



**GAAP
ANNUAL FINANCIAL
REPORT**

**CITY OF MISHAWAKA, INDIANA
FISCAL YEAR ENDED DECEMBER 31, 2020**

David A. Wood, Mayor



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

April 7, 2022

To: The Officials of the City of Mishawaka
City of Mishawaka
600 East 3rd Street
Mishawaka, IN 46544

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the City of Mishawaka. We have reviewed the audit report opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements present fairly the financial condition of the City of Mishawaka, as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. The findings appear on pages 9-10 of the Single Audit Report, which is included after the Financial Report. Please refer to the Schedule of Findings and Questioned Costs for further detail. Management's Corrective Action Plan appears at the end of the reports.

In addition to the report presented herein, a Supplemental Report for City of Mishawaka was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

CITY OF MISHAWAKA, INDIANA

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT
WITH SUPPLEMENTARY INFORMATION

December 31, 2020



Katz, Sapper & Miller, LLP
Certified Public Accountants

TABLE OF CONTENTS

Description	Page
Schedule of Officials	i
Independent Auditors' Report	ii-iv
Management's Discussion and Analysis (unaudited)	v-xviii
Basic Financial Statements and Accompanying Notes:	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position - Proprietary Funds	7-8
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10-11
Statement of Fiduciary Net Position - Pension Trust Funds	12
Statement of Changes in Fiduciary Net Position - Pension Trust Funds	13
Index to Notes to Financial Statements	14
Notes to Financial Statements	15-87
Required Supplementary Information (unaudited):	
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund	88-90
Budget/GAAP Reconciliation General Fund	91

TABLE OF CONTENTS

Description	Page
Schedule of the City's Proportionate Share of the Net Pension Liability Public Employees' Retirement Fund	92
Schedule of City Contributions Public Employees' Retirement Fund	93
Schedule of the City's Proportionate Share of the Net Pension Liability Police Officers' 1977 Fund	94
Schedule of City Contributions Police Officers' 1977 Fund	95
Schedule of the City's Proportionate Share of the Net Pension Liability Firefighters' 1977 Fund	96
Schedule of City Contributions Firefighters' 1977 Fund	97
Schedule of Changes in Net Pension Liability and Related Ratios	98-99
Schedule of Changes in the City's Net Pension Liability and Related Ratios	100
Schedule of Contributions	101
Schedule of Investment Returns	102
Schedule of Changes in Net OPEB Liability	103
Schedule of Net OPEB Liability	104
Schedule of Employer Contributions	105
Notes to Required Supplementary Information	106-111
 Other Supplementary Information:	
Combining and Individual Fund Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	112-116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	117-121
Combining Statement of Fiduciary Net Position - Pension Trust Funds	122
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	123

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Rebecca S. Maguire	01-01-20 to 12-31-22
Mayor	David A. Wood	01-01-20 to 12-31-22
City Clerk	Deborah S. Block	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Kenneth B. Prince	01-01-20 to 12-31-22
President of the Common Council	Gregg Hixenbaugh	01-01-20 to 12-31-22

Independent Auditors' Report

The Officials of the City of Mishawaka, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mishawaka, Indiana (City) as of and for the year ended December 31, 2020, 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.

Auditors' Responsibility

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

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, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison schedule - general fund, budget/GAAP reconciliation - general fund, schedule of the City's proportionate share of the net pension liability - public employees' retirement fund, schedule of City contributions - public employees' retirement fund, schedule of the City's proportionate share of the net pension liability - police officers' 1977 fund, schedule of City contributions - police officers' 1977 fund, schedule of the City's proportionate share of the net pension liability - firefighters' 1977 fund, schedule of city contributions - firefighters' 1977 fund, schedule of changes in net pension liability and related ratios, schedule of changes in the City's net pension liability and related ratios, schedule of contributions, schedule of investment returns, schedule of changes in net OPEB liability, schedule of net OPEB liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a required 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note F and I to the financial statements, the net position as of December 31, 2019, has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2022, 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 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
March 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MISHAWAKA, INDIANA

MANAGEMENT DISCUSSION AND ANALYSIS For the Year Ended December 31, 2020

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, 2020. 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 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 by \$41,874,934. Of this amount, governmental activities net position increased by \$11,663,135 and business-type activities increased by \$30,211,799.
- As of the close of calendar year 2020, the City of Mishawaka's governmental funds reported combined ending fund balances of \$53,445,128, an increase of \$948,046 from the prior year.
- At the end of 2020, the unassigned fund balance for the General Fund was \$14,529,663 (44.6 percent of General Fund Expenditures) compared to \$12,695,456 for 2019 which was about 39.6 percent of total 2019 General Fund expenditures.

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 individual activities in the fund financial statements or have been blended with the activities of the City of Mishawaka.

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, 2020:

<u>Revenues</u>	<u>2020 Amount</u>	<u>% of Total</u>
Taxes: General Property	\$ 41,659,838	55.63%
Taxes: Income	12,472,593	16.66%
Licenses and permits	651,237	0.87%
Intergovernmental	9,623,909	12.85%
Charges for services	7,025,821	9.38%
Fines and forfeits	17,316	0.02%
Interest	716,641	0.96%
Sales and Use of Property	120,868	0.16%
Gifts and Donations	142,417	0.19%
Other	2,453,693	3.28%
Totals	<u>\$ 74,884,333</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 2020, the increase was 4 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 and various capital projects funds for the City of Mishawaka's Redevelopment Tax Incremental Financing (TIF) funds. Approximately 58.5 percent of the General Fund's 2020 total revenue was derived from property taxes, the Consolidated TIF Fund derived 95.7 percent of its revenue from property tax, and the Other Governmental Fund's property tax percentage was 16.6 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 \$4,119,520, \$4,003,721 and \$4,072,554 of economic development LIT for the years 2018, 2019, and 2020 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 \$4,407,686, \$4,145,039 and \$4,242,956 of general-purpose income tax distributions for the years 2018, 2019, and 2020 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 \$2,639,729, \$2,896,773 and \$2,950,796 for the years 2018, 2019, and 2020, 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, 2020.

<u>Expenditures</u>	<u>2020 Amount</u>	<u>% of Total</u>
General Government	\$ 8,809,048	12.28%
Public Safety	28,586,493	39.86%
Highways and Streets	10,398,998	14.50%
Infrastructure	2,095,490	2.92%
Sanitation	2,409,608	3.36%
Culture and Recreation	4,698,702	6.55%
Community Development	11,049,975	15.41%
Debt service	3,666,212	5.11%
Totals	<u>\$ 71,714,526</u>	<u>99.99%</u>

The City of Mishawaka breaks its general government expenditures into eight operating categories: general government, public safety, highways and streets, infrastructure, sanitation, culture and recreation community development, and debt service. 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 \$28,586,493 or 39.86 percent of the total expenditures. Community Development is at 15.41 percent, Highways and Streets are at 14.50 percent and General Government at 12.28 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 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General 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.

Government-Wide Financial Statement Analysis

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

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.

City of Mishawaka Statement of Net Position

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 87,189,093	\$ 70,307,872	\$ 69,611,525	\$ 66,408,247	\$ 156,800,618	\$ 136,716,119
Capital assets	263,196,931	257,090,346	248,958,355	231,231,730	512,155,286	488,322,076
Total assets	<u>350,386,024</u>	<u>327,398,218</u>	<u>318,569,880</u>	<u>297,639,977</u>	<u>668,955,904</u>	<u>625,038,195</u>
Deferred outflows of resources	<u>8,821,308</u>	<u>7,540,788</u>	<u>3,265,733</u>	<u>4,506,319</u>	<u>12,087,041</u>	<u>12,047,107</u>
Long-term liabilities	95,127,272	108,569,513	93,752,320	106,109,335	188,879,592	214,678,848
Other liabilities	3,330,015	2,399,249	9,971,038	9,325,393	13,301,053	11,724,642
Total liabilities	<u>98,457,287</u>	<u>110,968,762</u>	<u>103,723,358</u>	<u>115,434,728</u>	<u>202,180,645</u>	<u>226,403,490</u>
Deferred inflows of resources	<u>43,864,707</u>	<u>12,324,041</u>	<u>6,304,271</u>	<u>5,115,383</u>	<u>50,168,978</u>	<u>17,439,424</u>
Net position:						
Net Investment						
In capital assets	254,990,660	242,104,971	163,059,033	146,328,733	418,049,693	388,433,704
Restricted	31,507,450	44,658,048	12,491,185	10,150,158	43,998,635	54,808,206
Unrestricted	<u>(69,612,772)</u>	<u>(75,116,816)</u>	<u>36,257,765</u>	<u>25,117,294</u>	<u>(33,355,007)</u>	<u>(49,999,522)</u>
Total net position	<u>\$ 216,885,338</u>	<u>\$ 211,646,203</u>	<u>\$ 211,807,983</u>	<u>\$ 181,596,185</u>	<u>\$ 428,693,321</u>	<u>\$ 393,242,388</u>

Current Year Impacts

At December 31, 2020, the City of Mishawaka's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$428,693,322, an increase of \$41,874,934 from the previous year. The largest portion of the City of Mishawaka's net position reflects its net investment in capital assets of \$418,049,694.

At year-end, the City of Mishawaka's net position was \$428,693,322. This amount is made up of \$418,049,694 of net investment in capital assets (e.g. land, buildings, machinery, and equipment); \$54,846,094 of assets with external restrictions upon its use; and (\$44,202,466) 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:

	City of Mishawaka Changes in Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues:						
Charges for services	\$ 9,641,020	\$ 9,995,675	\$ 91,137,150	\$ 90,782,612	\$ 100,778,170	\$ 100,778,287
Operating grants and contributions	528,902	682,508	-	-	528,902	682,508
Capital grants and contributions	1,390,427	5,801,397	6,107,776	3,512,237	7,498,203	9,313,634
General revenues:						
Property taxes	42,497,141	44,229,555	-	-	42,497,141	44,229,555
Income taxes	12,472,593	-	-	-	12,472,593	-
Other taxes	2,302,705	5,409,021	-	-	2,302,705	5,409,021
Grants and contributions not restricted to specific programs	4,100,031	8,830,519	-	-	4,100,031	8,830,519
Unrestricted investment earnings	716,641	1,627,335	540,701	1,293,304	1,257,342	2,920,639
Other revenue	2,236,432	386,219	-	-	2,236,432	386,219
Total revenues	75,885,892	76,962,229	97,785,627	95,588,153	173,671,519	172,550,382
EXPENSES						
General government	12,194,907	2,972,883	-	-	12,194,907	2,972,883
Public safety	30,073,884	40,765,998	-	-	30,073,884	40,765,998
Highways and streets	11,573,433	11,596,608	-	-	11,573,433	11,596,608
Sanitation	2,782,017	2,423,014	-	-	2,782,017	2,423,014
Community Development	3,091,725	3,093,990	-	-	3,091,725	3,093,990
Culture and recreation	5,289,562	5,806,311	-	-	5,289,562	5,806,311
Interest on long-term debt	284,520	245,543	-	-	284,520	245,543
Water utility	-	-	5,966,988	8,430,879	5,966,988	8,430,879
Wastewater utility	-	-	12,842,943	14,061,289	12,842,943	14,061,289
Electric utility	-	-	47,696,606	59,528,329	47,696,606	59,528,329
Total expenses	65,290,048	66,904,347	66,506,537	82,020,497	131,796,585	148,924,844
Changes in net position before transfers	10,595,844	10,057,882	31,279,090	13,567,656	41,874,934	23,625,538
Transfers	1,067,291	618,966	(1,067,291)	(618,966)	-	-
Net position restatement	(6,424,000)	-	-	-	(6,424,000)	-
Change in net position	5,239,135	10,676,848	30,211,799	12,948,690	35,450,934	23,625,538
Net Position-Beginning	211,646,203	200,969,355	181,596,185	168,647,495	393,242,388	369,616,850
Net Position-Ending	\$ 216,885,338	\$ 211,646,203	\$ 211,807,984	\$ 181,596,185	\$ 428,693,322	\$ 393,242,388

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 67.8 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 2019 to 2020 by \$11,663,135.

Charges for services revenue decreased by \$354,655.

Operating grants and contributions decreased by \$153,606.

Capital grants and contributions decreased by \$4,410,970.

Grants and contributions not restricted to specific programs decreased in 2020 by \$4,730,488.

Overall, property tax revenue decreased by \$1,732,414.

Unrestricted investment earnings decreased by \$910,694.

Other revenue increased by \$1,850,213.

Governmental expenses decreased by \$1,614,299 or 2.41 percent.

Business-Type Activities

Business-Type Activities net position increased by \$30,211,799.

Overall, utility revenues increased in 2020 by \$2,197,474. This is primarily in capital contributions made from the City for the Juday Creek Well Field project that commenced in 2018.

The expenses of the Business-Type activities decreased \$15,513,960 from 2019 levels or 18.91 percent. This is primarily due to cost savings realized by the Electric Utility from renegotiating their purchased power contract and less spending due to COVID-19.

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 \$53,445,128, an increase of \$2,145,758 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 \$5,575,877, and the Consolidated TIF fund had a decrease of \$2,404,768. 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.

Eleven funds had lower fund balances at 2020 year-end. Of note, the Cumulative Sewer fund decreased \$322,264. As planned, these funds were used for the City's infrastructure needs. Also, the Motor Vehicle Highway Fund decreased \$237,349 due to planned capital outlays authorized from this funding source and payments made on capital.

A loss of property tax revenue (Circuit Breaker) influenced the fund balances. The 2020 final tax settlement was a net 75.0% percent of budgeted revenues with a shortage of \$6.5 million. 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, 2020, the unassigned fund balance was \$14,5229,663, and the total fund balance in the General fund was \$15,858,030, an increase of \$1,828,234 from 2019. 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 44.6 percent of the total General fund expenditures. The total grows to 48.7 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 2020. The total net position for the City of Mishawaka's enterprise funds was increased by \$30,211,799. Of this, net investment of capital assets increased by \$16,730,301, restricted increased by \$1,652,394 and unrestricted net position increased by \$11,663,886. Total assets and deferred outflows increased by \$19,689,317. The total liabilities and deferred inflows for the enterprise funds had a decrease from 2019 of \$10,522,483.

The Internal Service Fund unrestricted net position was \$3,866,704.

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 \$1,547,838. 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 2020, the submitted budget to the state was increased with encumbrances from 2019 by \$1,547,838. A budget adjustment of \$1,547,838 was necessary to cover the necessary expenses of the City and to account for the following infrequent items. 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 2020 were \$1,408,683 below budget and expenditures were \$3,253,520 under the final budget amount.

Several revenue category were under budget in 2020; Property tax revenue was \$6,505,313 less than expected. Tax collection due to Circuit Breaker was 75.0 percent. In 2019 it was 84.2 percent. As assessed value for the City goes down, Circuit Breaker losses increase. In 2020, Reimbursements came in higher than budget by \$295,058 and income taxes came in higher than budget by \$1,494,745. This is primarily due to receiving a supplemental local income tax distribution in 2020.

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, 2020, amounts to \$512,155,286 (net of accumulated depreciation), which represents a net increase (additions less retirements and depreciation) of \$23,833,210. 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. D.).

City of Mishawaka (Net of depreciation)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 13,381,950	\$ 13,381,951	\$ 3,329,154	\$ 3,027,850	\$ 16,711,104	\$ 16,409,801
Construction in progress	20,324,178	21,219,023	31,288,119	19,618,728	51,612,297	40,837,751
Buildings	30,934,703	29,159,095	33,730,963	32,313,101	64,665,666	61,472,196
Improvement other than buildings	26,268,954	24,473,117	168,044,421	162,347,432	194,313,375	186,820,549
Machinery and equipment	12,046,771	10,015,590	11,348,521	12,453,641	23,395,292	22,469,231
Transportation	-	-	1,217,177	1,470,978	1,217,177	1,470,978
Infrastructure being depreciated	160,240,375	158,841,570	-	-	160,240,375	158,841,570
Total	\$ 263,196,931	\$ 257,090,346	\$ 248,958,355	\$ 231,231,730	\$ 512,155,286	\$ 488,322,076

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

- Wastewater Improvement - \$7.81 million
- IronWorks Plaza Improvement Ph II – \$858 thousand
- Fourth Street Improvement Phase II– \$808 thousand

Construction in Progress items:

- Ironworks Plaza Improvements Ph I - \$3.33 million

Debt Outstanding

At December 31, 2020, the City had \$5,630,000 of outstanding tax increment bonds. The enterprise funds had \$87,134,023 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 decreased by \$9,245,000 from the prior year.

Outstanding Bonds Debt at Year-End

	2020	2019
Governmental:		
Tax Increment	\$ 6,445,000	\$ 8,650,000
 Business-Type:		
Water Utility	16,040,000	17,005,000
Wastewater Utility	68,565,000	73,825,000
Sub-total	84,605,000	90,830,000
Total	\$ 91,050,000	\$ 99,480,000

Net principal bond payments of \$2,205,000 and \$6,225,000 were made in the governmental and business - type activities, respectively.

