

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

FINANCIAL STATEMENTS AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF MISHAWAKA  
ST. JOSEPH COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
09/26/2019



CITY OF MISHAWAKA  
FOR THE YEAR ENDED DECEMBER 31, 2018

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FOR THE YEAR ENDED DECEMBER 31, 2018

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## CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	David A. Wood	01-01-16 to 12-31-19
Controller	Rebecca S. Miller	01-01-18 to 12-31-19
City Clerk	Deborah S. Block	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Kenneth B. Prince	01-01-18 to 12-31-19
Members of the Common Council	Ronald S. Banicki	01-01-16 to 12-31-19
	Michael A. Bellovich	01-01-16 to 12-31-19
	Joe Canarecci	01-01-16 to 12-31-18
	S. Michael Compton	01-01-16 to 12-31-19
	Ross Deal	01-01-16 to 12-31-18
	Dale E. Emmons	01-01-16 to 12-31-19
	Matt Mammolenti	01-01-16 to 12-31-19
	Bryan Tanner	02-11-16 to 12-31-19
	Gregg Hixenbaugh	01-05-19 to 12-31-19
	Stacy Petko-Reisdorf	01-05-19 to 12-31-19
	Mary C. Wilson (Kate Voelker)	01-01-16 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mishawaka (City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note III. I. 1. to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Budget/GAAP Reconciliation, Schedules of the City's Proportionate Share of the Net Pension Liability, Schedules of City Contributions, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, Schedule of Investment Returns, Schedule of Changes in Net OPEB Liability, and Schedule of Net OPEB Liability, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Combining and Individual Fund Statements and Schedules, and Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The Combining Balance Sheet, Combining Statement of Revenues, Expenditures, and Other Changes in Fund Balances, Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, Combining Statement of Fiduciary Net Position, Combining Statement of Changes in Fiduciary Net Position, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the

INDEPENDENT AUDITOR'S REPORT  
(Continued)

audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet, Combining Statement of Revenues, Expenditures, and Other Changes in Fund Balances, Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, Combining Statement of Fiduciary Net Position, Combining Statement of Changes in Fiduciary Net Position, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

September 16, 2019





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mishawaka (City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 16, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described as items 2018-001 and 2018-002 in the accompanying Schedule of Findings and Questioned Costs, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

**City of Mishawaka's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

September 16, 2019

CITY OF MISHAWAKA, INDIANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the year ended December 31, 2018

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 calendar year ended December 31, 2018. 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 the City 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 government's total net position increased before prior period restatements by \$30,026,918. Of this amount, governmental activities net position increased by \$16,389,856 and business-type activities increased by \$13,637,062.
- As of the close of calendar year 2018, the City of Mishawaka's governmental funds reported combined ending fund balances of \$51,299,370, a decrease of \$6,712,570 from the prior year.
- At the end of 2018, the unassigned fund balance for the General Fund was \$10,047,484 (32.6 percent of General Fund Expenditures) compared to \$5,984,251 for 2017 which was about 17.3 percent of total 2017 General Fund expenditures.
- In 2018, the City adjusted net position by \$34,444,595 to account for the change in valuation of Other Postemployment Benefit Liabilities between the City and the Utilities, to account for the payoff of the 2010 Sewage Works Bonds and for the restatement of the Storage and Conveyance Tunnel project. The combined adjustment to governmental funds was a decrease of \$27,284,887. The Utilities were reduced by \$7,159,708.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

The Statement of Net Position presents information on all the City of Mishawaka's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is reported as net position. Over time, increases

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

Component units, which are other governmental units over which the City of Mishawaka may exercise influence and/or be obligated to provide financial subsidy, are presented as a separate column in the government-wide statements and as individual activities in the fund financial statements.

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

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

## **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 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. 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 calendar 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, 2018:

<u>Revenues</u>	<u>2018 Amount</u>	<u>% of Total</u>
Taxes: General Property	\$43,567,704	57.67%
Licenses and permits	833,161	1.10%
Intergovernmental	22,103,449	29.26%
Charges for services	7,360,684	9.74%
Fines and forfeits	28,561	0.04%
Interest	918,737	1.22%
Sales and Use of Property	180,020	0.24%
Gifts and Donations	158,281	0.21%
Other	391,617	0.52%
Totals	<u>\$ 75,542,214</u>	<u>100.00%</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 percent 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 percent. In 2018, the increase was 3.7 percent. The above property tax revenue includes taxes collected on behalf of the following funds: General fund, Consolidated TIF, Park and Recreation fund, Motor Vehicle Highway fund, Cumulative Capital Development fund, Cumulative Sewer fund, various capital projects 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 57.3 percent of the General Fund's 2018 total revenue was derived from property taxes, the Consolidated TIF Fund derived 97.7 percent of its revenue from property tax, and the Other Governmental Fund's property tax percentage was 19.3 percent of total revenue.

Local Income Taxes (LIT) were established to support the purpose of taking the tax burden away from homeowners. The years of distribution listed are on a cash basis, not accrual. Intergovernmental revenue primarily consists of LIT directed toward general uses, economic development and public safety. Economic development LIT was originally enacted on July 1, 1995 at one-tenth of a percent (0.1 percent) but was then increased by ordinance beginning in 1998 to two-tenths of a percent (0.2 percent) and in 2009 it was increased to its maximum of (0.4 percent). In 2017 the former Economic Development Income Tax (EDIT) was combined into a single Local Income Tax (LIT). The City received \$3,233,002, \$3,619,204 and \$4,119,520 of economic development LIT for the years 2016, 2017, and 2018 respectively. General use LIT traces back to the former County Option Income Tax that was enacted in July of 1997 at two-tenths of a percent (0.2 percent) and increased yearly by one-tenth of a percent (0.1 percent) to a maximum of six-tenths of a percent (0.6 percent). In 2017, COIT was combined into the single LIT. The City received \$3,129,540, \$3,500,515 and \$4,407,686 of general-purpose income tax distributions for the years 2016, 2017, and 2018 respectively. In October of 2009 a Public Safety Local Option Income Tax was enacted at .25 percent. The Public Safety LOIT was combined into the Local Income Tax in 2017. The public safety directed Local Income tax received by the City was \$2,288,352, \$2,549,672 and \$2,639,729 for the years 2016, 2017, and 2018, respectively. Other intergovernmental revenue includes alcoholic beverage tax, wheel tax, vehicle excise tax, and cigarette tax. User fees are analyzed each year with future increases to be implemented to help shift some of the burden of taxation.

## General Government Expenditures

The following schedule presents a summary of general government expenditures for the year ended December 31, 2018.

<u>Expenditures</u>	<u>2018 Amount</u>	<u>% of Total</u>
General Government	\$ 5,826,728	7.50%
Public Safety	27,479,562	35.37%
Highways and Streets	10,641,249	13.70%
Infrastructure	11,764,307	15.15%
Sanitation	2,488,819	3.20%
Culture and Recreation	6,972,197	8.98%
Community Development	10,299,624	13.26%
Debt service	2,203,837	2.84%
Totals	<u>\$ 77,676,323</u>	<u>100.00%</u>

The City of Mishawaka breaks its general government expenditures into six operating categories: general government, public safety, highways and streets, sanitation, culture and recreation, and community development. Combined in the expenditure totals are also capital outlays which are 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 at \$27,479,562 or 35.37 percent of the total expenditure. Highways and Streets are at 13.70 percent and General Government at 7.50 percent. 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 33 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 and Consolidated TIF, which are considered to be major funds. Data from the other funds are combined and presented in one column labeled Nonmajor Governmental Funds. Individual fund data for each of these non-major 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 Schedule has been provided for the General fund 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 Statement of Net Position - Proprietary Funds and Statement of Revenues, Expense, and Changes in Fund Net Position - Proprietary Funds for the electric, water, and wastewater utilities which are considered major funds. Proprietary funds use the accrual basis of accounting. The City of Mishawaka maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City of Mishawaka maintains three enterprise funds to account for its electric, water and wastewater utilities. 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 these services predominantly benefit governmental rather than business-type activities, it has been included within the governmental activities in the government-wide financial statements but is combined into an aggregated presentation in the proprietary fund financial statements.

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

The City of Mishawaka's fiduciary duties are accounted for in trust funds. The primary trust funds are the 1925 Police Pension, 1937 Firefighters' Pension, and Utility Pension funds.

### **Pension Trust Fund Operations**

Most City of Mishawaka employees are covered by the Public Employees Retirement Fund (PERF) and the 1977 Police Officers' and Firefighters' Pension Fund, both administered by the State of Indiana. 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 Plans. These two plans are administered by the Local Pension Board. This group of police officers and firefighters are continuing to decline, 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. In 2009, the State of Indiana took over the funding of the 1925 Police and 1937 Fire Pension Plans. This funding will be paid directly to the City of Mishawaka through the State of Indiana Pension Relief Fund.

The Utility Pension Plan covers all the City of Mishawaka's utility workers except for sewer employees who are covered by PERF. The Utility Pension Plan is administered by the City of Mishawaka's Board of Works and provides retirement, disability, and death benefits to plan members and beneficiaries. Funding requirements are established by the plan administrator. Currently, employees are not required to make any contributions to the plan. The Utility Pension Plan is funded by revenue received from utility services.

### **Notes to the Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information. The combining statements referred to earlier in connection with non-major governmental funds and fiduciary funds are presented immediately after the required supplementary information. Also, included are budget comparisons for governmental funds other than the General fund and the Consolidated TIF which are major funds.

## Government-Wide Financial Statement Analysis

**Summary of Net Position** – The following table reflects a summary of Net Position compared to the prior year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 56,992,629	\$ 62,954,645	\$ 78,213,816	\$ 49,933,547	\$ 135,206,445	\$ 112,888,192
Capital assets	252,204,589	232,232,286	216,955,575	212,663,411	469,160,164	444,895,697
Total assets	<u>309,197,218</u>	<u>295,186,931</u>	<u>295,169,391</u>	<u>262,596,958</u>	<u>604,366,609</u>	<u>557,783,889</u>
Deferred outflows of resources	4,515,782	6,269,039	4,053,342	2,645,866	8,569,124	8,914,905
Long-term liabilities	103,643,745	88,685,187	113,723,406	92,209,392	217,367,151	180,894,579
Other liabilities	2,870,006	3,316,563	8,738,669	8,262,023	11,608,675	11,578,586
Total liabilities	<u>106,513,751</u>	<u>92,001,750</u>	<u>122,462,075</u>	<u>100,471,415</u>	<u>228,975,826</u>	<u>192,473,165</u>
Deferred inflows of resources	12,966,040	4,325,980	3,770,791	2,601,268	16,736,831	6,927,248
Net position:						
Net Investment						
In capital assets	242,866,453	222,065,507	129,243,021	143,482,938	372,109,474	365,548,445
Restricted	7,959,154	15,126,462	35,845,188	23,876,193	43,804,342	39,002,655
Unrestricted	(56,592,398)	(32,063,729)	3,559,287	(5,188,990)	(53,033,111)	(37,252,719)
Total net position	<u>\$ 194,233,209</u>	<u>\$ 205,128,240</u>	<u>\$ 168,647,496</u>	<u>\$ 162,170,141</u>	<u>\$ 362,880,705</u>	<u>\$ 367,298,381</u>

\* For this presentation, the 2017 column balances were not restated for prior period adjustments.

### Normal Impacts

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Borrowing of capital will increase current assets and long-term debt. Spending borrowed proceeds on new capital will reduce current assets and increase capital assets. Spending of non-borrowed current assets on new capital will reduce current assets and increase capital assets and will reduce unrestricted net position and increase net investment in capital assets. Principal payment on debt will reduce current assets and reduce long-term debt and reduce unrestricted net position and increase net investment in capital assets. Reduction of capital assets through depreciation will reduce capital assets and net investment in capital assets.



## Current Year Impacts

At December 31, 2018, the City of Mishawaka's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$362,880,705 a decrease of \$4,417,675 from the previous year after considering prior period adjustments. The largest portion of the City of Mishawaka's net position reflects its net investment in capital assets of \$372,109,474.

At year end the City of Mishawaka's net position was \$362,880,705. This amount is made up of \$372,109,474 of net investment in capital assets (e.g. land, buildings, machinery, and equipment); \$43,804,342 of assets with external restrictions upon its use; and (\$53,033,111) of unrestricted assets for future use as directed by management.

## Summary of Changes in Net Position

The following table reflects the changes in net position compared to prior year:

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017*	2018	2017*	2018	2017*
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 9,217,436	\$ 8,356,586	\$ 89,077,573	\$ 90,555,806	\$ 98,295,009	\$ 98,912,392
Operating grants and contributions	1,575,218	1,321,851	-	-	1,575,218	1,321,851
Capital grants and contributions	6,534,230	5,738,877	4,650,502	-	11,184,732	5,738,877
General revenues:						
Property taxes	43,004,705	40,963,002	-	-	43,004,705	40,963,002
Other taxes	4,710,187	7,664,745	-	-	4,710,187	7,664,745
Grants and contributions not restricted to specific programs	8,520,368	4,296,981	-	-	8,520,368	4,296,981
Unrestricted investment earnings	918,737	474,959	508,000	338,132	1,426,737	813,091
Other revenue	498,333	271,249	-	-	498,333	271,249
<b>Total revenues</b>	<b>74,979,214</b>	<b>69,088,250</b>	<b>94,236,075</b>	<b>90,893,938</b>	<b>169,215,289</b>	<b>159,982,188</b>
<b>EXPENSES</b>						
General government	4,619,779	7,475,939	-	-	4,619,779	7,475,939
Public safety	29,177,510	31,631,819	-	-	29,177,510	31,631,819
Highways and streets	11,304,013	11,945,887	-	-	11,304,013	11,945,887
Sanitation	2,488,819	2,347,987	-	-	2,488,819	2,347,987
Community Development	5,399,368	2,601,936	-	-	5,399,368	2,601,936
Culture and recreation	6,073,229	4,359,038	-	-	6,073,229	4,359,038
Interest on long-term debt	283,803	266,106	-	-	283,803	266,106
Water utility	-	-	7,562,376	7,107,941	7,562,376	7,107,941
Wastewater utility	-	-	13,841,296	12,595,663	13,841,296	12,595,663
Electric utility	-	-	58,438,177	56,293,605	58,438,177	56,293,605
<b>Total expenses</b>	<b>59,346,521</b>	<b>60,628,712</b>	<b>79,841,849</b>	<b>75,997,209</b>	<b>139,188,370</b>	<b>136,625,921</b>
Changes in net position before transfers	15,632,693	8,459,538	14,394,226	14,896,729	30,026,919	23,356,267
Transfers	757,163	776,747	(757,163)	(776,747)	-	-
Change in net position	16,389,856	9,236,285	13,637,063	14,119,982	30,026,919	23,356,267
Net Position-Beginning, restated	177,843,353	195,891,955	155,010,433	148,050,159	332,853,786	343,942,114
Net Position-Ending	<b>\$ 194,233,209</b>	<b>\$ 205,128,240</b>	<b>\$ 168,647,496</b>	<b>\$ 162,170,141</b>	<b>\$ 362,880,705</b>	<b>\$ 367,298,381</b>

\* For this presentation, the 2017 column balances were not restated for prior period adjustments.

## Normal Impacts

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

**Expenses:** Within certain expense categories (Police, Fire, Parks and Recreation, etc.), programs added or deleted from year to year may change to meet community needs. Staffing needs may change from year to year to meet the changes in services. Staffing costs (salaries and benefits) represent 72.8 percent of the City's primary government operating cost. Some functions may experience unusual changes due to the specific cost (fuel, chemicals, etc.)

## Current Year Impacts

### Governmental Activities

Net position of the governmental activities increased from 2017 to 2018 by \$16,389,856.

Charges for services revenue increased by \$860,850.

Operating grants and contributions increased by \$253,367.

Capital grants and contributions increased by \$795,353.

Grants and contributions not restricted to specific programs increased in 2018 by \$4,223,387.

Overall, property tax revenue increased by \$2,041,703.

Unrestricted investment earnings increased by \$443,778.

Other revenue increased by \$227,084.

Governmental expenses decreased by \$3,092,493 or 5.1 percent.

### Business-Type Activities

Business-Type Activities net position increased by \$13,637,063.

Overall, utility revenues increased in 2018 by \$3,342,137. This is primarily due to power cost tracking factor adjustments in the electric utility being passed on to customers and increases in sewage and water rates that went into effect on January 1, 2018.

The expenses of the Business-Type activities increased \$3,844,640 from 2017 levels or 5.06 percent. The changes are primarily attributable to normal changes in the costs of providing service to customers.

## **Fund Financial Statement Analysis**

As noted earlier, the City of Mishawaka uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Mishawaka can be divided into three categories: governmental 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. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

As of the end of the current calendar year, the City of Mishawaka's governmental funds reported combined ending fund balances of \$51,299,370, a decrease of \$6,712,571 from the prior year. The City of Mishawaka's long-term focus is to match annual service costs with available revenues.

The General fund had an increase in fund balance of \$3,965,184, and the Consolidated TIF fund had a decrease of \$3,756,852. Due to Circuit Breaker losses, prudent and conservative spending continues to be emphasized in the General Fund (and all other tax supported funds) to ensure both fiscal and operational accountability to citizens, review bodies and creditors.

Fourteen funds had lower fund balances at 2018 year-end. Of note, the Local Major Moves fund decreased \$809,093. As planned, these funds were used for the City's road and infrastructure needs. The 2017 Bonds Construction fund decreased by \$7,720,345 as these funds were used to pay for construction costs for the Iron Works project. Finally, the CEDIT Fund decreased \$525,313 due to planned capital outlays authorized from this funding source.

A loss of property tax revenue (Circuit Breaker) influenced the fund balances. The 2018 final tax settlement was a net 81.2% percent of revenues with a shortage of \$5,298,087. Overall the City of Mishawaka has very prudent spending philosophies and will continue this in the future. 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, 2018, the unassigned fund balance was \$10,047,484, and the total fund balance in the General fund was \$10,282,153, an increase of \$3,965,184 from 2017. Each year the City of Mishawaka works hard to stay within budget estimates and demonstrate prudent spending.

As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.6 percent of the total General fund expenditures. The total grows to 33.3 percent when total fund balance is compared to General fund expenditures.

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.

The water, wastewater, and electric utilities all saw an increase in their net positions in 2018. The total net position for the City of Mishawaka's enterprise funds were increased by \$6,477,355. Of this, net investment of capital assets decreased by \$14,239,917, restricted increased by \$11,968,995 and unrestricted net position increased by \$8,748,277. Overall current and other assets increased by \$32,572,433. The total liabilities for the enterprise funds had an increase from 2017 of \$21,990,660.

The Internal Service Fund unrestricted net position was \$742,229.

The basic proprietary fund financial statements are 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 Schedule has been provided for the General fund to demonstrate compliance with this budget. The final budget was more than the original budget by \$397,332. 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 2018, the submitted budget to the state was increased with encumbrances from 2017 by \$234,669. A budget adjustment of \$397,332 was necessary to cover the necessary expenses of the City and to account for the following infrequent items. When insurance proceeds for accidents or grant money is received for police overtime, the corresponding lines are reimbursed. 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 calendar year, the actual expenditures are projected and the following financial information is condensed from the Required Supplementary Information and the Budget Comparison Schedule.

The actual revenues in 2018 were \$2,139,465 under budget and expenditures were \$2,060,244 under the final budget amount.

One revenue category was under budget in 2018; Property tax revenue was \$5,298,087 less than expected. Tax collection due to Circuit Breaker was 81.2 percent. In 2017 it was 87.4 percent. As assessed value for the City

goes down, Circuit Breaker losses increase. In 2018, Intergovernmental revenue came in higher than budget by \$1,030,236.

## Capital Assets and Long-Term Debt Liability

### Capital Assets

The City of Mishawaka’s investment in capital assets for its governmental and business-type activities at December 31, 2018, amounts to \$469,160,164 (net of accumulated depreciation), which represents a net increase (additions less retirements and depreciation) of \$28,606,838. 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.).

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2018	2017	2018	2017*	2018	2017*
Land	\$ 13,381,951	\$ 13,331,067	\$ 2,992,461	\$ 2,741,987	\$ 16,374,412	\$ 16,073,054
Construction in progress	36,498,607	23,924,613	11,593,844	9,531,941	48,092,451	33,456,554
Buildings	28,945,136	29,123,353	33,399,874	34,303,826	62,345,010	63,427,179
Improvement other than buildings	23,591,847	21,031,549	154,510,259	146,564,926	178,102,106	167,596,475
Machinery and equipment	9,324,574	9,778,022	12,962,687	14,190,753	22,287,261	23,968,775
Transportation		-	1,496,450	987,607	1,496,450	987,607
Infrastructure being depreciated	140,462,474	135,043,682	-	-	140,462,474	135,043,682
<b>Total</b>	<b>\$ 252,204,589</b>	<b>\$ 232,232,286</b>	<b>\$ 216,955,575</b>	<b>\$ 208,321,040</b>	<b>\$ 469,160,164</b>	<b>\$ 440,553,326</b>

\*For this presentation, the 2017 column balances for the business-type activities were restated for prior period adjustments.

### Change in Capital Assets

	Governmental Activities	Business-Type Activities*	Totals
Beginning Balance	\$ 232,232,286	\$ 208,321,040	\$ 440,553,326
Additions	35,747,804	20,645,275	56,393,079
Retirements:			
Land	-	-	-
Construction in progress	(7,263,853)	(3,589,292)	(10,853,145)
Other	(1,347,489)	(4,777,146)	(6,124,635)
Depreciation (Net)	(7,164,159)	(3,644,302)	(10,808,461)
Ending Balance	<b>\$ 252,204,589</b>	<b>\$ 216,955,575</b>	<b>\$ 469,160,164</b>

\*For this presentation, the beginning balance for the business-type activities was restated for prior period adjustments.

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

- Gumwood Road Widening – \$1.67 million
- 4<sup>th</sup> Street LTCP Improvement – \$1.42 million
- Merrifield Park Trail/Riverwalk Extension – \$3.59 million

Construction in Progress items:

- 12<sup>th</sup> Street Phase II (Campbell to Downey) - \$8.62 million
- Church/Main Connector (Church – LWE to 7<sup>th</sup>) - \$6.17 million
- Church/Main Connector (Church Union Imp. Ph II) - \$5.63 million

Other notable projects

- Vibra Hospital on Edison Lakes Parkway
- Beacon Health Systems Granger Hospital at Beacon Parkway

### Debt Outstanding

At December 31, 2018, the City had \$10,815,000 of outstanding tax increment bonds. The enterprise funds had \$97,510,000 of revenue bonds payable. 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 percent of assessed value of real and personal property.

The overall bonded debt increased by \$18,290,000 from the prior year.

### Outstanding Bonds Debt at Year-End

	<u>2018</u>	<u>2017</u>
<b>Governmental:</b>		
Tax Increment	\$ <u>10,815,000</u>	\$ <u>11,900,000</u>
<b>Business-Type:</b>		
Water Utility	18,890,000	7,735,000
Wastewater Utility	78,620,000	70,400,000
Sub-total	<u>97,510,000</u>	<u>78,135,000</u>
 Total	 <u>\$ 108,325,000</u>	 <u>\$ 90,035,000</u>

Net principal bond payments of \$1,715,000 and \$6,175,000 were made in the governmental and business - type activities, respectively after considering the effects of the new bond issuance.

The most recent Sewer Works Revenue Bonds of 2018 was rated A.

The most recent Sewer Works Revenue and Refunding Revenue Bond of 2017 was rated A.

The most recent Sewer Works Refunding Revenue Bond of 2015 was rated A+.

The most recent Waterworks Refunding Revenue Bond of 2013 was rated AA-.

The most recent Taxable Economic Development Revenue Bond of 2017 was rated A.

A detailed listing of the City's debt can be found in the Notes to the Financial Statements (Note III. G.).

## **Economic Factors and Highlights**

The City of Mishawaka is in the north central part of the State of Indiana. The City of Mishawaka is approximately 140 miles north of Indianapolis and 100 miles east of Chicago. 2018 was a continuation of previous years with steady growth and construction projects. The City of Mishawaka is benefiting from its long-term strategic planning, and over the next few years, we anticipate that the City of Mishawaka will continue to see the transformation of retail centers as well as new construction. The City of Mishawaka's 2000 census number was 46,557 the 2010 census number was 48,252 a 3.6 percent increase in the last ten years. Unemployment in St Joseph County Indiana is at 3.4 percent as recorded in March 2018. This is an improvement from 4.5 percent in December 2016. Total Labor force for St. Joseph County increased to 136,588 as noted in March 2018 as compared to 134,050 in December 2016.

In 2005, the State of Indiana enacted a phase in of a Circuit Breaker. The Circuit Breaker legislation (amended in 2008) had its greatest reduction of all residential property tax in 2010 (1 percent). The City of Mishawaka has had to make difficult decisions to be able to provide the best services to its citizens at the best cost possible. In 2018, the City only received 81.2 percent of its distribution of property tax. Due to the property tax caps (Circuit Breaker), the City was left short \$5.3 million in funds. With these expected losses each year and with debt in St. Joseph County falling below the levy in 2019 the City is doing long range forecasting and analysis with an outside consultant to prepare for as little disruption as possible to City services and finances. In anticipation, various expenses and capital outlays have been moved to other funds, and wage increases over the past five years have averaged the lowest in a decade.

Continuing in 2019 the City will maintain a conservative stance on spending, the health insurance program will be adjusted, and costs of services will be analyzed. The Mishawaka Health and Wellness clinic opened in August 2015 and continues to be a good value for all City employees on the City's insurance plan. With health insurance being one of the City's highest expenses, the goal is to improve employee health with the added benefit of reduced claims.

In 2018, the City of Mishawaka submitted another balanced budget. The adopted FY2019 Civil City Budget is \$55,749,918, which is 5.50 percent higher than in FY2018. The General fund budget for FY2018 is \$35,087,573, which is 5.62 percent higher than FY2018. The goal in 2018 was to budget higher and underspend, hoping to increase cash reserves. This was attained with the General fund increasing by 62.8 percent.

### **City Highlights:**

- Excitement is still building at the four acres of the former Uniroyal complex being made productive again and that it will be generating over a half million dollars in local property taxes a year at the project's completion. Flaherty and Collins broke ground in 2017 on a new 233-unit, high amenity, mixed-use apartment building. As part of that project, Ironworks Avenue will be extended with on-street angled parking, and Hill Street, north of Front Street, will be converted into a two-aisle parking area similar to Mill Street north of Front Street. First tenants are to move in, in late 2019.

