St. Joseph County Airport Authority	17,670,000	17.24%	3,046,308
St. Joseph County Public Library	3,081,283	4.71%	145,128
South Bend Community School Corporation	<u>203,474,713</u>	4.95%	<u>10,071,998</u>
Subtotal for Overlapping Debt	<u>437,902,333</u>		<u>103,015,270</u>
Total Direct and Overlapping Debt	<u>\$ 445,542,333</u>		<u>\$ 110,655,270</u>

Notes: (A) Source: Includes General Obligation Bonded Debt and Capital Leases
 (B) Source: St. Joseph County Auditor

CITY OF MISHAWAKA
DEMOGRAPHIC STATISTICS
Last Ten Years

Year	K-12 Public School Enrollment (A)	St. Joseph County Per Capita Income (B)	St. Joseph County Unemployment (C)	St. Joseph County Labor Force (D)	Electric Utility Customers (E)	Street Lights (E)	Area in Square Miles (F)	Miles of Streets (F)	Miles of Sewers (F)
2005	5,178	(G)	5.4%	136,690	26,625	3,731	17.32	174.08	245.06
2004	5,177	(G)	5.0%	133,570	26,285	3,725	17.22	174.08	239.85
2003	5,102	29,927	4.7%	137,040	25,928	3,709	17.21	174.08	236.89
2002	5,086	28,806	5.3%	133,000	25,648	3,687	17.02	174.08	232.89
2001	5,041	27,923	4.5%	134,240	25,276	3,745	16.76	173.84	222.73
2000	5,065	26,515	3.1%	134,910	24,707	4,105	16.69	173.35	218.83
1999	5,248	25,455	3.1%	134,360	24,330	4,074	16.69	167.45	212.30
1998	5,050	24,730	2.8%	135,970	24,164	3,985	16.69	166.62	209.53
1997	5,068	23,101	3.3%	136,670	23,933	3,977	16.20	165.99	203.39
1996	5,171	22,264	4.0%	134,710	23,642	3,423	16.02	165.76	200.52

- Notes:
- (A) Source: School City of Mishawaka
 - (B) Source: U.S. Department of Commerce, Bureau Economic Analysis
 - (C) Source: Indiana Employment and Security Division
 - (D) Source: St. Joseph County Chamber of Commerce
 - (E) Source: Mishawaka Municipal Utilities
 - (F) Source: City of Mishawaka, Department of Engineering
 - (G) 2004-2005 Information not available at this time

CITY OF MISHAWAKA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
Last Ten Years

Year	Estimated Actual Property Value (A)	Construction (B)		Financial Institutions (C) (D)
		Units	Value of Buildings	
2005	1,553,334,570	1,167	90,423,287	(D)
2004	1,555,068,193	1,119	72,838,980	(D)
2003	1,648,024,920	1,033	57,007,896	(D)
2002	1,019,925,112	1,250	68,778,689	(D)
2001	1,004,494,035	1,342	80,741,910	(D)
2000	973,122,924	1,498	67,381,387	(D)
1999	967,694,829	1,241	56,877,752	(D)
1998	905,632,533	1,171	90,580,698	(D)
1997	891,103,611	1,355	71,705,315	(D)
1996	847,028,451	1,537	51,299,939	\$ 820,669,677

- Notes:
- (A) Source: St. Joseph County Auditor
 - (B) Source: City of Mishawaka Building Department
 - (C) Source: Banks, Savings and Loan, and Credit Union deposits for current depositories furnished by financial institutions.
 - (D) Financial Institutions no longer required to report deposits from branches located within the City

CITY OF MISHAWAKA
 PRINCIPAL TAXPAYERS
 December 31, 2005

Taxpayer	Type of Business	Assessed Valuation (A)	Percentage of Total Assessed Valuation	Number of Employees 12-31-05 (B)
Edward Rose of IN	Rental Multi-Unit Housing	\$ 93,300,400	6.01%	35
Bayer Corporation	Manufacturing	\$ 58,900,689	3.79%	834
University Park Associates	Retail/Management	\$ 33,513,000	2.16%	9
Meijer	Retail	\$ 32,933,930	2.12%	1,200
Nyloncraft	Manufacturing	\$ 29,001,400	1.87%	370
Wal-Mart Stores	Retail	\$ 26,914,730	1.73%	750
Main Street Village	Rental Multi-Housing	\$ 21,550,400	1.39%	11
Gurley Leep	Automotive Dealership	\$ 18,268,690	1.18%	310
Carriage House	Rental Multi-Housing	\$ 18,189,200	1.17%	11
Amerisource	Wholesale Merchandising	\$ 14,865,540	0.96%	130
Total		<u>\$ 254,137,579</u>	16.36%	