The most recent Sewer Works Revenue Bonds of 2019 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.

The City issued Waterworks Revenue Bonds in 2021 and they were rated AA-.

The City also issued Electric Revenue Bonds in 2021 and they were rated Aa3.

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

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. 2020 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 5.0 percent as recorded in December of 2020. This is an increase from 3.5 percent in December of 2019. Total Labor force for St. Joseph County increased to 165,424 from 136,588 in 2019.

Economic Factors and Highlights (cont'd)

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 2020, the City only received 75 percent of its distribution of property tax. Due to the property tax caps (Circuit Breaker), the City was left short \$6.5 million in funds. With these expected losses each year and with debt in St. Joseph County falling below the levy in 2020 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 2020 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 2020, the City of Mishawaka submitted another balanced budget. The adopted FY2020 Civil City Budget is \$56,284,765, which is only 1% percent higher than in FY2019. The General fund budget for FY2020 is \$35,154,175, which is slightly higher than FY2019. The goal in 2020 was to underspend, hoping to increase cash reserves. This was attained with the General fund increasing by 15.5 percent.

City Highlights:

- COVID-19 impacted how everyone performed their job in 2020. The City is proud that it was able to modify its business practices and stay open to continue to serve the public. \$1.6 million in CARES Act funds helped to fund payroll of first responders and police officers.
- As reported in past years, excitement is still building at the four acres of the former Uniroyal complex being made productive again. Flaherty and Collins broke ground in 2017 on a new 233-unit, high amenity, mixed-use apartment building. They are now working on preliminary plans for a second phase.
- Also new in the former Uniroyal area is the new Murphy Rice Law office.
- Reinvestment by established businesses still continue. Both Dental Alliance and the St. Joseph Regional Medical Center were issued permits for large remodel projects.
- Mishawaka continues to be a destination for popular chain restaurants. Raising Canes and Mission BBQ both opened in 2020.
- The year was unique in that no new large projects were started and only 40.7 million dollars in commercial permits were issued. This is down significantly from 2019's \$62.7 million. It is important to note that this number can fluctuate significantly from year to year based on the timing of when permits are pulled for a few large projects.
- Twin Branch Park's final phase is complete and includes the City's first permanent Pickleball Court among other new amenities.

- The Community Crossing Grant allows the City to double its road paving dollars and continued in 2020 with an award of \$427,150.
- The “New City Hall” project began with the purchase of Liberty Mutual’s downtown call center. Demo began in 2021 and the move in date for the City Hall departments, police department, and Utility Business Office is expected in mid-2022.

Restatement

Fund balance and net position have been restated to correct an error in reporting loans receivable and assets held for resale.

Consolidated TIF Fund

Consolidated TIF Fund Balance – December 31, 2020 (as reported)	\$21,970,116
Less: Assets Held for Resale	<u>(6,282,396)</u>
Fud Balance – December 31, 2020 (as restated)	<u>\$15,687,720</u>

Mishawaka Local Improvement Bond Bank Fund

Mishawaka Local Improvement Bond Bank Fund Balance – December 31, 2020 (as reported)	\$ 6,904,851
Less: Assets Held for Resale	<u>(4,563,063)</u>
Fud Balance – December 31, 2020 (as restated)	<u>\$ 2,339,788</u>

Government-Wide – Governmental Activities Net Position

Governmental Activities Net Position – December 31, 2020 (as reported)	\$211,646,203
Less: Assets Held for Resale	(6,282,396)
Loan Receivable for Operating Lease	<u>(141,604)</u>
Fud Balance – December 31, 2020 (as restated)	<u>\$205,222,203</u>

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. 3rd Street, Mishawaka, IN 46544 or by email at rmiller@mishawaka.in.gov.

BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

CITY OF MISHAWAKA, INDIANA

STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 57,139,410	\$ 25,963,848	\$ 83,103,258
Receivables (net of allowances for uncollectibles):			
Interest	866	5,271	6,137
Taxes	26,095,368	-	26,095,368
Accounts	487,263	4,654,074	5,141,337
Intergovernmental	546,232	-	546,232
Loans	1,221,462	-	1,221,462
Inventories	-	4,509,341	4,509,341
Prepaid expense	558,076	383,390	941,466
Restricted assets:			
Cash and cash equivalents	1,140,416	33,406,968	34,547,384
Net pension asset	-	688,633	688,633
Land and construction in progress	33,706,128	34,617,273	68,323,401
Other capital assets, net of depreciation	229,490,803	214,341,082	443,831,885
Total assets	350,386,024	318,569,880	668,955,904
Deferred outflows of resources			
Loss on refunding debt	-	354,294	354,294
Utility ratemaking expenses	-	636,596	636,596
OPEB related amounts	2,977,667	344,871	3,322,538
Pension related amounts	5,843,641	1,929,972	7,773,613
Total deferred outflows of resources	8,821,308	3,265,733	12,087,041
Liabilities			
Current liabilities:			
Accounts payable	2,726,398	4,602,132	7,328,530
Accrued payroll and withholdings payable	224,322	225,327	449,649
Contracts payable	273,097	3,782	276,879
Taxes payable	-	268,984	268,984
Accrued interest payable	29,433	854,721	884,154
Payable from restricted assets:			
Customer deposits	-	4,016,092	4,016,092
Interest payable	76,765	-	76,765
Noncurrent liabilities:			
Due within one year:			
Revenue bonds payable	-	7,280,000	7,280,000
TIF bonds payable	2,210,000	-	2,210,000
Compensated absences	649,362	79,703	729,065
Capital lease obligations	481,772	79,765	561,537
Notes and loans payable	83,232	121,000	204,232
Due in more than one year:			
Revenue bonds payable (net of unamortized premiums)	-	79,854,023	79,854,023
TIF bonds payable (net of unamortized discounts)	3,412,625	-	3,412,625
Compensated absences	319,935	248,902	568,837
Capital lease obligations	979,976	81,932	1,061,908
Notes and loans payable	1,038,666	1,201,000	2,239,666
Total other postemployment benefits liability	37,318,163	4,322,148	41,640,311
Net pension liability	48,633,541	483,847	49,117,388
Total liabilities	98,457,287	103,723,358	202,180,645
Deferred inflows of resources			
Pension related amounts	2,866,699	4,434,831	7,301,530
OPEB related amounts	17,180,820	1,869,440	19,050,260
Property taxes levied for the next period	23,817,188	-	23,817,188
Total deferred inflows of resources	43,864,707	6,304,271	50,168,978
Net Position			
Net investment in capital assets	254,990,660	163,059,035	418,049,695
Restricted for:			
Debt service	4,755,806	11,048,552	15,804,358
Capital projects	18,434,516	754,000	19,188,516
Public safety	1,448,377	-	1,448,377
Highways and streets	2,373,165	-	2,373,165
Sanitation	1,010,086	-	1,010,086
Culture and recreation	3,045,042	-	3,045,042
Economic development	440,458	-	440,458
Pension	-	688,633	688,633
Unrestricted (deficit)	(69,612,772)	36,257,764	(33,355,008)
Total net position	\$ 216,885,338	\$ 211,807,984	\$ 428,693,322

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 12,194,907	\$ 602,642	\$ 427,150	\$ -	\$ (11,165,115)	\$ -	\$ (11,165,115)
Public safety	30,073,884	2,200,882	101,752	55,884	(27,715,366)	-	(27,715,366)
Highways and streets	11,573,433	2,667,384	-	1,011,836	(7,894,213)	-	(7,894,213)
Sanitation	2,782,017	2,600,253	-	-	(181,764)	-	(181,764)
Community development	3,091,725	487,140	-	322,707	(2,281,878)	-	(2,281,878)
Culture and recreation	5,289,562	1,082,719	-	-	(4,206,843)	-	(4,206,843)
Interest on long-term debt	284,520	-	-	-	(284,520)	-	(284,520)
Total governmental activities	65,290,048	9,641,020	528,902	1,390,427	(53,729,699)	-	(53,729,699)
Business-type activities:							
Water	5,966,988	10,499,210	-	4,115,318	-	8,647,540	8,647,540
Wastewater	12,842,943	20,581,110	-	1,992,458	-	9,730,625	9,730,625
Electric	47,696,606	60,056,830	-	-	-	12,360,224	12,360,224
Total business-type activities	66,506,537	91,137,150	-	6,107,776	-	30,738,389	30,738,389
Total primary government	\$ 131,796,585	\$ 100,778,170	\$ 528,902	\$ 7,498,203	(53,729,699)	30,738,389	(22,991,310)
General revenues:							
Property taxes					42,497,141	-	42,497,141
Income taxes					12,472,593	-	12,472,593
Other taxes					2,302,705	-	2,302,705
Grants and contributions not restricted to specific programs					4,100,031	-	4,100,031
Unrestricted investment earnings					716,641	540,701	1,257,342
Other					2,236,432	-	2,236,432
Transfers					1,067,291	(1,067,291)	-
Total general revenues and transfers					65,392,834	(526,590)	64,866,244
Change in net position					11,663,135	30,211,799	41,874,934
Net position - beginning					211,646,203	181,596,185	393,242,388
Net Position Restatement (See note III.I)					(6,424,000)	-	(6,424,000)
Net Position, Beginning as restated					205,222,203	181,596,185	386,818,388
Net position - ending					\$ 216,885,338	\$ 211,807,984	\$ 428,693,322

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

BALANCE SHEET -
GOVERNMENTAL FUNDS
As of December 31, 2020

	<u>General</u>	<u>Consolidated TIF</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 16,043,929	\$ 12,944,611	\$ 24,970,137	\$ 53,958,677
Receivables (Net of Allowances for Uncollectibles):				
Interest	401	446	19	866
Taxes	19,007,568	907,224	6,180,576	26,095,368
Accounts	370,558	-	116,705	487,263
Intergovernmental	84,471	8,303	453,458	546,232
Loans	-	1,000,000	221,462	1,221,462
Interfund	17,640	-	-	17,640
	<u>35,524,567</u>	<u>14,860,584</u>	<u>31,942,357</u>	<u>82,327,508</u>
Total assets				
<u>Liabilities, Unavailable Revenues, and Fund Balances</u>				
Liabilities:				
Accounts payable	513,014	423,155	1,335,784	2,271,953
Accrued payroll and withholdings payable	140,956	-	83,366	224,322
Contracts payable	4,999	247,253	20,845	273,097
Interfund payable	-	-	17,640	17,640
	<u>658,969</u>	<u>670,408</u>	<u>1,457,635</u>	<u>2,787,012</u>
Total liabilities				
Deferred inflow of resources:				
Property taxes unavailable	1,057,534	907,224	313,422	2,278,180
Property taxes levied for next period	17,950,034	-	5,867,154	23,817,188
	<u>19,007,568</u>	<u>907,224</u>	<u>6,180,576</u>	<u>26,095,368</u>
Total deferred inflow of resources				
Fund Balances:				
Restricted	-	13,282,952	18,224,498	31,507,450
Committed	-	-	4,431,704	4,431,704
Assigned	1,328,367	-	1,647,944	2,976,311
Unassigned	14,529,663	-	-	14,529,663
	<u>15,858,030</u>	<u>13,282,952</u>	<u>24,304,146</u>	<u>53,445,128</u>
Total fund balances				
Total liabilities, unavailable revenues, and fund balances	<u>\$ 35,524,567</u>	<u>\$ 14,860,584</u>	<u>\$ 31,942,357</u>	<u>\$ 82,327,508</u>

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of December 31, 2020

Total Fund Balances \$ 53,445,128

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.

Land and construction in progress	\$ 33,706,128	
Other capital assets, net of depreciation	229,490,803	
Total		263,196,931

Prepays are not current financial resources and, therefore, are not reported in the funds 558,076

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. 3,866,704

Deferred outflows and deferred inflows related to pension liabilities and other post-employment benefits are included in the governmental activities in the statement of net position. (11,226,211)

Short-term liabilities that are not recognized in governmental funds until due

Accrued interest payable	\$ (106,198)	
Current portion of long-term debt	(2,210,000)	
Compensated absences	(649,362)	
Capital lease obligations	(481,772)	
Notes and loans payable	(83,232)	
Total		(3,530,564)

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	\$ (3,412,625)	
Compensated absences	(319,935)	
Capital lease obligations	(979,976)	
Notes and loans payable	(1,038,666)	
Total other postemployment benefits liability	(37,318,163)	
Net pension liability	(48,633,541)	
Total		(91,702,906)

Unavailable revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 2,278,180

Total \$ 216,885,338

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General	Consolidated TIF	Nonmajor Governmental Funds	Total
Revenues:				
Taxes:				
Property	\$ 19,465,651	\$ 18,486,663	\$ 3,707,524	\$ 41,659,838
Income	4,694,745	-	7,777,848	12,472,593
Licenses and permits	493,457	-	157,780	651,237
Intergovernmental	5,647,593	-	3,976,316	9,623,909
Charges for services	2,407,844	267,152	4,350,825	7,025,821
Fines and forfeits	17,007	-	309	17,316
Interest	343,307	247,558	125,776	716,641
Sale and use of property	17,308	-	103,560	120,868
Gifts and donations	-	-	142,417	142,417
Other	184,333	322,706	1,946,654	2,453,693
Total revenues	33,271,245	19,324,079	22,289,009	74,884,333
Expenditures:				
Current:				
General government	5,593,311	-	2,153,248	7,746,559
Public safety	25,539,136	-	2,726,339	28,265,475
Highways and streets	405,487	-	5,702,757	6,108,244
Sanitation	-	-	2,409,608	2,409,608
Culture and recreation	-	-	3,356,759	3,356,759
Community development	294,897	1,169,938	511,021	1,975,856
Debt Service:				
Principal	-	-	3,362,110	3,362,110
Interest and fiscal charges	-	-	304,102	304,102
Capital Outlay:				
General government	748,419	-	314,070	1,062,489
Public safety	-	-	321,018	321,018
Highways and streets	-	2,088,642	2,202,112	4,290,754
Infrastructure	-	2,095,490	-	2,095,490
Culture and recreation	-	646,417	695,526	1,341,943
Community development	-	9,074,119	-	9,074,119
Total expenditures	32,581,250	15,074,606	24,058,670	71,714,526
Excess (deficiency) of revenues Over (under) expenditures	689,995	4,249,473	(1,769,661)	3,169,807
Other financing sources (uses):				
Transfers in	4,427,291	-	4,334,620	8,761,911
Transfers out	-	(6,654,241)	(1,040,379)	(7,694,620)
Transfers out - contributions	(3,289,052)	-	-	(3,289,052)
Total other financing sources and uses	1,138,239	(6,654,241)	3,294,241	(2,221,761)
Net change in fund balances	1,828,234	(2,404,768)	1,524,580	948,046
Fund Balances - January 1	14,029,796	21,970,116	27,344,629	63,344,541
Fund balance restatement	-	(6,282,396)	(4,565,063)	(10,847,459)
Fund Balance, January 1, Restated	14,029,796	15,687,720	22,779,566	52,497,082
Fund Balances - December 31	\$ 15,858,030	\$ 13,282,952	\$ 24,304,146	\$ 53,445,128

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

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, 2020

Net Change in Fund Balance - Total Governmental Funds \$ 948,046

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

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	\$ 18,838,317	
Add removal of current year accumulated depreciation on disposed assets	866,770	
Less capital outlays that were not capitalized	(3,515,588)	
Less current year depreciation expense	(9,988,121)	
Less adjustment for depreciation on disposed assets	(1,098,801)	
Total	5,102,577	5,102,577

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds 837,301

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 bonds	\$ 2,205,000	
Principal paid on capital lease	1,028,002	
Principal paid on operating lease	47,610	
Principal paid on note	81,498	
Unamortized bond discount	(2,459)	
Total	3,359,651	3,359,651

Expenses related to other post employment benefits liabilities are reported in the government wide statement of activities (1,761,646)

Expense related to pension liability are reported in the government wide statement of activities 2,382,848

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	\$ 22,041	
Change in prepaid expenses	30,563	
Change in compensated absences	(401,021)	
Total	(348,417)	(348,417)

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. 1,142,775

Change in Net Position of Governmental Activities (Statement of Activities) **\$ 11,663,135**