- Reinvestment of existing facilities continued in 2018. Meijer, Big Lots (former Kmart building), Drive and Shine, and Lippert all made substantial renovations.
- Habitat for Humanity Jimmy & Rosalynn Carter Work Project happened in the City of Mishawaka in 2018. The location at the northwest corner of the intersection of Byrkit Avenue and Jefferson Boulevard has taken shape with much of the necessary infrastructure was installed in 2017. We are proud to collaborate with Habitat for Humanity of St. Joseph County to bring a brand new neighborhood to Mishawaka that will bring many new families to the City in an area served by School City of Mishawaka. The City contributed part of the infrastructure improvements needed for the project totaling roughly \$600,000. The summer build was a great success.
- The Redevelopment Department's First Time Homebuyer Program administered by the South Bend Housing consortium continues to be a success in 2018. Contributing down payment assistance to the Habitat for Humanity build, 17 new homes were added in 2018.
- Since 2006, the City of Mishawaka has collaborated with local churches to create the program known as Summer of Service. In 2018, the City again joined efforts with faith-based organizations to complete service and repair projects on four homes in the City of Mishawaka.
- For the last twelve years, the City of Mishawaka Code Enforcement Department has highlighted 100 structures that they feel needed the attention, and in 2018 65 percent of those highlighted were brought into code compliance.
- New commercial building activity increased again. In 2018, commercial permits were issued with an estimated construction cost of \$110.5 million, a significant \$13.6 million increase over the \$96.9 million issued in 2017. By the numbers, 15 new commercial building permits were pulled for new free-standing buildings in 2018 compared to 21 in 2017. As in 2017, Flaherty & Collins had the largest permit for the new Mill at Ironworks Plaza project at an estimated \$24.4 million construction cost.
- The community will benefit from the new permanent stage in Central Park and the Mishawaka Education Foundation Community Greenhouse built across from Battell Center.
- In 2018, the City continues to provide funding for the Park Improvement Plan. The City has 31 parks that will need updating over the next several years. Mary Gibbard's many updates include a new splash pad, inclusive playground, BMX Bike Park, large pavilion, sports fields, and a new restroom.



## **Requests for Information**

This financial report is designed to provide a general overview of the City of Mishawaka's finances and to demonstrate the City's accountability to its taxpayers, creditors and for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Office of the Controller, 600 E. 3<sup>rd</sup> Street, Mishawaka, IN 46544 or by email at [controller@mishawaka.in.gov](mailto:controller@mishawaka.in.gov).

## BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the City. The financial statements and notes are presented as intended by the City.

CITY OF MISHAWAKA  
STATEMENT OF NET POSITION  
As of December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 43,531,037	\$ 14,314,689	\$ 57,845,726	\$ 2,076,385
Receivables (Net of Allowances for Uncollectibles):				
Interest	45,192	50,357	95,549	-
Taxes	827,861	-	827,861	-
Accounts	397,921	5,317,580	5,715,501	-
Other	-	15,753	15,753	-
Intergovernmental	693,333	-	693,333	-
Loans	2,302,578	-	2,302,578	4,769,761
Inventories	-	3,521,595	3,521,595	-
Prepaid expense	497,472	391,079	888,551	-
Restricted assets:				
Cash and cash equivalents	1,193,682	43,560,392	44,754,074	-
Investments	-	6,700,000	6,700,000	-
Assets held for resale	6,282,396	-	6,282,396	-
Capital assets:				
Land and construction in progress	49,880,558	14,586,305	64,466,863	-
Other capital assets, net of depreciation	202,324,031	202,369,270	404,693,301	-
Net pension asset	1,221,157	-	1,221,157	-
<b>Total assets</b>	<b>309,197,218</b>	<b>290,827,020</b>	<b>600,024,238</b>	<b>6,846,146</b>
<b>Deferred outflows of resources</b>				
Deferred amount on refunding	-	503,616	503,616	-
Deferred utility ratemaking expenses	-	882,941	882,941	-
Deferred pension	4,515,782	2,666,785	7,182,567	-
<b>Total deferred outflows of resources</b>	<b>4,515,782</b>	<b>4,053,342</b>	<b>8,569,124</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	1,918,319	3,636,670	5,554,989	110,000
Accrued payroll and withholdings payable	123,151	142,995	266,146	-
Contracts payable	573,078	-	573,078	-
Taxes payable	-	257,334	257,334	-
Accrued interest payable	158,470	914,188	1,072,658	-
Payable from restricted assets:				
Customer deposits	-	3,787,482	3,787,482	-
Interest payable	96,988	-	96,988	-
Noncurrent liabilities:				
Due within one year:				
Revenue bonds payable	-	6,680,000	6,680,000	-
TIF bonds payable	2,165,000	-	2,165,000	-
Compensated absences	340,899	65,912	406,811	-
Capital lease obligations	822,848	75,746	898,594	-
Notes and loans payable	79,764	115,000	194,764	-
Due in more than one year:				
Revenue bonds payable (net of unamortized premiums)	-	94,094,977	94,094,977	-
TIF bonds payable (net of unamortized discounts)	8,637,707	-	8,637,707	-
Compensated absences	202,120	221,701	423,821	-
Capital lease obligations	4,231,962	239,769	4,471,731	-
Notes and loans payable	1,203,396	1,441,000	2,644,396	-
Net other postemployment benefits liability	40,569,874	6,554,587	47,124,461	-
Net pension liability	45,390,175	4,234,714	49,624,889	-
<b>Total liabilities</b>	<b>106,513,751</b>	<b>122,462,075</b>	<b>228,975,826</b>	<b>110,000</b>
<b>Deferred inflows of resources</b>				
Deferred pension	4,085,471	2,336,020	6,421,491	-
Deferred OPEB	8,880,569	1,434,771	10,315,340	-
<b>Total deferred inflows of resources</b>	<b>12,966,040</b>	<b>3,770,791</b>	<b>16,736,831</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	242,866,453	129,243,021	372,109,474	-
Restricted for:				
Debt service	2,260,979	8,644,420	10,905,399	-
Capital projects	5,698,175	754,000	6,452,175	6,736,146
Construction	-	26,446,768	26,446,768	-
Unrestricted	(56,592,398)	3,559,287	(53,033,111)	-
<b>Total net position</b>	<b>\$ 194,233,209</b>	<b>\$ 168,647,496</b>	<b>\$ 362,880,705</b>	<b>\$ 6,736,146</b>

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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 4,619,779	\$ 819,679	\$ 650,000	\$ -	\$ (3,150,100)	\$ -	\$ (3,150,100)	\$ -
Public safety	29,177,510	3,048,554	125,550	80,166	(25,923,240)	-	(25,923,240)	-
Highways and streets	11,304,013	1,764,815	-	6,454,064	(3,085,134)	-	(3,085,134)	-
Sanitation	2,488,819	2,284,319	-	-	(204,500)	-	(204,500)	-
Community development	5,399,368	380,181	799,668	-	(4,219,519)	-	(4,219,519)	-
Culture and recreation	6,073,229	919,888	-	-	(5,153,341)	-	(5,153,341)	-
Interest on long-term debt	283,803	-	-	-	(283,803)	-	(283,803)	-
Total governmental activities	59,346,521	9,217,436	1,575,218	6,534,230	(42,019,637)	-	(42,019,637)	-
Business-type activities:								
Water	7,562,376	10,091,271	-	789,046	-	3,317,941	3,317,941	-
Wastewater	13,841,296	16,404,792	-	3,639,040	-	6,202,536	6,202,536	-
Electric	58,438,177	62,581,510	-	222,416	-	4,365,749	4,365,749	-
Total business-type activities	79,841,849	89,077,573	-	4,650,502	-	13,886,226	13,886,226	-
Total primary government	\$ 139,188,370	\$ 98,295,009	\$ 1,575,218	\$ 11,184,732	(42,019,637)	13,886,226	(28,133,411)	-
General revenues:								
Property taxes					43,004,705	-	43,004,705	-
Other taxes					4,710,187	-	4,710,187	-
Grants and contributions not restricted to specific programs					8,520,368	-	8,520,368	-
Unrestricted investment earnings					918,737	508,000	1,426,737	143,807
Other					498,333	-	498,333	-
Transfers					757,163	(757,163)	-	-
Total general revenues and transfers					58,409,493	(249,163)	58,160,330	143,807
Change in net position					16,389,856	13,637,063	30,026,919	143,807
Net position - beginning					205,128,240	162,170,141	367,298,381	6,592,339
Net position - adjustment - 2017 refunding					-	(717,667)	(717,667)	-
Net position - adjustment - OPEB					(27,284,887)	(2,099,670)	(29,384,557)	-
Net position - adjustment - Capital asset restatement					-	(4,342,371)	(4,342,371)	-
Net position - ending					\$ 194,233,209	\$ 168,647,496	\$ 362,880,705	\$ 6,736,146

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

CITY OF MISHAWAKA  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
As of December 31, 2018

	General	Consolidated TIF	Nonmajor Governmental Funds	Totals
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,851,843	\$ 13,334,986	\$ 19,884,897	\$ 43,071,726
Receivables (Net of Allowances for Uncollectibles):				
Interest	20,485	24,543	164	45,192
Taxes	498,050	217,553	112,258	827,861
Accounts	393,298	-	4,623	397,921
Intergovernmental	121,090	-	572,243	693,333
Loans	-	2,000,000	302,578	2,302,578
Assets held for resale	-	6,282,396	-	6,282,396
<b>Total assets</b>	<b>\$ 10,884,766</b>	<b>\$ 21,859,478</b>	<b>\$ 20,876,763</b>	<b>\$ 53,621,007</b>
<u>Liabilities, Unavailable Revenues, and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 32,883	\$ 320,364	\$ 444,301	\$ 797,548
Accrued payroll and withholdings payable	71,680	-	51,471	123,151
Contracts payable	-	534,078	39,000	573,078
Total liabilities	104,563	854,442	534,772	1,493,777
Deferred inflows of resources - property taxes	498,050	217,553	112,257	827,860
Fund Balances:				
Restricted	-	20,787,483	16,193,946	36,981,429
Committed	-	-	2,469,248	2,469,248
Assigned	234,669	-	1,566,540	1,801,209
Unassigned	10,047,484	-	-	10,047,484
Total fund balances	10,282,153	20,787,483	20,229,734	51,299,370
<b>Total liabilities, unavailable revenues, and fund balances</b>	<b>\$ 10,884,766</b>	<b>\$ 21,859,478</b>	<b>\$ 20,876,763</b>	<b>\$ 53,621,007</b>

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

CITY OF MISHAWAKA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
As of December 31, 2018

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

Total fund balances		\$	51,299,370
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.			
Land and construction in progress	\$	49,880,558	
Other capital assets, net of depreciation		202,324,031	
Total			252,204,589
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds.			
Net pension asset		1,221,157	
Prepaid expenses		497,472	
Total			1,718,629
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 position.			
			532,224
Deferred outflows and deferred inflows related to pension obligations and other post-employment benefits are included in the governmental activities in the statement of net position.			
			(8,450,258)
Short-term liabilities that are not recognized in governmental funds until due			
Accrued interest payable		(255,460)	
Current portion of long-term debt		(2,165,000)	
Compensated absences		(340,899)	
Capital lease obligations		(822,848)	
Notes and loans payable		(79,764)	
Total			(3,663,971)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (shown net of bond discounts and premiums).			
TIF bonds payable		(8,637,707)	
Compensated absences		(202,120)	
Capital lease obligations		(4,231,962)	
Notes and loans payable		(1,203,396)	
Net other postemployment benefits obligation		(40,569,874)	
Net pension liability		(45,390,175)	
Total			(100,235,234)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
			827,860
Total		\$	<u>194,233,209</u>

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, 2018

	General	Consolidated TIF	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 19,528,603	\$ 20,000,608	\$ 4,038,493	\$ 43,567,704
Licenses and permits	701,590	-	131,571	833,161
Intergovernmental	10,024,500	-	12,078,949	22,103,449
Charges for services	3,246,866	20,000	4,093,818	7,360,684
Fines and forfeits	27,563	-	998	28,561
Interest	496,673	353,418	68,646	918,737
Sale and use of property	29,184	-	150,836	180,020
Gifts and donations	-	-	158,281	158,281
Other	49,105	104,301	238,211	391,617
<b>Total Revenues</b>	<b>34,104,084</b>	<b>20,478,327</b>	<b>20,959,803</b>	<b>75,542,214</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	5,208,001	-	235,395	5,443,396
Public safety	24,734,864	-	2,345,985	27,080,849
Highways and streets	332,368	-	5,462,356	5,794,724
Sanitation	-	-	2,488,819	2,488,819
Culture and recreation	-	-	4,265,000	4,265,000
Community development	278,206	847,836	964,415	2,090,457
<b>Debt Service:</b>				
Principal	-	-	1,909,140	1,909,140
Interest and fiscal charges	-	-	294,697	294,697
<b>Capital Outlay:</b>				
General government	291,800	-	91,532	383,332
Public safety	-	-	398,713	398,713
Highways and streets	-	2,339,526	2,506,999	4,846,525
Infrastructure	-	11,764,307	-	11,764,307
Culture and recreation	-	1,237,373	1,469,824	2,707,197
Community development	-	414,492	7,794,675	8,209,167
<b>Total Expenditures</b>	<b>30,845,239</b>	<b>16,603,534</b>	<b>30,227,550</b>	<b>77,676,323</b>
Excess (deficiency) of revenues Over (under) expenditures	<u>3,258,845</u>	<u>3,874,793</u>	<u>(9,267,747)</u>	<u>(2,134,109)</u>
<b>Other financing sources (uses):</b>				
Transfers in	4,117,162	-	3,583,586	7,700,748
Transfers out	-	(5,706,844)	(1,236,742)	(6,943,586)
Miscellaneous	-	(1,924,801)	-	(1,924,801)
Contributions	(3,410,823)	-	-	(3,410,823)
<b>Total other financing sources and uses</b>	<b>706,339</b>	<b>(7,631,645)</b>	<b>2,346,844</b>	<b>(4,578,462)</b>
Net change in fund balances	3,965,184	(3,756,852)	(6,920,903)	(6,712,571)
Fund Balances - January 1	<u>6,316,969</u>	<u>24,544,335</u>	<u>27,150,637</u>	<u>58,011,941</u>
Fund Balances - December 31	<u>\$ 10,282,153</u>	<u>\$ 20,787,483</u>	<u>\$ 20,229,734</u>	<u>\$ 51,299,370</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, 2018

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

Net change in fund balance - total governmental funds \$ (6,712,571)

Governmental funds report capital outlay 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	\$ 26,056,598	
Less current year depreciation expense	(8,494,896)	
Less adjustment for depreciation on disposed assets	<u>1,330,738</u>	
Total		18,892,440

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds (563,000)

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 the net position.

Principal paid on debt	1,909,140	
Issuance of bonds	-	
Unamortized bond discount	<u>(636)</u>	
Total		1,908,504

Expenses related to other post employment benefits obligations are reported in the government wide statement of activities (906,118)

Expense related to pension liability are reported in the government wide statement of activities 2,807,520

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.

Change in accrued interest	\$ (29,921)	
Change in prepaid expenses	(11,149)	
Change in compensated absences	<u>197,903</u>	
Total		156,833

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. 806,248

Change in net position of governmental activities (Statement of Activities) \$ 16,389,856



CITY OF MISHAWAKA  
STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS  
December 31, 2018

	Business-Type Activities -Enterprise Funds			Total	Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility		
<b>Assets</b>					
<b>Current assets:</b>					
Unrestricted:					
Cash and cash equivalents	\$ 4,489,792	\$ 2,348,545	\$ 7,476,352	\$ 14,314,689	\$ 1,652,993
Interest receivable	28,071	22,286	-	50,357	-
Accounts receivable (net of allowance)	518,162	1,100,360	3,699,058	5,317,580	-
Accounts receivable - other (net of allowance)	-	-	15,753	15,753	-
Inventories	227,820	-	3,293,775	3,521,595	-
Prepaid items	104,844	139,937	146,298	391,079	-
<b>Total unrestricted current assets</b>	<b>5,368,689</b>	<b>3,611,128</b>	<b>14,631,236</b>	<b>23,611,053</b>	<b>1,652,993</b>
Restricted:					
Restricted cash and cash equivalents:					
Customer deposits	651,796	3,805	2,959,916	3,615,517	-
Revenue bond covenant accounts	2,083,570	6,560,850	-	8,644,420	-
Reserve account	-	-	754,000	754,000	-
Construction account	12,899,386	6,847,382	-	19,746,768	-
Repair account	-	10,798,593	1,094	10,799,687	-
<b>Total restricted cash and cash equivalents</b>	<b>15,634,752</b>	<b>24,210,630</b>	<b>3,715,010</b>	<b>43,560,392</b>	<b>-</b>
Restricted investments:					
Construction account - investments	-	6,700,000	-	6,700,000	-
<b>Total restricted current assets</b>	<b>15,634,752</b>	<b>30,910,630</b>	<b>3,715,010</b>	<b>50,260,392</b>	<b>-</b>
<b>Total current assets</b>	<b>21,003,441</b>	<b>34,521,758</b>	<b>18,346,246</b>	<b>73,871,445</b>	<b>1,652,993</b>
Capital assets:					
Land and construction in progress	3,486,994	10,791,578	307,732	14,586,304	-
Other capital assets (net of accumulated depreciation)	38,138,292	124,933,537	39,297,442	202,369,271	-
<b>Total capital assets</b>	<b>41,625,286</b>	<b>135,725,115</b>	<b>39,605,174</b>	<b>216,955,575</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>41,625,286</b>	<b>135,725,115</b>	<b>39,605,174</b>	<b>216,955,575</b>	<b>-</b>
<b>Total assets</b>	<b>62,628,727</b>	<b>170,246,873</b>	<b>57,951,420</b>	<b>290,827,020</b>	<b>1,652,993</b>
Deferred outflows of resources:					
Deferred amount on refunding	104,526	399,090	-	503,616	-
Deferred utility ratemaking expenses	150,295	118,568	614,078	882,941	-
Deferred pension	645,413	730,546	1,290,826	2,666,785	-
<b>Total deferred outflows of resources</b>	<b>900,234</b>	<b>1,248,204</b>	<b>1,904,904</b>	<b>4,053,342</b>	<b>-</b>

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

CITY OF MISHAWAKA  
STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS  
December 31, 2018  
(Continued)

	Business-Type Activities -Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
<u>Liabilities</u>					
Current liabilities:					
Unrestricted:					
Accounts payable	\$ 109,469	\$ 238,955	\$ 3,288,246	\$ 3,636,670	\$ 1,120,769
Accrued payroll and withholdings payable	33,667	43,385	65,943	142,995	-
Taxes payable	34,525	-	222,809	257,334	-
Accrued interest payable	2,239	908,171	3,778	914,188	-
Compensated absences	15,655	12,500	37,757	65,912	-
Total unrestricted current liabilities	<u>195,555</u>	<u>1,203,011</u>	<u>3,618,533</u>	<u>5,017,099</u>	<u>1,120,769</u>
Restricted:					
Customer deposits	698,603	3,705	3,085,174	3,787,482	-
Capital lease obligations	21,445	18,236	36,065	75,746	-
Notes and loans payable	-	115,000	-	115,000	-
Revenue bonds payable	1,885,000	4,795,000	-	6,680,000	-
Total restricted current liabilities	<u>2,605,048</u>	<u>4,931,941</u>	<u>3,121,239</u>	<u>10,658,228</u>	<u>-</u>
Total current liabilities	<u>2,800,603</u>	<u>6,134,952</u>	<u>6,739,772</u>	<u>15,675,327</u>	<u>1,120,769</u>
Noncurrent liabilities:					
Unrestricted:					
Compensated absences	64,147	66,755	90,799	221,701	-
Capital lease obligations	68,094	57,744	113,931	239,769	-
Notes and loans payable	-	1,441,000	-	1,441,000	-
Total unrestricted noncurrent liabilities	<u>132,241</u>	<u>1,565,499</u>	<u>204,730</u>	<u>1,902,470</u>	<u>-</u>
Restricted:					
Notes and loans payable	-	-	-	-	-
Revenue bonds payable (net of unamortized premiums)	17,008,449	77,086,529	-	94,094,978	-
Net other postemployment benefits liability	1,940,197	1,782,380	2,832,010	6,554,587	-
Net pension liability	918,885	1,478,060	1,837,769	4,234,714	-
Total restricted noncurrent liabilities	<u>19,867,531</u>	<u>80,346,969</u>	<u>4,669,779</u>	<u>104,884,279</u>	<u>-</u>
Total noncurrent liabilities	<u>19,999,772</u>	<u>81,912,468</u>	<u>4,874,509</u>	<u>106,786,749</u>	<u>-</u>
Total liabilities	<u>22,800,375</u>	<u>88,047,420</u>	<u>11,614,281</u>	<u>122,462,076</u>	<u>1,120,769</u>
Deferred inflows of resources:					
Deferred pension	556,218	667,367	1,112,435	2,336,020	-
Deferred OPEB	424,701	390,155	619,915	1,434,771	-
Total deferred inflows of resources	<u>980,919</u>	<u>1,057,522</u>	<u>1,732,350</u>	<u>3,770,791</u>	<u>-</u>
<u>Net Position</u>					
Net investment in capital assets	22,897,119	66,276,646	40,069,256	129,243,021	-
Restricted for debt service and other purposes					
Debt service	2,083,570	6,560,850	-	8,644,420	-
Capital projects	-	-	754,000	754,000	-
Construction	12,899,386	13,547,382	-	26,446,768	-
Unrestricted	1,867,592	(3,994,743)	5,686,437	3,559,286	532,224
Total net position	<u>\$ 39,747,667</u>	<u>\$ 82,390,135</u>	<u>\$ 46,509,693</u>	<u>\$ 168,647,495</u>	<u>\$ 532,224</u>

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 POSITION -  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2018

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Operating revenues:					
Unmetered water revenue	\$ 7,210	\$ -	\$ -	\$ 7,210	\$ -
Metered revenue					
Residential	3,623,618	-	28,165,656	31,789,274	-
Commercial	3,971,160	-	32,706,553	36,677,713	-
Public street and highway lighting	-	-	640,209	640,209	-
Fire protection revenue	2,126,685	-	-	2,126,685	-
Penalties	53,174	242,170	274,478	569,822	-
Measured revenue:					
Residential	-	7,577,205	-	7,577,205	-
Commercial	-	8,209,732	-	8,209,732	-
Other	58,768	317,340	2,025	378,133	11,680,926
Total Revenues	<u>9,840,615</u>	<u>16,346,447</u>	<u>61,788,921</u>	<u>87,975,983</u>	<u>11,680,926</u>
Operating expenses:					
Source of supply and expense - operations and maintenance	1,458,881	2,811,267	-	4,270,148	-
Transmission and distribution	1,694,835	-	4,902,926	6,597,761	-
Treatment and disposal expense - operations and maintenance	1,157,445	461,032	-	1,618,477	-
Customer accounts	449,147	6,030	1,288,777	1,743,954	-
Administration and general	415,816	1,376,296	1,898,597	3,690,709	-
Insurance claims and premiums	99,773	337,160	164,240	601,173	10,874,678
Purchase power	-	-	47,250,325	47,250,325	-
Sewer - operation and maintenance	-	1,676,122	-	1,676,122	-
Pretreatment - operation and maintenance	-	829,170	-	829,170	-
Chemicals	-	163,106	-	163,106	-
Depreciation	1,500,500	3,727,494	2,725,041	7,953,035	-
Total operating expenses	<u>6,776,397</u>	<u>11,387,677</u>	<u>58,229,906</u>	<u>76,393,980</u>	<u>10,874,678</u>
Operating income (loss)	<u>3,064,218</u>	<u>4,958,770</u>	<u>3,559,015</u>	<u>11,582,003</u>	<u>806,248</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	142,574	234,563	130,863	508,000	-
Miscellaneous revenue	250,656	58,345	792,589	1,101,590	-
Interest expense	(246,241)	(2,171,912)	(9,935)	(2,428,088)	-
Amortization expense	(6,725)	36,909	-	30,184	-
Bond issuance costs	(102,741)	(175,721)	-	(278,462)	-
Gain/(Loss) on disposal of assets	(430,272)	(142,895)	(198,337)	(771,504)	-
Total nonoperating revenues (expenses)	<u>(392,749)</u>	<u>(2,160,711)</u>	<u>715,180</u>	<u>(1,838,280)</u>	<u>-</u>
Income (loss) before contributions and transfers	2,671,469	2,798,059	4,274,195	9,743,723	806,248
Capital contributions - net	789,046	3,639,040	222,416	4,650,502	-
Payments in lieu of taxes	(651,247)	(1,859,349)	(606,567)	(3,117,163)	-
Transfers in/(out)	-	3,360,000	(1,000,000)	2,360,000	-
Change in net position	2,809,268	7,937,750	2,890,044	13,637,062	806,248
Total net position - beginning	37,673,472	79,943,398	44,553,271	162,170,141	(274,024)
Total net position - adjustment - 2017 refunding	-	(717,667)	-	(717,667)	-
Total net position - adjustment - OPEB	(735,073)	(430,975)	(933,622)	(2,099,670)	-
Total net position - adjustment - capital asset restatement	-	(4,342,371)	-	(4,342,371)	-
Total net position - ending	<u>\$ 39,747,667</u>	<u>\$ 82,390,135</u>	<u>\$ 46,509,693</u>	<u>\$ 168,647,495</u>	<u>\$ 532,224</u>

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, 2018

	Water Utility	Wastewater Utility	Electric Utility	Totals	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 9,827,559	\$ 16,313,801	\$ 62,305,642	\$ 88,447,002	
Receipts from interfund services provided	-	-	-	-	\$ 11,680,926
Payments to suppliers	(2,042,709)	(2,864,461)	(51,099,583)	(56,006,753)	
Payments to employees	(2,979,821)	(4,554,996)	(4,679,017)	(12,213,834)	
Payments for interfund services used	-	-	-	-	(10,441,570)
Net cash provided (used) by operating activities	<u>4,805,029</u>	<u>8,894,344</u>	<u>6,527,042</u>	<u>20,226,415</u>	<u>1,239,356</u>
Cash flows from noncapital financing activities:					
Transfer from/(to) other funds	<u>(651,247)</u>	<u>1,500,651</u>	<u>(1,606,567)</u>	<u>(757,163)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,254,457)	(6,563,721)	(4,192,475)	(12,010,653)	-
Proceeds from bond issue	13,000,000	12,550,000	-	25,550,000	-
Principal paid on bonds	(1,845,000)	(4,330,000)	-	(6,175,000)	-
Principal paid on loans	-	(111,000)	-	(111,000)	-
Interest paid on bonds	(253,314)	(1,973,693)	(6,157)	(2,233,164)	-
Interest paid on loans	-	(50,005)	-	(50,005)	-
Other receipts	250,656	58,345	792,589	1,101,590	-
Bond issuance costs	(102,741)	(175,721)	-	(278,462)	-
Gain (loss) on sale of assets	(430,272)	(142,895)	(198,337)	(771,504)	-
Net position adjustment	-	(717,667)	-	(717,667)	-
Net cash provided (used) by capital and related financing activities	<u>9,364,872</u>	<u>(1,456,357)</u>	<u>(3,604,380)</u>	<u>4,304,135</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	122,186	219,779	130,863	472,828	-
Purchase of investments	-	(6,700,000)	-	(6,700,000)	-
Net cash provided (used) by operating activities	<u>122,186</u>	<u>(6,480,221)</u>	<u>130,863</u>	<u>(6,227,172)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	13,640,840	2,458,417	1,446,958	17,546,215	1,239,356
Cash and cash equivalents, January 1 (including \$754,000, \$3,419,024, \$10,117,955, \$2,662,118 and \$13,004,238 for the reserve account, customer deposits, revenue bond covenant account, repair account, and construction respectively, reported in restricted accounts)					
	<u>6,483,704</u>	<u>24,100,758</u>	<u>9,744,404</u>	<u>40,328,866</u>	<u>413,637</u>
Cash and cash equivalents, December 31 (including \$754,000, \$3,615,517, \$8,644,420, \$10,799,687 and \$19,746,768 for the reserve account, customer deposits, revenue bond covenant account, repair account, and construction respectively, reported in restricted accounts)					
	<u>\$ 20,124,544</u>	<u>\$ 26,559,175</u>	<u>\$ 11,191,362</u>	<u>\$ 57,875,081</u>	<u>\$ 1,652,993</u>