Note: (A) Represents 2004 payable 2005 valuations supplied by St. Joseph County Auditor.
 (B) Source: Individual Industries

CITY OF MISHAWAKA
LARGEST EMPLOYERS
December 31, 2005

<u>Company</u>	<u>Type of Business</u>	<u>Number of Employees 12-31-05 (A)</u>
School City of Mishawaka	Public School	923
Bayer Corporation	Manufacturing	834
Liberty Mutual	Insurance	654
City of Mishawaka	Government	541
Nyloncraft	Manufacturing	370
Family & Childrens Center	Social Service	325
Bethel College	College	302
Affinia Group	Automotive parts	264
RMG Foundry	Manufacturing	230
L.S. Ayres	Retail	200

Note: (A) Source: Individual Industries

CITY OF MISHAWAKA
 MISCELLANEOUS STATISTICS
 December 31, 2005

Founded	1833
Incorporated as Village	1839
Incorporated as City	1899
Form of Government	Mayor/Council
Population	46,557
Area in Square Miles	17.32
Miles of Streets	174.08
Number of Street Lights	3,731
Fire Protection:	
Number of Stations	5
Number of Firefighters/Paramedics	107
Police Protection:	
Number of Stations	1
Number of Substations	2
Number of Police Officers	103
Education:	
Attendance Centers	8
Number of Students	5,178
Recreation and Culture:	
Number of Parks	27
Number of Acres	317
Number of Outdoor Pools	2
Number of Ice Skating Rinks	1
Number of Golf Courses	1
Number of Senior Citizen Centers	1
Number of Libraries	1 Main Library/2 Branches
Number of Volumes	261,982
Number of Museums	1
Other:	
Number of Employees	543
Number of Registered Voters	26,518

CITY OF MISHAWAKA
SALARIES OF PRINCIPAL OFFICIALS
YEAR 2005

Name	Title	Salary
Elected Officials:		
Jeffrey L. Rea	Mayor	\$ 63,354
Deborah Block	City Clerk	44,500
Greg Hixenbaugh	Council President	8,004
John Roggeman	Council Vice-President	8,004
James Benjamin	Council Member	8,004
Ronald Banicki	Council Member	8,004
John Gleissner	Council Member	8,004
Jason Mazurkiewicz	Council Member	8,004
Marsha McClure	Council Member	8,004
Dale Emmons	Council Member	8,004
David Wood	Council Member	8,004
Appointed Officials:		
Yvonne Milligan	City Controller	61,753
John Gourley	Corporation Counsel	28,880
Gary West	City Engineer	61,753
Larry Fuchs	Building Commissioner	47,485
George Obren	Code Enforcement Director	46,383
Dale Freeman	Fire /EMSCchief	56,689
Kenneth Witkowski	Police Chief	57,054
Lora Bentley	Human Resource Director	45,000
James Schrader	Utilities General Manager	64,990
Laura Wagley	Executive Director Redevel/Comm Devel	52,250
Michael Faulkner	Park Superintendent	53,426
Ronald Watson	Street Commissioner	50,000
Kenneth Prince	City Planner	59,000
William Kuhl	Information Tech Director	51,046

CITY OF MISHAWAKA
LARGEST WATER UTILITY USERS*
DECEMBER 31, 2005

Customer	Type of Business	Consumption	
		Cubic Feet	Revenue
A M General	Manufacturing	16,171,494	\$ 142,885
Village Green	Mobile Home Park	15,404,692	238,981
Indian Lakes Apts	Apartment Complex	7,969,720	84,564
Hickory Village	Apartment Complex	5,986,750	92,925
RMG Foundry	Manufacturing	4,977,792	47,222
Carriage House	Apartment Complex	4,920,840	77,058
School City	Education	4,874,642	63,145
Wastewater Treatment	Utility	2,954,848	32,723
Eagle Products	Manufacturing	2,676,238	27,085
Bayer Corp.	Manufacturing	<u>2,340,705</u>	<u>22,566</u>
Totals		68,277,721	\$ 829,154