CITY OF MISHAWAKA, INDIANA

STATEMENT OF NET POSITION -
 PROPRIETARY FUNDS
 December 31, 2020

	Business-Type Activities -Enterprise Funds			Total	Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility		
Assets					
Current assets:					
Unrestricted:					
Cash and cash equivalents	\$ 5,014,649	\$ 6,937,219	\$ 14,011,980	\$ 25,963,848	\$ 4,321,149
Interest receivable	4,609	662	-	5,271	-
Accounts receivable (net of allowance)	404,587	1,149,453	3,100,034	4,654,074	-
Inventories	306,661	-	4,202,680	4,509,341	-
Prepaid items	101,710	130,013	151,667	383,390	-
Total unrestricted current assets	5,832,216	8,217,347	21,466,361	35,515,924	4,321,149
Restricted:					
Restricted cash and cash equivalents:					
Customer deposits	724,612	5,580	3,285,900	4,016,092	-
Revenue bond covenant accounts	3,644,183	7,404,369	-	11,048,552	-
Reserve account	-	-	754,000	754,000	-
Construction account	414,632	1,312,877	-	1,727,509	-
Repair account	16,726	15,844,089	-	15,860,815	-
Total restricted cash and cash equivalents	4,800,153	24,566,915	4,039,900	33,406,968	-
Net pension asset	172,158	172,158	344,317	688,633	-
Total restricted current assets	4,972,311	24,739,073	4,384,217	34,095,601	-
Total current assets	10,804,527	32,956,420	25,850,578	69,611,525	4,321,149
Noncurrent assets:					
Capital assets:					
Land and construction in progress	18,494,128	13,344,563	2,778,582	34,617,273	-
Other capital assets (net of accumulated depreciation)	40,513,871	133,455,961	40,371,250	214,341,082	-
Total capital assets	59,007,999	146,800,524	43,149,832	248,958,355	-
Total assets	69,812,526	179,756,944	69,000,410	318,569,880	4,321,149
Deferred outflows of resources:					
Loss on refunding debt	23,093	331,201	-	354,294	-
Utility ratemaking expenses	37,712	39,522	559,362	636,596	-
OPEB related amounts	95,916	93,145	155,810	344,871	-
Pension related amounts	453,768	568,668	907,536	1,929,972	-
Total deferred outflows of resources	610,489	1,032,536	1,622,708	3,265,733	-

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF NET POSITION -
 PROPRIETARY FUNDS
 December 31, 2020

	Business-Type Activities -Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Liabilities					
Current liabilities:					
Unrestricted:					
Accounts payable	\$ 331,023	\$ 795,148	\$ 3,475,961	\$ 4,602,132	\$ 454,445
Accrued payroll and withholdings payable	58,685	82,294	84,348	225,327	-
Contracts payable	-	3,782	-	3,782	-
Taxes payable	31,072	-	237,912	268,984	-
Accrued interest payable	1,141	851,660	1,920	854,721	-
Compensated absences	16,925	15,735	47,043	79,703	-
Total unrestricted current liabilities	438,846	1,748,619	3,847,184	6,034,649	454,445
Restricted:					
Customer deposits	724,612	5,580	3,285,900	4,016,092	-
Capital lease obligations	22,575	19,189	38,001	79,765	-
Notes and loans payable	-	121,000	-	121,000	-
Revenue bonds payable	1,805,000	5,475,000	-	7,280,000	-
Total restricted current liabilities	2,552,187	5,620,769	3,323,901	11,496,857	-
Total current liabilities	2,991,033	7,369,388	7,171,085	17,531,506	454,445
Noncurrent liabilities:					
Unrestricted:					
Compensated absences	73,834	75,327	99,741	248,902	-
Capital lease obligations	23,188	19,710	39,034	81,932	-
Notes and loans payable	-	1,201,000	-	1,201,000	-
Total unrestricted noncurrent liabilities	97,022	1,296,037	138,775	1,531,834	-
Restricted:					
Revenue bonds payable (net of unamortized premiums)	14,235,000	65,619,023	-	79,854,023	-
Net other postemployment benefits liability	1,202,084	1,167,350	1,952,714	4,322,148	-
Net pension liability	-	483,847	-	483,847	-
Total restricted noncurrent liabilities	15,437,084	67,270,220	1,952,714	84,660,018	-
Total noncurrent liabilities	15,534,106	68,566,257	2,091,489	86,191,852	-
Total liabilities	18,525,139	75,935,645	9,262,574	103,723,358	454,445
Deferred inflows of resources:					
Pension related amounts	1,079,258	1,197,059	2,158,514	4,434,831	-
OPEB related amounts	534,609	494,878	839,953	1,869,440	-
Total deferred inflows of resources	1,613,867	1,691,937	2,998,467	6,304,271	-
Net Position					
Net investment in capital assets	43,397,673	76,029,202	43,632,159	163,059,034	-
Restricted for debt service and other purposes					
Debt service	3,644,183	7,404,369	-	11,048,552	-
Capital projects	-	-	754,000	754,000	-
Pensions	172,158	172,158	344,317	688,633	-
Unrestricted	3,069,995	19,556,169	13,631,601	36,257,765	3,866,704
Total net position	\$ 50,284,009	\$ 103,161,898	\$ 58,362,077	\$ 211,807,984	\$ 3,866,704

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2020

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Operating revenues:					
Unmetered water revenue	\$ 5,175	\$ -	\$ -	\$ 5,175	\$ -
Metered revenue					
Residential	4,040,707	-	28,347,074	32,387,781	-
Commercial	3,840,286	-	29,570,401	33,410,687	-
Public street and highway lighting	-	-	695,215	695,215	-
Fire protection revenue	2,156,368	-	-	2,156,368	-
Penalties	33,594	199,598	169,909	403,101	-
Measured revenue:					
Residential	-	9,644,414	-	9,644,414	-
Commercial	-	10,261,704	-	10,261,704	-
Other	53,240	449,552	2,025	504,817	10,846,408
Total revenues	<u>10,129,370</u>	<u>20,555,268</u>	<u>58,784,624</u>	<u>89,469,262</u>	<u>10,846,408</u>
Operating expenses:					
Source of supply and expense - operations and maintenance	2,579,101	2,681,308	-	5,260,409	-
Transmission and distribution	578,281	-	5,634,683	6,212,964	-
Treatment and disposal expense - operations and maintenance	-	29,403	-	29,403	-
Customer accounts	16,032	2,170	222,493	240,695	-
Administration and general	465,527	198,610	1,928,444	2,592,581	-
Insurance claims and premiums	-	284,308	-	284,308	9,683,002
Purchase power	678,006	553,997	36,902,154	38,134,157	-
Sewer - operation and maintenance	-	1,601,410	-	1,601,410	-
Pretreatment - operation and maintenance	-	1,007,915	-	1,007,915	-
Chemicals	-	205,289	-	205,289	-
Depreciation	1,553,942	4,053,313	2,921,212	8,528,467	-
Total operating expenses	<u>5,870,889</u>	<u>10,617,723</u>	<u>47,608,986</u>	<u>64,097,598</u>	<u>9,683,002</u>
Operating income	<u>4,258,481</u>	<u>9,937,545</u>	<u>11,175,638</u>	<u>25,371,664</u>	<u>1,163,406</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	63,487	417,553	59,661	540,701	-
Miscellaneous	369,840	25,842	1,272,206	1,667,888	(20,631)
Interest expense	(206,471)	(2,268,688)	(2,960)	(2,478,119)	-
Amortization expense	(114,583)	(90,018)	(27,358)	(231,959)	-
Gain/(Loss) on disposal of assets	224,955	133,486	(57,302)	301,139	-
Total nonoperating revenues (expenses)	<u>337,228</u>	<u>(1,781,825)</u>	<u>1,244,247</u>	<u>(200,350)</u>	<u>(20,631)</u>
Income before contributions and transfers	<u>4,595,709</u>	<u>8,155,720</u>	<u>12,419,885</u>	<u>25,171,314</u>	<u>1,142,775</u>
Capital contributions - net	4,115,318	1,992,458	-	6,107,776	-
Transfers out - payments in lieu of taxes	(662,956)	(2,111,053)	(653,282)	(3,427,291)	-
Transfers in	3,432,944	20,646,481	6,486,484	30,565,909	-
Transfers out	(3,432,944)	(17,286,481)	(7,486,484)	(28,205,909)	-
Change in net position	<u>8,048,071</u>	<u>11,397,125</u>	<u>10,766,603</u>	<u>30,211,799</u>	<u>1,142,775</u>
Total net position - beginning	<u>42,235,938</u>	<u>91,764,773</u>	<u>47,595,474</u>	<u>181,596,185</u>	<u>2,723,929</u>
Total net position - ending	<u>\$ 50,284,009</u>	<u>\$ 103,161,898</u>	<u>\$ 58,362,077</u>	<u>\$ 211,807,984</u>	<u>\$ 3,866,704</u>

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2020

	Water Utility	Wastewater Utility	Electric Utility	Totals	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 10,158,724	\$ 20,611,509	\$ 59,063,853	\$ 89,834,086	\$ -
Receipts from interfund services provided	-	-	-	-	10,846,408
Payments to suppliers	(2,147,055)	(2,853,658)	(42,640,597)	(47,641,310)	-
Payments to employees	(2,921,625)	(4,087,209)	(4,894,024)	(11,902,858)	-
Payments for interfund services used	-	-	-	-	(9,990,405)
Net cash provided (used) by operating activities	<u>5,090,044</u>	<u>13,670,642</u>	<u>11,529,232</u>	<u>30,289,918</u>	<u>856,003</u>
Cash flows from noncapital financing activities:					
Transfer from/(to) other funds	<u>(662,956)</u>	<u>1,248,947</u>	<u>(1,653,282)</u>	<u>(1,067,291)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(4,616,300)	(9,913,023)	(5,617,994)	(20,147,317)	-
Principal paid on bonds	(965,000)	(5,260,000)	-	(6,225,000)	-
Principal paid on loans	-	(119,000)	-	(119,000)	-
Principal paid on capital leases	(21,509)	(18,283)	(36,206)	(75,998)	-
Interest paid on bonds	(320,619)	(2,748,786)	(28,134)	(3,097,539)	-
Interest paid on loans	-	(43,051)	-	(43,051)	-
Interest paid on capital leases	(1,845)	(1,568)	(3,106)	(6,519)	-
Other receipts/(disbursements)	369,840	25,842	1,272,206	1,667,888	(20,631)
Gain (loss) on sale of assets	224,955	133,486	(57,302)	301,139	-
Net cash provided (used) by capital and related financing activities	<u>(5,330,478)</u>	<u>(17,944,383)</u>	<u>(4,470,536)</u>	<u>(27,745,397)</u>	<u>(20,631)</u>
Cash flows from investing activities:					
Interest received	<u>82,978</u>	<u>442,540</u>	<u>59,661</u>	<u>585,179</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(820,412)</u>	<u>(2,582,254)</u>	<u>5,465,075</u>	<u>2,062,409</u>	<u>835,372</u>
Cash and cash equivalents, January 1 (including \$754,000, \$3,845,467, \$9,396,158, \$9,286,688 and \$17,213,532 for the reserve account, customer deposits, revenue bond covenant account, repair account, and construction respectively, reported in restricted accounts)	<u>10,635,214</u>	<u>34,086,388</u>	<u>12,586,805</u>	<u>57,308,407</u>	<u>3,485,777</u>
Cash and cash equivalents, December 31 (including \$754,000, \$4,016,092, \$9,934,416, \$1,727,509 and \$15,860,815 for the reserve account, customer deposits, revenue bond covenant account, construction account, and repair account respectively, reported in restricted accounts)	<u>\$ 9,814,802</u>	<u>\$ 31,504,134</u>	<u>\$ 18,051,880</u>	<u>\$ 59,370,816</u>	<u>\$ 4,321,149</u>

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2020

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Totals</u>	<u>Internal Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 4,258,481	\$ 9,937,545	\$ 11,175,638	25,371,664	\$ 1,163,406
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,553,942	4,053,313	2,921,212	8,528,467	-
(Increase) decrease in assets:					
Accounts receivable	29,354	56,241	279,229	364,824	-
Inventories	22,391	-	(870,087)	(847,696)	-
Prepaid items	(1,196)	4,969	(17,615)	(13,842)	-
Deferred outflows	322,767	237,847	428,567	989,181	-
Deferred OPEB	74,167	72,800	104,439	251,406	-
Net pension asset	(172,158)	(172,158)	(344,317)	(688,633)	-
Increase (decrease) in liabilities:					
Accounts payable	182,946	700,428	(461,775)	421,599	(307,403)
Contracts payable	-	3,782	-	3,782	-
Customer deposits	39,620	1,305	129,700	170,625	-
Accrued payroll and withholdings payable	24,021	37,772	26,042	87,835	-
Taxes payables	(1,419)	-	34,410	32,991	-
Compensated absences payable	(393)	9,342	16,589	25,538	-
Total other postemployment benefits liability	(1,072,111)	(1,051,518)	(1,527,103)	(3,650,732)	-
Net pension liability payable	(470,501)	(534,477)	(941,001)	(1,945,979)	-
Deferred inflows - OPEB	163,504	157,015	302,047	622,566	-
Deferred inflows - pensions	136,629	156,436	273,257	566,322	-
Total adjustments	831,563	3,733,097	353,594	4,918,254	(307,403)
Net cash provided (used) by operating activities	\$ 5,090,044	\$ 13,670,642	\$ 11,529,232	\$ 30,289,918	\$ 856,003
Noncash investing, capital and financing activities:					
Contributed capital assets	\$ 4,115,318	\$ 1,992,458	\$ -	\$ 6,107,776	
Work in progress moved to capital assets	153,893	7,072,783	-	7,226,676	
Change in asset carrying value	30,834	(17)	57,303	88,120	
Disposal of capital assets	105,175	46,206	416,691	568,072	

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUNDS
December 31, 2020

	<u>Pension Trust Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	<u>\$ 1,882,563</u>
Receivables:	
Interest and dividends	<u>23,104</u>
Investment at fair value:	
Municipal bonds	577,120
Mutual funds	<u>25,840,504</u>
Total investments	<u>26,417,624</u>
Total assets	<u>28,323,291</u>
<u>Liabilities</u>	
Net benefits due and unpaid	<u>6,447</u>
Net position - restricted for pensions	<u><u>\$ 28,316,844</u></u>

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PENSION TRUST FUNDS
For the Year Ended December 31, 2020

	Pension Trust Funds
<u>Additions</u>	
Contributions:	
On behalf contributions	\$ 3,289,052
Employer	<u>1,175,200</u>
Total contributions	<u>4,464,252</u>
Investment income (loss):	
Net change in fair value of investments	2,534,042
Interest	<u>843,052</u>
Total investments income (loss)	<u>3,377,094</u>
Total additions	<u>7,841,346</u>
<u>Deductions</u>	
Benefits	4,518,606
Administrative expense	<u>75,269</u>
Total deductions	<u>4,593,875</u>
Change in net position	3,247,471
Net position - beginning	<u>25,069,373</u>
Net position - ending	<u><u>\$ 28,316,844</u></u>

See accompanying notes to financial statements.

CITY OF MISHAWAKA, INDIANA

INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE	Page
I Summary of Significant Accounting Policies	15
A. Reporting Entity	15
B. Government-Wide and Fund Financial Statements	16
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	18
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	20
1. Deposits and Investments	20
2. Receivables	21
3. Inventories and Prepaid Items	22
4. Restricted Assets	22
5. Capital Assets	22
6. Deferred Outflows of Resources	23
7. Compensated Absences	24
8. Long-Term Obligations	24
9. Deferred Inflows of Resources	25
10. Equity Classifications	25
11. Postemployment Benefits Other Than Pensions (OPEB)	26
12. Basis for Existing Rates	27
13. Interfund Transactions and Balances	27
14. Encumbrances	27
15. Pensions	27
16. Utility Ratemaking Expenses	28
II Stewardship, Compliance, and Accountability	28
A. Deficit Balances	28
B. Budgetary Information	28
III Detailed Notes on All Funds	29
A. Deposits and Investments	29
B. Receivables	33
C. Restricted Assets	33
D. Capital Assets	34
E. Interfund Receivables/Payables, Advances and Transfers	36
F. Long-Term Obligations	37
G. Lease Disclosures	43
H. Net Position/Fund Balances	43
I. Restatement of Fund Balances/Net Position	46
IV Other Information	46
A. Employees' Retirement System	46
B. Risk Management	77
C. Commitments and Contingencies	78
D. Other Postemployment Benefits	80
E. Subsequent Events	83
F. Tax Abatement	84
G. Effect of New Accounting Standards on Current-Period Financial Statements	87

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mishawaka, Indiana ("City" or "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 accounting policies of the City of Mishawaka, Indiana conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of three methods, discrete presentation, blended, or fiduciary. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Blended Component Units

The Building Corporation (Building Corporation) is a blended component unit of the City. 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.

The Mishawaka Local Public Improvement Bond Bank ("LPIBB") is a blended 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 (5) members. The primary government appoints all members of the board in accordance with Indiana Code 5-1.4-2-2. The City created the Bond Bank to issue revenue bonds and other obligations to finance projects and purchase equipment. The City directs the actions of the Bond Bank. The financial statements of the component unit may be obtained from the Controller, City of Mishawaka at 600 East Third Street, Mishawaka, Indiana, 46544.

Related Organizations

The City's officials are responsible for appointing the board members of the Mishawaka Housing Authority, but the City's accountability for this organization 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

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

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.

The City reports the following major governmental funds:

General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Consolidated TIF Capital projects 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 City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system

Wastewater Utility - accounts for operations of the wastewater system

Electric Utility - accounts for operations of the electric system

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The City reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Debt Service Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

In addition, the City reports the following fund types:

Internal Service Funds - used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Pension Trust Funds - used to account for the activities of the 1925 police, 1937 fire, and utility pension funds which accumulate resources for pension benefit payments.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Wastewater Utility and Electric Utility are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

The City'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.