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, 2018

	Water Utility	Wastewater Utility	Electric Utility	Totals	Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 3,064,218	\$ 4,958,770	\$ 3,559,015	11,582,003	\$ 806,248
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,500,500	3,727,494	2,725,041	7,953,035	
(Increase) decrease in assets:					
Accounts receivable	(13,056)	(32,646)	516,721	471,019	-
Interfund services provided or used	-	-	-	-	
Inventories	(38,643)	-	(49,292)	(87,935)	
Prepaid items	(3,692)	(3,512)	(32,391)	(39,595)	
Deferred outflows	(384,409)	(239,450)	(783,617)	(1,407,476)	
Increase (decrease) in liabilities:					
Accounts payable	64,995	157,179	(1,005,627)	(783,453)	433,108
Contracts payable	-	-	-	-	
Customer deposits	128,198	340	751,967	880,505	
Accrued payroll and withholdings payable	1,995	(1,305)	4,313	5,003	
Taxes payables	34,525	-	(20,224)	14,301	
Compensated absences payable	3,602	641	(9,042)	(4,799)	
Net other postemployment benefits liability	(381,367)	(350,346)	(556,662)	(1,288,375)	
Net pension liability payable	491,806	287,241	983,612	1,762,659	
Deferred inflows - OPEB	424,701	390,155	619,915	1,434,771	
Deferred inflows	(88,344)	(217)	(176,687)	(265,248)	
Total adjustments	1,740,811	3,935,574	2,968,027	8,644,412	433,108
Net cash provided (used) by operating activities	<u>\$ 4,805,029</u>	<u>\$ 8,894,344</u>	<u>\$ 6,527,042</u>	<u>\$ 20,226,415</u>	<u>\$ 1,239,356</u>
Noncash investing, capital and financing activities:					
Contributed capital assets	789,046	3,639,039	222,416	4,650,501	
Work in progress moved to capital assets	-	3,589,292	-	3,589,292	
Change in asset carrying value	429,840	4,342,371	101,084	4,873,295	
Disposal of capital assets	(2,637,907)	(407,831)	(1,561,558)	(4,607,296)	

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

CITY OF MISHAWAKA  
STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS  
December 31, 2018

<u>Assets</u>	<u>Pension Trust Funds</u>
Cash and Cash Equivalents	\$ 1,713,063
Receivables:	
Interest and dividends	38,431
Investment at fair value:	
Municipal bonds	563,775
Mutual funds	19,306,264
Total investments	19,870,039
Total assets	<u>\$ 21,621,533</u>
<u>Liabilities</u>	
Current liabilities:	
Net benefits due and unpaid	<u>\$ 6,447</u>
<u>Net Position Restricted for Pensions</u>	
Held in trust for:	
Employees' pension benefits	21,615,086
Total net position restricted for pensions	<u>\$ 21,615,086</u>

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

CITY OF MISHAWAKA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS  
For the Year Ended December 31, 2018

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
On behalf	\$ 3,410,823
Employer	<u>1,057,700</u>
Total contributions	<u>4,468,523</u>
Investment income (loss):	
Net change in fair value of investments	(2,235,012)
Interest	<u>1,086,710</u>
Total investments income (loss)	(1,148,302)
Less investment expense:	
Investment activity expense	<u>(53,561)</u>
Net investment income (loss)	<u>(1,201,863)</u>
Total additions	<u>3,266,660</u>
<u>Deductions</u>	
Benefits	4,638,642
Administrative expense	<u>25,352</u>
Total deductions	<u>4,663,994</u>
Change in net position	(1,397,334)
Net position - beginning	<u>23,012,420</u>
Net position - ending	<u>\$ 21,615,086</u>

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

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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 and its significant component units. The component units discussed below are included in the primary government's reporting entity because of the significance of their operational or financial relationships with the primary government. Blended component units, although legally separate entities are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government. Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Unit

The City of Mishawaka Building Corporation, Inc., is a legally separate nonprofit corporation, and is a significant blended component unit of the primary government. The Building Corporation's main purpose is to finance construction and remodeling of City buildings for the City of Mishawaka. Debt of the Building Corporation is repaid through lease payments from the City. Financial statements for the Building Corporation are available at the City Controller's Office, City of Mishawaka, 600 East Third Street, Mishawaka, Indiana, 46544.

Discretely Presented Component Unit

The Mishawaka Local Public Improvement Bond Bank is a significant discretely presented component unit of the primary government. In 2008 the Bond Bank was created pursuant to Indiana Code 5-1.4 established by ordinance and adopted by the Mishawaka Common Council which is the legislative body of the City. The Bond Bank is governed by a board of directors composed of five (5) members. The primary government appoints all members of the board in accordance with Indiana Code 5-1.4-2-2. The City of Mishawaka created the Bond Bank to issue revenue bonds and other obligations to finance projects and purchase equipment. The City of Mishawaka directs the actions of the Bond Bank.

The financial statement of the component unit may be obtained from the Controller, City of Mishawaka at 600 East Third Street, Mishawaka, Indiana, 46544.



CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

Related Organizations

The primary government's officials are also responsible for appointing the voting majority 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, acting through the Mayor, appoints the board of the Mishawaka Housing Authority.

B. Government-Wide and Fund Financial Statements

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

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.

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, claims and judgments, are recorded only when payment is due.

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

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

The primary government reports the following major governmental funds:

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

The Consolidated TIF fund accounts for revenues and expenditures related to the City's TIF area. Financing is provided by incremental taxes collected on property located in the districts. Amounts needed for bond retirements are transferred annually to the proper debt service funds.

The primary government reports the following major enterprise 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 funds account for employee medical coverage provided to other departments 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.

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 non-operating 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 non-operating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

The 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 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. There are no material differences between amortized cost and fair value. Other money market investments are reported at fair value.

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

2. Interfund Transactions and Balances

Activities 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 non-current 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

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

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method except for certain inventory held by the electric and water utility. Transformer inventory of the electric utility is valued at actual cost. All other inventory of the electric utility is valued at average cost. Material and supplies use average costing for water utility. 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 primary government's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. None of the restricted net position is restricted due to enabling legislation.

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 acquisition value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 100,000	Straight-Line	20-50
Equipment	5,000	Straight-Line	3-15
Roads - collector and residential	3,000,000	Straight-Line	10-35
Water collection systems	5,000	Straight-Line	5-50
Wastewater distribution and collection systems	5,000	Straight-Line	4-50
Electric distribution systems	5,000	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.

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

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

government may buy back flexible time off days from any employee up to a maximum of six flexible time off days per year. Flexible time off is paid to employees upon termination.

- b. Vacation Leave – non-union primary government employees earn vacation leave at rates from ten days to twenty-five days per year based upon the number of years of service. Union utility employees earn vacation leave at rates from five to thirty days per year based upon the number of years of service, plus one day for each year of service after thirty years. Vacation leave does not accumulate from year to year.
- c. Compensatory Leave – All employees except utility union employees have accumulated compensatory leave for a variety of reasons.

Flexible time off and compensatory leave is accrued when incurred and reported as a liability in the Statement of Net Position and in the Proprietary Fund statements. No liability is recognized in the governmental fund statements as no amounts were due and payable at year-end for terminated employees.

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 position. Bond premiums and discounts 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 recorded as an expense as incurred.

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.

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources respectively, on the statement of net position.

9. Encumbrances

Contracts and purchasing commitments are reported as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Encumbrances remaining at fiscal year-end are reported within the restricted, committed or assigned fund balances of the governmental funds.

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

The following shows encumbrances at December 31, 2018:

	Amount
General	\$ 234,669
Other Governmental Funds	1,566,540
Total	\$ 1,801,209

10. Fund Balances

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54 – "Fund Balance Reporting and Government Fund Type Definitions." Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. A brief description of each category is as follows:

Non-spendable fund balances include items that cannot be spent. This includes activity that is not in a spendable form (long-term portions of loans, property held for resale) and activity that is legally or contractually required to remain intact, such as principal balances in a permanent fund.

Restricted fund balances have constraints placed upon the use of the resources either by an external party such as a grantor or creditor or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action by the City Council, the City's highest level of decision-making authority. This formal action is the passage of an ordinance by the Council specifying the purposes for which the funds can be used. The same type of formal action is necessary to remove or change the specified use.

Assigned fund balances include amounts that are constrained by the City's intent to be used for a specific purpose as expressed by the City Council or management based on the purpose of the fund and per the City's expenditure policy, but are neither restricted nor committed. For the governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed. The City Council has the authority per the annual budget ordinance to make assignments of fund balances for specific purposes except for those restricted by law.

The unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Only the General Fund may report a positive unassigned fund balance whereas, other governmental funds may need to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted amounts are available for use, generally it is the City's policy to use restricted amounts first, with unrestricted resources utilized as needed.

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

In the case of unrestricted resources, it is generally the City's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed.

The detail of the fund balance classifications of the governmental funds for the year ended December 31, 2018 is as follows:

	General Fund	<u>Capital Project Funds</u> Consolidated TIF	Other Governmental Funds	Total Governmental Funds
Restricted				
Long-Term Loans Receivable	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000
Assets Held for Resale	-	6,282,396	-	6,282,396
Other Purposes General Government	-	-	1,850,023	1,850,023
Technology	-	-	379,232	379,232
Law Enforcement Training and Capital	-	-	1,166,526	1,166,526
Firefighting Training and Capital	-	-	889,135	889,135
Capital Projects	-	13,005,087	2,501,722	15,506,809
Sanitation	-	-	757,962	757,962
Capital Highway Projects	-	-	2,758,652	2,758,652
Families, Parks, and Recreation	-	-	2,245,798	2,245,798
Housing and Community Development	-	-	498,917	498,917
Debt service reserve	-	-	1,111,648	1,111,648
Debt service principal and interest	-	-	2,034,331	2,034,331
<b>Total Restricted</b>	<b>-</b>	<b>20,787,483</b>	<b>16,193,946</b>	<b>36,981,429</b>
Committed				
Capital Projects	-	-	2,469,248	2,469,248
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>2,469,248</b>	<b>2,469,248</b>
Assigned				
General Government Other Purposes	234,669	-	-	234,669
Public Safety	-	-	398,333	398,333
Capital Projects	-	-	934,267	934,267
Sanitation	-	-	139,768	139,768
Parks and Recreation	-	-	94,172	94,172
<b>Total Assigned</b>	<b>234,669</b>	<b>-</b>	<b>1,566,540</b>	<b>1,801,209</b>
Unassigned	10,047,484	-	-	10,047,484
<b>Total Fund Balance</b>	<b>\$ 10,282,153</b>	<b>\$ 20,787,483</b>	<b>\$ 20,229,734</b>	<b>\$ 51,299,370</b>

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11. Accounting Pronouncements

GASB Statement No. 87, Leases, improves the accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

E. Tax Abatements

The City of Mishawaka promotes a series of real and personal property tax abatement programs available under Indiana law, including:

Real Property Tax Abatement (I.C. 6-1.1-12.1)

Real property tax abatements are achieved through the phase-in of real property tax obligations from the improvements being made. The phase-in can span a period of one to ten years and is based on a declining percentage of the increase in assessed value of such improvements.

Tax abatement is granted based on qualifying new investment, retained and committed jobs, wages and the economic impact of the project. The City's Common Council (Council) is responsible for approving the abatement and determining the time period for the abatement. Required approvals must occur before construction permits are obtained.

Personal Property Tax Abatement (I.C. 6-1.1-12.1)

Similarly, personal property tax abatements for manufacturing, research and development, information technology and logistics/distribution equipment are accomplished through the phase-in of personal property tax obligations over a one to ten year period, based on a declining percentage of the assessed value of the newly installed equipment.

Tax abatement is granted based on qualifying new investment, retained and committed jobs, wages and the economic impact of the project. The Council is responsible for approving the abatement and determining the time period for the abatement. Required approvals must occur before construction permits are obtained.

Vacant Building Abatement (I.C. 6-1.1-12.1-4-8)

Up to a two year real property tax abatement is available to a company, according to local qualifications, based on occupying a building that has been vacant for more than a year.

The building must be used for commercial or industrial purposes and be located in a designated Economic Revitalization Area, as designated by the Council. Prior approval of the Council must occur before occupying the facility and the Council determines the time period for the abatement.

All of these programs are designed to spur job creation and retention, grow the income and property tax base, support the redevelopment of areas experiencing a cessation of growth, attract and retain businesses in targeted industries, and assist distressed businesses, among other objectives. Minimum eligibility criteria for such abatements vary by program, as noted above, but generally require that an investment in real or personal property be projected to increase assessed value, create or retain jobs and/or promote economic revitalization.

In return for such abatements, the City generally commits to permit, zoning and job training assistance. Included in each abatement agreement are provisions specifying certain damages, among which may



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include a clawback of some or all of the taxes previously abated. If a company ceases operations or announces the cessation of operations at the facility for which the abatement was granted, termination of the abatement agreement is warranted and 100% clawback is required. Other clawbacks are calculated based on the highest level of non-compliance among the measured categories for that project.

Impact of Abatements on Revenues

Indiana property tax laws complicate the calculation of the exact impact of property tax abatements on the tax revenues of a given unit of local government. Constraints on the growth of the annual tax levy and constitutional limitations on taxes (also known as property tax caps) are the chief complicating factors. The increase in the annual tax levy is limited to the growth in the 6-year moving average of nonfarm personal income growth, which is known as the Assessed Value Growth Quotient (AVGQ). Statutory property tax caps for homesteads, agricultural and other residential and commercial are equal to 1%, 2% and 3%, respectively, of associated assessed valuations.

The tax rate, which is established for each taxing unit by the Department of Local Government Finance, is based on the tax levy requested by the taxing unit (as limited by the AVGQ) divided by the net assessed value of the property in a physical taxing district. The theory behind the AVGQ is that the costs of government should not be increasing at a greater rate than taxpayer incomes.

Tax abatements are granted on the assessed value of the property abated. The taxpayer's taxes are then calculated based on this reduced assessment, thus resulting in a lower tax liability. But because a given district's tax rate is calculated based on the total net assessed value in the district (net of abatements and other adjustments), the certified levy of each unit in the district is the same as if the abatements had not been granted.

Additionally, to the extent that parcels have reached the constitutional limit of tax liability as a percentage of gross assessed value, the property tax rate caps (circuit breaker credits) reduce the property tax collections of the affected taxing units. The degree to which property tax abatements exacerbate circuit breaker losses differs by parcel and is dependent on the proportion of abated assessed value to total gross assessed value, as well as prevailing property tax rates.

The estimated gross amount, on an accrual basis, by which the City of Mishawaka's property tax revenues (payable 2018 taxes) were reduced as a result of the aforementioned City abatement programs, totaled \$182,886. The abatements for the City of Mishawaka included abatements for the following programs:

Real Property Tax Abatement	\$158,904
Personal Property Abatements	23,982

While the City of Mishawaka has calculated the potential impact of existing tax abatements on its property tax revenues for 2018 to approximate \$182,866, the actual extent of lost revenues is something less than this amount and cannot be easily determined due to the application of circuit breaker credits.

The City of Mishawaka estimated gross amount, on an accrual basis, by which the City of Mishawaka's property tax revenues (payable 2018 taxes) were reduced are also affected by abatements approved by other taxing units in St. Joseph County. The total estimated impact on revenue for the approved abatements by other taxing units in St. Joseph County totaled \$238,882.

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The \$238,882 of tax abatements by taxing unit comprised of the following programs:

<u>Real Residential Property</u>	<u>Real Commercial Property</u>	<u>Personal Property</u>	<u>Vacant Building</u>
\$10,035	\$130,433	\$91,690	\$6,724

While the City of Mishawaka has calculated the potential impact of existing tax abatements on its property tax revenues for 2018 to approximate \$238,882, the actual extent of lost revenues is something less than this amount and cannot be easily determined due to the application of circuit breaker credits.

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 of America. All annual appropriations lapse at fiscal year-end. Sixteen annual budgets are adopted for the following governmental funds:

<u>General Funds (1)</u>	<u>Nonmajor Governmental Funds</u>	
	<u>Special Revenue (9)</u>	<u>Capital Projects Funds (5)</u>
General	Motor Vehicle Highway Local Road and Street Public Safety Park and Recreation Rainy Day Law Enforcement Continuing Education Park Nonreverting Operating LOIT Special Distribution Local Road and Bridge and Matching Grant Fund	Cumulative Capital Improvement Cumulative Sewer Cumulative Capital Development CEDIT Local Major Moves Construction

On or before September 30, 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 a public hearing is conducted by the Common Council to obtain taxpayer comments. In October of each year, the Common Council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the City Controller receives approval of the Indiana Department of Local Government Finance.

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

Expenditures did not exceed appropriations for any funds which required legally approved budgets. Total expenditures did not exceed total appropriations for any departments within the General Fund.

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III. Detailed Notes on All Funds

A. Deposits and Investments

Primary Government

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

IC 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. The primary government does not have a deposit policy for custodial credit risk. At December 31, 2018, the primary government had deposit balances in the amount of \$93,344,798. Of this amount, the following was exposed to custodial credit risk.

	Amount
Uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name	\$ 112,766
Total	\$ 112,766

Bank balances held in the utility pension funds were collateralized with securities held by the pledging financial institution's trust department or agent not in the depositor-City's name.

All other bank balances at December 31, 2018 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, 2018, the City's Utility Pension Fund had the following investments:

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Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
Utility Pension Fund:				
Municipal obligations	\$ 563,775	\$ -	\$ -	\$ 563,775
Mutual funds	<u>19,306,264</u>	<u>19,306,264</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 19,870,039</u>	<u>\$ 19,306,264</u>	<u>\$ -</u>	<u>\$ 563,775</u>

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the primary government 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 primary government 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 five years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the primary government and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise.

The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the primary government may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the primary government'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

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of indebtedness or ownership, or other securities, in any corporation, mutual investment fund, investment company, association or business trust; bonds or other obligation or securities issued by the United States of America or any state or governmental subdivision or instrumentality thereof; and real and personal property of all kinds, including leaseholds on improved and unimproved real estate.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Utility's Pension Plan does not have a formal investment policy for custodial credit risk for investments.

At December 31, 2018, the following investments held by the Utility's Pension Plan were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, but not in the government's name:

Investment Type	Not in the Government's Name
Municipal bonds	\$ 563,775
Mutual funds	<u>19,306,264</u>
Totals	<u>\$ 19,870,039</u>

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 five years.

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utility's Pension Plan does not have a formal investment policy for credit risk for investments.

The distribution of securities with credit ratings is summarized below.

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Standard & Poor's Rating	Moody's Rating	City's Investments	
		Mutual Funds	Municipal Bonds
AA	Aa	\$ -	\$ 278,345
Unrated	Unrated	19,306,264	285,430
Totals		\$ 19,306,264	\$ 563,775

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 Utility Pension Plan does not have a policy in regard 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 Plan held the following investments that were exposed to concentration of credit risk.

Issuer	2018
Russell Investment Grade bond	\$ 2,164,576
Vanguard Windsor II Adm	1,376,977
Dodge & Cox Income	1,252,814
Vanguard Large Cap Index Admiral	1,252,010
American Beacon Intl Equity Instl	1,220,843
Vanguard Morgan Growth Adm	1,007,448
Total	\$ 8,274,668

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant and other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2018:

- Municipal Bonds of \$563,775 are valued using quoted market prices (Level 1 inputs)

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- Mutual Funds of \$19,306,264 are valued using quoted market prices (Level 1 inputs)

3. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

IC 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, 2018 the discretely presented component unit had deposit balances in the amount of \$2,076,385 all of which were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. The discretely presented component unit does not have a policy covering deposit custodial credit risk.

B. Loans Receivables

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

	Receivable	Noncurrent
<u>Governmental Funds:</u>		
Major fund:		
Consolidated TIF	\$ 2,000,000	\$ 1,500,000
Special revenue funds:		
Community Development	302,578	258,600
Total governmental funds	\$ 2,302,578	\$ 1,758,600
<u>Discretely Presented Component Unit</u>		
Mishawaka Bond Bank	\$ 4,769,761	\$ 4,252,722

C. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

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Primary government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activity:				
Capital assets, not being depreciated:				
Land	\$ 13,331,067	\$ 50,884	\$ -	\$ 13,381,951
Construction in progress	<u>23,924,613</u>	<u>19,837,847</u>	<u>7,263,853</u>	<u>36,498,607</u>
Total capital assets, not being depreciated	<u>37,255,680</u>	<u>19,888,731</u>	<u>7,263,853</u>	<u>49,880,558</u>
Capital assets, being depreciated:				
Buildings	38,726,541	587,787	18,975	39,295,353
Improvements other than buildings	33,755,125	3,848,030	-	37,603,155
Machinery and equipment	33,698,597	1,458,932	1,317,748	33,839,781
Infrastructure being depreciated	<u>164,469,866</u>	<u>9,964,325</u>	<u>10,766</u>	<u>174,423,425</u>
Totals	<u>270,650,129</u>	<u>15,859,074</u>	<u>1,347,489</u>	<u>285,161,714</u>
Less accumulated depreciation for:				
Buildings	9,603,188	760,866	13,837	10,350,217
Improvements other than buildings	12,723,576	1,287,732	-	14,011,308
Machinery and equipment	23,920,575	1,900,768	1,306,136	24,515,207
Infrastructure being depreciated	<u>29,426,185</u>	<u>4,545,532</u>	<u>10,766</u>	<u>33,960,951</u>
Totals	<u>75,673,523</u>	<u>8,494,898</u>	<u>1,330,739</u>	<u>82,837,683</u>
Total capital assets, being depreciated, net	<u>194,976,606</u>	<u>7,364,176</u>	<u>16,750</u>	<u>202,324,031</u>
Total governmental activity capital assets, net	<u>\$ 232,232,286</u>	<u>\$ 27,252,907</u>	<u>\$ 7,280,603</u>	<u>\$ 252,204,589</u>
	Beginning Balance*	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 2,741,988	\$ 250,473	\$ -	\$ 2,992,461
Construction in progress	<u>9,531,940</u>	<u>5,651,195</u>	<u>3,589,292</u>	<u>11,593,843</u>
Total capital assets, not being depreciated	<u>12,273,928</u>	<u>5,901,668</u>	<u>3,589,292</u>	<u>14,586,304</u>
Capital assets, being depreciated:				
Buildings	54,128,743	215,277	159,903	54,184,117
Improvements other than buildings	214,396,970	13,262,906	671,462	226,988,414
Machinery and equipment	50,623,711	276,519	3,254,521	47,645,709
Transportation	<u>5,322,143</u>	<u>988,904</u>	<u>691,261</u>	<u>5,619,786</u>
Totals	<u>324,471,567</u>	<u>14,743,606</u>	<u>4,777,147</u>	<u>334,438,026</u>
Less accumulated depreciation for:				
Buildings	19,824,917	1,092,495	133,168	20,784,244
Improvements other than buildings	67,832,044	5,267,446	621,335	72,478,155
Machinery and equipment	36,432,958	1,147,820	2,897,758	34,683,020
Transportation	<u>4,334,536</u>	<u>445,273</u>	<u>656,473</u>	<u>4,123,336</u>
Totals	<u>128,424,455</u>	<u>7,953,034</u>	<u>4,308,734</u>	<u>132,068,755</u>
Total capital assets, being depreciated, net	<u>196,047,112</u>	<u>6,790,572</u>	<u>468,413</u>	<u>202,369,271</u>
Total business-type activity capital assets, net	<u>\$ 208,321,040</u>	<u>\$ 12,692,240</u>	<u>\$ 4,057,705</u>	<u>\$ 216,955,575</u>

\*Restated as of December 31, 2017.



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

Governmental activities:	
General government	\$ 217,232
Public safety	1,492,075
Highways and streets	5,166,850
Community development	2,210
Culture and recreation	<u>1,616,531</u>
 Total depreciation expense - governmental activities	 <u>\$ 8,494,898</u>
Business-type activities:	
Water	\$ 1,500,500
Wastewater	3,727,493
Electric	<u>2,725,041</u>
 Total depreciation expense - business-type activities	 <u>\$ 7,953,034</u>

D. Construction Commitments

Construction work in progress is composed of the following:

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<u>Project</u>	Expended to December 31, <u>2018</u>	<u>Committed</u>
Governmental activities:		
Church/Main Connector	\$ 6,170,863	\$ 618,654
Church/Main Connect - Church Union Imp Ph II	5,632,670	384,919
Douglas/Grape Rd EB Right Turn Lane	1,591,140	26,066
12th Street Phase II	8,615,113	-
SR 23 Widening	1,636,422	155,769
4th Street LTCP Improvements	652,227	353,032
North Main Street Median Island Modifications	773,832	-
Douglas Rd Improvements Ph II	3,182,164	2,512,153
Donaldson Avenue Improvements	415,430	-
Ironworks Development Area Utilities Ph II	176,274	307,489
Mary Gibbard Park Renovation	1,016,817	103,400
Central Park Band Shell	419,606	376,638
Other Projects	<u>6,216,049</u>	<u>-</u>
Totals - governmental activities	<u>\$ 36,498,607</u>	<u>\$ 4,838,120</u>

<u>Project</u>	Expended to December 31, <u>2018</u>	<u>Committed</u>
Business-type activities:		
Wastewater Utility:		
Home Street Lift Station	\$ 36,678	\$ 52,500
Milburn Improvements	4,327,902	4,817,130
LTCP Project	96,990	96,990
Linden Area LTCP	5,117,422	5,226,918
Miscellaneous Projects	445,810	795,174
Water Utility:		
The Preserve - Fir Road	182,626	-
Juday Creek Well Field	325,950	338,000
Tank #1 Rehab and Booster	640,258	486,500
Villas at Reverewood	69,158	-
Gumwood Water Main Relocation	78,167	-
Habitat for Humanity - Byrkit	62,701	-
Miscellaneous projects	<u>210,182</u>	<u>-</u>
Totals - business-type activities	<u>\$ 11,593,844</u>	<u>\$ 11,813,212</u>

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E. Interfund Balances and Activity

1. Interfund Transfers

Interfund transfers at December 31, 2018, were as follows:

Transfer From	Transfer To			Total
	General Fund	Nonmajor Governmental	Business-Type Activities	
Governmental:				
Consolidated TIF	\$ -	\$ 2,346,844	\$ 3,360,000	\$ 5,706,844
Nonmajor Governmental	-	1,236,742	-	1,236,742
Business-type:				
Water Utility	651,247	-	-	651,247
Wastewater Utility	1,859,349	-	-	1,859,349
Electric Utility	1,606,566	-	-	1,606,566
Total	<u>\$ 4,117,162</u>	<u>\$ 3,583,586</u>	<u>\$ 3,360,000</u>	<u>\$ 11,060,748</u>

The primary government typically uses transfers to fund ongoing operating subsidies.