* Source: Mishawaka Utilities

CITY OF MISHAWAKA
LARGEST WASTEWATER UTILITY USERS*
DECEMBER 31, 2005

<u>Customer</u>	<u>Type of Business</u>	<u>Consumption Cubic Feet</u>	<u>Revenue</u>
Village Green	Mobile Home Park	15,404,692	\$ 233,348
A.M. General	Manufacturing	14,719,386	336,405
Indian Lakes Apts.	Apartment Complex	5,687,572	181,340
Hickory Village	Apartment Complex	5,323,622	83,398
Carriage House	Apartment Complex	4,920,840	77,674
RMG Foundry	Manufacturing	3,094,698	48,717
Eagle Products	Manufacturing	2,663,586	42,885
Bayer Corp.	Manufacturing	2,340,468	36,743
River Point Apts.	Apartment Complex	2,238,030	34,356
School City	Education	<u>2,115,342</u>	<u>45,220</u>
Totals		58,508,236	\$ 1,120,086

* Source: Mishawaka Utilities

CITY OF MISHAWAKA
LARGEST ELECTRIC UTILITY USERS*
DECEMBER 31, 2005

<u>Customer</u>	<u>Type of Business</u>	<u>Consumption Cubic Feet</u>	<u>Revenue</u>
Nyloncraft	Manufacturing	20,587,730	\$ 991,617
School City	Education	9,625,246	625,251
Scott Brass Inc.	Manufacturing	7,993,600	452,598
Martin's	Grocery Chain	7,768,120	370,481
Contech	Manufacturing	7,617,960	434,252
Meijer	Retail	7,187,400	328,120
Patrick Industries	Manufacturing	6,861,600	337,789
Standard Motor Products	Manufacturing	6,340,800	311,409
Wal-Mart	Retail	5,988,480	279,131
Bethel College	Education	<u>5,890,536</u>	<u>321,016</u>
Totals		85,861,472	\$ 4,451,664

*Source: Mishawaka Utilities

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the City of Mishawaka (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated April 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on April 11, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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 11, 2006



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 program for the year ended December 31, 2005. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

STATE BOARD OF ACCOUNTS

April 11, 2006

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant:			
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster Community Development Block Grants/Entitlement Grants	14.218	B04MC180017 B05MC180017 NIP	\$ 641,492 1,756,023 <u>28,833</u>
Total for cluster			<u>2,426,348</u>
Pass-Through St. Joseph County Housing Consortium HOME Investment Partnerships Program	14.239	HO-03-806 HO-05-480 FY 2005	72,500 83,172 <u>104,376</u>
Total for program			<u>260,048</u>
Total for federal grantor agency			<u>2,686,396</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-2089	<u>4,010</u>
Bulletproof Vest Partnership Program	16.607	FY 2005	<u>4,017</u>
Gang Resistance Education and Training	16.737	2004JVFX0088	<u>7,845</u>
Pass-Through Indiana Criminal Justice Institute Juvenile Accountability Incentive Block Grants	16.523	03-JB-009	<u>18,603</u>
Total for federal grantor agency			<u>34,475</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Safety Incentive Grants for Use of Seat Belts	20.600	IN-05-02-03-44 Emergency Gas Award	14,979 <u>9,000</u>
Total for cluster			<u>23,979</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	154AL-005-03-03-34 154AL-05-03-03-92 154AL-06-03-03-19	20,988 48,169 <u>22,675</u>
Total for program			<u>91,832</u>
Total for federal grantor agency			<u>115,811</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	10,451,733
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW-19910602	<u>120,707</u>
Total for federal grantor agency			<u>10,572,440</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant:			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-03782	<u>89,837</u>
Total federal awards expended			<u>\$ 13,498,959</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, 2005:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant/Entitlement Grants	14.218	\$ <u>71,500</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
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster	
66.458	Capitalization Grants for Clean Water State Revolving Funds	
Dollar threshold used to distinguish between Type A and Type B programs:		\$404,969
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.