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.

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

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of or interest in an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed fifty percent (50%) of the funds held by the City and available for investment.

The portfolio of an investment company or 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City'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 fair value.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A.

No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note III. A. for further information.

2. Receivables

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 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31 of the year collected. Delinquent property taxes outstanding at year end for governmental funds are recorded as a receivable with an offset to deferred inflows of resources – unavailable revenue since the amounts are not considered available.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. 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.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$100,000 for buildings and improvements, \$3,000,000 for roads, and \$5,000 for all other general capital assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$100,000	Straight-line	20-50 Years
Equipment	5,000	Straight-line	3-15 Years
Water collection system	5,000	Straight-line	5-50 Years
Wastewater distribution and collection systems	5,000	Straight-line	5-50 Years
Electric distribution systems	5,000	Straight-line	5-50 Years

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

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Compensated Absences

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

Under terms of employment, employees are granted vacation leave in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2020, are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations (cont.)

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line or effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- b. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- c. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Council may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- d. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. H. for further information.

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the City OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

12. Basis for Existing Rates

Utility Rates and Charges

Current water rates were approved by the Common Council on December 20, 2020.

Current sewer rates were approved by the Common Council on March 7, 2017.

Current electric rates were approved by the Common Council on December 22, 2020.

13. 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".

14. 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.

15. Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions expense, information about the fiduciary net position of the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the 1925 Police Officers' Pension Plan, the 1937 Firefighters' Pension Plan, Utility Pension Plan and the Indiana Public Employees' Retirement Fund (the Plans), and additions to and deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with benefit terms. Pension investments are reported at fair value.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

16. Utility Ratemaking Expenses

The utilities amortize ratemaking expenses to transparently communicate the formal regulatory process of setting utility rates and charges. Ratemaking, typically carried out before the Indiana Utility Regulatory Commission required utilities to account and report for this cost through annual financial statement. Although GASB no longer requires such reporting, the unit continues this practice to better facilitate the local regulatory processes.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2020, no individual funds held a deficit balance.

B. BUDGETARY INFORMATION

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

Annual budgets are adopted for the following governmental funds:

General Funds	Nonmajor Governmental Funds	
	Special Revenue Funds	Capital Projects Funds
General Fund	Motor Vehicle Highway (Restricted & Unrestricted)	Cumulative Capital Improvement
	Local Road and Street	Cumulative Sewer
	Public Safety	Cumulative Capital Development
	Park and Recreation	CEDIT
	Rainy Day	
	Law Enforcement Continuing	
	Education	
	Park Nonreverting Operating	

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. BUDGETARY INFORMATION (cont.)

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

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$119,445,677	\$122,594,726	Custodial credit
Equity portfolio	15,630,383	15,630,383	Investment custodial credit, credit, interest rate, concentration of custodial risk
Taxable portfolios	8,801,717	8,801,717	Investment custodial credit, credit, interest rate, concentration of custodial risk
Taxable municipal bonds	577,120	577,120	Investment custodial credit, credit, interest rate
Alternative portfolios	1,408,404	1,408,404	Investment custodial credit, credit, interest rate, concentration of custodial risk
Money market funds	86,648	86,648	Custodial credit
Petty cash	880	-	N/A
Total deposits and investments	<u>\$145,950,829</u>	<u>\$149,098,998</u>	

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements

Per statement of net position

Unrestricted cash and investments	\$ 83,103,258
Restricted cash and investments	34,547,384

Per statement of net position - fiduciary funds

Pension trust funds cash	1,882,563
Pension trust investments	<u>26,417,624</u>

Total deposits and investments	<u><u>\$145,950,829</u></u>
--------------------------------	-----------------------------

Indiana Code Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. All other bank balances at December 31, 2020 were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

The City 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 other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Level 1: Equities, mutual funds and municipal bonds are valued based on quoted prices

	December 31, 2020			
Investment Type	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 15,630,383	\$ -	\$ -	\$ 15,630,383
Taxable fixed income mutual funds	8,801,717	-	-	8,801,717
Taxable municipal bonds	577,120	-	-	577,120
Alternative portfolio mutual funds	<u>1,408,404</u>	-	-	<u>1,408,404</u>
Total	<u><u>\$ 26,417,624</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,417,624</u></u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

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, 2020, the primary government had deposit balances in the amount of \$121,567,238. Of this amount, the following was exposed to custodial credit risk.

Uninsured and collateral held by the pledging financial institution's trust department or agent not in the City's name	\$ <u>86,648</u>
Total	\$ <u><u>86,648</u></u>

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.

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.

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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk (cont.)

At December 31, 2020, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	Amounts
Vanguard Large Cap Index Admiral	Mutual fund	17.59%	\$4,661,561
Vanguard US Growth Fund Admiral	Mutual fund	9.00%	\$2,385,865
Vanguard Windsor II Adm	Mutual fund	8.34%	\$2,211,268
Russel Investment Grade Bond	Mutual fund	8.14%	\$2,158,046
American Beacon Intl Equity Instl	Mutual fund	5.34%	\$1,416,154

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the 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.

As of December 31, 2020, the City's investments were as follows:

Pension Fund

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 to 2	More than 2
Municipal bonds	\$ 577,120	\$ 288,642	\$ -	\$ 288,478
Mutual funds	25,840,504	25,840,504	-	-
Totals	\$ 26,417,624	\$ 26,129,146	\$ -	\$ 288,478

See Note I.D.1. for further information on deposit and investment policies.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

Revenues of the water utility, wastewater utility and electric utility are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to Water Utility	\$ 27,750
Uncollectibles related to Wastewater Utility	10,802
Uncollectibles related to Electric Utility	<u>364,800</u>
 Total uncollectibles of the current fiscal year	 <u>\$ 403,352</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 23,817,188
Delinquent property taxes receivable	<u>2,278,180</u>
 Total unavailable revenue for governmental funds	 <u>\$ 26,095,368</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Following is a list of restricted assets at December 31, 2020:

	<u>Restricted Assets</u>
Customer deposits	\$ 4,016,092
Revenue bond covenant accounts	12,188,968
Reserve account	754,000
Construction account	1,727,509
Equipment replacement account	15,860,815
Net pension asset	<u>688,633</u>
 Total	 <u>\$ 35,236,017</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 13,381,950	\$ -	\$ -	\$ 13,381,950
Construction in progress	21,219,023	5,968,366	6,863,211	20,324,178
Total Capital Assets Not Being Depreciated	34,600,973	5,968,366	6,863,211	33,706,128
Capital assets being depreciated				
Buildings	40,267,584	2,643,460	-	42,911,044
Improvements other than buildings	39,905,708	3,398,058	-	43,303,766
Machinery, equipment and vehicles	35,882,361	4,361,830	1,079,975	39,164,216
Infrastructure	197,605,996	6,799,408	-	204,405,404
Total Capital Assets Being Depreciated	313,661,649	17,202,756	1,079,975	329,784,430
Total Capital Assets	348,262,622	23,171,122	7,943,186	363,490,558
Less: Accumulated depreciation for				
Buildings	\$ 11,108,490	\$ 867,851	\$ -	\$ 11,976,341
Improvements other than buildings	15,432,591	1,602,222	-	17,034,813
Machinery, equipment and vehicles	25,866,771	2,117,444	866,770	27,117,445
Infrastructure	38,764,424	5,400,604	-	44,165,028
Total Accumulated Depreciation	91,172,276	9,988,121	866,770	100,293,627
Net Capital Assets Being Depreciated	222,489,373	7,214,635	213,205	229,490,803
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 257,090,346	\$ 13,183,001	\$ 7,076,416	\$ 263,196,931

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 350,614
Public safety	1,599,474
Highways and streets	6,060,872
Community development	2,210
Culture and recreation	1,974,951
Total Governmental Activities Depreciation Expense	\$ 9,988,121

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,027,850	\$ 301,304	\$ -	\$ 3,329,154
Construction in progress	19,618,728	11,669,391	-	31,288,119
Total Capital Assets Not Being Depreciated	22,646,578	11,970,695	-	34,617,273
Capital assets being depreciated				
Buildings	54,163,271	2,508,783	-	56,672,054
Improvements other than buildings	240,094,783	11,531,636	458,633	251,167,786
Machinery, equipment and vehicles	45,926,466	39,258	43,970	45,921,754
Transportation	5,951,202	226,532	65,468	6,112,266
Total Capital Assets Being Depreciated	346,135,722	14,306,209	568,071	359,873,860
Total Capital Assets	368,782,300	26,276,904	568,071	394,491,133
Less: Accumulated depreciation for				
Buildings	21,850,171	1,090,921	-	22,941,092
Improvements other than buildings	77,747,352	5,812,834	436,821	83,123,365
Machinery, equipment and vehicles	33,472,824	1,144,378	43,970	34,573,232
Transportation	4,480,223	480,334	65,468	4,895,089
Total Accumulated Depreciation	137,550,570	8,528,467	546,259	145,532,778
Net Capital Assets Being Depreciated	208,585,152	5,777,742	21,812	214,341,082
Business-Type Capital Assets, Net of Accumulated Depreciation	\$ 231,231,730	\$ 17,748,437	\$ 21,812	\$ 248,958,355

Business-Type Activities

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 1,553,942
Wastewater	4,053,313
Electric	2,921,212
Total Business-Type Activities Depreciation Expense	\$ 8,528,467

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
COVID-19 CDBG	General	\$ 17,640
Total - Fund Financial Statements		17,640
Less: Fund eliminations		<u>(17,640)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ -</u></u>

All amounts are due within one year.

The principal purpose of these interfunds is reimburse the COVID-19 CDBG fund due to the timing of receiving reimbursement on expenditures related to the ongoing coronavirus pandemic. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Water Utility	\$ 662,956	PILOT
General Fund	Wastewater Utility	2,111,053	PILOT
General Fund	Electric Utility	653,282	PILOT
Wastewater Utility	Consolidated TIF	3,360,000	Debt payments
General Fund	Electric Utility	1,000,000	Operating subsidy
Nonmajor Funds	Consolidated TIF	3,294,241	Debt payments
Nonmajor Funds	Nonmajor Funds	1,040,379	Debt payments and transfer of CCMG proceeds
Water Utility	Water Utility	3,432,944	Operating subsidy
Wastewater Utility	Wastewater Utility	17,286,481	Operating subsidy
Electric Utility	Electric Utility	<u>6,486,484</u>	Operating subsidy
Total - Fund Financial Statements		39,327,820	
Less: Fund eliminations		<u>(38,260,529)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 1,067,291</u></u>	

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers (cont.)

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Restatements	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities						
Bonds and Notes Payable						
Tax increment financing bonds	\$ 8,650,000	\$ (815,000)	\$ -	\$ 2,205,000	\$ 5,630,000	\$ 2,210,000
Notes payable	1,203,396	-	-	81,498	1,121,898	83,232
(Discounts)/Premiums	(9,834)	-	-	(2,459)	(7,375)	-
Sub-totals	<u>9,843,562</u>	<u>(815,000)</u>	<u>-</u>	<u>2,284,039</u>	<u>6,744,523</u>	<u>2,293,232</u>
Other Liabilities						
Compensated absences	568,275	-	773,276	372,254	969,297	649,362
Capital leases	5,141,814	(3,608,464)	956,400	1,028,002	1,461,748	481,772
Total other postemployment benefits	45,338,356	-	779,161	8,799,354	37,318,163	-
Net pension liability	47,677,506	-	7,778,489	6,822,454	48,633,541	-
Total Other Liabilities	<u>98,725,951</u>	<u>(3,608,464)</u>	<u>10,287,326</u>	<u>17,022,064</u>	<u>88,382,749</u>	<u>1,131,134</u>
Total Governmental Activities Long-Term Liabilities	<u>\$108,569,513</u>	<u>\$ (4,423,464)</u>	<u>\$ 10,287,326</u>	<u>\$ 19,306,103</u>	<u>\$ 95,127,272</u>	<u>\$ 3,424,366</u>
Business-type Activities						
Bonds and Notes Payable						
Water Utility	\$ 17,005,000	\$ -	\$ -	\$ 965,000	\$ 16,040,000	\$ 1,805,000
Wastewater Utility	73,825,000	-	-	5,260,000	68,565,000	5,475,000
Notes and loans payable	1,441,000	-	-	119,000	1,322,000	121,000
(Discounts)/Premiums	2,894,867	-	-	365,844	2,529,023	-
Sub-totals	<u>95,165,867</u>	<u>-</u>	<u>-</u>	<u>6,709,844</u>	<u>88,456,023</u>	<u>7,401,000</u>
Other Liabilities						
Compensated absences	303,067	-	94,721	69,183	328,605	79,703
Capital leases	237,695	-	-	75,998	161,697	79,765
Total other postemployment benefits	7,972,880	-	354,669	4,005,401	4,322,148	-
Net pension liability	2,429,826	-	2,458,396	4,404,375	483,847	-
Total Other Liabilities	<u>10,943,468</u>	<u>-</u>	<u>2,907,786</u>	<u>8,554,957</u>	<u>5,296,297</u>	<u>159,468</u>
Total Business-type Activities Long-Term Liabilities	<u>\$106,109,335</u>	<u>\$ -</u>	<u>\$ 2,907,786</u>	<u>\$ 15,264,801</u>	<u>\$ 93,752,320</u>	<u>\$ 7,560,468</u>

Note: The General Fund, Motor Vehicle Highway Fund, Park Fund, Water, Wastewater and Electric funds have historically been used to liquidate the liability for total other-postemployment benefits, compensated absences and net pension liability.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

An restatement was made to leases payable and bonds payable to remove debt liability being reported to the Bond Bank. The Bond Bank is a blended component unit and internal balances needed to be removed.

Revenue Debt

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 2020, the water utility paid \$965,000 in debt payments or approximately 10 percent of operating revenues. The wastewater utility paid \$8.05 million in debt payments or approximately 26 percent of operating revenues. Bond coverage for the water utility at December 31, 2020 was 573 percent. Bond coverage for the wastewater utility at December 31, 2020 was 150 percent. 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 debt payable at December 31, 2020, consists of the following:

Business-Type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2020
<u>Water Utility</u>					
2013 Water refunding revenues bonds due in installments of \$735,000 to \$775,000	08/20/13	07/01/22	2%	\$ 12,710,000	\$ 3,045,000
2018 Water revenue bonds due in installments of \$150,000 to \$445,000	10/29/18	07/01/39	2.82%	13,000,000	<u>12,995,000</u>
				Total Water Utility	<u><u>\$ 16,040,000</u></u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2020</u>
<u>Wastewater Utility</u>					
2015 Wastewater refunding revenue bonds due in installments of \$1,405,000 to \$1,880,000	08/20/15	01/01/27	2.25%-5%	\$ 34,755,000	\$ 21,705,000
2017 Sewage Works Revenue Bonds, Series A due in installments of \$1,050,000 to \$1,460,000	12/08/17	03/01/34	4%	16,315,000	13,545,000
2017 Sewage Works Revenue Bonds, Series B due in installments of \$1,060,000 to \$1,485,000	12/08/17	09/01/34	2.85%	24,210,000	21,075,000
2018 Sewage Works revenue bonds due in installments of \$150,000 to \$475,000	10/16/18	09/01/39	2%-6%	12,550,000	<u>12,240,000</u>
				Total Wastewater Utility	<u>\$ 68,565,000</u>
					<u>\$ 84,605,000</u>
Total Business-Type Activities - Revenue Debt					<u>\$ 84,605,000</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-Type Activities Revenue Debt	
	Principal	Interest
2021	\$ 7,280,000	\$ 2,867,364
2022	7,520,000	2,610,338
2023	6,467,000	2,364,810
2024	6,723,000	2,090,493
2025	6,992,000	1,795,718
2026-2030	24,543,000	5,554,292
2031-2035	18,956,000	2,273,440
2036-2040	6,124,000	325,884
Totals	<u>\$ 84,605,000</u>	<u>\$ 19,882,339</u>

Tax Increment Financing Bonds

Tax increment financing bonds are payable from incremental taxes derived from a separately created tax increment financing district.

The City has pledged future tax increment finance revenues, net of specified operating expenses, to repay revenue bonds issued in 2017. Proceeds from the bonds provided financing for public community development projects at Ironworks. The bonds are payable solely from incremental property tax revenues generated by special ad valorem tax levied on all taxable property within the district, and are payable through 2023. Annual principal and interest payments on the bonds are expected to require 12.48 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,799,580. Principal and interest paid for the current year and total customer net revenues were \$2,307,042 and \$18,486,663, respectively.

Tax Increment Financing Bonds at December 31, 2020, consists of the following:

Governmental Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2020
Tax Increment Financing Bonds					
Ironworks Tax increment economic development revenue bonds due in installments of \$1,080,000 to \$1,155,000	09/26/17	02/01/23	1.6%-2.1%	\$ 10,985,000	\$ 5,630,000
Total Governmental Activities Tax Increment Financing Bonds					<u>\$ 5,630,000</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Tax Increment Financing Bonds (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities Tax Increment Financing Bonds	
	Principal	Interest
2021	\$ 2,210,000	\$ 99,428
2022	2,265,000	58,024
2023	1,155,000	12,128
Totals	<u>\$ 5,630,000</u>	<u>\$ 169,580</u>

Other Bonds or Notes or 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 primary government's business-type activities loans are from the State Revolving Loan Fund. This loan was issued to finance costs related to Sewer Utility improvements.