F. Leases

Capital Leases

The primary government has entered into a capital lease for a fire station, a fire truck, an ambulance, radio equipment and for communications equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2018, are as follows:

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	Governmental Activities
2019	\$ 937,768
2020	926,082
2021	914,395
2022	820,023
2023	415,365
2024-2028	1,494,303
Total minimum lease payments	5,507,936
Less amount representing interest	453,126
Present value of net minimum lease payments	\$ 5,054,810
	Business-Type Activities
2019	\$ 84,280
2020	84,283
2021	84,286
2022	84,290
Total minimum lease payments	337,139
Less amount representing interest	21,624
Present value of net minimum lease payments	\$ 315,515

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

	Governmental Activities
Buildings	\$ 3,815,830
Equipment	2,270,420
Accumulated depreciation	(1,145,105)
Total	\$ 4,941,145
	Business-Type Activities
Equipment	\$ 389,099
Accumulated depreciation	(114,784)
Total	\$ 274,315

G. Long-Term Liabilities

1. Tax Increment Bonds

On May 11, 2015, the Mishawaka Local Public Improvement Bond Bank, a discretely presented component unit, issued tax increment revenue bonds to the City in the amount of \$1,000,000 to finance improvements to the Battell Center (outstanding balance of \$885,000 at December 31, 2018). The City has pledged future local income tax revenue toward repayment of the Bonds. The bonds mature in 2040.

The primary government has pledged a portion of tax increment revenues to repay tax increment bonds issued in 2017 to finance public community development projects (outstanding balance of \$9,930,000 at December 31, 2018). The bonds are payable solely from the incremental property tax revenues generated by special ad valorem tax levied on all taxable property with the district. Incremental tax revenues were estimated to produce 100 percent of the debt service requirements over the life of the bonds. The bonds mature in 2023.

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Purpose	Interest Rates	Fund Type	Balance December 31	Due Within One Year	Due in More Than One Year
\$1,000,000 tax increment bonds due in annual installments of \$15,000 to \$25,000 plus interest through February 1, 2040.	2%	Governmental funds	\$ 885,000	\$ 35,000	\$ 850,000
\$10,985,000 tax increment economic development revenue bonds due in installments of \$1,055,000 to \$1,155,000 plus interest through February 1, 2023.	1.30% to 2.10%	Governmental funds	<u>9,930,000</u>	<u>2,130,000</u>	<u>7,800,000</u>
Totals			<u>\$ 10,815,000</u>	<u>\$ 2,165,000</u>	<u>\$ 8,650,000</u>

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

	Governmental Funds			
	Battell Center		Ironworks	
	Principal	Interest	Principal	Interest
2019	\$ 35,000	\$ 17,500	\$ 2,130,000	\$ 169,152
2020	35,000	16,800	2,170,000	137,042
2021	35,000	16,100	2,210,000	99,428
2022	35,000	15,400	2,265,000	58,024
2023	35,000	14,700	1,155,000	12,128
2024-2028	195,000	62,400	-	-
2029-2033	205,000	42,450	-	-
2034-2038	235,000	20,650	-	-
2039-2041	<u>75,000</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 885,000</u>	<u>\$ 207,500</u>	9,930,000	475,774
Less Unamortized Discount			<u>(12,293)</u>	
Totals			<u>\$ 9,917,707</u>	<u>\$ 475,774</u>

2. Revenue Bonds

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

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Business-Type Activities:

Purpose	Interest Rates	Balance at December 31	Due Within One Year	Plus: Unamortized Premium	Due in more Than One Year
\$4,475,000 2007 Water refunding revenue bonds due in installments of \$200,000 to \$220,000 plus interest through July 1, 2020	3.9% to 4.25%	\$ 645,000	\$ 425,000	\$ 3,450	\$ 223,450
\$12,710,000 2013 Water refunding revenue bonds due in installments of \$715,000 to \$775,000 plus interest through July 1, 2022	2%	5,245,000	1,460,000	-	3,785,000
\$13,000,000 2018 Water revenue bonds due in installments of \$5,000 to \$445,000 plus interest through July 1, 2039	2.82%	13,000,000	-	-	13,000,000
\$34,755,000 2015 Wastewater refunding revenue bonds, due in installments of \$1,295,000 to \$1,880,000 plus interest through September 1, 2027	2.25% to 5%	27,260,000	2,715,000	2,579,618	27,124,618
\$16,315,000 Sewage Works 2017 Bonds, Series A due in installments of \$685,000 to \$1,170,000 plus interest through March 1, 2034	4.00%	15,630,000	1,035,000	572,097	15,167,097
\$24,210,000 Sewage Works 2017 Bonds, Series B due in installments of \$1,030,000 to \$1,485,000 plus interest through September 1, 2034	2.85%	23,180,000	1,045,000	-	22,135,000
\$12,550,000 2018 Sewage Works revenue bonds due in installments of \$150,000 to \$475,000 plus interest through September 1, 2039	2% to 6%	<u>12,550,000</u>	<u>-</u>	<u>109,812</u>	<u>12,659,812</u>
Totals		<u>\$ 97,510,000</u>	<u>\$ 6,680,000</u>	<u>\$ 3,264,977</u>	<u>\$ 94,094,977</u>

The primary government has pledged future revenues, net of operating expenses, equal to future annual debt service payments to repay water and wastewater utilities' bonds. The bonds were originally issued to finance certain improvements and extensions to the utilities. The Bond ordinances require monthly deposits of a portion of user fee revenues sufficient to meet requirements of the next principal, interest, and bank fiscal charge payments throughout the life of the bonds. Water and Wastewater bond ordinances also require monthly deposits of user fee revenues over 60 months to produce a bond reserve to approximate the maximum annual debt service.

During 2018, the water utility paid \$2.10 million in debt payments or approximately 21 percent of operating revenues. The wastewater utility paid \$6.30 million in debt payments or approximately 39 percent of operating revenues. Bond coverage for the water utility at December 31, 2018 was 187%. Bond coverage for the wastewater utility at December 31, 2018 was 162%. Bond coverage includes the payment in lieu of taxes to the City and TIF dollars transferred to the wastewater utility from the Consolidated TIF fund.

Revenue bonds debt service requirements to maturity are as follows:

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	Business-Type Activities	
	Principal	Interest
2019	\$ 6,680,000	\$ 3,294,409
2020	7,125,000	3,110,408
2021	7,295,000	2,847,858
2022	6,899,000	2,590,477
2023	6,475,000	2,356,463
2024-2028	30,389,000	7,615,030
2029-2033	20,736,000	3,481,826
2034-2038	11,466,000	770,274
2039-2041	445,000	6,275
Totals	\$ 97,510,000	\$ 26,073,020

3. Notes and Loans Payable

The primary government governmental activities note is the result of an inter-local agreement with St. Joseph County to fund a portion of the annual debt service payment associated with the Economic Development Income Tax Revenue Bonds on 2014 to finance costs related to the jointly used Public Safety Access Point project. The City's portion of annual debt service payments is 17.34% as outlined by the Resolution of the Common Council of the City of Mishawaka. The allocated portion of the Public Safety Access Notes Payable is due in annual debt service requirements to maturity as follows:

	Principal	Interest
2019	\$ 79,764	\$ 39,246
2020	81,498	37,642
2021	83,232	35,795
2022	85,833	33,285
2023	88,434	30,684
2024-2028	371,943	117,319
2029-2033	403,155	56,191
2034	89,301	2,436
Totals	\$ 1,283,160	\$ 352,598

The Economic Development Income Tax Revenue Bonds of 2014, dated December 30, 2014 was issued in the amount of \$9,155,000 with payments ranging from \$190,000 to \$265,000 payable in semi-annual payments with interest ranging from 2 percent to 3.625 percent. The table above reflects the portion for which the City of Mishawaka is responsible (17.34% of total bond issuance). The City has pledged future Local Income Tax or LIT toward repayment of the Bonds.



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The primary government's business-type activities loans are from the State Revolving Loan Fund. Annual debt service requirements to maturity for the State Revolving Loans are as follows:

	Principal	Interest
2019	\$ 115,000	\$ 46,589
2020	119,000	43,051
2021	121,000	39,407
2022	125,000	35,685
2023	129,000	34,842
2024-2028	711,000	97,067
2029-2033	236,000	7,244
Totals	\$ 1,556,000	\$ 303,885

The Sewage Works Revenue Bonds of 2010, Series A, dated January 28, 2010 was issued in the amount of \$2,398,000 with payments ranging from \$44,000 to \$80,000 payable in semi-annual payments with an interest rate of 3.05 percent.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

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<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:					
TIF	\$ 11,900,000	\$ -	\$ 1,085,000	\$ 10,815,000	\$ 2,165,000
Less deferred amount: for issuance (discounts)/premiums	(12,929)	-	(636)	(12,293)	-
Total bonds payable	11,887,071	-	1,084,364	10,802,707	
Capital leases	4,721,060	1,100,000	766,250	5,054,810	822,848
Notes payable	1,361,190	-	78,030	1,283,160	79,764
Net other postemployment benefit obligation	21,259,438	-	21,259,438	-	-
Net other postemployment benefit liability *	-	40,569,874	-	40,569,874	-
Compensated absences *	740,922	543,019	740,922	543,019	340,899
Net pension liability *	48,715,506	-	3,325,331	45,390,175	-
Total governmental activities long-term liabilities	<u>\$ 88,685,187</u>	<u>\$42,212,893</u>	<u>\$ 27,254,335</u>	<u>\$ 103,643,745</u>	<u>\$ 1,243,511</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 7,735,000	\$13,000,000	\$ 1,845,000	\$ 18,890,000	\$ 1,885,000
Wastewater Utility	70,400,000	12,550,000	4,330,000	78,620,000	4,795,000
Less deferred amount: For issuance (discounts)/premiums	3,510,533	109,812	355,368	3,264,977	-
Total revenue bonds payable	81,645,533	25,659,812	6,530,368	100,774,977	
Capital leases	389,100	-	73,585	315,515	75,746
Notes and loans payable	1,667,000	-	111,000	1,556,000	115,000
Net other postemployment benefit liability *	5,743,292	-	5,743,292	-	-
Compensated absences *	-	6,554,587	-	6,554,587	-
Net pension liability *	292,412	287,613	292,412	287,613	65,912
Compensated absences	292,412	287,613	292,412	287,613	65,912
Net pension liability	2,472,055	1,762,659	-	4,234,714	-
Total business-type activities long-term liabilities	<u>\$ 92,209,392</u>	<u>\$34,264,671</u>	<u>\$ 12,750,657</u>	<u>\$ 113,723,406</u>	<u>\$ 256,658</u>

\* - The General Fund, Motor Vehicle Highway Fund and the Park Fund have historically been used to liquidate the liability for net other postemployment benefits, compensated absences and net pension liability.

5. New Long-Term Debt

On October 16, 2018, the Wastewater utility issued \$12,550,000 of Sewage Works Revenue Bonds of 2018. The bonds were issued to address Long Term Control Plan collection system projects in the Linden and Milburn areas. Interest rates on the bonds range from 2.00% to 6.00%. \$12,659,812 will be used to provide construction funds (\$12,370,206) and for the costs of issuance (\$289,607).

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On October 29, 2018, the Water utility issued \$13,000,000 of Waterworks Revenue Bonds of 2018. The bonds were issued for improvements relating to the Tank 1 Facility. The interest rate on the bonds is 2.82%. \$13,000,000 will be used to provide construction funds (\$12,858,135) and for the costs of issuance (\$141,865).

H. Restricted Assets

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

Customer deposits	\$ 3,615,517
Revenue bond covenant accounts	8,644,420
Reserve account	754,000
Repair Accounts	10,799,687
Construction	19,746,768
Construction - investments	<u>6,700,000</u>
 Total restricted assets	 <u><u>\$ 50,260,392</u></u>

I. Restatements and Reclassifications

For the fiscal year ended December 31, 2018, certain changes have been made to the financial statements to more appropriately reflect financial activity.

1. The prior period adjustment for Governmental Activities reflects the change in valuation method of other postemployment benefits from what it was previously valued at under GASB 45 to what it is currently valued at under GASB 75.

	Governmental Activities	Business-Type Activities	Total
Net Position, December 31, 2017	\$ 205,128,240	\$ 162,170,141	\$ 367,298,381
Restatement of Allocation for:			
2017 refunding	-	(717,667)	(717,667)
Other postemployment benefits	(27,284,887)	(2,099,670)	(29,384,557)
Restatement of capital assets	-	(4,342,371)	(4,342,371)
Net Position, December 31, 2017 (restated)	<u>\$ 177,843,353</u>	<u>\$ 155,010,433</u>	<u>\$ 332,853,786</u>

2. The prior period adjustment for the Business-Type Activities reflects allocations of other postemployment benefits based on the participation of each utility in the respective plans, an adjustment to reflect a transaction relating to the refunding of the 2010 Sewage Works Bonds and an adjustment to restate capital assets and work in progress.

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	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Total</u>
Net Position, December 31, 2017	\$ 37,673,472	\$ 79,943,398	\$ 44,553,271	\$ 162,170,141
Cumulative effect of implementing 2017 refunding	-	(717,667)	-	(717,667)
Other postemployment benefits	(735,073)	(430,975)	(933,622)	(2,099,670)
Restatement of capital assets	-	(4,342,371)	-	(4,342,371)
Net Position, December 31, 2017 (restated)	<u>\$ 36,938,399</u>	<u>\$ 74,452,385</u>	<u>\$ 43,619,649</u>	<u>\$ 155,010,433</u>

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, Retiree and Dependents

In 2014, the primary government moved from the Indiana Association of Cities and Towns (IACT) Medical Trust and re-established 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 \$150,000 per year. In 2016, 2017 and 2018 six, eight and thirteen members respectively exceeded the commercial insurance coverage in each year. Interfund 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 cuts and other economic and social factors.

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning of fiscal year	\$ 687,661	\$ 894,209	\$ 971,878
Incurred claims and changes in estimates	10,867,775	13,671,299	11,384,123
Claim payments	<u>(10,644,672)</u>	<u>(13,877,847)</u>	<u>(11,461,792)</u>
Unpaid claims, end of fiscal year	<u>\$ 910,764</u>	<u>\$ 687,661</u>	<u>\$ 894,209</u>

B. Other Postemployment Benefits

Plan Description

The City of Mishawaka Retiree Healthcare Plan is a self-funded single-employer defined benefit healthcare plan administered by the City of Mishawaka, Department of Finance, through the City's self-insurance fund.

The plan provides for medical insurance benefits to eligible retirees and their spouses. Indiana Code 5-10-8 gives the primary government the authority to establish the plan. A separate financial report is not issued for this plan.

The City administers the plan and issues a report that includes financial information and required supplementary information for the plan as a whole. The report may be obtained by contacting the Controller at 600 E. 3<sup>rd</sup> Street, Mishawaka, IN 46544 or by calling (574) 258-1622.

Funding Policy

The contribution requirements of plan members for the City of Mishawaka Retiree Healthcare Plan are established and can be amended by the City's Common Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2018, the primary government contributed \$1,993,055 to the plan for current premiums. For Pre-Medicare retirees, the primary government annually provides \$400 for covered employees with less than 20 years of service and pays the full single premium cost for employees who retire with 20 or more years of service. For Post-Medicare employees, the primary government provides \$400 annually towards the cost of medical coverage regardless of the years of service.

Annual OPEB Cost and Net OPEB Liability

The primary government's annual other postemployment benefit (OPEB) cost (expense) is calculated based on changes in the Net OPEB liability in the current reporting period, which includes service cost, interest cost, changes of benefit terms, expected earnings on OPEB plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of deferred outflows/inflows of resources.

The following table shows the components of the primary government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Primary government's net OPEB liability to the plan:

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	<u>2018</u>	<u>2017</u>
Service cost	\$ 2,763,976	\$ 4,119,660
Interest on net OPEB liability	2,000,815	1,110,831
Adjustment to annual required contribution	<u>(12,034,563)</u>	<u>(1,052,159)</u>
Annual OPEB cost	(7,269,772)	4,178,332
Contributions made	<u>(1,993,055)</u>	<u>(1,860,728)</u>
Increase (decrease) in net OPEB liability	(9,262,827)	2,317,604
Net OPEB liability, beginning of year	<u>56,387,288</u>	<u>24,685,126</u>
Net OPEB liability, end of year	<u>\$ 47,124,461</u>	<u>\$ 27,002,730</u>

The information in the above table has been allocated between governmental type and business type activities in the financial statements based on actuarially determined allocations of individual employees. The primary government's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB liability for 2018 and the two preceding years were as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
12/31/2016	\$ 4,405,931	38.8%	\$ 24,685,126
12/31/2017	4,178,332	44.5%	27,002,730
12/31/2018	3,045,568	65.4%	47,124,461

Funded Status and Funding Progress

As of January 1, 2018, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$56,387,288 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,387,288. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided

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at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2018 actuarial report, the projected unit credit with linear proration to decrement method was used. The actuarial assumptions included a discount rate of 4.11% unfunded; inflation and salary scale of 2.25% each and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 4.5% after 2026. The UAAL is being amortized as a level percentage of projected pay based on an open group. The remaining amortization period at December 31, 2018, was 7 years.

C. Pension Plans

1. Cost Sharing Multiple-Employer Defined Benefit Pension Plan –

a. Public Employees' Retirement Fund

Plan Description

The Public Employees' Retirement Fund (PERF) provides pensions for all full-time employees other than police officers and firefighters, who are covered under the 1977 Police Officers' and Firefighters' Pension and Disability Fund. The plan is a cost-sharing, multiple-employer defined benefit plan administered by the Indiana Public Retirement System (INPRS). The pension system issues a publicly available financial report that can be obtained at <http://www.inprs.in.gov>.

Benefits Provided

The plan provides retirement, disability and survivor benefits. The Indiana Code, Title 5, Articles 10.2 and 10.3, amended only by the Indiana General Assembly, identifies the benefit provisions and establishes the authority under which members and employers are obligated to contribute to the plan.

Retirement benefits for employees are calculated as years of credible service times the average highest 20 quarters of salary times 1.1% plus the employee's Annuity Savings Account. Normal retirement age is 60 with early retirement at 50-59 with 15 years of service. Vesting period is 10 years. An employee who leaves service may withdraw his or her Annuity Savings Account contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are granted by the Indiana General Assembly on and ad hoc basis.

Contributions

Per Indiana Code, Title 5, Articles 10.2 and 10.3, contributions requirements of the active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary. Members are required to contribute 3% of their annual covered salary. The primary government is required to

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contribute at an actuarially determined rate; the current rate for calendar year 2018 is 11.20% percent of annual covered payroll. The annuity savings account consists of member's contributions, set by state statute at three 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. The actuarial amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PERF plan from the City were \$936,858 for the calendar year ended December 31, 2018.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the City reported a liability of \$4,341,424 for its proportionate share of the overall net pension liability. The City allocates the pension liability to Governmental Activities and Business-Type Activities based on their respective contributions to INPRS. For 2018, the allocation was \$3,782,249 and \$559,175 to the Governmental Activities and Business-Type Activities respectively. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating units, actuarially determined. At June 30, 2018, the City's proportion was .0012780 percent, which was a decrease of .0000490 from its proportion measured as of June 30, 2017.

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	0.0013270	0.0011558	0.0001712
2018	0.0012780	0.0011134	0.0001646

For the year ended December 31, 2018, the City recognized overall pension expense of \$493,215 that was allocated to Governmental Activities and Business-Type Activities in the amounts of \$429,689 and \$63,526 respectively. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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	Deferred Outflow of Resources	Deferred Inflow of Resources
Governmental Activities:		
Differences between expected and actual experience	\$ 49,464	\$ 258
Net difference between projected and actual investment earnings on pension plan investments	112,015	-
Change of assumptions	9,012	607,293
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	144,261
City contributions subsequent to the measurement date	405,465	-
Totals	\$ 575,956	\$ 751,812
	Deferred Outflow of Resources	Deferred Inflow of Resources
Business-Type Activities*:		
Differences between expected and actual experience	\$ 7,313	\$ 38
Net difference between projected and actual investment earnings on pension plan investments	16,561	-
Change of assumptions	1,332	89,783
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	21,328
City contributions subsequent to the measurement date	59,927	-
Totals	\$ 85,133	\$ 111,149

\*Amounts are attributable to the Wastewater utility to account for employees that participate in PERF.

\$405,465 and \$59,927 reported as deferred outflows of resources related to pension contribution subsequent to the measurement date (Governmental Activities and Business-Type Activities respectively) will be recognized as reduction of the net pension liability/collective net pension liability in the year ended December 31, 2019. Other amounts reported as reductions of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	Year Ended December 31,	
	Governmental Activities	Business-Type Activities
2019	\$ 6,627	\$ 980
2020	(200,076)	(29,580)
2021	(320,887)	(47,441)
2022	(66,984)	(9,903)
2023	-	-
Thereafter	-	-
Total	\$ (581,320)	\$ (85,944)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience Study Date	Period of 4 years ended June, 30, 2014
Investment Rate of Return	6.75% net of pension plan investment expense
Cost of Living Increases	2019-2020 - 13th check, 2021-2032 - 0.40%, 2033-2037 - 0.50%, 2038 and on - 0.60%
Future Salary Increases	2.50% to 4.25%
Inflation	2.25%
Mortality rates	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006

The actuarial assumptions and methods used in the June 30, 2018 valuation of the Public Employees' Retirement Fund were adopted by the INPRS Board in May 2017. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2010 through June 30, 2014 and were first used in the June 30, 2015 valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in April 2016.

For the actuarial valuation as of June 30, 2018, an actuarial audit was completed which included updating the following assumptions: adding a load on final average salary of \$400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members. Additionally, for disabled members, the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables are assumed instead of the RP2014 (with MP-2014 improvement removed) Total Data Set Mortality tables.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of June 30, 2018 for each major asset class are summarized in the following table.

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<u>Global Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	22.0%	4.4%
Private equity	14.0%	5.4%
Fixed income - Ex inflation-linked	20.0%	2.2%
Fixed income - inflation-linked	7.0%	8.0%
Commodities	8.0%	2.3%
Real estate	7.0%	6.5%
Absolute return	10.0%	2.7%
Risk parity	12.0%	5.2%

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportional share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	5.75%	6.75%	7.75%
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net Pension Liability:			
Governmental Activities	\$ 5,953,868	\$ 3,782,249	\$ 1,971,355
Business-Type Activities	880,231	559,175	291,449

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Comprehensive Annual Financial Report (CAFR) and Actuarial Valuations. These reports can be found at:

[www.in.gov/inprs/files/2018\\_INPRSCAFRBook.pdf](http://www.in.gov/inprs/files/2018_INPRSCAFRBook.pdf)  
<https://www.in.gov/inprs/files/2018%20Actuarial%20Report%20-%20PERF.PDF>

The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of

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employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

b. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) provides pensions for all police officers and firefighters hired after April 30, 1977. The plan is a cost-sharing, multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (INPRS). The pension system issues a publicly available financial report that can be obtained at <http://www.inprs.in.gov>.

Benefits Provided

The plan provides retirement, disability, and death benefits. Benefit terms are established and amended by State legislative action.

Annual retirement benefits for employees are calculated equal to 50 percent of the salary of a first class officer for 20 years of service. Normal retirement age is 52 with early retirement at 50. Employees are eligible for non-duty disability benefits after five years of services and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date.

The annual adjustments are determined by statute equal to the change in the Consumer Price Index but not in excess of a 3 percent increase.

Contributions

Per Indiana State statute (IC 36-8-8 and IC 36-8-8.5), contribution requirements of the active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary. The funding policy for the 1977 Fund requires remittances of member and employer contributions based on percentages of the salary of a first-class officer or firefighter rather than actual payroll. Employees are required to contribute 6 percent of their annual pay. The employer contribution rate is actuarially determined. The City's contractually required contribution rate for the year ended December 31, 2018 was 17.5 percent of the salary of a first-class officer or firefighter. Contributions to the plan from the City were \$1,015,850 to the Police Officers' plan and \$1,031,420 to the Firefighter's plan for the year ended December 31, 2018.

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Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the City reported net pension asset of \$605,936 for the Police Officers' fund and \$615,220 for the Firefighters' fund for their respective proportionate shares of the net pension liability. The Plan's net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating units, actuarially determined. Changes in proportionate share from 2017 to 2018 are shown in the table below:

	<u>Change in Proportionate Share</u>	
	<u>Police Officers'</u>	<u>Firefighters'</u>
2018	0.0068926	0.0069982
2017	0.0072750	0.0073905
Change	(0.0003824)	(0.0003923)
Percent Change	-5.26%	-5.31%

For the year ended December 31, 2018, the City recognized pension expense of \$716,201 for the Police Officers' fund and \$731,335 for the Firefighters' fund.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Officers'		Firefighters'	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,120,914	\$ 279,735	\$ 1,138,087	\$ 284,021
Net difference between projected and actual investment earnings on pension plan investments	206,806	-	209,974	-
Change of assumptions	-	1,342,650	-	1,363,221
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,246	31,626	47,970	32,406
City contributions subsequent to the measurement date	570,660	-	615,168	-
Totals	\$ 1,928,626	\$ 1,654,011	\$ 2,011,199	\$ 1,679,648

\$570,660 and \$615,168 reported for the Police Officers' and Firefighters' funds respectively as deferred outflows of resources related to pensions resulting from City contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability/collective net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	Year Ended December 31,	
	Police	
	Officers'	Firefighters'
2019	\$ 440,698	\$ 451,608
2020	(56,110)	(52,811)
2021	(425,009)	(427,363)
2022	(339,162)	(340,200)
2023	(142,629)	(143,715)
Thereafter	226,167	228,864
Total	\$ (296,045)	\$ (283,617)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience Study Date	Period of 4 years ended June, 30, 2014
Investment Rate of Return	6.75% net of pension plan investment expense
Cost of Living Increases	2.00%
Future Salary Increases	2.50%
Inflation	2.25%
Mortality rates	RP-2014 Blue Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

The actuarial assumptions and methods used in the June 30, 2018 valuation of the Public Employees' Retirement Fund were adopted by the INPRS Board in May 2017. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2010 through June 30, 2014 and were first used in the June 30, 2015 valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in April 2016.

For the actuarial valuation as of June 30, 2018, an actuarial audit was completed which included updating the following assumptions: adding a load on final average salary of \$400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members. Additionally, for disabled members, the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables are assumed instead of the RP2014 (with MP-2014 improvement removed) Total Data Set Mortality tables.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return as of June 30, 2018 for each major asset class are summarized in the following table:

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<u>Global Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	22.0%	4.4%
Private equity	14.0%	5.4%
Fixed income - Ex inflation-linked	20.0%	2.2%
Fixed income - inflation-linked	7.0%	8.0%
Commodities	8.0%	2.3%
Real estate	7.0%	6.5%
Absolute return	10.0%	2.7%
Risk parity	12.0%	5.2%

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Police and Firefighter proportional share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	<u>Net Pension Liability/(Asset)</u>		
	5.75%	6.75%	7.75%
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Police Officers'	\$ 5,756,970	\$ (605,936)	\$ (5,749,265)
Firefighters'	\$ 5,845,171	\$ (615,220)	\$ (5,837,348)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Comprehensive Annual Financial Report (CAFR) and Actuarial Valuations. These reports can be found at:

[https://www.in.gov/inprs/files/2018\\_INPRSCAFRBook.pdf](https://www.in.gov/inprs/files/2018_INPRSCAFRBook.pdf)  
<https://www.in.gov/inprs/files/2018%20Actuarial%20Report%20-%2077%20FUND.PDF>

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The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value.

Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

2. Single Employer Defined Benefit Pension Plan

a. 1925 Police Officers' Pension Plan

Plan Description

The City 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 pension board consists of nine members. Three are members by virtue of office: the Mayor, the City Controller, and the Police Chief. Five members are elected representatives of the active membership of the police department, and one additional member, a retired officer, is elected. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

The financial statements of the plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

The plan was established and may be amended 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.

Plan Membership

Plan membership at January 1, 2018, consisted of the following:

	1925 Police Officers' Pension
Retires and beneficiaries currently receiving benefits	44
Terminated employees entitled to but not yet receiving benefits	-
Current active employees	1

Benefits Provided

The plan provides retirement, disability and death benefits. The benefit provisions of the plan for non-converted members are set forth in Indiana Code 38-8-6. The benefit provisions for the converted members are set forth in Indiana Code 36-8-8. Unless specifically denoted, provisions for converted and non-converted members are the same.



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All full-time, fully paid police officers who were hired before May 1, 1977 or rehired between April 30, 1977 and February 1, 1979 are eligible participants. The pension plan is closed to new entrants.

Eligibility for annuity benefits is as follow. Non-converted members of any age with twenty or more years of creditable service and converted plan members who are age fifty-two with twenty or more years of creditable service are eligible for normal benefits. Normal retirement benefits are calculated at 50% of the base salary of a first-class patrolman, plus an additional 1% for each completed six months of service over twenty years up to a maximum of 74% with 32 years of service.

Non-converted plan members of any age with twenty or more years of creditable service and converted plan members age fifty with twenty years or more of creditable service are eligible to receive early retirement benefits. Early retirement benefits are unreduced for non-converted plan members. Early retirement benefits are reduced by 7% per year for converted plan members between ages fifty and fifty-two. Late retirement benefits are calculated in the same manner as normal retirement benefits.

Disability retirement benefits are equal to a sum determined by a disability medical panel, but not exceeding 55% of the monthly salary (with longevity pay) of a first-class patrolman. If a member has more than twenty years of service, the disability benefit, if greater, will be equal to the pension the member would have received if the member had retired on the date of disability. For converted plan members, the disability benefit is equal to the benefit the member would have received if the member had retired.

If a converted member does not have twenty years of service or is not at least age fifty-two on the date of disability, the benefit is computed as if the member does have twenty years of service and is age fifty-two at the date of disability.

Pre-retirement death benefits vary for converted and non-converted plan members and depending upon whether or not the death is considered in the line of duty or not in the line of duty. Such benefits range from 20-50% of a first-class patrolman salary, with longevity, or from 55-100% of the monthly benefit the member was receiving, or was entitled to receive, on the date of death. Pre-retirement death benefits are payable to the surviving spouse, children and dependent parents of plan members provided they meet eligibility guidelines. A one-time funeral death benefit is paid to the heirs or estate upon a member's death from any cause and is equal to at least \$12,000. An additional benefit of \$150,000 is paid from the Pension Relief Fund to a surviving spouse, children, or parent(s) if death occurs in the line of duty.

Non-converted members are entitled to the normal retirement benefit described above if termination occurs after earning twenty years of service. If termination occurs before completing twenty years of service, no benefits are payable. Converted members are entitled to the accrued retirement benefit determined as of the termination date and payable commencing on the normal retirement date. If termination occurs before completing twenty years of service, the member shall be entitled to the member's contributions plus accumulated interest.

Benefits for non-converted retired members are increased annually based on increases in the first-class salary as approved by the employer. Converted retired member benefits are increased annually based on increases in the CPI-U index. The increase is subject to a 3% maximum and 0% minimum.

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Contributions

Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a first-class patrolman until they have completed thirty-two years of service.

Actuarial valuations are performed annually for the 1925 Police Officers' Pension Plan. The assumptions used in the valuation are selected and approved by the Indiana Public Retirement System (INPRS) Board of Trustees.

Benefits to members of the plan are funded on a pay-as-you-go basis by certain revenues and appropriations of the State of Indiana to the Pension Relief Fund. On-behalf contributions from the State of Indiana as shown in the financial statements of \$1,343,280 approximate an equal amount paid out for benefits. The primary government has recognized these on-behalf payments as intergovernmental revenue and public safety expenditures in the General Fund. The Pension Relief Fund has been created within the INPRS and is administered by INPRS and is used as a temporary holding account for collecting State revenues and appropriations before funds are distributed to employers. Amounts required to pay benefits are distributed from the fund to the City.

Pension Plan Investments – Policy and Rate of Return

The pension plan investment policy is consistent with the overall policy of the City as described in Note III.A.2. The plan held no investments during the reporting period.

Deferred Retirement Option Plan

The Deferred Retirement Option Plan (DROP) is an optional form of benefit, which allows members who are eligible for an unreduced retirement benefit to continue to work and earn a salary while accumulating a DROP benefit. A member who elects to enter the DROP shall execute an irrevocable election to retire on the DROP retirement date. The member shall select a DROP retirement date not less than 12 months and not more than 36 months after the member's DROP entry date. While in the DROP, the member shall continue to make applicable fund contributions. When a member enters the DROP, a "DROP frozen benefit" will be calculated. Members of the DROP are eligible to receive a lump sum equal to the amount of the DROP frozen benefit multiplied by the number of months in the DROP. A member may elect to receive this amount in three annual installments instead of a single lump sum. In addition, the member will receive a monthly retirement benefit equal to the DROP frozen benefit. Forms of payment include a single life annuity or a joint annuity with 60% survivor benefits. A member, upon retirement, may elect to forgo DROP benefits and instead receive monthly retirement benefits calculated as if the member never elected to participate in the DROP. There is no balance of amounts held by the pension plan pursuant to the DROP.

Net Pension Liability

The components of the net pension liability of the 1925 Police Officers' Pension Plan at December 31, 2018, were as follows:

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	1925 Police Officers' Pension
Actuarial net pension liability	\$ 16,936,338
Plan fiduciary net position	(585,213)
Net pension liability	\$ 16,351,125
 Plan fiduciary net position as a percentage of total pension liability	 <u>3.46%</u>

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Police Officers'		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 18,095,597	\$ 763,592	\$ 17,332,005
Service cost	29,111		29,111
Interest cost	486,154		486,154
Differences between expected and actual experience (gain)/loss	227,404		227,404
Changes in assumptions (gain)/loss	(554,336)		(554,336)
Employer contributions			-
Non-employer contributing entity contributions		1,340,080	(1,340,080)
Benefit payments, including refunds	(1,347,592)	(1,518,459)	170,867
Net changes	(1,159,259)	(178,379)	(980,880)
Balance at December 31, 2018	\$ 16,936,338	\$ 585,213	\$ 16,351,125

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$188,333. At December 31, 2018, the City reported no deferred outflows of resources or deferred inflows of resources related to the 1925 Police Officers' Pension Plan.

Actuarial Assumptions

The actuarial assumptions used in the valuation were selected and approved by the INPRS Board of Trustees.

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.25% per year
Salary increases	2.50% per year
Investment rate of return	0.00% net of pension plan investment expense, including inflation
Cost of living increases:	
Non-converted	2.50% per year in retirement
Converted	2.00% per year in retirement

Mortality rates were based on the RP 2014 Blue Collar mortality tables with MP-2014 improvement removed, and with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 report.

The actuarial assumptions used in the valuation are based on the results of the actuarial experience study completed for the 1977 Police Officers' and Firefighters' Pension and Disability Fund in April 2015, which covered the period beginning July 1, 2010 and ending June 30, 2014.

Discount Rate

The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 3.10 percent as of December 31, 2018. The discount rate increased from the 2.75 percent used for the December 31, 2017 calculation of the net pension liability. The projection of cash flows used to determine the discount rate considered the fact that on-behalf contributions made by the State of Indiana are made as benefit payments become due for payment.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.10 percent. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2018. The municipal bond rate was applied to all remaining periods.

The pension plan currently has no investments.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the City, calculated using the discount rate of 3.10 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.10 percent) or 1-percentage point higher (4.10 percent) than the current rate:

	2.10% <u>1% Decrease</u>	3.10% <u>Current Rate</u>	4.10% <u>1% Increase</u>
Net Pension Liability	\$ 17,478,085	\$ 16,351,125	\$ 14,316,287

Pension Cost

The pension plan does not issue a separate financial report.

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Funding Status and Funding Progress

As of the January 1, 2018 actuarial valuation date, the plan was not funded and is on a pay as you go basis. The actuarial accrued liability for benefits was \$16,936,338, and the actuarial value of assets was \$585,213, resulting in an unfunded actuarial accrued liability of \$16,351,125. The covered payroll (annual payroll to active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll were not available.

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

b. 1937 Firefighters' Pension Plan

Plan Description

The City of Mishawaka 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 pension board consists of seven members, which include the Mayor, the Fire Chief, the Pension Secretary, three trustees elected from active members, and one trustee elected from retired members.

The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established and can be amended 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.

Plan Membership

Plan membership at January 1, 2018, consisted of the following:

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	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	67
Terminated employees entitled to but not yet receiving benefits	-
Current active employees	-

Benefits Provided

The plan provides retirement, disability, and death benefits. The benefit provisions of the 1937 Firefighters' Pension Plan for non-converted members are set forth in Indiana Code 36-8-7. The benefit provisions for converted members are set forth in Indiana Code 36-8-8.

Unless specifically denoted, provisions for converted and non-converted members are the same. All full-time, fully-paid firefighters who were hired before May 1, 1977 or rehired between April 30, 1977 and February 1, 1979 are eligible participants. The pension plan is closed to new entrants.

Eligibility for annuity benefits is as follows. Non-converted members of any age with twenty or more years of creditable service and converted plan members who are age fifty-two with twenty or more years of creditable service are eligible for normal benefits. Normal retirement benefits are calculated at 50% of the base salary of a First Class Firefighter, plus an additional 1% for each completed six months of service over twenty years up to a maximum of 74% with 32 years of service.

Non-converted plan members of any age with twenty or more years of creditable service and converted plan members age fifty with twenty years or more of creditable service are eligible to receive early retirement benefits. Early retirement benefits are unreduced for unconverted plan members. Early retirement benefits are reduced by 7% per year for converted plan members between ages fifty and fifty-two. Late retirement benefits are calculated in the same manner as normal retirement benefits.

Disability retirement benefits are equal to a sum determined by a disability medical panel, but not exceeding 55% of the monthly salary (with longevity pay) of a First Class Firefighter. If a member has more than twenty years of service, the disability benefit, if greater, will be equal to the pension the member would have received if the member had retired on the date of disability. For converted plan members, the disability benefit is equal to the benefit the member would have received if the member had retired. If a converted member does not have twenty years of service or is not at least age fifty-two on the date of disability, the benefit is computed as if the member does have twenty years of service and is age fifty-two at the date of disability.

Pre-retirement death benefits vary for converted and non-converted plan members and depending upon whether or not the death is considered in the line of duty or not in the line of duty. Such benefits range from 20-50% of a First Class Firefighter's salary, with longevity, or from 55-100% of the monthly benefit the member was receiving, or was entitled to receive, on the date of death.

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Pre-retirement death benefits are payable to the surviving spouse, children and dependent parents of plan members provided they meet eligibility guidelines. A one-time funeral death benefit is paid to the heirs or estate upon a member's death from any cause and is equal to at least \$12,000. An additional benefit of \$150,000 is paid from the Pension Relief Fund to a surviving spouse, children, or parent(s) if death occurs in the line of duty.

Non-converted members are entitled to the normal retirement benefit described above if termination occurs after earning twenty years of service. If termination occurs before completing twenty years of service, no benefits are payable. Converted members are entitled to the accrued retirement benefit determined as of the termination date and payable commencing on the normal retirement date.

If termination occurs before completing twenty years of service, the member shall be entitled to the member's contributions plus accumulated interest.

Benefits for non-converted retired members are increased annually based on increases in the First Class Firefighter's salary as approved by the employer.

Converted retired member benefits are increased annually based on increases in the CPI-U index. The increase is subject to a 3% maximum and 0% minimum.

Contributions

Plan members are required by state statute (IC 36-8-7-8) to contribute an amount equal to six percent (6%) of the salary of a First Class Firefighter until they have completed thirty-two years of service.

Actuarial valuations are performed annually for the 1937 Firefighters' Pension Plan. Benefits to members of the Plan are funded on a pay-as-you-go basis by certain revenues and appropriations from the State of Indiana to the Pension Relief Fund. On-behalf contributions from the State of Indiana as shown in the financial statements of \$2,067,543 approximate an equal amount paid out for benefits. The primary government has recognized these on-behalf payments as intergovernmental revenue and public safety expenditures in the General Fund. The Pension Relief Fund has been created within the Indiana Public Retirement System (INPRS) and is administered by INPRS and is used as a temporary holding account for collecting State revenues and appropriations before funds are distributed to employers. Amounts required to pay benefits are distributed from the fund to the City.

Pension Plan Investments – Policy and Rate of Return

The pension plan investment policy is consistent with the overall policy of the City as described in Note III.A.2.

The plan held no investments during the reporting period.

Deferred Retirement Option Plan

The Deferred Retirement Option Plan (DROP) is an optional form of benefit, which allows members who are eligible for an unreduced retirement benefit to continue to work and earn a salary while accumulating a DROP benefit. A member who elects to enter the DROP shall execute an irrevocable election to retire on the DROP retirement date. The member

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shall select a DROP retirement date not less than 12 months and not more than 36 months after the member's DROP entry date. While in the DROP, the member shall continue to make applicable fund contributions.

When a member enters the DROP, a "DROP frozen benefit" will be calculated. Members of the DROP are eligible to receive a lump sum equal to the amount of the DROP frozen benefit multiplied by the number of months in the DROP. A member may elect to receive this amount in three annual installments instead of a single lump sum. In addition, the member will receive a monthly retirement benefit equal to the DROP frozen benefit. Forms of payment include a single life annuity or a joint annuity with 60% survivor benefits. A member, upon retirement, may elect to forgo DROP benefits and instead receive monthly retirement benefits calculated as if the member never elected to participate in the DROP. There is no balance of amounts held by the pension plan pursuant to the DROP.

Net Pension Liability

The components of the net pension liability of the 1937 Firefighters' Pension Plan at December 31, 2018, were as follows:

	1937 Firefighters' Pension
Actuarial net pension liability	\$ 26,271,884
Plan fiduciary net position	(1,015,084)
Net pension liability	\$ 25,256,800
Plan fiduciary net position as a percentage of total pension liability	<u>3.86%</u>



CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

Changes in the net pension liabilities are as follows:

<u>Changes in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2017	\$ 27,182,688	\$ 955,915	\$ 26,226,773
Interest cost	753,705		753,705
Differences between expected and actual experience (gain)/loss	1,245,739		1,245,739
Changes in assumptions (gain)/loss	(868,298)		(868,298)
Employer contributions			-
Non-employer contributing entity contributions		2,064,343	(2,064,343)
Benefit payments, including refunds	<u>(2,041,950)</u>	<u>(2,005,174)</u>	<u>(36,776)</u>
Net changes	<u>(910,804)</u>	<u>59,169</u>	<u>(969,973)</u>
Balance at December 31, 2018	<u>\$ 26,271,884</u>	<u>\$ 1,015,084</u>	<u>\$ 25,256,800</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$1,131,146. At December 31, 2018, the City reported no deferred outflows of resources or deferred inflows of resources related to the 1937 Firefighters' Pension Plan.

Actuarial Assumptions

The actuarial assumptions used in the valuation were selected and approved by the INPRS Board of Trustees.

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% per year
Salary increases	2.50% per year
Investment rate of return	0.00% net of pension plan investment expense, including inflation
Cost of living increases:	
Non-converted	2.50% per year in retirement
Converted	2.00% per year in retirement

Mortality rates were based on the RP 2014 Blue Collar mortality tables with MP-2014 improvement removed, and with future mortality improvement projected generationally

CITY OF MISHAWAKA  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2018  
 (Continued)

using future mortality improvement inherent in the Social Security Administration's 2014 report.

The actuarial assumptions used in the valuation are based on the results of the actuarial experience study completed for the 1977 Police Officers' and Firefighters' Pension and Disability Fund in April 2015, which covered the period beginning July 1, 2010 and ending June 30, 2014.

Discount Rate

The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 3.10 percent as of December 31, 2018.

The discount rate increased from the 2.75 percent used for the December 31, 2017 calculation of the net pension liability.

The projection of cash flows used to determine the discount rate considered the fact that on-behalf contributions made by the State of Indiana are made as benefit payments become due for payment.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.10 percent. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2018. The municipal bond rate was applied to all remaining periods.

The pension plan currently has no investments.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the City, calculated using the discount rate of 3.10%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.10 percent) or 1-percentage point higher (4.10 percent) than the current rate:

	2.10% <u>1% Decrease</u>	3.10% <u>Current Rate</u>	4.10% <u>1% Increase</u>
Net Pension Liability	\$ 26,891,163	\$ 25,256,800	\$ 21,984,655

Pension Cost

The pension plan does not issue a separate financial report.

Funding Status and Funding Progress

As of January 1, 2018, the most recent actuarial valuation date, the plan was not funded and is funded on a pay-as-you-go basis. The actuarial accrued liability for benefits was \$26,271,884 and the actuarial value of assets was \$1,015,084, resulting in an unfunded actuarial accrued liability of \$25,256,800. The covered payroll (annual payroll to active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll were not available.

CITY OF MISHAWAKA  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2018  
 (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

c. Utility Pension Plan

Plan Administration

The Primary government's Utilities (water, wastewater and electric) contribute to the Mishawaka Utilities Retirement System, a single employer defined benefit pension plan administered by the Indiana Trust & Investment Management Company, as trustee.

The pension board consists of the Mayor, the City Controller, the General Manager of the Utilities and four elected employees of the Mishawaka Utilities. The plan covers all employees of the three utilities except for sewer maintenance employees of the Wastewater Utility who are covered by PERF. The plan is administered by the Primary government's Board of Works, as provided by state statute (IC 8-1.5-3-7) and provides retirement, termination/severance, 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.

The plan remains open to new participants.

Plan Membership

Plan membership at January 1, 2018, consisted of the following:

	Utility Pension
Retires and beneficiaries currently receiving benefits	76
Terminated employees entitled to but not yet receiving benefits	1
Current active employees	118

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

Benefits Provided

The plan provides retirement, termination/severance, disability, and death benefits to plan members and beneficiaries. The plan covers all employees of the three utilities except for sewer maintenance employees of the Wastewater Utility who are covered by INPRS. The plan provides that the monthly retirement benefit shall be a pension payable for the member's lifetime with five years of payments guaranteed equal to one and one-half percent (1-1/2%) of the member's average monthly wage, which is based upon regular straight time rate, received during the highest paid five consecutive fiscal years before retirement multiplied by the member's years of credited service, plus one hundred and twenty dollars (\$120). Members are eligible to retire as of normal retirement for an unreduced benefit upon the earlier of 1) attainment of age sixty-five (65), or 2) the completion of thirty years of credited service, or 3) the date on which the sum of the member's age and years of credited service equals 85.

A reduced early retirement benefit is available to members with at least fifteen years of credited service any time after attainment of age sixty with a reduction factor of one-fourth percent for each month by which the early retirement date precedes what would have been the normal retirement date.

A disability retirement benefit is available to members with at least ten years of credited service and permanent disability as determined for purposes of the Federal Social Security Act.

A terminated participant not eligible for death, disability or retirement may choose benefits based on a vested schedule as determined by years of credited service or a lump sum equal to 5% of the highest annual compensation multiplied by credited service.

A death benefit is available equal to 5% of the highest annual compensation multiplied by credited service, or the survivor's portion of a joint and 50% survivor annuity, payable to a surviving spouse.

Contributions

The employer intends to contribute to the plan each year such amounts as may be required to operate the plan on a sound actuarial basis.

The minimum annual contribution by the employer must be sufficient, as determined by the pension actuaries, to prevent deterioration in the actuarial status of the trust fund during the year.

For the year ended December 31, 2018, the mandatory member contribution rate was 0% of annual pay and the actuarially determined employer's contribution rate was 13.94% of annual payroll.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$1,049,597 for the Utility fund. The expense was allocated \$262,399 to the Water Utility, \$262,399 to the Wastewater Utility and \$524,799 to the Electric Utility.

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to utility pensions from the following sources:

	Water Utility		Wastewater Utility		Electric Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-type activities						
Differences between expected and actual experience	\$ 3,279	\$ 225,503	\$ 3,279	\$ 225,503	\$ 6,557	\$ 451,004
Net difference between projected and actual investment earnings on pension plan investments	586,403	231,031	586,403	231,031	1,172,804	462,060
Change of assumptions	55,731	99,685	55,731	99,685	111,463	199,368
Totals	<u>\$645,413</u>	<u>\$556,219</u>	<u>\$645,413</u>	<u>\$556,219</u>	<u>\$1,290,824</u>	<u>\$1,112,432</u>

As shown on page 66, the wastewater also participates in the INPRS pension program. As such, the reported totals for deferred inflows and deferred outflows reflect the totals on page 66 and the above table.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,		
	Water Utility	Wastewater Utility	Electric Utility
2019	\$ 52,416	\$ 52,416	\$ 104,833
2020	(15,784)	(15,783)	(31,568)
2021	(19,847)	(19,847)	(39,692)
2022	96,022	96,023	192,046
2023	(18,563)	(18,564)	(37,127)
Thereafter	(5,050)	(5,050)	(10,101)
Totals	<u>\$ 89,194</u>	<u>\$ 89,195</u>	<u>\$ 178,391</u>

Pension Plan Investments – Policy and Rate of Return

The pension plan investment policy is consistent with the overall policy of the City as described in Note III.A.2. The plan held \$19,870,040 of investments as of December 31, 2018.

Net Pension Liability

The components of the net pension liability of the Utility Pension Plan at December 31, 2018, were as follows:

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

	Utility Pension	Allocated to:		
		Water Utility	Wastewater Utility	Electric Utility
Actuarial net pension liability	\$ 23,690,327	\$ 5,922,582	\$ 5,922,582	\$ 11,845,163
Plan fiduciary net position	(20,014,789)	(5,003,697)	(5,003,697)	(10,007,395)
Net pension liability	<u>\$ 3,675,538</u>	<u>\$ 918,885</u>	<u>\$ 918,885</u>	<u>\$ 1,837,768</u>
Plan fiduciary net position as a percentage of total pension liability	<u>84.49%</u>	<u>84.49%</u>	<u>84.49%</u>	<u>84.49%</u>

Change in the net pension liabilities are as follows:

Changes in Net Pension Liability	Utility Pension		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 23,001,227	\$ 21,292,912	\$ 1,708,315
Service cost	578,732		578,732
Interest cost	1,551,071		1,551,071
Differences between expected and actual experience (gain)/loss	(257,443)		(257,443)
Changes in assumptions (gain)/loss	(73,486)		(73,486)
Employer contributions		1,057,700	(1,057,700)
Net investment income		(1,201,993)	1,201,993
Administrative expense		(24,056)	24,056
Benefit payments, including refunds	(1,109,774)	(1,109,774)	-
Net changes	<u>689,100</u>	<u>(1,278,123)</u>	<u>1,967,223</u>
Balance at December 31, 2018	<u>\$ 23,690,327</u>	<u>\$ 20,014,789</u>	<u>\$ 3,675,538</u>

Actuarial Assumptions

The actuarial assumptions used in the valuation were selected and approved by the Board of Trustees for the plan.

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

Inflation	2.50% per annum
Salary increases:	3.50% per annum
Due to Inflation	2.50%
Due to Merit/Seniority	1.00%
Investment rate of return	6.75% per annum, net of pension plan investment expenses, including inflation
Cost of living increases for certain retirees	2.00% per annum

Mortality rates were based on RP-2014 adjusted to 2006 Blue Collar Mortality with Two Dimensional Generational Mortality Improvement Project Scale MP-2018 (separate employee & annuitant tables and male & female tables).

Annual Pension Cost

For 2018, the Utilities' annual pension cost and related information for the Utility Pension Plan, as provided by the actuary, is presented in this note.

Discount Rate

The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 6.75 percent as of December 31, 2018. The discount rate of 6.75 was unchanged from the percent used for the December 31, 2017 calculation of the net pension liability. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed to prevent the deterioration in the actuarial stats of the trust.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate of 6.75 percent is equal to the long-term expected return of plan investments. The rate was applied to all remaining periods.

The long-term expected rate of return on the utility pension plan investments was determined based on the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation).

The long-term expected rate of return on plan investments is 6.75%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the Utilities, calculated using the discount rate of 6.75%, as well as what the Utility net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

	Net Pension Liability/(Asset)		
	5.75%	6.75%	7.75%
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Water Utility	\$ 1,575,447	\$ 918,885	\$ 357,516
Wastewater Utility	1,575,447	918,885	357,516
Electric Utility	3,150,892	1,837,768	715,030

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

d. Financial Statements for Defined Benefit Plans

Combining Statements of Fiduciary Net Position – Pension Trust Funds:

	1925	1937	
	Police Pension	Firefighters' Pension	Utility Pension
<u>Statement of Net Position</u>			
Cash and investments	\$ 585,213	\$ 1,015,084	\$ 19,982,806
Other assets	-	-	38,430
Liabilities	-	-	(6,447)
Net Position	<u>\$ 585,213</u>	<u>\$ 1,015,084</u>	<u>\$ 20,014,789</u>

Statement of Changes in Net Position

Contributions	\$ 1,343,280	\$ 2,067,543	\$ 1,057,700
Benefit payments	(1,521,659)	(2,008,374)	(1,109,774)
Investment income	-	-	(1,148,431)
Administrative expense	-	-	(77,619)
Change in net position	(178,379)	59,169	(1,278,124)
Net position - beginning	<u>763,592</u>	<u>955,915</u>	<u>21,292,913</u>
Net position - ending	<u>\$ 585,213</u>	<u>\$ 1,015,084</u>	<u>\$ 20,014,789</u>



CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

Statements of Changes in Fiduciary Net Position – Pension Trust Funds:

	1925 Police Pension	1937 Firefighters' Pension	Utility Pension
<u>Additions:</u>			
Contributions:			
On behalf contributions	\$ 1,340,080	\$ 2,064,343	\$ -
Employer	-	-	1,057,700
Total contributions	<u>1,340,080</u>	<u>2,064,343</u>	<u>1,057,700</u>
Investment income (loss):			
Net change in fair value of investments	-	-	(2,235,012)
Interest and dividends	-	-	1,086,581
Total investment income (loss)	-	-	(1,148,431)
Less investment expenses:			
Investment activity expense	-	-	(53,561)
Net investment income (loss)	-	-	(1,201,992)
Total additions	<u>1,340,080</u>	<u>2,064,343</u>	<u>(144,292)</u>
<u>Deductions:</u>			
Benefits	1,518,459	2,005,174	1,109,774
Administrative expense	-	-	24,058
Total deductions	<u>1,518,459</u>	<u>2,005,174</u>	<u>1,133,832</u>
Changes in net position	(178,379)	59,169	(1,278,124)
Net position - beginning	<u>763,592</u>	<u>955,915</u>	<u>21,292,913</u>
Net position - ending	<u>\$ 585,213</u>	<u>\$ 1,015,084</u>	<u>\$ 20,014,789</u>

CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018  
(Continued)

D. Net Position – Net investment in Capital Assets

As of December 31, 2018, Net Position – Net investment in capital assets is calculated as follows:

	Governmental Activities	Business-type Activities	Total
Net capital assets	\$ 252,204,589	\$ 216,955,575	\$ 469,160,164
Less:			
Total capital leases payable	(5,054,810)	(315,515)	(5,370,325)
Total notes and loans payable	(1,283,160)	(1,556,000)	(2,839,160)
Total revenue bonds payable, net	-	(100,774,977)	(100,774,977)
Total TIF bonds payable, net	(10,802,707)	-	(10,802,707)
Add:			
Deferred amount on refunding	-	503,616	503,616
Unspent bond proceeds	7,802,541	13,547,382	21,349,923
Deferred charges	-	882,941	882,941
	\$ 242,866,453	\$ 129,243,022	\$ 372,109,475

E. Subsequent Events

Supplemental Income Tax (“LIT”) Distribution

Indiana Code Citation IC 6-3.6-9-15 requires the State Budget Agency to provide the amount of supplemental distributions for qualifying counties to the Department of Local Government Finance before May 2nd. The supplemental distribution is disbursed to counties that have a balance in the county trust account exceeding fifteen percent (15%) of the certified distribution to be made to the county in the year of determination.