Governmental Activities

Other Bonds or Notes or Loans Payable	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2020
Tax increment economic development revenue bonds due in installments of \$32,946 to \$45,951	12/30/14	12/31/34	2-3.625%	\$ 1,587,477	\$ 1,121,898
Total Governmental Activities Other Bonds or Notes or Loans Payable					<u>\$ 1,121,898</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Business-Type Activities

Other Bonds or Notes or Loans Payable	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2020
2010A Sewage Works revenue bonds due in installments of \$60,000 to \$80,000	01/28/10	03/01/30	3.050%	\$ 2,398,000	\$ <u>1,322,000</u>
Total Business-Type Activities Other Bonds or Notes or Loans Payable					\$ <u><u>1,322,000</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities Other Bonds or Notes or Loans Payable		Business-Type Activities Other Bonds or Notes or Loans Payable	
	Principal	Interest	Principal	Interest
	2021	\$ 83,232	\$ 35,795	\$ 121,000
2022	85,833	33,285	125,000	35,685
2023	88,434	30,684	129,000	31,842
2024	91,035	28,018	133,000	27,877
2025	66,759	25,469	137,000	23,790
2026-2030	367,608	94,525	677,000	52,643
2031-2035	<u>338,997</u>	<u>27,934</u>	<u>-</u>	<u>-</u>
Totals	\$ <u><u>1,121,898</u></u>	\$ <u><u>275,710</u></u>	\$ <u><u>1,322,000</u></u>	\$ <u><u>211,244</u></u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. LEASE DISCLOSURES

Lessee - Capital Leases

The City has acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$2,399,967, which are included in capital assets in the governmental and business-type activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2020, are as follows:

Years	Governmental Activities			Business-type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2021	\$ 481,772	\$ 31,099	\$ 512,871	\$ 79,765	\$ 4,405	\$ 84,170
2022	493,208	28,667	521,875	81,932	2,208	84,140
2023	192,083	7,936	200,019	-	-	-
2024	195,571	4,448	200,019	-	-	-
2025	99,114	899	100,013	-	-	-
Totals	<u>\$ 1,461,748</u>	<u>\$ 73,049</u>	<u>\$ 1,534,797</u>	<u>\$ 161,697</u>	<u>\$ 6,613</u>	<u>\$ 168,310</u>

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2020, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 13,381,950
Construction in progress	20,324,178
Other capital assets, net of accumulated depreciation	229,490,803
Less: Long-term debt outstanding	<u>(8,206,271)</u>
Total Net Investment in Capital Assets	<u>\$ 254,990,660</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2020, include the following:

	General Fund	Consolidated TIF	Nonmajor Funds	Totals
Fund Balances				
Restricted for:				
Other Purposes General Government	\$ -	\$ -	\$ 1,877,803	\$ 1,877,803
Technology	-	-	305,589	305,589
Law Enforcement Training and Capital	-	-	831,925	831,925
Firefighting Training and Capital	-	-	616,452	616,452
Capital Projects	-	13,282,952	2,968,172	16,251,124
Sanitation	-	-	1,010,086	1,010,086
Capital Highway Projects	-	-	2,147,276	2,147,276
Families, Park and Recreation	-	-	3,045,042	3,045,042
Housing and Community Development	-	-	440,458	440,458
Debt Service Reserve	-	-	1,140,435	1,140,435
Debt Service Principal and Interest	-	-	3,615,371	3,615,371
Sidewalk Construction	-	-	225,889	225,889
Sub-total	-	13,282,952	18,224,498	31,507,450
Committed to:				
Capital Projects	-	-	4,431,704	4,431,704
Assigned to:				
Other Purposes General Government	1,328,367	-	-	1,328,367
Public Safety	-	-	409,951	409,951
Capital Projects	-	-	979,055	979,055
Sanitation	-	-	106,988	106,988
Parks and Recreation	-	-	151,950	151,950
Sub-total	1,328,367	-	1,647,944	2,976,311
Unassigned:	14,529,663	-	-	14,529,663
 Total Fund Balances	 \$ 15,858,030	 \$ 13,282,952	 \$ 24,304,146	 \$ 53,445,128

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Business-Type Activities

Net Investment in Capital Assets	
Land	\$ 3,329,254
Construction in progress	31,288,019
Other capital assets, net of accumulated depreciation	214,341,082
Less: Long-term debt outstanding	(88,617,720)
Plus: Unspent capital related debt proceeds	1,727,509
Plus: Deferred amount on refunding	354,294
Plus: Deferred utility ratemaking expenses	636,596
Total Net Investment in Capital Assets	<u>163,059,034</u>
Restricted	
Debt service	11,048,552
Capital projects	754,000
Pensions	688,633
Total Restricted	<u>12,491,185</u>
Unrestricted	<u>36,257,765</u>
Total Business-Type Activities Net Position	<u>\$ 211,807,984</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF FUND BALANCES/NET POSITION

Fund balance has been restated to correct an error in reporting loans receivable and assets held for resale.

Consolidated TIF Fund

Consolidated TIF Fund balance - December 31, 2020 (as reported)	\$ 21,970,116
Less: Assets Held for Resale	<u>(6,282,396)</u>
Fund Balance - December 31, 2020 (as restated)	<u>\$ 15,687,720</u>

Mishawaka Local Improvement Bond Bank Fund

Mishawaka Local Improvement Bond Bank Fund balance - December 31, 2020 (as reported)	\$ 6,904,851
Less: Loans Receivable	<u>(4,565,063)</u>
Fund Balance - December 31, 2020 (as restated)	<u>\$ 2,339,788</u>

Net position has been restated to reclassify assets held for resale and loan receivable activity.

Governmental Activities Net Position - December 31, 2020 (as reported)	\$ 211,646,203
Less: Assets Held for Resale	(6,282,396)
Loan Receivable for Operating Lease	<u>(141,604)</u>
Net Position - December 31, 2020 (as restated)	<u>\$ 205,222,203</u>

Comparative total columns of the previous year have not been restated to reflect these changes.

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Public Employees' Retirement Fund

Plan description. The City participates in the Public Employees' Retirement Fund, a cost-sharing multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees' Retirement Fund (cont.)

department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the My Choice Retirement Savings Plan for Public Employees (My Choice). Details of the PERF Hybrid Plan are described below.

PERF Hybrid Plan Description. The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Public Employees' Hybrid Members Defined Contribution Account (DC Account), formerly known as the Annuity Savings Account (ASA), which that supplements the defined benefit at retirement.

Contributions. Members are required to contribute 3 percent of their annual covered salary to their defined contribution account. The primary government is required to contribute at an actuarially determined rate; the current rate for calendar year 2019 is 11.20 percent of annual covered payroll. The rate for 2020 is also 11.20 percent. The contribution requirements of plan members and the primary government are established and may be amended by the INPRS Board of Trustees. 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 \$769,773 for the calendar year ended December 31, 2020.

Retirement Benefits. The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's DC Account. Pension benefits vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their DC account and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the DC Account. A non-vested member who terminates employment prior to retirement may withdraw his/her DC Account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees' Retirement Fund (cont.)

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

Disability and Survivor Benefits. The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to 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. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Retirement Benefits – My Choice. Members are required to participate in My Choice. The My Choice DC Account consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. The City has elected to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their DC Account. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Rate of Return. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for Public Employee's Retirement Fund was 2.58 percent.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability

At December 31, 2020, the City reported a liability (asset) of \$3,876,978 for its proportionate share of the net pension liability (asset). The City allocates the pension liability to Governmental Activities and Business-Type Activities based on their respective contributions to INPRS. For 2020, the allocation was \$3,393,131 and \$483,847, respectively. The City's proportion of the total was measured on the ratio of the wages reported by employers relative to the collective wages of the plan. This basis of allocation measures the proportionate relationship of an employer to all employers and is consistent with the manner in which contributions to the pension plan are determined. The plan does not have a special funding situation, as there is not a non-employer contributing entity legally responsible for making contributions that are used to provide pension benefits to members of the pension plan. At December 31, 2020, the City's proportion was - allocated as follows for 2020 and 2019:

	Total	Governmental Activities	Business-Type Activities
2020	.0012836	.0011234	.0001602
2019	.0012883	.0011225	.0001658

The net pension liability for calendar year 2020 is calculated as set forth in the following table:

	Governmental Activities	Business-Type Activities
Net pension liability - beginning December 31, 2019	\$ 3,710,091	\$ 547,823
Total pension expense	251,500	17,084
Difference between expected and actual experience	(84,117)	(11,995)
Net difference between projected and actual investments	466,541	66,527
Change in assumptions	(302,715)	(43,166)
Change in proportionate share of contributions	25,536	3,642
Defined benefit plan employer contributions	(673,705)	(96,068)
Net Pension Liability - December 31, 2020	\$ 3,393,131	\$ 483,847

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Differences between expected and actual experience	\$ 60,117	\$ 45,557
Changes in assumptions	-	703,929
Net differences between projected and actual earnings on pension plan investments	290,397	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,452	52,136
Employer contributions subsequent to the measurement date	<u>429,291</u>	<u>-</u>
Totals	<u>\$ 798,257</u>	<u>\$ 801,622</u>
 Business-Type Activities:		
Differences between expected and actual experience	\$ 8,572	\$ 6,496
Changes in assumptions	-	103,870
Net differences between projected and actual earnings on pension plan investments	41,410	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,631	7,434
Employer contributions subsequent to the measurement date	<u>62,287</u>	<u>-</u>
Totals	<u>\$ 114,900</u>	<u>\$ 117,800</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (cont.)

\$429,290 and \$62,287 reported as deferred outflows related to pension resulting from the Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)	
	Governmental Activities	Business-Type Activities
2021	\$ (375,840)	\$ (53,593)
2022	(125,126)	(17,842)
2023	(58,102)	(8,285)
2024	126,412	14,533

Pension Expense. The City recognized pension expense for the following proportionate share of pension expense:

Pension Expense	Governmental Activities	Business-Type Activities
Proportionate share of plan pension expense	\$ 273,265	\$ 38,966
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(21,765)	(21,882)
Total	\$ 251,500	\$ 17,084

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (cont.)

Key Methods and Assumptions. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Valuation Date:	
Assets:	June 30, 2020
Liabilities:	June 30, 2019 - Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 to the June 30, 2020 measurement date.
Actuarial Cost Method:	Entry Age Normal (Level percent of payroll)
Experience Study Date	Period of 5 years ended June 30, 2019
Investment Rate of Return	6.75%, net of investment expense, including inflation
Cost of Living Increases	2020-2021 - 13th check 2022-2033 - 0.40% 2034-2038 - 0.50% 2039 and on - 0.60%
Salary increases, including inflation:	2.75% - 8.75%
Inflation	2.25%
Mortality:	
Health:	Pub-2010 Public Retirement Plans Mortality Table, with Social Security Administration generational improvement scale using MP-2019
Disability:	Pub-2010 Public Retirement Plans Mortality Table, with Social Security Administration generational improvement scale using MP-2019

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (cont.)

Change in Assumptions. In 2020, the following changes were made to the plan:

The future salary increase assumption changed from an age-based table ranging from 2.50 percent to 4.25 percent to a service-based table ranging from 2.75 percent to 8.75 percent.

The mortality assumption changed from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019.

The retirement assumption was updated based on recent experience and was updated from an age- and service-based table to an age based table dependent on eligibility for a reduced benefit or unreduced benefit. Additionally, for actives who are eligible for early retirement (reduced benefit), 30 percent are now assumed to commence benefits immediately and 70 percent are assumed to commence benefits at unreduced retirement eligibility. Previously 33 percent of actives were assumed to commence benefits with early retirement while 67 percent were assumed to wait for unreduced retirement eligibility.

In 2018, SEA 373 replaced the 1percent COLA assumption with a COLA of 0.40/0.50/0.60percent, which lowered the actuarial accrued liabilities for those funds.

In 2019, an experience study was performed resulting in an update to several assumptions. These assumption changes included a change in the mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, ASA annuitization assumptions, dependent assumptions, future salary increase assumptions, inflation assumptions, and COLA assumptions.

Plan Amendments. In 2019, PERF was modified pursuant to HEA 1059. Previously, statute generally required PERF members to have 15 years of service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of creditable service.

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined by INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established and the long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (cont.)

Global Asset Class	Long-Term Expected Rate of Return (Geometric Basis)	Target Asset Allocation
Public Equity	4.4%	22.0%
Private Markets	7.6	14.0
Fixed Income - Ex Inflation-Linked	1.9	20.0
Fixed Income - Inflation-Linked	0.5	7.0
Commodities	1.6	8.0
Real Estate	5.8	7.0
Absolute Return	2.9	10.0
Risk Parity	5.5	12.0

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent as of June 30, 2020 and is equal to the long-term expected return on plan investments.

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what the City's proportionate share of the net pension liability (asset) 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:

	1% Decrease to Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase to Discount Rate (7.75%)
Governmental Activity's proportionate share of the net pension liability (asset)	\$5,531,958	\$3,393,131	\$1,601,690
Business-Type Activity's proportionate share of the net pension liability (asset)	\$788,835	\$483,847	\$228,395

The pension plan's fiduciary net position has been determined on the same basis of accounting used by the pension plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Annual Comprehensive Financial Report and Actuarial Valuations. These reports can be found at:

https://www.in.gov/inprs/files/INPRSConsolidatedAR_FY20.pdf
https://www.in.gov/inprs/files/INPRSConsolidatedAR_FY20_Actuarial.pdf

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Utility Pension Plan

Plan description. 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 Public 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.

At December 31, 2020, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	79
Terminated employees entitled to but not yet receiving benefits	2
Current active employees	<u>120</u>
Total	<u><u>201</u></u>

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 percent) 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 percent of the highest annual compensation multiplied by credited service.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Utility Pension Plan (cont.)

A death benefit is available equal to 5 percent of the highest annual compensation multiplied by credited service, or the survivor's portion of a joint and 50 percent 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, 2020, the mandatory member contribution rate was 0 percent of annual pay and the actuarially determined Employer's contribution rate was 15.28 percent 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, 2020, the City recognized pension expense of \$(46,501) for the utility fund. The expense was allocated -\$11,625 to the Water Utility, -\$11,625 to the Wastewater Utility and -\$23,251 to the Electric Utility.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Water Utility	Wastewater Utility	Electric Utility
Differences between expected and actual experience	\$ 474	\$ 474	\$ 949
Changes in assumptions	195,197	195,197	390,394
Net differences between projected and actual earnings on pension plan investments	258,097	258,097	516,193
Totals	\$ 453,768	\$ 453,768	\$ 907,536

	Deferred Inflows of Resources		
	Water Utility	Wastewater Utility	Electric Utility
Differences between expected and actual experience	\$ 230,617	\$ 230,617	\$ 461,234
Changes in assumptions	57,790	57,790	115,580
Net differences between projected and actual earnings on pension plan investments	790,851	790,852	1,581,700
Totals	\$ 1,079,258	\$ 1,079,259	\$ 2,158,514

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Utility Pension Plan (cont.)

As shown in Note IV.A., the wastewater also participates in the INPRS pension program. As such, the reported totals for deferred inflows and deferred outflows reflect the totals from Note IV.A. 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
2021	\$ (216,199)	\$ (216,199)	\$ (432,398)
2022	(100,330)	(100,330)	(200,659)
2023	(214,916)	(214,916)	(429,832)
2024	(83,989)	(83,989)	(167,979)
2025	(10,109)	(10,109)	(20,217)
Thereafter	53	52	107
Totals	\$ (625,490)	\$ (625,491)	\$ (1,250,978)

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 I.D.1. The plan held \$26,417,623 of investments as of December 31, 2020. See Note III.A. Deposits and Investments for more detail on these investments and their risks.