For Mishawaka, the expected amount of the distribution is \$768,463. The distribution will be deposited into the General Fund, Public Safety and CEDIT.

Consent Decree

On May 23, 2014 the City, the United States of America, and the State of Indiana, agreed to a consent decree to resolve claims against the City for alleged violations of the Clean Water Act. The decree includes several provisions, including a combined sewer overflow (CSO) long-term control plan (LTCP) that requires the City to complete a construction program by December 31, 2031 at a cost of approximately \$414 million in 2017 dollars to comprehensively upgrade and expand the City’s sewage collection, storage, conveyance, and treatment system. The LTCP level of control is zero combined sewer overflows in the typical year, or 100% volume reduction. To date the City has spent \$251 million and has achieved a 98.7% CSO volume reduction. To achieve an additional 1.3% volume reduction it would cost an additional \$163 million. The impact on improvement to water quality would be negligible. In January 2018 the City notified the agencies that it desired to renegotiate its consent decree LTCP. A new LTCP has been developed that would result in 8 CSOs in the typical year and result in a 99.4% volume reduction. The cost for this revised plan would be an additional \$13 million for a total cost of \$264 million. The plan will meet the same environmental goals and will shorten the implementation schedule by two years. Mishawaka has submitted its revised LTCP to the agencies for their review. Negotiations will commence after agency review.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MISHAWAKA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property	\$ 24,826,691	\$ 24,826,691	\$ 19,528,604	\$ (5,298,087)
Licenses and permits	823,130	823,130	1,033,144	210,014
Intergovernmental	5,112,467	5,112,467	6,142,703	1,030,236
Charges for services	1,445,000	1,445,000	2,131,853	686,853
Fines and forfeits	19,000	19,000	58,248	39,248
Interest	100,000	100,000	490,348	390,348
Sale and use of property	-	-	29,184	29,184
Reimbursement	478,644	478,644	1,232,964	754,320
Miscellaneous	-	-	18,419	18,419
Total revenues	<u>32,804,932</u>	<u>32,804,932</u>	<u>30,665,467</u>	<u>(2,139,465)</u>
Expenditures:				
Current:				
General government:				
Mayor				
Personal services	150,377	150,377	150,375	2
Supplies	1,500	1,503	749	754
Other services and charges	15,500	16,141	13,579	2,562
City Clerk				
Personal services	143,895	143,895	137,348	6,547
Supplies	3,000	3,063	1,908	1,155
Other services and charges	21,250	21,250	10,781	10,469
Central Services				
Personal services	661,089	671,528	604,808	66,720
Supplies	916,250	941,549	915,203	26,346
Other services and charges	80,000	90,795	73,098	17,697
Common Council				
Personal services	108,375	108,375	108,372	3
Supplies	750	750	36	714
Other services and charges	11,000	12,269	5,412	6,857
Controller				
Personal services	2,534,883	2,534,883	2,218,718	316,165
Supplies	15,000	16,375	10,709	5,666
Other services and charges	2,000,227	2,047,850	1,991,558	56,292
Other financing uses	-	-	68,136	(68,136)
Capital outlay	250,000	388,908	291,799	97,109
Human Resources				
Personal services	54,273	54,273	34,208	20,065
Supplies	1,000	1,028	468	560
Other services and charges	72,500	73,199	68,994	4,205
Information Technology				
Personal services	296,536	296,536	291,241	5,295
Supplies	20,000	20,111	11,921	8,190
Other services and charges	40,000	40,000	29,942	10,058
Cemetery				
Other services and charges	25,000	25,000	25,000	-
Legal				
Personal services	140,590	140,590	139,571	1,019
Supplies	1,000	1,000	49	951
Other services and charges	56,000	56,056	19,717	36,339
Planning				
Personal services	217,342	217,342	217,341	1
Supplies	4,000	4,056	2,089	1,967
Other services and charges	4,500	4,500	1,019	3,481
Total general government	<u>7,845,837</u>	<u>8,083,202</u>	<u>7,444,149</u>	<u>639,053</u>

(Continued on next page)

The notes to the required supplementary information are an integral part of this statement.

CITY OF MISHAWAKA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
For the Year Ended December 31, 2018  
(Continued)

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
Police				
Personal services	\$ 11,373,499	\$ 11,422,133	\$ 10,974,185	\$ 447,948
Supplies	36,000	43,925	42,386.08	1,539
Other services and charges	117,800	134,749	96,765	37,984
Fire				
Personal services	12,109,110	12,131,564	11,470,972	660,592
Supplies	337,000	387,133	310,122	77,011
Other services and charges	106,000	113,119	89,953	23,166
Code Enforcement				
Personal services	274,182	274,182	273,376	806
Supplies	3,500	4,041	3,700	341
Other services and charges	38,000	38,000	16,513	21,487
Building Department				
Personal services	203,116	203,116	202,620	496
Supplies	2,000	2,058	1,761	297
Other services and charges	4,800	4,800	1,674	3,126
 Total public safety	 24,605,007	 24,758,820	 23,484,027	 1,274,793
Engineering				
Personal services	323,404	323,404	323,298	106
Supplies	4,000	4,082	3,162	920
Other services and charges	10,250	11,031	6,907	4,123
 Total highways and streets	 337,654	 338,517	 333,367	 5,150
Redevelopment				
Personal services	204,044	204,044	204,044	-
Supplies	1,000	1,000	190	810
Other services and charges	227,800	233,091	92,653	140,438
 Total community development	 432,844	 438,135	 296,887	 141,248
 Total expenditures	 33,221,342	 33,618,674	 31,558,430	 2,060,244
Excess (deficiency) of revenues over (under) expenditures	(416,410)	(813,742)	(892,963)	(79,221)
Other financing sources:				
Transfer in	4,100,000	4,100,000	4,117,162	17,162
 Net change in fund balances	 3,683,590	 3,286,258	 3,224,199	 (62,059)
Fund balances - beginning	6,243,398	# 6,243,398	6,243,398	-
Fund balances - ending	\$ 9,926,988	\$ 9,529,656	\$ 9,467,597	\$ (62,059)

The notes to the required supplementary information are an integral part of this statement.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET/GAAP RECONCILIATION  
 GENERAL FUND  
 For the Year Ended December 31, 2018  
 (Continued)

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, budgetary basis	\$ 3,224,199
To adjust revenues for accruals	(312,214)
To adjust expenditures for accruals	818,530
To adjust expenditures for encumbrances	234,669
Net change in fund balance, GAAP basis	\$ 3,965,184

The notes to the required supplementary information are an integral part of this statement.

CITY OF MISHAWAKA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2018

Note 1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

- A. After individual meetings with the Common Council and Civil City department heads, the Controller submits to the Common Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing.
- B. Prior to adoption, the City advertises the budget and the Common Council holds a public hearing to obtain taxpayer comments. The Common Council may reduce, but not increase the budget from the advertised amounts.
- C. No later than November 1 of each year, the budget for the next year is approved by the Common Council through the passage of an ordinance.
- D. Copies of the budget ordinance and advertisements for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance for their review and approval. The budget becomes legally enacted after the City Controller receives approval from the Indiana Department of Local Government Finance. This approval is required by Indiana Statute and ad valorem property tax rates are to be set by February 15 of the year budgeted. The budget ordinance as approved by the Indiana Department of Local Government Finance becomes the City's expenditures budget. The City's maximum tax levy is restricted by Indiana Law, with certain adjustments and exceptions. If the advertised budget, for funds for which property taxes are levied or for which highway use taxes are received, exceeds the spending and tax limits of the state control laws, an excess levy can be granted by the Indiana Department of Local Government Finance, upon appeal by the City.
- E. The legal level of budgetary control (the level at which expenditures may not exceed appropriations without the governing body's approval) is by object classification for all funds except for the General fund, which is by object classification within each department. The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. Any revisions that alter the total appropriations for any fund or any department of the General fund must be approved by the Common Council and, in some instances, by the Indiana Department of Local Government Finance. Formal budgetary integration is required by state statute and is employed as a management control method.

CITY OF MISHAWAKA, INDIANA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2018  
(Continued)

F. An annual budget was legally adopted for the following fifteen governmental funds:

Major funds (1):

General fund

Nonmajor funds:

Special revenue funds (9):

Motor Vehicle Highway, Local Road and Street, Park and Recreation, Public Safety, Rainy Day, Law Enforcement Continuing Education, Park Nonreverting Operating, LOIT Special Distribution and Local Bridge and Matching Grant Fund

Capital projects funds (5):

Cumulative Capital Improvement, Cumulative Sewer, Cumulative Capital Development, Local Income Tax, and Local Major Moves Construction

G. The City's budgetary process is based upon cash outflows, which is a Non-GAAP basis. Appropriations lapse with the expiration of the budgetary period unless encumbered by a purchase order or contract. Encumbered appropriations are carried over and added to the subsequent year's budget.

H. Budgeted amounts are as originally adopted, or as amended by the Common Council and approved by the Indiana Department of Local Government Finance in the regular legal manner. The net effect of individual amendments to the budget increased the original appropriations by \$397,332 in 2018.

I. Expenditures did not exceed appropriations for any funds which required legally approved budgets.



CITY OF MISHAWAKA, INDIANA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2018  
(Continued)

Note 2. Financial Reporting – Pension Plans

A. Plan Amendments

- B. In 2018, there were no changes to the Plan that impacted the pension benefits during the fiscal year.

PERF Plan:

- a) In 2018, the COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS now assumes that the COLA will be replaced by a thirteenth check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

1977 Police Officers' and Firefighters' Pension and Disability Fund:

- b) There were no changes to the actuarial assumptions during the fiscal year.

1925 and 1937 Plans

- c) The discount rate used for the December 31, 2018 valuation was 3.10% based on the Barclay's 20-year Municipal Bond Index. This is an increase from 2.75% used for the December 31, 2017 valuation.
- d) For converted members, the July 1, 2018 COLA was updated from the 2.0% to reflect the known increase of 2.2%. Beginning July 1, 2019 the assumption reverts back to 1.6%. For non-converted members, there was no change.

CITY OF MISHAWAKA, INDIANA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 December 31, 2018  
 (Continued)

C. Method and assumptions used in the calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of the 1937 Firefighters', 1925 Police Officers' and Utility Pension plans contributions are calculated as of December 31, 2018. The following actuarial method and assumptions were used to determine contribution rates reported in their respective schedules:

1937 Firefighters' and 1925 Police Officers' Pension Plans

Actuarial cost method	Entry Age Normal – Level Percent of Payroll
Amortization method	Level percentage of projected payroll, closed
Remaining amortization period	20 years
Inflation	2.25%
Salary increases	2.50%
Cost-of-Living Increases	Non-converted 2.50% per year in retirement
Converted	2.20% per year in retirement
Discount rate	3.10% (Based on Barclay's 20-year Municipal Bond Index rate)
Mortality assumption	RP-2014 Blue Collar mortality table, with MP-2014, removed, projected from 2006 based on the SSA improvement scale

Utility Pension Plan

Actuarial cost method	Entry Age Normal – Level Percent of Payroll
Amortization method	Level percentage of projected payroll, open
Remaining amortization period	25 years
Inflation	2.50%
Cost-of-Living Increases	3.50%
Discount rate	6.75%
Mortality assumption	RP-2014 Adjusted to 2006 Blue Collar Mortality with Two Dimensional Generational Mortality Improvement Project Scale MP-2017

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 Public Employees' Retirement Fund  
 Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0012780	0.0013270	0.0013284	0.0014061	0.0014579
City's proportionate share of the net pension liability (asset)	\$ 4,341,424	\$ 5,920,468	\$ 6,028,870	\$ 5,726,908	\$ 3,924,033
City's covered payroll	\$ 6,521,331	\$ 6,583,570	\$ 6,366,358	\$ 6,734,743	\$ 7,290,367
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	66.57%	89.93%	94.70%	85.04%	53.82%
Plan fiduciary net position as a percentage of total pension liability	78.90%	72.70%	71.20%	73.30%	81.10%

Note: Information is presented for the reporting entity. Allocations between Governmental and Business-Type activities are shown in the notes to the financial statements.

\* Information presented for the years information is available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY CONTRIBUTIONS  
 Public Employees' Retirement Fund  
 Last 10 Fiscal Years\*

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Contractually required contributions	\$ 493,215	\$	994,401	\$	967,813	\$	847,987	\$	389,622
Contributions in relation to the contractually required contribution	<u>(722,847)</u>		<u>(731,175)</u>		<u>(707,253)</u>		<u>(748,561)</u>		<u>(767,937)</u>
Contribution deficiency (excess)	<u>\$ (229,632)</u>	\$	263,226	\$	260,560	\$	99,426	\$	<u>(378,315)</u>
City's covered payroll	\$ 6,597,594	\$	6,263,435	\$	6,376,627	\$	6,515,060	\$	7,208,652
Contributions as a percentage of covered payroll	10.96%		11.67%		11.09%		11.49%		10.65%

Note: Information is presented for the reporting entity. Allocations between Governmental and Business-Type activities are shown in the notes to the financial statements.

\* Information presented for the years information is available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 Police Officers' 1977 Fund  
 Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.0068926	0.0072750	0.0071511	0.0071297	0.0074439
Proportionate share of the net pension liability (asset)	\$ (605,936)	\$ (112,220)	\$ 635,282	\$ (1,053,200)	\$ (379,492)
Covered payroll	\$ 5,804,845	\$ 5,897,944	\$ 5,526,966	\$ 5,316,603	\$ 5,284,286
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-10.44%	-1.90%	11.49%	-19.81%	-7.18%
Plan fiduciary net position as a percentage of total pension liability	101.50%	100.30%	98.20%	103.20%	101.10%

\* Information presented for the years information is available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY CONTRIBUTIONS  
 Police Officers' 1977 Fund  
 Last 10 Fiscal Years\*

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Contractually required contributions	\$ 716,201	\$	910,341	\$	830,848	\$	285,938	\$	214,353
Contributions in relation to the contractually required contribution	<u>(1,015,850)</u>		<u>(1,099,360)</u>		<u>(1,088,820)</u>		<u>(1,047,375)</u>		<u>(1,037,474)</u>
Contribution deficiency (excess)	<u>\$ (299,649)</u>	<u>\$</u>	<u>(189,019)</u>	<u>\$</u>	<u>(257,972)</u>	<u>\$</u>	<u>(761,437)</u>	<u>\$</u>	<u>(823,121)</u>
City's covered payroll	\$ 5,302,532	\$	5,663,477	\$	5,434,709	\$	5,243,094	\$	5,235,103
Contributions as a percentage of covered payroll	19.16%		19.41%		20.03%		19.98%		19.82%

\* Information presented for the years information is available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 Firefighters' 1977 Fund  
 Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0073905	0.0073905	0.0071635	0.0073620	0.0076191
City's proportionate share of the net pension liability (asset)	\$ (615,220)	\$ (114,001)	\$ 636,383	\$ (1,087,515)	\$ (388,424)
City's covered payroll	\$ 5,893,797	\$ 5,991,548	\$ 5,536,602	\$ 5,489,804	\$ 5,408,685
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-10.44%	-1.90%	11.49%	-19.81%	-7.18%
Plan fiduciary net position as a percentage of total pension liability	101.50%	100.30%	98.20%	103.20%	101.10%

\* Information presented for the years information is available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY CONTRIBUTIONS  
 Firefighters' 1977 Fund  
 Last 10 Fiscal Years\*

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Contractually required contributions	\$ 731,335	\$	928,950	\$	836,228	\$	300,681	\$	223,666
Contributions in relation to the contractually required contribution	<u>(1,031,420)</u>		<u>(1,116,201)</u>		<u>(1,090,710)</u>		<u>(1,081,481)</u>		<u>(1,065,499)</u>
Contribution deficiency (excess)	<u>\$ (300,085)</u>	\$	<u>(187,251)</u>	\$	<u>(254,482)</u>	\$	<u>(780,800)</u>	\$	<u>(841,833)</u>
City's covered payroll	\$ 5,354,904	\$	5,767,526	\$	5,670,591	\$	5,603,416	\$	5,498,850
Contributions as a percentage of covered payroll	19.26%		19.35%		19.23%		19.30%		19.38%

\* Information presented for the years information is available.



CITY OF MISHAWAKA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years\*

<b>1925 Police Officers' Pension Plan</b>	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability:</b>						
Total pension liability - beginning of year	\$ 18,095,597	\$ 17,519,874	\$ 20,074,686	\$ 20,977,077	\$ 19,201,969	\$ 17,132,599
Service cost	29,111	25,219	30,691	29,939	18,826	10,567
Interest cost	486,154	562,636	489,297	513,029	797,797	985,820
Experience (gains)/losses	227,404	547,357	(606,418)	1,711	-	(178,099)
Assumption changes	(554,336)	795,978	(1,111,822)	(60,691)	2,379,342	2,676,759
Plan amendments	-	-	-	-	-	-
Projected benefit payments	(1,347,592)	(1,355,467)	(1,356,560)	(1,386,379)	(1,420,857)	(1,425,677)
Total pension liability - end of year	<u>\$ 16,936,338</u>	<u>\$ 18,095,597</u>	<u>\$ 17,519,874</u>	<u>\$ 20,074,686</u>	<u>\$ 20,977,077</u>	<u>\$ 19,201,969</u>
<b>Plan Fiduciary Net Position:</b>						
Plan fiduciary net position - beginning of year	\$ 763,592	\$ 756,901	\$ 741,320	\$ 787,611	\$ 782,880	\$ 795,394
Administrative	(3,000)	-	(35)	(4,450)	(6,001)	-
Non-employer contributing entity contributions	1,340,080	1,359,986	1,379,034	1,364,012	1,409,222	1,413,163
Actual benefit payments	(1,515,459)	(1,353,295)	(1,363,418)	(1,405,853)	(1,398,490)	(1,425,677)
Plan fiduciary net position - end of year	<u>\$ 585,213</u>	<u>\$ 763,592</u>	<u>\$ 756,901</u>	<u>\$ 741,320</u>	<u>\$ 787,611</u>	<u>\$ 782,880</u>
<b>Net Pension Liability</b>	<u>\$ 16,351,125</u>	<u>\$ 17,332,005</u>	<u>\$ 16,762,973</u>	<u>\$ 19,333,366</u>	<u>\$ 20,189,466</u>	<u>\$ 18,419,089</u>
<b>1937 Firefighters' Pension</b>						
<b>Total Pension Liability:</b>						
Total pension liability - beginning of year	\$ 27,182,688	\$ 27,573,516	\$ 31,563,080	\$ 34,780,160	\$ 31,755,489	\$ 27,586,310
Service cost	-	-	-	-	-	-
Interest cost	753,705	843,915	783,385	830,569	1,318,268	1,581,245
Experience (gains)/losses	1,245,739	(433,951)	(825,334)	(1,706,681)	-	526,248
Assumption changes	(868,298)	1,223,513	(1,791,378)	(97,894)	4,044,868	4,526,150
Plan amendments	-	-	-	-	-	-
Projected benefit payments	(2,041,950)	(2,024,305)	(2,156,237)	(2,243,074)	(2,338,465)	(2,464,464)
Total pension liability - end of year	<u>\$ 26,271,884</u>	<u>\$ 27,182,688</u>	<u>\$ 27,573,516</u>	<u>\$ 31,563,080</u>	<u>\$ 34,780,160</u>	<u>\$ 31,755,489</u>
<b>Plan Fiduciary Net Position:</b>						
Plan fiduciary net position - beginning of year	\$ 955,915	\$ 953,399	\$ 980,987	\$ 1,003,077	\$ 887,820	\$ 1,018,421
Administration	(7,914)	-	(100)	(7,875)	(7,314)	(6,848)
Non-employer contributing entity contributions	2,064,343	2,059,663	2,171,516	2,241,138	2,459,100	2,340,711
Actual benefit payments	(1,997,260)	(2,057,147)	(2,199,004)	(2,255,353)	(2,336,529)	(2,464,464)
Plan fiduciary net position - end of year	<u>\$ 1,015,084</u>	<u>\$ 955,915</u>	<u>\$ 953,399</u>	<u>\$ 980,987</u>	<u>\$ 1,003,077</u>	<u>\$ 887,820</u>
<b>Net Pension Liability</b>	<u>\$ 25,256,800</u>	<u>\$ 26,226,773</u>	<u>\$ 26,620,117</u>	<u>\$ 30,582,093</u>	<u>\$ 33,777,083</u>	<u>\$ 30,867,669</u>

Notes:

\* Information presented for the years information is available.

(Continued on next page)

CITY OF MISHAWAKA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years\*

<b>Utilities Pension</b>	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>					
Total pension liability - beginning of year	\$ 23,001,227	\$ 22,338,927	\$ 22,565,043	\$ 21,966,679	\$ 20,177,128
Service cost	578,732	572,487	531,666	551,697	547,910
Interest cost	1,551,071	1,508,344	1,520,132	1,482,659	1,367,260
Experience (gains)/losses	(257,443)	(237,501)	(931,461)	(135,067)	41,160
Assumption changes	(73,486)	(136,901)	(282,632)	(279,902)	699,670
Plan amendments	(1,109,774)	(1,044,129)	(1,063,821)	(1,021,023)	(866,449)
Total pension liability - end of year	<u>\$ 23,690,327</u>	<u>\$ 23,001,227</u>	<u>\$ 22,338,927</u>	<u>\$ 22,565,043</u>	<u>\$ 21,966,679</u>
<b>Plan Fiduciary Net Position:</b>					
Plan fiduciary net position - beginning of year	\$ 21,292,912	\$ 18,510,885	\$ 17,431,518	\$ 17,659,728	\$ 16,901,219
Employer contributions	1,057,700	1,094,354	1,047,200	1,025,201	867,363
Employee contributions	-	-	-	-	-
Non-employer contributing entity contributions	-	-	-	-	-
Investment return	(1,148,432)	2,789,417	1,153,814	(173,954)	813,594
Actual benefit payments	(1,109,774)	(1,044,129)	(1,063,821)	(1,021,023)	(866,449)
Administrative and project expenses	(77,617)	(57,615)	(57,826)	(58,434)	(55,999)
Plan fiduciary net position - end of year	<u>\$ 20,014,789</u>	<u>\$ 21,292,912</u>	<u>\$ 18,510,885</u>	<u>\$ 17,431,518</u>	<u>\$ 17,659,728</u>
<b>Net Pension Liability</b>	<u>\$ 3,675,538</u>	<u>\$ 1,708,315</u>	<u>\$ 3,828,042</u>	<u>\$ 5,133,525</u>	<u>\$ 4,306,951</u>

Notes:

\* Information presented for the years information is available.

CITY OF MISHAWAKA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years\*

	2018	2017	2016	2015	2014	2013
<b><u>1925 Police Officers' Pension Plan</u></b>						
Total pension liability	\$ 16,936,338	\$ 18,095,597	\$ 17,519,874	\$ 20,074,686	\$ 20,977,077	\$ 19,201,969
Less plan fiduciary net position	(585,213)	(763,592)	(756,901)	(741,320)	(787,611)	(782,880)
Net pension liability	<u>\$ 16,351,125</u>	<u>\$ 17,332,005</u>	<u>\$ 16,762,973</u>	<u>\$ 19,333,366</u>	<u>\$ 20,189,466</u>	<u>\$ 18,419,089</u>
Plan fiduciary net position as a percentage of the total pension liability	3.46%	4.22%	4.32%	3.69%	3.75%	4.08%
Covered payroll	**	**	**	**	**	**
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
<b><u>1937 Firefighters' Pension Plan</u></b>						
Total pension liability	\$ 26,271,884	\$ 27,182,688	\$ 27,573,516	\$ 31,563,080	\$ 34,780,160	\$ 31,755,489
Less plan fiduciary net position	(1,015,084)	(955,915)	(953,399)	(980,987)	(1,003,077)	(887,820)
Net pension liability	<u>\$ 25,256,800</u>	<u>\$ 26,226,773</u>	<u>\$ 26,620,117</u>	<u>\$ 30,582,093</u>	<u>\$ 33,777,083</u>	<u>\$ 30,867,669</u>
Plan fiduciary net position as a percentage of the total pension liability	3.86%	3.52%	3.46%	3.11%	2.88%	2.80%
Covered payroll	**	**	**	**	**	**
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
<b><u>Utilities Pension Plan</u></b>						
Total pension liability	\$ 23,690,327	\$ 23,001,227	\$ 22,338,927	\$ 22,565,043	\$ 21,966,679	\$ 20,177,128
Less plan fiduciary net position	(20,014,789)	(21,292,912)	(18,510,885)	(17,431,516)	(17,659,728)	(16,901,219)
Net pension liability	<u>\$ 3,675,538</u>	<u>\$ 1,708,315</u>	<u>\$ 3,828,042</u>	<u>\$ 5,133,527</u>	<u>\$ 4,306,951</u>	<u>\$ 3,275,909</u>
Plan fiduciary net position as a percentage of the total pension liability	84.49%	92.57%	82.86%	77.25%	80.39%	83.76%
Covered payroll	\$ 6,331,338	\$ 6,211,193	\$ 6,012,037	\$ 6,119,311	\$ 6,361,099	\$ 6,159,487
Net pension liability as a percentage of covered payroll	58.05%	27.50%	63.67%	83.89%	67.71%	N/A

Notes:

\* Information presented for the years information is available.

\*\* Not available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 Last 10 Fiscal Years\*

**1925 Police Officers' Pension Plan**

	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,515,459	\$ 1,347,955	\$ 1,358,078	\$ 1,405,853	\$ 1,398,490	\$ 1,425,677
Less contributions in relation to the actuarially determined contribution	(1,515,459)	(1,347,955)	(1,358,078)	(1,405,853)	(1,398,490)	(1,425,677)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Covered employee payroll \*\*                      \*\*                      \*\*                      \*\*                      \*\*                      \*\*

Contributions as a percentage of covered employee payroll N/A                      N/A                      N/A                      N/A                      N/A                      N/A

**1937 Firefighters' Pension Plan**

	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,997,260	\$ 2,046,698	\$ 2,188,594	\$ 2,255,353	\$ 2,336,529	\$ 2,464,464
Less contributions in relation to the actuarially determined contribution	(1,997,260)	(2,046,698)	(2,188,594)	(2,255,353)	(2,336,529)	(2,464,464)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Covered employee payroll \*\*                      \*\*                      \*\*                      \*\*                      \*\*                      \*\*

Contributions as a percentage of covered employee payroll N/A                      N/A                      N/A                      N/A                      N/A                      N/A

**Utilities Pension Plan**

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 882,692	\$ 910,977	\$ 956,702	\$ 1,012,206	\$ 897,211	\$ 841,896	\$ 674,395	\$ 589,148	\$ 595,072
Less contributions in relation to the actuarially determined contribution	(1,057,700)	(1,094,354)	(1,047,200)	(1,025,201)	(867,363)	(874,082)	(936,366)	(598,801)	(610,528)
Contribution deficiency (excess)	<u>\$ (175,008)</u>	<u>\$ (183,377)</u>	<u>\$ (90,498)</u>	<u>\$ (12,995)</u>	<u>\$ 29,848</u>	<u>\$ (32,186)</u>	<u>\$ (261,971)</u>	<u>\$ (9,653)</u>	<u>\$ (15,456)</u>

Covered employee payroll \$ 6,331,338    \$ 6,211,193    \$ 6,012,037    \$ 6,119,311    \$ 6,361,099    \$ 6,159,487    \$ 5,797,047    \$ 5,685,044    \$ 5,891,118

Contributions as a percentage of covered employee payroll 16.71%                      17.62%                      17.42%                      16.75%                      13.64%                      14.19%                      16.15%                      10.53%                      10.36%

Notes:

\* Information presented for the years information is available.

\*\* Not available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS  
 Last 10 Fiscal Years\*

<b><u>1925 Police Officers' Pension Plan</u></b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>				
Annual money-weighted rate of return, net of investment expense	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **				
<b><u>1937 Firefighters' Pension Plan</u></b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>				
Annual money-weighted rate of return, net of investment expense	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **				
<b><u>Utilities Pension Plan</u></b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual money-weighted rate of return, net of investment expense	-5.41%	15.07%	6.64%	-1.30%	4.50%	13.40%	11.40%	-0.70%	11.00%	21.90%

Notes:

\* Information presented for the years information is available.

\*\* The City pension funds do not have investments and, therefore, no returns on investment to report.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
 Last 10 Years\*

<b>NET OPEB LIABILITY</b>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>	
Service cost	\$ 2,763,976
Interest	2,000,815
Change in Plan Provisions	-
Differences between expected and actual experience	(7,188,975)
Changes in assumptions	(4,845,588)
Benefit payments	<u>(1,993,055)</u>
Net change in Total Pension Liability	(9,262,827)
Total pension liability - beginning of year	<u>56,387,288</u>
Total pension liability - end of year (1)	<u>\$ 47,124,461</u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions	\$ 1,993,055
Net Transfers into (out of) Trust	-
Net investment income	-
Benefit payments	(1,993,055)
Administrative expenses	-
Other	<u>-</u>
Net change in Plan Fiduciary Net Position	-
Plan fiduciary net position - beginning of year	<u>-</u>
Plan fiduciary net position - end of year (2)	<u>\$ -</u>
Total Pension Liability (Asset) - End of Year (1) - (2)	<u>\$ 47,124,461</u>

Notes to Schedule:

\* Information presented for the years information is available.

CITY OF MISHAWAKA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF NET OPEB LIABILITY  
 Last 10 Years\*

	2018
1. Total OPEB Liability	\$ 47,124,461
2. Plan Fiduciary Net Position	-
3. Total OPEB Liability	\$ 47,124,461
4. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability = (2) / (1)	-
5. Covered Payroll	N/A
6. Total OPEB Liability as a Percentage of Covered-Employee Payroll = (3) / (5)	N/A

Notes to schedule:

\* Information presented for the years information is available.

## DESCRIPTION - 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.
Public Safety -	To account for distributions of the Public Safety Local Option Income Tax. These funds can only be used for public safety.
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.
LOIT Special Distribution -	To account for a one-time distribution of income taxes to be held and used only for infrastructure improvements.
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.
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.
Trash Collection -	To account for transaction related to trash collections. Residents are billed monthly for collections and the City has a contract to provide services.
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.



**NONMAJOR GOVERNMENTAL FUNDS  
(Continued)**

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 and for the First Time Home Buyers program. Pay back monies from loans are also used for this purpose.
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 federal funds received for criminal prevention and intervention programs coordinated by the police department.
NSP (3) Grant -	To account for federal funds received for a neighborhood stabilization program.
Local Road and Bridge Matching Grant -	To account for grant matching funds funds received for street improvements.
<u>Debt Service Funds</u>	
Mill at Iron Works Bond Debt Service Reserve -	To account for reserve funds for the Mill at Iron Works Bonds. Funding is provided by transfers from other City funds.
Mill at Iron Works Bond and Interest -	To account for debt retirement of the Mill at Iron Works bond project.
Mishawaka Building Corporation Debt Service -	To account for debt retirement of the Building Corporation's Mortgage Bonds. Funding is provided by transfers from other City funds.
Consolidated TIF Bond and Interest -	To account for debt retirement of the Battell Center project.

**NONMAJOR GOVERNMENTAL FUNDS  
(Continued)**

Capital Projects Funds

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.
Local Major Moves Construction -	To account for financial resources related to construction of highways, roads and bridges. Financing was provided by a one-time distribution from the proceeds of a seventy-five year lease of the state's toll road.
Cumulative Capital Development -	To account for financial resources related to development projects. Financing is provided by a specific property tax levy.
2017 Bonds Construction Fund -	To account for financial resources related to the 2017 EDIT Bonds and Construction of the Iron Works project.
County Economic Development Income Tax (CEDIT) -	To account for financial resources related to development projects. Financing is provided by a tax on income.

CITY OF MISHAWAKA  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2018

	Special Revenue						
	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park and Recreation Gift	Public Safety	Rainy Day	LOIT Special Distribution
<b>Assets</b>							
Cash and Cash Equivalents	\$ 1,893,283	\$ 306,174	\$ 1,408,252	\$ 108,555	\$ 2,209,075	\$ 586,340	\$ 5,977
Receivables (Net of Allowances for Uncollectibles):							
Interest	-	-	-	-	-	-	-
Taxes	20,422	-	57,741	-	-	-	-
Accounts	-	-	2,115	-	-	-	-
Intergovernmental	438,378	133,865	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Total assets	<u>\$ 2,352,083</u>	<u>\$ 440,039</u>	<u>\$ 1,468,108</u>	<u>\$ 108,555</u>	<u>\$ 2,209,075</u>	<u>\$ 586,340</u>	<u>\$ 5,977</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 21,519	\$ -	\$ 44,630	\$ 120	\$ 45,125	\$ -	\$ -
Accrued payroll and withholdings payable	34,783	-	16,687	-	-	-	-
Contracts payable	-	-	-	-	-	-	-
Total liabilities	<u>56,302</u>	<u>-</u>	<u>61,317</u>	<u>120</u>	<u>45,125</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources - property taxes	<u>20,422</u>	<u>-</u>	<u>57,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>							
Non-spendable							
Long-term loans receivable	-	-	-	-	-	-	-
Restricted	2,221,935	440,039	1,273,238	108,435	1,778,270	-	5,977
Committed	-	-	-	-	-	586,340	-
Assigned	53,424	-	75,812	-	385,680	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>2,275,359</u>	<u>440,039</u>	<u>1,349,050</u>	<u>108,435</u>	<u>2,163,950</u>	<u>586,340</u>	<u>5,977</u>
Total liabilities and fund balances	<u>\$ 2,352,083</u>	<u>\$ 440,039</u>	<u>\$ 1,468,108</u>	<u>\$ 108,555</u>	<u>\$ 2,209,075</u>	<u>\$ 586,340</u>	<u>\$ 5,977</u>

(Continued on next page)

CITY OF MISHAWAKA  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2018  
 (Continued)

	Special Revenue						Law Enforcement Continuing Education
	Police Drug Investigation Assistance	Off-Street Parking	Sidewalk and Curb Repair	Industrial Development	Trash Collection	Mishawaka Gift	
<b>Assets</b>							
Cash and Cash Equivalents	\$ 69,973	\$ 8,503	\$ -	\$ 58,158	\$ 950,846	\$ 350,424	\$ 147,633
Receivables (Net of Allowances for Uncollectibles):							
Interest	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	2,508
Intergovernmental	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Total assets	<u>\$ 69,973</u>	<u>\$ 8,503</u>	<u>\$ -</u>	<u>\$ 58,158</u>	<u>\$ 950,846</u>	<u>\$ 350,424</u>	<u>\$ 150,141</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 192,884	\$ -	\$ 12,653
Accrued payroll and withholdings payable	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,884</u>	<u>-</u>	<u>12,653</u>
Deferred inflows of resources - property taxes	-	-	-	-	-	-	-
<b>Fund Balances:</b>							
Non-spendable							
Long-term loans receivable	-	-	-	-	-	-	-
Restricted	69,973	8,503	-	58,158	757,962	350,424	124,835
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	12,653
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>69,973</u>	<u>8,503</u>	<u>-</u>	<u>58,158</u>	<u>757,962</u>	<u>350,424</u>	<u>137,488</u>
Total liabilities and fund balances	<u>\$ 69,973</u>	<u>\$ 8,503</u>	<u>\$ -</u>	<u>\$ 58,158</u>	<u>\$ 950,846</u>	<u>\$ 350,424</u>	<u>\$ 150,141</u>

(Continued on next page)

CITY OF MISHAWAKA  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2018  
 (Continued)

Special Revenue

	Bicentennial Gift	Community Development	Property Rehabilitation Revolving	Park Nonreverting Operating	Criminal Assistance Grant	NSP (3) Grant	Local Road and Bridge Matching Grant	Totals
<b>Assets</b>								
Cash and Cash Equivalents	\$ 1,361	\$ 100	\$ 138,471	\$ 545,243	\$ 82,583	\$ -	\$ -	\$ 8,870,951
Receivables (Net of Allowances for Uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	78,163
Accounts	-	-	-	-	-	-	-	4,623
Intergovernmental	-	-	-	-	-	-	-	572,243
Loans	-	302,578	-	-	-	-	-	302,578
Total assets	<u>\$ 1,361</u>	<u>\$ 302,678</u>	<u>\$ 138,471</u>	<u>\$ 545,243</u>	<u>\$ 82,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,828,558</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ -	\$ 390	\$ 14,543	\$ -	\$ -	\$ -	\$ 331,864
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	51,470
Contracts payable	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>390</u>	<u>14,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,334</u>
Deferred inflows of resources - property taxes	-	-	-	-	-	-	-	78,163
<b>Fund Balances:</b>								
Non-spendable								
Long-term loans receivable	-	-	-	-	-	-	-	-
Restricted	1,361	302,678	138,081	512,340	82,583	-	-	8,234,792
Committed	-	-	-	-	-	-	-	586,340
Assigned	-	-	-	18,360	-	-	-	545,929
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>1,361</u>	<u>302,678</u>	<u>138,081</u>	<u>530,700</u>	<u>82,583</u>	<u>-</u>	<u>-</u>	<u>9,367,061</u>
Total liabilities and fund balances	<u>\$ 1,361</u>	<u>\$ 302,678</u>	<u>\$ 138,471</u>	<u>\$ 545,243</u>	<u>\$ 82,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,828,558</u>

(Continued on next page)

CITY OF MISHAWAKA  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2018  
 (Continued)

	Mill at Iron Works Debt Service Reserve	Mill at Iron Works Bond and Interest	Debt Service Mishawaka Building Corporation Debt Service	Consolidated TIF Bond and Interest	Totals
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,111,648	\$ -	\$ -	\$ 1,149,331	\$ 2,260,979
Receivables (Net of Allowances for Uncollectibles):					
Interest	-	-	-	-	-
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Loans	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,111,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149,331</u>	<u>\$ 2,260,979</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources - property taxes	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Non-spendable					
Long-term loans receivable	-	-	-	-	-
Restricted	1,111,648	-	-	1,149,331	2,260,979
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,111,648</u>	<u>-</u>	<u>-</u>	<u>1,149,331</u>	<u>2,260,979</u>
Total liabilities and fund balances	<u>\$ 1,111,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149,331</u>	<u>\$ 2,260,979</u>

(Continued on next page)

CITY OF MISHAWAKA  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2018  
 (Continued)

	Capital Projects			
	Cumulative Capital Improvement	Cumulative Sewer	Local Major Moves Construction	Cumulative Capital Development
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,850,023	\$ 2,669,060	\$ -	\$ 557,874
Receivables (Net of Allowances for Uncollectibles):				
Interest	-	-	-	-
Taxes	9,914	10,080	-	14,100
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Loans	-	-	-	-
Total assets	<u>\$ 1,859,937</u>	<u>\$ 2,679,140</u>	<u>\$ -</u>	<u>\$ 571,974</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ 27,570	\$ -	\$ 4,547
Accrued payroll and withholdings payable	-	-	-	-
Contracts payable	-	-	-	-
Total liabilities	<u>-</u>	<u>27,570</u>	<u>-</u>	<u>4,547</u>
Deferred inflows of resources - property taxes	<u>9,914</u>	<u>10,080</u>	<u>-</u>	<u>14,100</u>
Fund Balances:				
Non-spendable				
Long-term loans receivable	-	-	-	-
Restricted	1,850,023	2,501,722	-	379,232
Committed	-	-	-	-
Assigned	-	139,768	-	174,095
Unassigned	-	-	-	-
Total fund balances	<u>1,850,023</u>	<u>2,641,490</u>	<u>-</u>	<u>553,327</u>
Total liabilities and fund balances	<u>\$ 1,859,937</u>	<u>\$ 2,679,140</u>	<u>\$ -</u>	<u>\$ 571,974</u>

(Continued on next page)

CITY OF MISHAWAKA  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2018  
 (Continued)

	Capital Projects			Total Nonmajor Governmental Funds
	CEDIT	2017 Bonds Construction Fund	Totals	
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 3,593,979	\$ 82,034	\$ 8,752,970	\$ 19,884,900
Receivables (Net of Allowances for Uncollectibles):				
Interest	-	164	164	164
Taxes	-	-	34,094	112,257
Accounts	-	-	-	4,623
Intergovernmental	-	-	-	572,243
Loans	-	-	-	302,578
	-	-	-	-
Total assets	<b>\$ 3,593,979</b>	<b>\$ 82,198</b>	<b>\$ 8,787,228</b>	<b>\$ 20,876,765</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ 80,323	\$ -	\$ 112,440	\$ 444,304
Accrued payroll and withholdings payable	-	-	-	51,470
Contracts payable	39,000	-	39,000	39,000
	119,323	-	151,440	534,774
Total liabilities	<b>119,323</b>	<b>-</b>	<b>151,440</b>	<b>534,774</b>
Deferred inflows of resources - property taxes	-	-	34,094	112,257
	-	-	34,094	112,257
<b>Fund Balances:</b>				
Non-spendable				
Long-term loans receivable	-	-	-	-
Restricted	885,000	82,198	5,698,175	16,193,946
Committed	1,882,908	-	1,882,908	2,469,248
Assigned	706,748	-	1,020,611	1,566,540
Unassigned	-	-	-	-
	-	-	-	-
Total fund balances	<b>3,474,656</b>	<b>82,198</b>	<b>8,601,694</b>	<b>20,229,734</b>
Total liabilities and fund balances	<b>\$ 3,593,979</b>	<b>\$ 82,198</b>	<b>\$ 8,787,228</b>	<b>\$ 20,876,765</b>



CITY OF MISHAWAKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES -  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2018

	Special Revenue						
	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park and Recreation Gift	Public Safety	Rainy Day	LOIT Special Distribution
<b>Revenues:</b>							
<b>Taxes:</b>							
Property	\$ 805,859	\$ -	\$ 2,278,478	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,281,152	790,089	167,946	-	2,899,682	-	-
Charges for services	938,498	-	476,381	147,386	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interest	4,505	-	-	-	-	-	-
Sale and use of property	32,778	-	118,058	-	-	-	-
Gifts and donations	-	-	-	39,495	-	-	-
Other	8,806	-	14,426	-	676	-	-
<b>Total Revenues</b>	<b>4,071,598</b>	<b>790,089</b>	<b>3,055,289</b>	<b>186,881</b>	<b>2,900,358</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	1,931,091	-	-
Highways and streets	3,163,750	289,423	-	-	-	-	254,237
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	3,046,822	168,561	-	-	-
Community development	-	-	-	-	-	-	-
<b>Debt Service:</b>							
Principal	-	-	-	-	259,072	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
<b>Capital Outlay:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>3,163,750</b>	<b>289,423</b>	<b>3,046,822</b>	<b>168,561</b>	<b>2,190,163</b>	<b>-</b>	<b>254,237</b>
<b>Excess (deficiency) of revenues Over (under) expenditures</b>	<b>907,848</b>	<b>500,666</b>	<b>8,467</b>	<b>18,320</b>	<b>710,195</b>	<b>-</b>	<b>(254,237)</b>
<b>Other financing sources (uses):</b>							
Issuance of debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(183,000)	(467,000)	-	-	(561,107)	-	-
Bond issuance costs	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>(183,000)</b>	<b>(467,000)</b>	<b>-</b>	<b>-</b>	<b>(561,107)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>724,848</b>	<b>33,666</b>	<b>8,467</b>	<b>18,320</b>	<b>149,088</b>	<b>-</b>	<b>(254,237)</b>
<b>Fund Balances - January 1</b>	<b>1,550,511</b>	<b>406,373</b>	<b>1,340,583</b>	<b>90,115</b>	<b>2,014,862</b>	<b>586,340</b>	<b>260,214</b>
<b>Fund Balances - December 31</b>	<b>\$ 2,275,359</b>	<b>\$ 440,039</b>	<b>\$ 1,349,050</b>	<b>\$ 108,435</b>	<b>\$ 2,163,950</b>	<b>\$ 586,340</b>	<b>\$ 5,977</b>

(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, 2018  
 (Continued)

	Special Revenue						Law Enforcement Continuing Education
	Police Drug Investigation Assistance	Off-Street Parking	Sidewalk and Curb Repair	Industrial Development	Trash Collection	Mishawaka Gift	
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	7,167	-	-	-	-	19,296
Intergovernmental	68,773	-	-	-	-	-	-
Charges for services	-	-	-	-	2,284,319	-	41,621
Fines and forfeits	-	-	-	-	-	-	998
Interest	-	-	-	-	-	-	-
Sale and use of property	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	71,248	-
Other	-	-	20,360	-	178,603	-	84
Total Revenues	<u>68,773</u>	<u>7,167</u>	<u>20,360</u>	<u>-</u>	<u>2,462,922</u>	<u>71,248</u>	<u>61,999</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	9,212	-	-	-	-	47,792
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	2,488,819	-	-
Culture and recreation	-	-	-	-	-	75,597	-
Community development	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Capital Outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	23,626	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>9,212</u>	<u>23,626</u>	<u>-</u>	<u>2,488,819</u>	<u>75,597</u>	<u>47,792</u>
Excess (deficiency) of revenues							
Over (under) expenditures	<u>68,773</u>	<u>(2,045)</u>	<u>(3,266)</u>	<u>-</u>	<u>(25,897)</u>	<u>(4,349)</u>	<u>14,207</u>
Other financing sources (uses):							
Issuance of debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	68,773	(2,045)	(3,266)	-	(25,897)	(4,349)	14,207
Fund Balances - January 1	1,200	10,548	3,266	58,158	783,858	354,773	123,281
Fund Balances - December 31	<u>\$ 69,973</u>	<u>\$ 8,503</u>	<u>\$ -</u>	<u>\$ 58,158</u>	<u>\$ 757,962</u>	<u>\$ 350,424</u>	<u>\$ 137,488</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, 2018  
 (Continued)

	Special Revenue							
	Bicentennial Gift	Community Development	Property Rehabilitation Revolving	Park Nonreverting Operating	Criminal Assistance Grant	NSP (3) Grant	Local Road and Bridge Matching Grant	Totals
<b>Revenues:</b>								
<b>Taxes:</b>								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,084,337
Licenses and permits	-	-	-	-	-	-	-	26,463
Intergovernmental	-	799,668	-	-	118,996	-	650,000	7,776,306
Charges for services	-	-	-	204,064	-	-	-	4,092,269
Fines and forfeits	-	-	-	-	-	-	-	998
Interest	21	-	-	-	-	-	-	4,526
Sale and use of property	-	-	-	-	-	-	-	150,836
Gifts and donations	-	-	47,538	-	-	-	-	158,281
Other	-	9,496	-	-	-	-	-	232,451
<b>Total Revenues</b>	<b>21</b>	<b>809,164</b>	<b>47,538</b>	<b>204,064</b>	<b>118,996</b>	<b>-</b>	<b>650,000</b>	<b>15,526,467</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	118,996	-	-	2,107,091
Highways and streets	-	-	-	-	-	-	-	3,707,410
Sanitation	-	-	-	-	-	-	-	2,488,819
Culture and recreation	-	-	-	128,265	-	-	-	3,419,245
Community development	-	862,296	49,413	-	-	52,706	-	964,415
<b>Debt Service:</b>								
Principal	-	-	-	-	-	-	-	259,072
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Capital Outlay:</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	1,372,658	1,396,284
Culture and recreation	-	-	-	65,010	-	-	-	65,010
Community development	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>862,296</b>	<b>49,413</b>	<b>193,275</b>	<b>118,996</b>	<b>52,706</b>	<b>1,372,658</b>	<b>14,407,346</b>
<b>Excess (deficiency) of revenues</b>								
Over (under) expenditures	21	(53,132)	(1,875)	10,789	-	(52,706)	(722,658)	1,119,121
<b>Other financing sources (uses):</b>								
Issuance of debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	650,000	650,000
Transfers out	-	-	-	-	-	-	-	(1,211,107)
Bond issuance costs	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>650,000</b>	<b>(561,107)</b>
<b>Net change in fund balances</b>	<b>21</b>	<b>(53,132)</b>	<b>(1,875)</b>	<b>10,789</b>	<b>-</b>	<b>(52,706)</b>	<b>(72,658)</b>	<b>558,014</b>
<b>Fund Balances - January 1</b>	<b>1,340</b>	<b>355,810</b>	<b>139,956</b>	<b>519,911</b>	<b>82,583</b>	<b>52,706</b>	<b>72,658</b>	<b>8,809,046</b>
<b>Fund Balances - December 31</b>	<b>\$ 1,361</b>	<b>\$ 302,678</b>	<b>\$ 138,081</b>	<b>\$ 530,700</b>	<b>\$ 82,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,367,061</b>

(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, 2018  
 (Continued)

	Debt Service				Totals
	Mill at Iron Works Debt Service Reserve	Mill at Iron Works Bond and Interest	Mishawaka Building Corporation Debt Service	Consolidated TIF Bond and Interest	
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Interest	11,780	58	-	1,045	12,883
Sale and use of property	-	-	-	-	-
Gifts and donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>11,780</u>	<u>58</u>	<u>-</u>	<u>1,045</u>	<u>12,883</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Sanitation	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Debt Service:					
Principal	-	-	487,038	1,085,000	1,572,038
Interest and fiscal charges	-	-	74,069	179,813	253,882
Capital Outlay:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>561,107</u>	<u>1,264,813</u>	<u>1,825,920</u>
Excess (deficiency) of revenues					
Over (under) expenditures	<u>11,780</u>	<u>58</u>	<u>(561,107)</u>	<u>(1,263,768)</u>	<u>(1,813,037)</u>
Other financing sources (uses):					
Issuance of debt	-	-	-	-	-
Transfers in	-	-	561,107	2,346,844	2,907,951
Transfers out	-	(25,635)	-	-	(25,635)
Bond issuance costs	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>(25,635)</u>	<u>561,107</u>	<u>2,346,844</u>	<u>2,882,316</u>
Net change in fund balances	11,780	(25,577)	-	1,083,076	1,069,279
Fund Balances - January 1	<u>1,099,868</u>	<u>25,577</u>	<u>-</u>	<u>66,255</u>	<u>1,191,700</u>
Fund Balances - December 31	<u>\$ 1,111,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149,331</u>	<u>\$ 2,260,979</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, 2018  
 (Continued)

	Capital Projects			
	Cumulative Capital Improvement	Cumulative Sewer	Local Major Moves Construction	Cumulative Capital Development
Revenues:				
Taxes:				
Property	\$ -	\$ 397,757	\$ -	\$ 556,399
Licenses and permits	-	105,108	-	-
Intergovernmental	112,795	29,319	-	41,012
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	-	-	2,542	-
Sale and use of property	-	-	-	-
Gifts and donations	-	-	-	-
Other	-	5,759	-	-
Total Revenues	<u>112,795</u>	<u>537,943</u>	<u>2,542</u>	<u>597,411</u>
Expenditures:				
Current:				
General government	-	-	-	235,395
Public safety	-	238,894	-	-
Highways and streets	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Community development	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital Outlay:				
General government	-	-	-	91,532
Public safety	-	175,774	-	-
Highways and streets	-	-	811,635	-
Culture and recreation	-	-	-	-
Community development	-	-	-	-
Total Expenditures	<u>-</u>	<u>414,668</u>	<u>811,635</u>	<u>326,927</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>112,795</u>	<u>123,275</u>	<u>(809,093)</u>	<u>270,484</u>
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Bond issuance costs	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	112,795	123,275	(809,093)	270,484
Fund Balances - January 1	<u>1,737,228</u>	<u>2,518,215</u>	<u>809,093</u>	<u>282,843</u>
Fund Balances - December 31	<u>\$ 1,850,023</u>	<u>\$ 2,641,490</u>	<u>\$ -</u>	<u>\$ 553,327</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, 2018  
 (Continued)