Net Pension Liability (Asset)

The components of the net pension asset of the Utility Pension Plan at December 31, 2020 were as follows:

	Utility Pension	Allocated to:		Electric Utility
		Water Utility	Wastewater Utility	
Actuarial net pension liability	\$ 25,872,578	\$ 6,468,145	\$ 6,468,145	\$ 12,936,288
Plan fiduciary net position	(26,561,211)	(6,640,303)	(6,640,303)	(13,280,605)
Net pension liability (asset)	\$ (688,633)	\$ (172,158)	\$ (172,158)	\$ (344,317)
Plan fiduciary net position as a percentage of total pension liability (asset)	102.66 %	102.66 %	102.66 %	102.66 %

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

Change in net pension assets are as follows:

Changes in Net Pension Liability (Asset)	Utility Pension		
	Total Pension Liability (Asset)	Plan Net Position	Net Pension Liability (Asset)
Balance at December 31, 2019	\$ 25,200,949	\$ (23,318,947)	\$ 1,882,002
Service cost	599,489	-	599,489
Interest cost	1,696,384	-	1,696,384
Differences between expected and actual experience (gain)/loss	(291,266)	-	(291,266)
Changes in assumptions (gain)/loss	(98,218)	-	(98,218)
Employer contributions	-	(1,175,200)	(1,175,200)
Net investment income	-	(3,377,094)	(3,377,094)
Administrative expense	-	75,270	75,270
Benefit payments, including refunds	(1,234,760)	1,234,760	-
Totals	\$ 25,872,578	\$ (26,561,211)	\$ (688,633)

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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per annum
Salary increases	3.50% per annum, (2.50% for inflation and 1.00% for merit/seniority)
Investment Rate of Return	6.75%, net of pension plan investment expenses, including inflation
Cost of Living Increases for Certain Retirees	2.00% per annum

Mortality rates were based on Pub-2010 General Amount-Weighted Mortality Projected Generationally with Mortality Improvement Scale MP-2020 (separate employee, retiree, contingent survivor and disabled retiree tables and separate male & female tables).

Discount Rate. The discount rate used to measure the total pension liability was 6.75 percent as of December 31, 2020, and is equal to the long-term expected return on plan investments. The projection cash

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

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 status of the trust. The future contribution assumption was based upon the review of recent Employer contribution history compared to the corresponding actuarially determined contributions. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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 percent.

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the plan, calculated using the discount rate of 6.75 percent, as well as what the plan's net pension liability (asset) 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:

	Net Pension Liability (Asset)		
	1% Decrease to Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase to Discount Rate (7.75%)
Water Utility	\$ 550,740	\$ (172,158)	\$ (788,920)
Wastewater Utility	550,740	(172,158)	(788,920)
Electric Utility	1,101,481	(344,317)	(1,577,840)

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

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 of 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.

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

At December 31, 2020, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	<u>41</u>
Total	<u><u>41</u></u>

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. 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Plan Membership (cont.)

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 percent of the base salary of a first-class patrolman, plus an additional 1 percent for each completed six months of service over twenty years up to a maximum of 74 percent 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 percent 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 percent 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 the death is considered in the line of duty or not in the line of duty. Such benefits range from 20-50 percent of a first-class patrolman salary, with longevity, or from 55-100 percent 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 percent maximum and 0 percent minimum.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Plan Membership (cont.)

Contributions. Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6 percent) 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 of \$1,306,969 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 I.D.1. 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 percent 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset)

The components of the net pension liability of the 1925 Police Officers' Pension Plan at December 31, 2020 were as follows:

	1925 Police Officers' Pension
Actuarial net pension liability	\$ 16,968,702
Plan fiduciary net position	(795,240)
Net pension liability	\$ 16,173,462
Plan fiduciary net position as a percentage of total pension liability	4.69 %

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

Changes in Net Pension Liability	1925 Police Officers' Pension		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 17,725,332	\$ (803,828)	\$ 16,921,504
Interest cost	367,782	-	367,782
Differences between expected and actual experience (gain)/loss	201,289	-	201,289
Changes in assumptions (gain)/loss	(6,023)	-	(6,023)
Non-employer contributing entity contributions	-	(1,306,969)	(1,306,969)
Administrative expense	-	3,000	3,000
Benefit payments, including refunds	(1,319,678)	1,312,557	(7,121)
Balance at December 31, 2020	\$ 16,968,702	\$ (795,240)	\$ 16,173,462

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2020, the City recognized pension expense of \$563,048. At December 31, 2020, the City reported no deferred outflows of resources and 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% per annum
Salary increases	2.75% per annum
Investment Rate of Return	0.00%, net of pension plan investment expenses, including inflation
Cost of Living Increases for Certain Retirees	2.10% per annum
Non-converted	2.75% per year in retirement
Converted	2.10% per year in retirement

Mortality rates were based on Pub-2010 Public Retirement Plans mortality tables (amount-weighted), with a fully generational projection of mortality improvements using SOA MP-2019.

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 June 2020, which covered the period beginning July 1, 2015 and ending June 30, 2019.

Discount Rate. The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 1.49 percent as of December 31, 2020. The discount rate decreased from the 2.13 percent used for the December 31, 2019 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 1.49 percent. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2020. The municipal bond rate was applied to all remaining periods.

The pension plan currently has no investments.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the plan, calculated using the discount rate of 1.49 percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (0.49 percent) or 1-percentage-point higher (2.49 percent) than the current rate:

	1% Decrease to Discount Rate (0.49%)	Current Discount Rate (1.49%)	1% Increase to Discount Rate (2.49%)
Net Pension Liability	\$ 18,040,146	\$ 16,173,462	\$ 14,614,813

Funding Status and Funding Progress. As of the January 1, 2020 actuarial valuation date, the plan was not funded and is on a pay as you go basis. The actuarial accrued liability for benefits was \$16,968,702, and the actuarial value of assets was \$795,240, resulting in an unfunded actuarial accrued liability of \$16,173,462. 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 of 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.

1937 Firefighters' Officers' Pension Plan

Plan description. The City 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Plan Membership

At December 31, 2020, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	<u>61</u>
Total	<u><u>61</u></u>

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 percent of the base salary of a First-Class Firefighter, plus an additional 1 percent for each completed six months of service over twenty years up to a maximum of 74 percent 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 percent 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 percent 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 the death is considered in the line of duty or not in the line of duty. Such benefits range from 20-50 percent of a First-Class Firefighter's salary, with longevity, or from 55-100 percent of the monthly benefit the member was receiving, or was entitled to receive, on the date of death.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Plan Membership (cont.)

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 percent maximum and 0 percent 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 of \$1,975,083 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 I.D.1. 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Plan Membership (cont.)

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 percent 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 (Asset)

The components of the net pension liability of the 1937 Firefighters' Pension Plan at December 31, 2020 were as follows:

	1937 Firefighters' Pension
Actuarial net pension liability	\$ 26,749,822
Plan fiduciary net position	<u>(960,391)</u>
Net pension liability	<u>\$ 25,789,431</u>
Plan fiduciary net position as a percentage of total pension liability	<u>3.59 %</u>

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

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

Changes in Net Pension Liability	1937 Firefighters' Pension		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 27,865,364	\$ (946,597)	\$ 26,918,767
Interest cost	580,210	-	580,210
Differences between expected and actual experience (gain)/loss	353,573	-	353,573
Changes in assumptions (gain)/loss	(91,288)	-	(91,288)
Non-employer contributing entity contributions	-	(1,975,083)	(1,975,083)
Administrative expense	-	6,750	6,750
Benefit payments, including refunds	(1,958,037)	1,954,539	(3,498)
Balance at December 31, 2020	\$ 26,749,822	\$ (960,391)	\$ 25,789,431

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2020, the City recognized pension expense of \$842,495. At December 31, 2020, the City reported no deferred outflows of resources and 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% per annum
Salary increases	2.75% per annum
Investment Rate of Return	0.00%, net of pension plan investment expenses, including inflation
Cost of Living Increases:	
Non-converted	2.75% per year in retirement
Converted	2.10% per year in retirement

Mortality rates were based on Pub-2010 Public Retirement Plans mortality tables (amount-weighted), with a fully generational projection of mortality improvements using SOA MP-2019.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

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 June 2020, which covered the period beginning July 1, 2015 and ending June 30, 2019.

Discount Rate. The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 1.49 percent as of December 31, 2020. The discount rate decreased from the 2.13 percent used for the December 31, 2019 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 1.49 percent. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2020. The municipal bond rate was applied to all remaining periods.

The pension plan currently has no investments.

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the plan, calculated using the discount rate of 1.49 percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (0.49 percent) or 1-percentage-point higher (2.49 percent) than the current rate:

	1% Decrease to Discount Rate (0.49%)	Current Discount Rate (1.49%)	1% Increase to Discount Rate (2.49%)
Net Pension Liability	\$ 28,567,715	\$ 25,789,431	\$ 23,427,576

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Liability (Asset) (cont.)

Funding Status and Funding Progress. As of the January 1, 2020 actuarial valuation date, the plan was not funded and is on a pay as you go basis. The actuarial accrued liability for benefits was \$26,749,822, and the actuarial value of assets was \$960,391, resulting in an unfunded actuarial accrued liability of \$25,789,431. 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 of 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.

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>.

For purposes of employer allocations, the Police Officers and Firefighters are considered separate submission units and their respective pension items are reported herein.

Retirement Benefits. The plan provides retirement, disability, and death benefits. Benefit terms are established an 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

1977 Police Officers' and Firefighters' Pension and Disability Fund (cont.)

Retirement Benefits - Disability and Survivor Benefits. The 1977 Fund also provides disability and survivor benefits. An active member may file an application for disability benefits. A determination is then made by the local pension board, and reviewed by the INPRS Board of Trustees, as to whether the member has a covered impairment and whether the impairment was incurred in the line of duty or not.

The calculation for disability benefits is based on when the member was first hired, the type of impairment and other factors. In addition, the heirs or estate of a fund member may be entitled to receive \$12,000 upon the member's death.

If a member dies while receiving retirement or disability benefits, there are provisions for the surviving spouse and child(ren) to receive a portion of the benefits. The member's surviving spouse is entitled to a monthly benefit equal to 60 percent of the member's monthly benefit during the spouse's lifetime. Each of the member's surviving child(ren) is entitled to a monthly benefit equal to 20 percent of the member's monthly benefit until the age of 18, or age 23, if a full-time student. If there is no eligible surviving spouse or child(ren), a dependent parent(s) may receive 50 percent of the member's monthly benefit during their lifetime.

Retirement Benefits - Deferred Retirement Option Plan. The Deferred Retirement Option Plan (DROP) for the 1977 Fund was established by the Indiana Legislature in 2002 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 36-8-8.5. Members of the 1977 Fund that are eligible to retire may elect to accumulate a DROP benefit while continuing to work. At the time of their election, the member executes an irrevocable election to retire on a DROP retirement date and remains in active service contributing to the fund until that date. The DROP retirement date must be not less than twelve (12) months and not more than thirty-six (36) months after their DROP entry date, and not after the date they reach any mandatory retirement age that may apply.

The member may make an election to enter the DROP only once in their lifetime. The DROP and future retirement monthly benefit is calculated as of the member's DROP entry date. At the time of retirement, the member must choose among the available options for distribution of the accumulated benefit under the DROP. As of June 30, 2020 the amount held by the plan pursuant to the DROP is \$80.2 million.

Contributions. 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. The employer contribution rate is actuarially determined. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 36-8-8-6. As the 1977 Fund is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During calendar year 2020, all participating employers were required to contribute 17.5 percent of the salary of a first-class officer or firefighter. City contributions for the year ended December 31, 2020 were \$1,069,574 and \$1,120,884 for the Police Officers and Firefighters Funds, respectively.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

1977 Police Officers' and Firefighters' Pension and Disability Fund (cont.)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Retirement System (INPRS) and additions to/deductions from INPRS's fiduciary net position have been determined on the same basis as they are reported by INPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of December 31, 2020, the City reported a pension liability of \$1,600,395 for the Police and \$1,677,122 for the Firefighter proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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 the City's reported wages as a proportion of total collective reported wages for all employers. At June 30, 2020, the City's proportion of the Police Officers' fund was 0.0065912 percent, which is a decrease of 0.0002052 percent from its proportion measured as of June 30, 2019. At June 30, 2020, the City's proportion of the Firefighters' fund was 0.0069072 percent, which was a decrease of 0.0000925 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City recognized pension expense of \$1,043,757 for the Police Officers and \$1,099,186 for the Firefighters' fund. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

1977 Police Officers' and Firefighters' Pension and Disability Fund (cont.)

	Deferred Outflows of Resources		
	Police	Fire	Total
Differences between expected and actual experience	\$ 999,078	\$ 1,046,976	\$ 2,046,054
Changes in assumptions	13,164	13,796	26,960
Net differences between projected and actual earnings on pension plan investments	813,454	852,454	1,665,908
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,371	31,814	57,185
Employer contributions subsequent to the measurement date	609,476	639,801	1,249,277
Totals	\$ 2,460,543	\$ 2,584,841	\$ 5,045,384
	Deferred Inflows of Resources		
	Police	Fire	Total
Differences between expected and actual experience	\$ 163,545	\$ 171,385	\$ 334,930
Changes in assumptions	810,346	849,196	1,659,542
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,564	30,041	70,605
Totals	\$ 1,014,455	\$ 1,050,622	\$ 2,065,077

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

1977 Police Officers' and Firefighters' Pension and Disability Fund (cont.)

\$609,476 reported for the Police Officers' and \$639,801 reported for the Firefighters' funds as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2021. 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 Ended December 31:	Police	Fire	Total
2021	\$ (69,038)	\$ (66,958)	\$ (135,996)
2022	13,056	19,071	32,127
2023	200,897	212,932	413,829
2024	434,310	455,467	889,777
2025	134,841	142,622	277,463
Thereafter	122,546	131,284	253,830

Actuarial Assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.75%
Mortality rates	Mortality rates were based on Pub-2010 Public Retirement Plans mortality tables (amount-weighted), with a fully generational projection of mortality improvements using SOA MP-2019.
Investment rate of return (COLA) or "Ad Hoc"	6.75% net of investment expense, including inflation
(COLA) or "Ad Hoc"	2.10%

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

1977 Police Officers' and Firefighters' Pension and Disability Fund (cont.)

The actuarial assumptions used in the June 30, 2020 valuation of the Public Employees' Retirement Fund were adopted by the INPRS Board in June 2020. The majority of the actuarial and methods are based June 2020, which covered the period beginning July 1, 2015 and ending June 30, 2019. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in October 2017. The funding policy is available online at:

www.in.gov/inprs/files/INPRS_Funding_Policy.pdf.

The target allocation and best estimates of arithmetic real rates of return as of June 30, 2020 for each major asset class are summarized in the following table:

<u>Global Asset Class</u>	<u>Long-Term Expected Rate of Return (Geometric Basis)</u>	<u>Target Asset Allocation</u>
Public Equity	4.4%	22.0%
Private Markets	7.6	14.0
Fixed Income - Ex Inflation-Linked	1.9	20.0
Fixed Income - Inflation-Linked	0.5	7.0
Commodities	1.6	8.0
Real Estate	5.8	7.0
Absolute Return	2.9	10.0
Risk Parity	5.5	12.0

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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

1977 Police Officers' and Firefighters' Pension and Disability Fund (cont.)

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what the City's proportionate share of the net pension liability (asset) 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:

	1% Decrease to Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase to Discount Rate (7.75%)
City's proportionate share of the net pension liability (asset)/(asset) - Police Officers'	\$8,523,523	\$1,600,395	\$(4,008,779)
City's proportionate share of the net pension liability (asset)/(asset) - Firefighters'	8,932,164	1,677,122	(4,200,971)

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 and Actuarial Valuations. These reports can be found at:

https://www.in.gov/inprs/files/INPRSConsolidatedAR_FY20.pdf
https://www.in.gov/inprs/files/INPRSConsolidatedAR_FY20_Actuarial.pdf

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City purchases commercial insurance to provide coverage for losses from (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees). However, other risks, such as (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees) are accounted for and financed by the City in the general fund.

Self Insurance

	Prior Year	Current Year
Unpaid claims - Beginning of Year	\$ 910,764	\$ 761,848
Current year claims and changes in estimates	9,996,128	9,469,471
Claim payments	(10,145,044)	(9,863,002)
Unpaid Claims - End of Year	\$ 761,848	\$ 368,317

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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 \$454 million in 2020 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 percent volume reduction. To date the City has spent \$276 million and has achieved a 99.5 percent CSO volume reduction. To achieve an additional 0.5 percent volume reduction, it would cost an additional \$178 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 4 CSOs in the typical year and result in a 99.9 percent volume reduction. The cost for this revised plan would be an additional \$27 million for a total cost of \$303 million. The plan will meet the same environmental goals and will shorten the implementation schedule by four years. Mishawaka has submitted its revised LTCP to the agencies for their review. Consent Decree modification negotiations are underway.