	Capital Projects			Total Nonmajor Governmental Funds
	CEDIT	2017 Bonds Construction Fund	Totals	
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ 954,156	\$ 4,038,493
Licenses and permits	-	-	105,108	131,571
Intergovernmental	4,119,517	-	4,302,643	12,078,949
Charges for services	1,549	-	1,549	4,093,818
Fines and forfeits	-	-	-	998
Interest	-	48,695	51,237	68,646
Sale and use of property	-	-	-	150,836
Gifts and donations	-	-	-	158,281
Other	-	-	5,759	238,210
Total Revenues	<u>4,121,066</u>	<u>48,695</u>	<u>5,420,452</u>	<u>20,959,802</u>
Expenditures:				
Current:				
General government	-	-	235,395	235,395
Public safety	-	-	238,894	2,345,985
Highways and streets	1,754,946	-	1,754,946	5,462,356
Sanitation	-	-	-	2,488,819
Culture and recreation	845,755	-	845,755	4,265,000
Community development	-	-	-	964,415
Debt Service:				
Principal	78,030	-	78,030	1,909,140
Interest and fiscal charges	40,815	-	40,815	294,697
Capital Outlay:				
General government	-	-	91,532	91,532
Public safety	222,939	-	398,713	398,713
Highways and streets	299,080	-	1,110,715	2,506,999
Culture and recreation	1,404,814	-	1,404,814	1,469,824
Community development	-	7,794,675	7,794,675	7,794,675
Total Expenditures	<u>4,646,379</u>	<u>7,794,675</u>	<u>13,994,284</u>	<u>30,227,550</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>(525,313)</u>	<u>(7,745,980)</u>	<u>(8,573,832)</u>	<u>(9,267,748)</u>
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Transfers in	-	25,635	25,635	3,583,586
Transfers out	-	-	-	(1,236,742)
Bond issuance costs	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>25,635</u>	<u>25,635</u>	<u>2,346,844</u>
Net change in fund balances	(525,313)	(7,720,345)	(8,548,197)	(6,920,904)
Fund Balances - January 1	<u>3,999,969</u>	<u>7,802,543</u>	<u>17,149,891</u>	<u>27,150,637</u>
Fund Balances - December 31	<u>\$ 3,474,656</u>	<u>\$ 82,198</u>	<u>\$ 8,601,694</u>	<u>\$ 20,229,734</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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property	\$ 290,385	\$ 290,385	\$ 805,858	\$ 515,473
Intergovernmental	2,902,262	2,902,262	3,241,895	339,633
Charges for services	6,840	6,840	-	(6,840)
Interest	-	-	4,505	4,505
Sale and use of property	-	-	32,778	32,778
Reimbursement	6,004	6,004	6,115	111
Miscellaneous	-	-	8,806	8,806
Total revenues	3,205,491	3,205,491	4,099,957	894,466
Expenditures:				
Current:				
Highways and streets:				
Personal services	2,620,590	2,659,683	2,475,748	183,935
Supplies	316,500	369,014	306,175	62,839
Other services and charges	614,000	610,909	500,895	110,014
Capital Outlay	183,000	-	-	-
Other Financing Uses	-	-	201	(201)
Transfers Out	-	183,000	183,000	-
Total highways and streets	3,734,090	3,822,606	3,466,019	356,587
Total expenditures	3,734,090	3,822,606	3,466,019	356,587
Excess (deficiency) of revenues over (under) expenditures	(528,599)	(617,115)	633,938	1,251,053
Net change in fund balances	(528,599)	(617,115)	633,938	1,251,053
Fund balances - beginning	1,105,470	1,105,470	1,105,470	-
Fund balances - ending	\$ 576,871	\$ 488,355	\$ 1,739,408	\$ 1,251,053
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 633,938	
To adjust revenues for accruals			(21,688)	
To adjust expenditures for accruals			59,174	
To adjust expenditures for encumbrances			53,424	
Net change in fund balance, GAAP basis			\$ 724,848	

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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 659,000	\$ 659,000	\$ 790,518	\$ 131,518
Total revenues	659,000	659,000	790,518	131,518
Expenditures:				
Current:				
Highways and streets:				
Capital outlay	680,000	756,424	756,424	-
Total highways and streets	680,000	756,424	756,424	-
Total expenditures	680,000	756,424	756,424	-
Excess (deficiency) of revenues over (under) expenditures	(21,000)	(97,424)	34,094	131,518
Net change in fund balances	(21,000)	(97,424)	34,094	131,518
Fund balances - beginning	223,718	223,718	223,718	-
Fund balances - ending	\$ 202,718	\$ 126,294	\$ 257,812	\$ 131,518
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ 34,094	
To adjust revenues for accruals			(428)	
To adjust expenditures for accruals			-	
To adjust expenditures for encumbrances			-	
Net change in fund balance, GAAP basis			\$ 33,666	



CITY OF MISHAWAKA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - PUBLIC SAFETY  
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 2,600,000	\$ 2,600,000	\$ 2,899,682	\$ 299,682
Charges for services	-	-	145	(145)
Miscellaneous	-	-	532	532
<b>Total revenues</b>	<b>2,600,000</b>	<b>2,600,000</b>	<b>2,900,359</b>	<b>300,069</b>
Expenditures:				
Current:				
Public safety:				
Supplies	75,000	90,580	70,429	20,151
Other services and charges	2,160,995	2,397,137	2,278,228	118,909
Capital outlay	782,000	877,082	786,070	91,012
<b>Total public safety</b>	<b>3,017,995</b>	<b>3,364,799</b>	<b>3,134,727</b>	<b>230,072</b>
<b>Total expenditures</b>	<b>3,017,995</b>	<b>3,364,799</b>	<b>3,134,727</b>	<b>230,072</b>
Excess (deficiency) of revenues over (under) expenditures	(417,995)	(764,799)	(234,368)	530,141
Net change in fund balances	(417,995)	(764,799)	(234,368)	530,431
Fund balances - beginning	1,778,814	1,778,814	1,778,814	-
Fund balances - ending	<u>\$ 1,360,819</u>	<u>\$ 1,014,015</u>	<u>\$ 1,544,446</u>	<u>\$ 530,431</u>
<b>Budget/GAAP Reconciliation</b>				
Net change in fund balance, budget basis			\$ (234,368)	
To adjust revenues for accruals			-	
To adjust expenditures for accruals			(2,224)	
To adjust expenditures for encumbrances			385,680	
Net change in fund balance, GAAP basis			<u>\$ 149,088</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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property	\$ 2,462,183	\$ 2,462,183	\$ 2,278,478	\$ (183,705)
Intergovernmental	160,339	160,339	167,946	7,607
Charges for services	600,000	600,000	380,027	(219,973)
Sale and use of property	-	-	229,753	229,753
Reimbursement	-	-	20	20
Miscellaneous	-	-	3,542	3,542
Total revenues	<u>3,222,522</u>	<u>3,222,522</u>	<u>3,059,766</u>	<u>(162,756)</u>
Expenditures:				
Current:				
Culture and recreation:				
Personal services	2,302,772	2,274,938	2,051,294	223,644
Supplies	308,000	335,478	311,166	24,312
Other services and charges	794,400	875,793	776,957	98,836
Other financing uses	-	-	6,731	(6,731)
Total expenditures	<u>3,405,172</u>	<u>3,486,209</u>	<u>3,146,148</u>	<u>340,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(182,650)</u>	<u>(263,687)</u>	<u>(86,382)</u>	<u>177,306</u>
Net change in fund balances	(182,650)	(263,687)	(86,382)	177,305
Fund balances - beginning	<u>1,384,454</u>	<u>1,384,454</u>	<u>1,384,454</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,201,804</u>	<u>\$ 1,120,767</u>	<u>\$ 1,298,072</u>	<u>\$ 177,305</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (86,382)	
To adjust revenues for accruals			(32,321)	
To adjust expenditures for accruals			51,358	
To adjust expenditures for encumbrances			75,812	
Net change in fund balance, GAAP basis			<u>\$ 8,467</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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Public safety:				
Other services and charges	\$ -	\$ -	\$ -	\$ -
Total public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	586,340	586,340	586,340	-
Fund balances - ending	\$ 586,340	\$ 586,340	\$ 586,340	\$ -
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ -	
To adjust revenues for accruals			-	
To adjust expenditures for accruals			-	
To adjust expenditures for encumbrances			-	
Net change in fund balance, 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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenue:</b>				
Licenses and permits	\$ 19,000	\$ 19,000	\$ 19,679	\$ 679
Charges for services	26,000	26,000	39,549	13,549
Fines and forfeits	4,000	4,000	998	(3,002)
Reimbursement	-	-	2,182	2,182
Miscellaneous	-	-	85	85
<b>Total revenues</b>	<b>49,000</b>	<b>49,000</b>	<b>62,493</b>	<b>13,493</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Public safety:</b>				
Supplies	25,000	28,727	28,665	62
Other services and charges	21,000	21,840	21,604	236
Capital outlay	29,000	29,400	6,839	22,561
<b>Total public safety</b>	<b>75,000</b>	<b>79,967</b>	<b>57,108</b>	<b>22,859</b>
<b>Total expenditures</b>	<b>75,000</b>	<b>79,967</b>	<b>57,108</b>	<b>22,859</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(26,000)</b>	<b>(30,967)</b>	<b>5,385</b>	<b>36,352</b>
<b>Net change in fund balances</b>	<b>(26,000)</b>	<b>(30,967)</b>	<b>5,385</b>	<b>36,352</b>
Fund balances - beginning	127,945	127,945	127,945	-
Fund balances - ending	<u>\$ 101,945</u>	<u>\$ 96,978</u>	<u>\$ 133,330</u>	<u>\$ 36,352</u>
<b>Budget/GAAP Reconciliation</b>				
Net change in fund balance, budget basis			\$ 5,385	
To adjust revenues for accruals			(494)	
To adjust expenditures for accruals			(3,337)	
To adjust expenditures for encumbrances			12,653	
<b>Net change in fund balance, GAAP basis</b>			<u>\$ 14,207</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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenue:</b>				
Charges for services	\$ 89,000	\$ 89,000	\$ 125,396	\$ 36,396
Sale and use of property	51,000	51,000	78,669	27,669
<b>Total revenues</b>	<b>140,000</b>	<b>140,000</b>	<b>204,065</b>	<b>64,065</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Culture and recreation:</b>				
Personal services	15,000	15,000	1,376	13,624
Other services and charges	150,500	150,500	69,576	80,924
Supplies	77,500	77,500	60,709	16,791
Other financing uses	65,000	65,248	65,011	237
Capital outlay	-	-	681	(681)
<b>Total expenditures</b>	<b>308,000</b>	<b>308,248</b>	<b>197,353</b>	<b>110,895</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(168,000)</b>	<b>(168,248)</b>	<b>6,712</b>	<b>174,960</b>
<b>Net change in fund balances</b>	<b>(168,000)</b>	<b>(168,248)</b>	<b>6,712</b>	<b>174,960</b>
<b>Fund balances - beginning</b>	<b>520,171</b>	<b>520,171</b>	<b>520,171</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 352,171</b>	<b>\$ 351,923</b>	<b>\$ 526,883</b>	<b>\$ 174,960</b>
<b><u>Budget/GAAP Reconciliation</u></b>				
Net change in fund balance, budget basis			\$ 6,712	
To adjust revenues for accruals			-	
To adjust expenditures for accruals			(14,283)	
To adjust expenditures for encumbrances			18,360	
<b>Net change in fund balance, GAAP basis</b>			<b>\$ 10,789</b>	

CITY OF MISHAWAKA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - LOIT SPECIAL DISTRIBUTION  
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Culture and recreation:				
Other services and charges	\$ -	\$ 75,250	\$ 75,250	\$ -
Capital outlay	180,000	219,523	219,523	-
Total expenditures	180,000	294,773	294,773	-
Excess (deficiency) of revenues over (under) expenditures	(180,000)	(294,773)	(294,773)	-
Net change in fund balances	(180,000)	(294,773)	(294,773)	-
Fund balances - beginning	300,750	300,750	300,750	-
Fund balances - ending	\$ 120,750	\$ 5,977	\$ 5,977	\$ -
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (294,773)	
To adjust revenues for accruals			-	
To adjust expenditures for accruals			40,536	
To adjust expenditures for encumbrances			-	
Net change in fund balance, GAAP basis			\$ (254,237)	

CITY OF MISHAWAKA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - LOCAL ROAD AND BRIDGE MATCHING GRANT  
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ -	\$ -	\$ 650,000	\$ (650,000)
Total revenues	-	-	650,000	(650,000)
Expenditures:				
Capital outlay:				
Highways and streets:				
Other services and charges	-	1,372,658	1,372,658	-
Total expenditures	-	1,372,658	1,372,658	-
Other financing sources:				
Transfer in	-	-	650,000	(650,000)
Excess (deficiency) of revenues over (under) expenditures	-	(1,372,658)	(72,658)	(1,300,000)
Fund balances - beginning	72,658	72,658	72,658	-
Fund balances - ending	\$ 72,658	\$ (1,300,000)	\$ -	\$ (1,300,000)
<u>Budget/GAAP Reconciliation:</u>				
Net change in fund balance, budget basis			\$ (72,658)	
To adjust revenues for accruals			-	
To adjust expenditures for accruals			-	
To adjust expenditures for encumbrances			-	
Net change in fund balance, GAAP basis			\$ (72,658)	

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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 109,000	\$ 109,000	\$ 112,795	\$ 3,795
Total revenues	109,000	109,000	112,795	3,795
Excess (deficiency) of revenues over (under) expenditures	109,000	109,000	112,795	3,795
To adjust expenditures for encumbrances	109,000	109,000	112,795	3,795
Fund balances - beginning	1,737,228	1,737,228	1,737,228	-
Fund balances - ending	<u>\$ 1,846,228</u>	<u>\$ 1,846,228</u>	<u>\$ 1,850,023</u>	<u>\$ 3,795</u>
<u>Budget/GAAP Reconciliation:</u>				
Net change in fund balance, budget basis			\$ 112,795	
To adjust revenues for accruals			(363)	
To adjust expenditures for accruals			363	
To adjust expenditures for encumbrances			-	
Net change in fund balance, GAAP basis			<u>\$ 112,795</u>	



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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property	\$ 481,298	\$ 481,298	\$ 397,756	\$ (83,542)
Licenses and permits	-	-	105,108	105,108
Intergovernmental	23,179	23,179	29,319	6,140
Reimbursement	-	-	5,760	5,760
Total revenues	<u>504,477</u>	<u>504,477</u>	<u>537,943</u>	<u>33,466</u>
Expenditures:				
Capital outlay:				
Public safety:				
Other services and charges	250,000	353,865	305,277	48,588
Capital outlay	<u>250,000</u>	<u>257,088</u>	<u>232,056</u>	<u>25,032</u>
Total expenditures	<u>500,000</u>	<u>610,953</u>	<u>537,333</u>	<u>73,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,477</u>	<u>(106,476)</u>	<u>610</u>	<u>107,086</u>
To adjust expenditures for encumbrances	4,477	(106,476)	610	107,086
Fund balances - beginning	<u>2,561,626</u>	<u>2,561,626</u>	<u>2,561,626</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,566,103</u>	<u>\$ 2,455,150</u>	<u>\$ 2,562,236</u>	<u>\$ 107,086</u>
<u>Budget/GAAP Reconciliation:</u>				
Net change in fund balance, budget basis			\$ 610	
To adjust revenues for accruals			(5,621)	
To adjust expenditures for accruals			(11,482)	
To adjust expenditures for encumbrances			<u>139,768</u>	
Net change in fund balance, GAAP basis			<u>\$ 123,275</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, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property	\$ 695,517	\$ 695,517	\$ 556,399	\$ (139,118)
Intergovernmental	33,491	33,491	41,012	7,521
Reimbursement	-	-	-	-
Total revenues	<u>729,008</u>	<u>729,008</u>	<u>597,411</u>	<u>(131,597)</u>
Expenditures:				
Capital outlay:				
General government:				
Other services and charges	300,000	315,309	314,922	387
Capital outlay	250,000	253,897	253,897	-
Total expenditures	<u>550,000</u>	<u>569,206</u>	<u>568,819</u>	<u>387</u>
Excess (deficiency) of revenues over (under) expenditures	<u>179,008</u>	<u>159,802</u>	<u>28,592</u>	<u>(131,210)</u>
To adjust expenditures for encumbrances	179,008	159,802	28,592	(131,210)
Fund balances - beginning	<u>309,057</u>	<u>309,057</u>	<u>309,057</u>	<u>-</u>
Fund balances - ending	<u>\$ 488,065</u>	<u>\$ 468,859</u>	<u>\$ 337,649</u>	<u>\$ (131,210)</u>
<u>Budget/GAAP Reconciliation:</u>				
Net change in fund balance, budget basis			\$ 28,592	
To adjust revenues for accruals			(7,863)	
To adjust expenditures for accruals			75,660	
To adjust expenditures for encumbrances			<u>174,095</u>	
Net change in fund balance, GAAP basis			<u>\$ 270,484</u>	

CITY OF MISHAWAKA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS - CEDIT  
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 3,725,000	\$ 3,725,000	\$ 4,000,672	\$ 275,672
Reimbursement	-	-	1,549	1,549
<b>Total revenues</b>	<b>3,725,000</b>	<b>3,725,000</b>	<b>4,002,221</b>	<b>277,221</b>
Expenditures:				
Capital outlay:				
General government:				
Supplies	450,000	544,529	467,933	76,596
Other services and charges	1,676,331	1,806,655	1,396,728	409,927
Highways and streets:				
Capital outlay	1,193,000	2,709,780	2,808,917	(99,137)
Culture and recreation:				
Capital outlay	250,000	192,756	93,620	99,136
Other services and charges	-	825,670	825,668	2
<b>Total expenditures</b>	<b>3,569,331</b>	<b>6,079,390</b>	<b>5,592,866</b>	<b>486,522</b>
Excess (deficiency) of revenues over (under) expenditures	155,669	(2,354,390)	(1,590,645)	763,743
To adjust expenditures for encumbrances	155,669	(2,354,390)	(1,590,645)	763,745
Fund balances - beginning	3,462,337	3,462,337	3,462,337	-
Fund balances - ending	<b>\$ 3,618,006</b>	<b>\$ 1,107,947</b>	<b>\$ 1,871,692</b>	<b>\$ 763,745</b>
<b>Budget/GAAP Reconciliation:</b>				
Net change in fund balance, budget basis			\$ (1,590,645)	
To adjust revenues for accruals			-	
To adjust expenditures for accruals			358,584	
To adjust expenditures for encumbrances			706,748	
Net change in fund balance, GAAP basis			<b>\$ (525,313)</b>	

CITY OF MISHAWAKA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS - LOCAL MAJOR MOVES CONSTRUCTION  
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Interest	\$ -	\$ -	\$ 2,542	\$ (2,542)
Total revenues	-	-	2,542	(2,542)
Expenditures:				
Capital outlay:				
Highways and streets:				
Capital outlay	-	823,573	823,573	-
Total expenditures	-	823,573	823,573	-
Excess (deficiency) of revenues over (under) expenditures	-	(823,573)	(821,031)	(2,542)
To adjust expenditures for encumbrances	-	(823,573)	(821,031)	2,542
Fund balances - beginning	805,935	805,935	805,935	-
Fund balances - ending	<u>\$ 805,935</u>	<u>\$ (17,638)</u>	<u>\$ (15,096)</u>	<u>\$ 2,542</u>
<u>Budget/GAAP Reconciliation:</u>				
Net change in fund balance, budget basis			\$ (821,031)	
To adjust revenues for accruals			-	
To adjust expenditures for accruals			11,938	
To adjust expenditures for encumbrances			-	
Net change in fund balance, GAAP basis			<u>\$ (809,093)</u>	

## DESCRIPTION - 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 state pension relief distributions.
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 state pension relief distributions.
Utility Pension -	To account for the provision of retirement benefits to utilities' employees. Financing is provided by contributions from each utility.

### **Agency Funds**

The City does not have agency funds.

CITY OF MISHAWAKA  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION -  
 FIDUCIARY FUNDS  
 December 31, 2018

	1925 Police Pension	1937 Firefighters' Pension	Utility Pension	Totals
<u>Assets</u>				
Contributions:				
Cash and cash equivalents	\$ 585,213	\$ 1,015,084	\$ 112,766	\$ 1,713,063
Receivables:				
Interest and dividends	-	-	38,431	38,431
Investments at fair value:				
Municipal bonds	-	-	563,775	563,775
Mutual funds	-	-	19,306,264	19,306,264
	<u>-</u>	<u>-</u>	<u>19,870,039</u>	<u>19,870,039</u>
Total investments	-	-	19,870,039	19,870,039
Total assets	<u>\$ 585,213</u>	<u>\$ 1,015,084</u>	<u>\$ 20,021,236</u>	<u>\$ 21,621,533</u>
<u>Liabilities</u>				
Net benefits due and unpaid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,447</u>	<u>\$ 6,447</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,447</u>	<u>\$ 6,447</u>
<u>Net Position Restricted for Pensions</u>				
Net position restricted for pensions	<u>\$ 585,213</u>	<u>\$ 1,015,084</u>	<u>\$ 20,014,789</u>	<u>\$ 21,615,086</u>

CITY OF MISHAWAKA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
 FIDUCIARY FUNDS  
 For the Year Ended December 31, 2018

	1925 Police Pension	1937 Firefighters' Pension	Utility Pension	Totals
<u>Additions:</u>				
Contributions:				
On behalf contributions Employer	\$ 1,343,280 -	\$ 2,067,543 -	\$ - 1,057,700	\$ 3,410,823 1,057,700
Total contributions	<u>1,343,280</u>	<u>2,067,543</u>	<u>1,057,700</u>	<u>4,468,523</u>
Investment income (loss):				
Net change in fair value of investments	-	-	(2,235,012)	(2,235,012)
Interest and dividends	-	-	1,086,710	1,086,710
Total investment income (loss)	-	-	(1,148,302)	(1,148,302)
Less investment expenses:				
Investment activity expense	-	-	(53,561)	(53,561)
Net investment income (loss)	-	-	(1,201,863)	(1,201,863)
Total additions	<u>1,343,280</u>	<u>2,067,543</u>	<u>(144,163)</u>	<u>3,266,660</u>
<u>Deductions:</u>				
Benefits	1,521,659	2,007,209	1,109,774	4,638,642
Administrative expense	-	1,165	24,187	25,352
Total deductions	<u>1,521,659</u>	<u>2,008,374</u>	<u>1,133,961</u>	<u>4,663,994</u>
Changes in net position	(178,379)	59,169	(1,278,124)	(1,397,334)
Net position - beginning	<u>763,592</u>	<u>955,915</u>	<u>21,292,913</u>	<u>23,012,420</u>
Net position - ending	<u>\$ 585,213</u>	<u>\$ 1,015,084</u>	<u>\$ 20,014,789</u>	<u>\$ 21,615,086</u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

**Report on Compliance for the Major Federal Program**

We have audited the City of Mishawaka's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2018. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the Major Federal Program***

In our opinion, the City complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)


**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

September 16, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MISHAWAKA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant				
CDBG 2014		14.218	B14MC180017	\$ -	\$ 9,020
CDBG 2015		14.218	B15MC180017	-	73,022
CDBG 2016		14.218	B16MC180017	-	222,355
CDBG 2017		14.218	B17MC180017	-	355,707
CDBG 2018		14.218	B18MC180018	<u>98,561</u>	<u>139,565</u>
Total - Community Development Block Grants/Entitlement Grants				<u>98,561</u>	<u>799,669</u>
Total - CDBG - Entitlement Grants Cluster				<u>98,561</u>	<u>799,669</u>
Total - Department of Housing and Urban Development				<u>98,561</u>	<u>799,669</u>
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program Vest - 2015 - 211	Direct Grant	16.607	FY2017	-	<u>6,554</u>
Public Safety Partnership and Community Policing Grants COPS grant	Direct Grant	16.710	2014UMWX0172	-	<u>30,156</u>
Total - Department of Justice				-	<u>36,710</u>
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety OPO 17-18	Indiana Criminal Justice Institute	20.600	D3-18-11907	-	<u>99,865</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I DUI 17-18	Indiana Criminal Justice Institute	20.601	D3-18-12059	-	<u>19,131</u>
Total - Highway Safety Cluster				-	<u>118,996</u>
Total - Department of Transportation				-	<u>118,996</u>
Total federal awards expended				<u>\$ 98,561</u>	<u>\$ 955,375</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 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MISHAWAKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	no
Significant deficiency identified?	no
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
CDBG - Entitlement Grants Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2018-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness; Noncompliance

*Condition and Context*

There were significant deficiencies in the internal control system of the City related to financial transactions and reporting of the financial statements.

The City's financial records for all governmental funds were maintained on the cash basis of accounting, whereas the City's financial records for all enterprise funds were maintained on the accrual basis of accounting. The City presented its financial statements based on Generally Accepted Accounting Principles (GAAP). The City provided its financial records to a contracted CPA firm to prepare financial statements in accordance with GAAP. However, the internal controls over the prepared financial statements presented for audit were not effective in detecting and/or preventing the following errors:

CITY OF MISHAWAKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. The Investments balance reported on the Statement of Net Position did not agree to the records of the City as they had not recorded the purchase of a \$6,700,000 investment.
2. The Pension Liability reported on the Statement of Net position for the Governmental Activities was understated by \$1,600,296.
3. The Accounts Receivable for the Electric Utility was understated by \$40,413.
4. The Accounts Payable for the Self-Insurance fund was understated by \$210,005.
5. The Construction Work In Progress additions in the Notes to the Financial Statements were understated due to the netting of adjustments to reconcile the beginning balances with the actual additions.
6. The Budget to Actual Schedules presented did not reference the correct beginning fund balances.

There were additional deficiencies in the internal controls of the City related to payroll, which included:

1. Changes to employee withholdings were made without proper authorization.
2. Time records for the Police Department were not signed by the fiscal officer.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

CITY OF MISHAWAKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

*Cause*

Management of the City of Mishawaka had not established a proper system of internal control over financial transactions and reporting.

*Effect*

The failure to establish a system of internal controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2018-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Condition and Context*

The City had established internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was used to compile the City's Schedule of Expenditures of Federal Awards (SEFA). However, there was no evidence that the controls were properly implemented. No documentation of a review process or other control was presented for audit.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:



CITY OF MISHAWAKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

Management had not established a system of internal control to ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operates effectively, misstatements of the SEFA could have occurred and remained undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



# CITY OF MISHAWAKA

DAVID A. WOOD, MAYOR

DEPARTMENT OF FINANCE  
Rebecca S. Miller, Controller  
Kurt Vardaman, Deputy Controller

## CORRECTIVE ACTION PLAN

### FINDING 2018-001

Contact Person Responsible for Corrective Action: Rebecca Miller  
Contact Phone Number: 574-258-1622

Views of Responsible Official:

We concur with the findings.

Description of Corrective Action Plan:

1. Investment was not recorded on the City's ledger. For future investments made directly from the City's bank account the investment will be posted timely. The report was submitted correctly.
  2. New this year was the actuarial report including the cash balances for police and fire pension. The consultant treated it as in year's past resulting in a reduced liability. Next year the formula will be noted to not input the cash balance manually for the report.
  3. Accounts Receivable for Electric will be reviewed with the Business Office prior to submitting the workpaper.
  4. Self insurance payable from our insurance provider was not included in the AP total. This item will be included in future reports.
  5. Prior period adjustment has resolved this issue.
  6. These fund balances will be checked against the formula used in previous reports.
- 
1. Payroll clerk will not make changes to his/her own file. Other staff will make any necessary changes with proper documentation.
  2. Police department is now turning in payroll with the proper certification on their hard copies. Files will be reviewed periodically to make sure certifications are being used/signed.

All previous findings will be signed off by two staff members on the 2019 report as to not duplicate and make sure they are resolved.

Anticipated Completion Date:

Current report has been corrected. Items will be resolved for the 2019 report.

(Signature)

(Title)

(Date)



# CITY OF MISHAWAKA

DAVID A. WOOD, MAYOR

DEPARTMENT OF FINANCE  
Rebecca S. Miller, Controller  
Kurt Vardaman, Deputy Controller

## CORRECTIVE ACTION PLAN

### *FINDING 2018-002*

Contact Person Responsible for Corrective Action: Rebecca Miller  
Contact Phone Number: 574-258-1622

Views of Responsible Official:  
We concur with the findings.

Description of Corrective Action Plan:

Typically, the Grant summary sheet is signed and reviewed by staff. While the individual grant files were reviewed and signed, the signed summary printout could not be found. Future summaries will be filed in one general AFR folder.

Previous findings will be signed off by two staff members on the 2019 report as to not duplicate and make sure they are resolved.

Anticipated Completion Date:  
March 1, 2020

Rebecca S. Miller  
(Signature)

Controller  
(Title)

9-16-19  
(Date)

## OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.