The City has active construction projects as of December 31, 2020. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Project	Total Project Authorized	Expended to December 31, 2020	Remaining Commitments
Governmental activities:			
12th Street Phase II	\$ 8,903,062	\$ 8,903,062	\$ -
Ironworks Development Area Utilities - Phase II	427,463	397,221	30,242
Ironworks Plaza Improvements Phase I	6,174,911	6,174,911	-
Riverwalk Expansion	832,361	832,361	-
Charlotte-Fairmount Sewer Relocation	191,733	191,733	-
East Race Improvements Phase I	2,361,969	599,977	1,761,992
2020 Community Crossing Grant Project	109,396	109,396	-
Battell Center Elevator Modernization	99,975	44,989	54,986
Beutter Park Founders Circle	222,785	222,785	-
Central Park Picnic Plaza	411,732	411,632	100
Other projects	2,436,112	2,436,112	-
Total Governmental Activities	\$ 22,171,499	\$ 20,324,179	\$ 1,847,320

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Project	Total Project Authorized	Expended to December 31, 2020	Remaining Commitments
Business-type activities:			
<u>Electric:</u>			
Union Street Substation	\$ 5,200,000	\$ 2,132,557	\$ 3,067,443
Electric St Light Refurbishing Project	250,000	14,000	236,000
<u>Water:</u>			
Juday Creek Well Field	3,538,000	3,271,424	266,576
Ireland Trail Water Tanks Phase 1	9,500,985	9,246,415	254,570
Newbury Pointe SEC 2	60,904	200	60,704
Miscellaneous Projects	4,049,236	4,049,236	-
<u>Wastewater:</u>			
Milburn Improve Master Plan	2,334,651	1,889,583	445,068
West St. Project	218,900	127,256	91,644
Holy Cross Lift Station	793,000	9,500	783,500
Pipe Lining/Rehab	838,666	838,666	-
Main Replace/Repair	225,000	225,000	-
Miscellaneous Projects	6,565,245	5,647,182	918,063
Linden Area LTCP Div. A1	6,562,073	3,387,985	3,174,088
Miscellaneous WWTP Improvements	591,139	449,115	142,024
Total Business-type Activities	<u>\$ 40,727,799</u>	<u>\$ 31,288,119</u>	<u>\$ 9,439,680</u>

The City has the following encumbrances outstanding at year end expected to be honored upon performance by the vendor:

General	\$ 1,328,367
MVH	59,390
Local Road and Street	104,727
Parks and Recreation	127,124
Law Enforcement Education	10,487
Public Safety LOIT	315,342
Park Non-Reverting	24,826
MVH - Restricted	159,650
Ambulance	84,122
Cumulative Capital Development	54,765
CEDIT	600,523
Cumulative Sewer	<u>106,988</u>
Total	<u>\$ 2,976,311</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description. The City's 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.

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. 3rd Street, Mishawaka, IN 46544 or by calling (574) 258-1622.

Funding Policy and Benefits Provided. 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, 2020, the primary government contributed \$2,148,940 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.

Employees covered by benefit terms. At December 31, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	87
Inactive plan members entitled to but not yet receiving benefit payments	63
Active plan members	<u>474</u>
	<u><u>624</u></u>

TOTAL OPEB LIABILITY

The City's total OPEB liability of \$41,640,311 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

TOTAL OPEB LIABILITY (cont.)

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	2.75%
Healthcare cost trend rates	8.00%

The discount rate was based on a range of indices: Bond Buyer 20-Year GO Index, S&P Municipal Bond 20-Year High Grade Rate Index and Fidelity 20-Year GO Municipal Bond Index.

Mortality rates were based on:

General: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020

Public Safety: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020

Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period ended January 1, 2019.

CHANGES IN THE TOTAL OPEB LIABILITY

	<u>Total OPEB Liability</u>
Balances at December 31, 2019	\$ <u>53,311,236</u>
Changes for the year:	
Service cost	2,447,315
Interest	1,782,982
Differences between expected and actual experience	(12,757,077)
Changes in assumptions or other inputs	(995,205)
Benefit payments	<u>(2,148,940)</u>
Net changes	<u>(11,670,925)</u>
Balances at December 31, 2020	\$ <u><u>41,640,311</u></u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

CHANGES IN THE TOTAL OPEB LIABILITY (cont.)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.26 percent in 2019 to 2.12 percent in 2020.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12 percent) or 1-percentage-point higher (3.12 percent) than the current discount rate:

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Net OPEB liability	\$ 45,126,494	\$ 41,640,311	\$ 38,413,340

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% Decreasing to 3.5%)	Healthcare Cost Trend Rates (8.0% Decreasing to 4.5%)	1% Increase (9.0% Decreasing to 5.5%)
Net OPEB liability	\$ 37,289,710	\$ 41,640,311	\$ 46,748,177

**OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES
RELATED TO OPEB**

For the year ended December 31, 2020, the City recognized OPEB expense of \$1,133,830. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,428,320
Changes of assumptions or other inputs	3,322,538	3,621,940
Total	<u>\$ 3,322,538</u>	<u>\$ 19,050,260</u>

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	<u>Balance</u>
2021	\$ (3,096,467)
2022	(3,096,467)
2023	(3,096,467)
2024	(3,096,469)
2025	(1,377,242)
Thereafter	(1,964,610)

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 2. 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 \$383,123. The distribution will be deposited into the General Fund, CEDIT and Public Safety.

Future Projects Requiring Financing

In 2021, the City issued approximately \$82.5 million in new money Revenue Bonds between the Water and Electric Utilities. \$51.6 million of that amount is related to the Juday Creek wellfield and elevated water tank at Gumwood Road projects. The other \$30.9 million of debt pertains to City Hall improvements and various plant improvements, which will be serviced by the Electric Utility. The Water Bonds are dated May 20, 2021 and the Electric Bonds are dated June 3, 2021.

Additionally, the City anticipates issuing approximately \$50.1 million in new money Lease Rental Revenue Bonds. The proceeds will be used to finance the Stimulus Projects, which may include but are not limited to:

- (i) Crawford Park on Niles Avenue
- (ii) Cedar Street from Mishawaka Avenue to Madison Street

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

E. SUBSEQUENT EVENTS (cont.)

- (iii) Ironworks Plaza improvements and sculptures
- (iv) Battell Veteran's Walk
- (v) Normain Park master plan and restroom replacement
- (vi) Crawford Park Phase I
- (vii) Riverwalk restoration project and bank armoring
- (viii) West Street connector
- (ix) Fire Station #2 design and construction
- (x) Cedar St. Motor Pool reclamation

American Rescue Plan

On March 11th, 2021, the American Rescue Plan was signed into law. Through the Fiscal Recovery Fund, the City was allocated \$11,963,563. The City will receive fifty percent of the allocation in 2021, and the remaining 50% will be received in 2022.

F. TAX ABATEMENT

Under the state statute, IC 6-1.1-12.1 the City provides tax abatements for rehabilitation or redevelopment of real property in economic revitalization areas. Economic revitalization area (ERA) means an area which is within the corporate limits of a city, town or county which has become undesirable for, or impossible of, normal development and occupancy because of lack of development, cessation of growth, deterioration of improvements or character of occupancy, age, obsolescence, substandard buildings, or other factors which have impaired values or prevent a normal development of property or use of property. The tax abatements under this statute are for real property tax and personal property tax.

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

The abatements are obtained through application by the property owner, approval by the City Council, and a signed agreement between the parties. The agreement is usually for a ten-year period in which the City is willing to forgo tax revenues (real property tax) and the property owner promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Each year of the agreement's time frame the property owner must verify that they have met the commitments set forth in the agreement. The City must also agree that the commitments have been met. The City then allows the percentage of reduction to be applied to the eligible assessed value.

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

The City Council approves the tax abatements for personal property tax. Once approval is granted the taxpayer must file forms with the County Assessor each year of the abatement. The forms used, depending on the type of property, are 103-ERA, State form 52503; CF-1/PP, State form 51765; SB-1/PP, State form 51764; and form 103-EL, State form 52515 that accompanies the ERA. After the forms are filed, the County Assessor calculated the minimum value ratio (MVR) which is the Total True Tax Value, from Schedule A divided by 30 percent of Adjusted Cost, from Schedule A. The adjusted cost is multiplied by the True Tax Value percentage for the property pool by year of purchase of the asset, then times the MVR. Each year of the agreement's time frame the property owner must verify that they have met the commitments set forth in the agreement. The County must also agree that the commitments have been met. The County then allows the

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

F. TAX ABATEMENT (cont.)

reduction in personal property tax to be applied.

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 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 percent, 2 percent and 3 percent, 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.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

F. TAX ABATEMENT (cont.)

Impact of Abatements on Revenues (cont.)

The estimated gross amount, on an accrual basis, by which the City's property tax revenues (payable 2020 taxes) were reduced as a result of the aforementioned City abatement programs, totaled \$215,313. The abatements for the City included abatements for the following programs:

Real Property Tax Abatement	\$	-
Vacant Building Abatements		215,313
Personal Property Tax Abatements		<u>-</u>
Total	\$	<u>215,313</u>

While the City has calculated the potential impact of existing tax abatements on its property tax revenues for 2020 to approximate \$215,313 the actual extent of lost revenues is something less than this amount and cannot be reasonably determined due to the application of circuit breaker credits.

The City estimated gross amount, on an accrual basis, by which the City's property tax revenues (payable 2020 taxes) were reduced are also affected by abatements approved by other taxing units in St. Joseph County. The estimated allocated portion of abatements approved by St. Joseph County totaled \$127,124. Abatements from other taxing districts in St. Joseph County are considered immaterial.

Tax abatements are comprised of the following programs:

Vacant Building Abatements	\$	<u>127,124</u>
----------------------------	----	----------------

While the City has calculated the potential impact of existing tax abatements on its property tax revenues for 2020 to approximate \$127,124, the actual extent of lost revenues is something less than this amount and cannot be reasonably determined due to the application of circuit breaker credits.

CITY OF MISHAWAKA, INDIANA

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE IV - OTHER INFORMATION (cont.)

G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following statements:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND

For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 25,970,964	\$ 25,970,964	\$ 19,465,651	\$ (6,505,313)
Income	3,200,000	3,200,000	4,694,745	1,494,745
Licenses and permits	882,050	882,050	801,655	(80,395)
Intergovernmental	1,849,620	1,849,620	5,443,061	3,593,441
Fines and forfeits	13,500	13,500	18,672	5,172
Charges for services	1,383,600	1,383,600	1,384,179	579
Sale and use of property	-	-	17,308	17,308
Reimbursements	822,000	822,000	1,117,058	295,058
Interest	600,000	600,000	367,795	(232,205)
Miscellaneous	14,000	14,000	16,927	2,927
Total revenues	34,735,734	34,735,734	33,327,051	(1,408,683)
Expenditures				
Current:				
General government:				
Mayor:				
Personal services	158,761	159,363	159,361	2
Supplies	1,000	1,000	847	153
Other services and charges	16,000	15,164	8,283	6,881
City clerk:				
Personal services	159,437	160,106	145,893	14,213
Supplies	3,000	3,198	1,975	1,223
Other services and charges	21,250	20,702	12,490	8,212
Central services:				
Personal services	700,010	709,048	629,146	79,902
Supplies	917,750	921,168	650,385	270,783
Other services and charges	78,500	104,408	79,907	24,501
Common council:				
Personal services	124,640	127,485	127,484	1
Supplies	750	750	750	-
Other services and charges	11,000	11,783	6,744	5,039
Controller:				
Personal services	2,700,000	2,553,714	2,150,664	403,050
Supplies	15,000	15,295	10,483	4,812
Other services and charges	1,889,500	1,960,895	1,938,286	22,609
Capital outlay	750,000	1,887,019	1,393,424	493,595
Human resources:				
Personal services	86,301	87,073	40,693	46,380
Supplies	1,000	1,030	368	662
Other services and charges	74,000	73,500	66,865	6,635

See Notes to Required Supplementary Information.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND

For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (cont.)				
Current (continued):				
Information technology:				
Personal services	\$ 305,884	\$ 313,401	\$ 305,123	\$ 8,278
Supplies	20,000	20,523	10,966	9,557
Other services and charges	45,000	42,000	20,369	21,631
Cemetery:				
Other services and charges	30,000	30,000	30,000	-
Legal:				
Personal services	154,591	155,193	111,865	43,328
Supplies	1,000	1,000	201	799
Other services and charges	55,000	54,000	22,475	31,525
Planning:				
Personal services	229,670	231,463	231,036	427
Supplies	4,000	4,087	1,144	2,943
Other services and charges	4,000	2,000	1,448	552
Total general government	<u>8,557,044</u>	<u>9,666,368</u>	<u>8,158,675</u>	<u>1,507,693</u>
Public safety:				
Police:				
Personal services	11,951,836	12,202,196	11,586,738	615,458
Supplies	36,000	60,039	50,140	9,899
Other services and charges	117,800	124,390	92,765	31,625
Fire:				
Personal services	12,724,993	12,820,860	11,862,279	958,581
Supplies	337,000	396,219	360,043	36,176
Other services and charges	106,000	109,438	105,602	3,836
Building department:				
Personal services	214,183	216,183	216,182	1
Supplies	5,231	2,000	950	1,050
Other services and charges	4,800	2,800	145	2,655
Code enforcement:				
Personal services	289,742	293,044	293,044	-
Supplies	3,500	3,650	2,505	1,145
Other services and charges	38,000	35,000	23,597	11,403
Total public safety	<u>25,829,085</u>	<u>26,265,819</u>	<u>24,593,990</u>	<u>1,671,829</u>
Highways and streets:				
Engineering:				
Personal services	393,963	399,806	398,611	1,195
Supplies	8,000	8,428	3,452	4,976
Other services and charges	14,500	10,000	3,747	6,253
Total highways and streets	<u>416,463</u>	<u>418,234</u>	<u>405,810</u>	<u>12,424</u>

See Notes to Required Supplementary Information.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Community development:				
Redevelopment:				
Personal services	\$ 215,385	\$ 216,885	\$ 214,932	\$ 1,953
Supplies	1,000	1,008	277	731
Other services and charges	135,198	133,699	74,809	58,890
Total community development	351,583	351,592	290,018	61,574
Total expenditures	35,154,175	36,702,013	33,448,493	3,253,520
Excess (deficiency) of revenues over (under) expenditures	(418,441)	(1,966,279)	(121,442)	1,844,837
Other Financing Sources (Uses)				
Transfers In	3,978,000	3,978,000	4,427,291	449,291
Transfers Out	-	-	(3,289,052)	(3,289,052)
Total other financing sources (uses)	3,978,000	3,978,000	1,138,239	(2,839,761)
Net changes in fund balances	3,559,559	2,011,721	1,016,797	(994,924)
Fund Balance - Beginning	13,566,828	13,566,828	13,566,828	-
Fund Balance - Ending	\$ 17,126,387	\$ 15,578,549	\$ 14,583,625	\$ (994,924)

See Notes to Required Supplementary Information.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGET/GAAP RECONCILIATION
GENERAL FUND

For the Year Ended December 31, 2020

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

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

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

	<u>General</u>
Net changes in fund balances (budgetary basis)	\$ 1,016,797
Adjustments:	
To adjust revenues for accruals	18,345,117
To adjust expenditures for accruals	(18,862,047)
To adjust expenditures for encumbrances	<u>1,328,367</u>
Net change in fund balances (GAAP basis)	<u><u>\$ 1,828,234</u></u>

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Public Employees' Retirement Fund
 Available Data: Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0012836	0.0012883	0.0012780	0.0013270	0.0013284	0.0014061	0.0014579
City's proportionate share of the net pension liability (asset)	\$ 3,876,978	\$ 4,257,914	\$ 4,341,424	\$ 5,920,468	\$ 6,028,870	\$ 5,726,908	\$ 3,924,033
City's covered payroll	\$ 6,929,442	\$ 6,712,240	\$ 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	55.95%	63.44%	66.57%	89.93%	94.70%	85.04%	53.82%
Plan fiduciary net position as a percentage of total pension liability	81.40%	80.10%	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
Available Data: Last 10 Calendar Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 769,773	\$ 745,596	\$ 722,847	\$ 731,175	\$ 707,253	\$ 748,561	\$ 767,937
Contributions in relation to the contractually required contribution	(769,773)	(745,596)	(722,847)	(731,175)	(707,253)	(748,561)	(767,937)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,615,318	\$ 6,612,204	\$ 6,597,594	\$ 6,263,435	\$ 6,376,627	\$ 6,515,060	\$ 7,208,652
Contributions as a percentage of covered payroll	11.64%	11.28%	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
 Available Data: Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.0065912	0.0067964	0.0068926	0.0072750	0.0071511	0.0071297	0.0074439
Proportionate share of the net pension liability (asset)	\$ 1,600,395	\$ 62,635	\$ (605,936)	\$ (112,220)	\$ 635,282	\$ (1,053,200)	\$ (379,492)
Covered payroll	\$ 6,111,923	\$ 6,007,566	\$ 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	26.18%	1.04%	-10.44%	-1.90%	11.49%	-19.81%	-7.18%
Plan fiduciary net position as a percentage of total pension liability	96.40%	99.90%	101.50%	100.30%	98.20%	103.20%	101.10%

Notes to statement:

Information presented for the years information is available.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 Police Officers' 1977 Fund
 Available Data: Last 10 Calendar Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,069,574	\$ 1,051,317	\$ 1,015,850	\$ 1,099,360	\$ 1,088,820	\$ 1,047,375	\$ 1,037,474
Contributions in relation to the contractually required contribution	(1,069,574)	(1,051,317)	(1,015,850)	(1,099,360)	(1,088,820)	(1,047,375)	(1,037,474)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 7,461,211	\$ 7,152,682	\$ 5,302,532	\$ 5,663,477	\$ 5,434,709	\$ 5,243,094	\$ 5,235,103
Contributions as a percentage of covered payroll	14.34%	14.70%	19.16%	19.41%	20.03%	19.98%	19.82%

Notes to statement:

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
 Available Data: Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0069072	0.0069997	0.0073905	0.0073905	0.0071635	0.0073620	0.0076191
City's proportionate share of the net pension liability (asset)	\$ 1,677,122	\$ 64,509	\$ (615,220)	\$ (114,001)	\$ 636,383	\$ (1,087,515)	\$ (388,424)
City's covered payroll	\$ 6,405,018	\$ 6,187,260	\$ 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	26.18%	1.04%	-10.44%	-1.90%	11.49%	-19.81%	-7.18%
Plan fiduciary net position as a percentage of total pension liability	96.40%	99.90%	101.50%	100.30%	98.20%	103.20%	101.10%

Notes to statement:

Information presented for the years information is available.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 Firefighters' 1977 Fund
 Available Data: Last 10 Calendar Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,120,884	\$ 1,131,606	\$ 1,031,420	\$ 1,116,201	\$ 1,090,710	\$ 1,081,481	\$ 1,065,499
Contributions in relation to the contractually required contribution	<u>(1,120,884)</u>	<u>(1,082,771)</u>	<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>\$ -</u>	<u>\$ 48,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,733,297	\$ 7,596,554	\$ 5,354,904	\$ 5,767,526	\$ 5,670,591	\$ 5,603,416	\$ 5,498,850
Contributions as a percentage of covered payroll	14.49%	14.25%	19.26%	19.35%	19.23%	19.30%	19.38%

Notes to statement:

Information presented for the years information is available.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Available Data: Last 10 Calendar Years

	2020	2019	2018	2017	2016	2015	2014	2013
1925 Police Officers' Pension Plan								
Total Pension Liability:								
Total pension liability - beginning of year	\$ 17,725,332	\$ 16,936,338	\$ 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	367,782	503,407	486,154	562,636	489,297	513,029	797,797	985,820
Experience (gains)/losses	201,289	(29,018)	227,404	547,357	(606,418)	1,711	-	(178,099)
Assumption changes	(6,023)	1,541,162	(554,336)	795,978	(1,111,822)	(60,691)	2,379,342	2,676,759
Plan amendments	-	110,206	-	-	-	-	-	-
Projected benefit payments	(1,319,678)	(1,336,763)	(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>\$ 16,968,702</u>	<u>\$ 17,725,332</u>	<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>
Plan Fiduciary Net Position:								
Plan fiduciary net position - beginning of year	\$ 803,828	\$ 585,213	\$ 763,592	\$ 756,901	\$ 741,320	\$ 787,611	\$ 782,880	\$ 795,394
Administrative	(3,000)	(1,500)	(3,000)	-	(35)	(4,450)	(6,001)	-
Non-employer contributing entity contributions	1,306,969	1,504,630	1,340,080	1,359,986	1,379,034	1,364,012	1,409,222	1,413,163
Actual benefit payments	(1,312,557)	(1,284,515)	(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>\$ 795,240</u>	<u>\$ 803,828</u>	<u>\$ 585,213</u>	<u>\$ 763,592</u>	<u>\$ 756,901</u>	<u>\$ 741,320</u>	<u>\$ 787,611</u>	<u>\$ 782,880</u>
Net Pension Liability	<u>\$ 16,173,462</u>	<u>\$ 16,921,504</u>	<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>
1937 Firefighters' Pension								
Total Pension Liability:								
Total pension liability - beginning of year	\$ 27,865,364	\$ 26,271,884	\$ 27,182,688	\$ 27,573,516	\$ 31,563,080	\$ 34,780,160	\$ 31,755,489	\$ 27,586,310
Service cost	-	-	-	-	-	-	-	-
Interest cost	580,210	791,672	753,705	843,915	783,385	830,569	1,318,268	1,581,245
Experience (gains)/losses	353,573	252,684	1,245,739	(433,951)	(825,334)	(1,706,681)	-	526,248
Assumption changes	(91,288)	2,414,108	(868,298)	1,223,513	(1,791,378)	(97,894)	4,044,868	4,526,150
Plan amendments	-	108,564	-	-	-	-	-	-
Projected benefit payments	(1,958,037)	(1,973,548)	(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>\$ 26,749,822</u>	<u>\$ 27,865,364</u>	<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>
Plan Fiduciary Net Position:								
Plan fiduciary net position - beginning of year	\$ 946,597	\$ 1,015,084	\$ 955,915	\$ 953,399	\$ 980,987	\$ 1,003,077	\$ 887,820	\$ 1,018,421
Administration	(6,750)	(6,751)	(7,914)	-	(100)	(7,875)	(7,314)	(6,848)
Non-employer contributing entity contributions	1,975,083	1,928,858	2,064,343	2,059,663	2,171,516	2,241,138	2,459,100	2,340,711
Actual benefit payments	(1,954,539)	(1,990,594)	(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>960,391</u>	<u>946,597</u>	<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>
Net Pension Liability (Asset)	<u>\$ 25,789,431</u>	<u>\$ 26,918,767</u>	<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 to statement:

Information presented for the years information is available.

(Continued on next page)

See notes to required supplementary information

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Available Data: Last 10 Calendar Years

Utilities Pension	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
Total pension liability - beginning of year	\$ 25,200,949	\$ 23,690,327	\$ 23,001,227	\$ 22,338,927	\$ 22,565,043	\$ 21,966,679	\$ 20,177,128
Service cost	599,489	581,919	578,732	572,487	531,666	551,697	547,910
Interest cost	1,696,384	1,588,963	1,551,071	1,508,344	1,520,132	1,482,659	1,367,260
Experience (gains)/losses	(291,266)	(419,816)	(257,443)	(237,501)	(931,461)	(135,067)	41,160
Assumption changes	(98,218)	1,111,060	(73,486)	(136,901)	(282,632)	(279,902)	699,670
Plan amendments	(1,234,760)	(1,351,504)	(1,109,774)	(1,044,129)	(1,063,821)	(1,021,023)	(866,449)
Total pension liability - end of year	<u>\$ 25,872,578</u>	<u>\$ 25,200,949</u>	<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>
Plan Fiduciary Net Position:							
Plan fiduciary net position - beginning of year	\$ 23,318,947	\$ 20,014,789	\$ 21,292,912	\$ 18,510,885	\$ 17,431,518	\$ 17,659,728	\$ 16,901,219
Employer contributions	1,175,200	1,041,600	1,057,700	1,094,354	1,047,200	1,025,201	867,363
Employee contributions	-	-	-	-	-	-	-
Non-employer contributing entity contributions	-	-	-	-	-	-	-
Investment return	3,377,094	3,685,334	(1,148,432)	2,789,417	1,153,814	(173,954)	813,594
Actual benefit payments	(1,234,760)	(1,351,504)	(1,109,774)	(1,044,129)	(1,063,821)	(1,021,023)	(866,449)
Administrative and project expenses	(75,270)	(71,272)	(77,617)	(57,615)	(57,826)	(58,434)	(55,999)
Plan fiduciary net position - end of year	<u>\$ 26,561,211</u>	<u>\$ 23,318,947</u>	<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>
Net Pension Liability (Asset)	<u>\$ (688,633)</u>	<u>\$ 1,882,002</u>	<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 to statement:

Information presented for the years information is available.

See notes to required supplementary information

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Available Data: Last 10 Calendar Years

	2020	2019	2018	2017	2016	2015	2014	2013
1925 Police Officers' Pension Plan								
Total pension liability	\$ 16,968,702	\$ 17,725,332	\$ 16,936,338	\$ 18,095,597	\$ 17,519,874	\$ 20,074,686	\$ 20,977,077	\$ 19,201,969
Less plan fiduciary net position	(795,240)	(803,828)	(585,213)	(763,592)	(756,901)	(741,320)	(787,611)	(782,880)
Net pension liability	<u>\$ 16,173,462</u>	<u>\$ 16,921,504</u>	<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	4.69%	4.53%	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	N/A	N/A
1937 Firefighters' Pension Plan								
Total pension liability	\$ 26,749,822	\$ 27,865,364	\$ 26,271,884	\$ 27,182,688	\$ 27,573,516	\$ 31,563,080	\$ 34,780,160	\$ 31,755,489
Less plan fiduciary net position	(960,391)	(946,597)	(1,015,084)	(955,915)	(953,399)	(980,987)	(1,003,077)	(887,820)
Net pension liability	<u>\$ 25,789,431</u>	<u>\$ 26,918,767</u>	<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	3.59%	3.40%	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	N/A	N/A
Utilities Pension Plan								
Total pension liability	\$ 25,872,578	\$ 25,200,949	\$ 23,690,327	\$ 23,001,227	\$ 22,338,927	\$ 22,565,043	\$ 21,966,679	\$ 20,177,128
Less plan fiduciary net position	(26,561,211)	(23,318,947)	(20,014,789)	(21,292,912)	(18,510,885)	(17,431,516)	(17,659,728)	(16,901,219)
Net pension (asset) liability	<u>\$ (688,633)</u>	<u>\$ 1,882,002</u>	<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	102.66%	92.53%	84.49%	92.57%	82.86%	77.25%	80.39%	83.76%
Covered payroll	\$ 6,279,655	\$ 6,396,977	\$ 6,331,338	\$ 6,211,193	\$ 6,012,037	\$ 6,119,311	\$ 6,361,099	\$ 6,159,487
Net pension (asset) liability as a percentage of covered	-10.97%	29.42%	58.05%	27.50%	63.67%	83.89%	67.71%	N/A

Notes to statement:
Information presented for the years information is available.

** Not available

See notes to required supplementary information

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Available Data: Last 10 Calendar Years

	2020	2019	2018	2017	2016	2015	2014	2013		
1925 Police Officers' Pension Plan										
Actuarially determined contribution	\$ 1,312,557	\$ 1,284,515	\$ 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	(1,312,557)	(1,284,515)	(1,515,459)	(1,347,955)	(1,358,078)	(1,405,853)	(1,398,490)	(1,425,677)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered employee payroll	**	**	**	**	**	**	**	**		
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
1937 Firefighters' Pension Plan										
Actuarially determined contribution	\$ 1,954,539	\$ 1,990,594	\$ 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	(1,954,539)	(1,990,594)	(1,997,260)	(2,046,698)	(2,188,594)	(2,255,353)	(2,336,529)	(2,464,464)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered employee payroll	**	**	**	**	**	**	**	**		
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Utilities Pension Plan										
Actuarially determined contribution	\$ 959,444	\$ 905,591	\$ 882,692	\$ 910,977	\$ 956,702	\$ 1,012,206	\$ 897,211	\$ 841,896	\$ 674,395	\$ 589,148
Less contributions in relation to the actuarially determined contribution	(1,175,200)	(1,041,600)	(1,057,700)	(1,094,354)	(1,047,200)	(1,025,201)	(867,363)	(874,082)	(936,366)	(598,801)
Contribution deficiency (excess)	\$ (215,756)	\$ (136,009)	\$ (175,008)	\$ (183,377)	\$ (90,498)	\$ (12,995)	\$ 29,848	\$ (32,186)	\$ (261,971)	\$ (9,653)
Covered employee payroll	\$ 6,279,655	\$ 6,396,977	\$ 6,331,338	\$ 6,211,193	\$ 6,012,037	\$ 6,119,311	\$ 6,361,099	\$ 6,159,487	\$ 5,797,047	\$ 5,685,044
Contributions as a percentage of covered employee payroll	18.71%	16.28%	16.71%	17.62%	17.42%	16.75%	13.64%	14.19%	16.15%	10.53%

Notes to statement:
Information presented for the years information is available.
** Not available.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 Available Data: Last 10 Calendar Years

	2020	2019	2018	2017	2016	2015	2014	2013		
<u>1925 Police Officers' Pension Plan</u>										
Annual money-weighted rate of return, net of investment expense	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **		
<u>1937 Firefighters' Pension Plan</u>										
Annual money-weighted rate of return, net of investment expense	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **	N/A **		
<u>Utilities Pension Plan</u>										
Annual money-weighted rate of return, net of investment expense	14.52%	18.63%	-5.41%	15.07%	6.64%	-1.30%	4.50%	13.40%	11.40%	-0.70%

Notes to statement:

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

Available Data: Last 10 Calendar Years

NET OPEB LIABILITY	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 2,447,315	\$ 1,975,381	\$ 2,763,976
Interest	1,782,982	1,979,760	2,000,815
Change in Plan Provisions	-	-	-
Differences between expected and actual experience	(12,757,077)	(539,974)	(7,188,975)
Changes in assumptions	(995,205)	4,651,552	(4,845,588)
Benefit payments	<u>(2,148,940)</u>	<u>(1,879,944)</u>	<u>(1,993,055)</u>
Net change in Total Pension Liability	(11,670,925)	6,186,775	(9,262,827)
Total pension liability - beginning of year	<u>53,311,236</u>	<u>47,124,461</u>	<u>56,387,288</u>
Total pension liability - end of year (1)	<u>\$ 41,640,311</u>	<u>\$ 53,311,236</u>	<u>\$ 47,124,461</u>
PLAN FIDUCIARY NET POSITION			
Contributions	\$ 2,148,940	\$ 1,879,944	\$ 1,993,055
Benefit payments	<u>(2,148,940)</u>	<u>(1,879,944)</u>	<u>(1,993,055)</u>
Net change in Plan Fiduciary Net Position	-	-	-
Plan fiduciary net position - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - end of year (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total OPEB Liability (Asset) - End of Year (1) - (2)	<u>\$ 41,640,311</u>	<u>\$ 53,311,236</u>	<u>\$ 47,124,461</u>

Notes to statement:

Information presented for the years information is available.

See notes to required supplementary information

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET OPEB LIABILITY
Available Data: Last 10 Calendar Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
1. Total OPEB Liability	\$ 41,640,311	\$ 53,311,236	\$ 47,124,461
2. Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
3. Total OPEB Liability	<u>\$ 41,640,311</u>	<u>\$ 53,311,236</u>	<u>\$ 47,124,461</u>
4. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability = (2) / (1)	0%	0%	0%
5. Covered Payroll	\$ 28,825,348	N/A	N/A
6. Total OPEB Liability as a Percentage of Covered-Employee Payroll = (3) / (5)	144.5%	N/A	N/A

Notes to statement:

Information presented for the years information is available.

CITY OF MISHAWAKA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last 10 Calendar Years

OPEB Contributions	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution**	\$ 2,148,940	\$ 1,879,944	\$ 1,993,055
Actual employer contributions	<u>2,148,940</u>	<u>1,879,944</u>	<u>1,993,055</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered - employee payroll	N/A	N/A	N/A

**This is a pay as you go plan, assumed to be the same as the contributions.

Notes to statement:

Information presented for the years information is available.

CITY OF MISHAWAKA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2020

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2020 (Continued)

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING (cont.)

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

Major funds (1):

General fund

Nonmajor funds:

Special revenue funds (8):

Motor Vehicle Highway (including MVH – Restricted), Local Road and Street, Park and Recreation, Public Safety, Rainy Day, Law Enforcement Continuing Education and Park Nonreverting Operating

Capital projects funds (3):

Cumulative Capital Improvement, Cumulative Sewer, Cumulative Capital Development

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 \$1,547,838 in 2020.

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

CITY OF MISHAWAKA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2020

(Continued)

NOTE 2. FINANCIAL REPORTING – PENSION PLANS

A. Plan Amendments

B. Assumptions

In 2020, pursuant to HEA 109, the years of service required to receive survivor benefits was reduced from 15 years to 10 years.

PERF Plan:

- a) The actuarial assumptions and methods used in the June 30, 2020 valuation of the Public Employees' Defined Benefit Account were adopted by the INPRS Board in June 2020. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2015 through June 30, 2019, and were first used in the June 30, 2020 valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in October 2018.

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

- b) The actuarial assumptions and methods used in the June 30, 2020 valuation of the 1977 Police Officers' and Firefighters' Retirement Fund were adopted by the INPRS board in June 2020. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2015 through June 30, 2019, and were first used in the June 30, 2020 valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in October 2018.

1925 and 1937 Plans:

- c) The discount rate used for the December 31, 2020 valuation was 1.49% based on the Barclay's 20-year Municipal Bond Index. This is a decrease from 2.13% used for the December 31, 2019 valuation.
- d) For converted members, the July 1, 2020, COLA was updated from the 2.0% to reflect the known increase of 2.1%. Beginning July 1, 2021, the assumption reverts back to the assumed annual rate of 2.0%. For non-converted members, COLA was updated to 2.75% from 2.50% in 2019.

CITY OF MISHAWAKA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2020 (Continued)

NOTE 2. FINANCIAL REPORTING – PENSION PLANS (cont.)

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, 2020. 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	2.75%
Cost-of-Living Increases	Non-converted 2.75% per year in retirement Converted 2.10% per year in retirement on July 1, 2021
Discount rate	1.49% (Based on Barclay's 20-year Municipal Bond Index rate)
Mortality assumption	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA MP-2019

Utility Pension Plan

Actuarial cost method	Entry Age Normal – Level Percent of Payroll
Amortization method	Level percentage of projected payroll, open
Remaining amortization period	5 years
Inflation	2.50%
Cost-of-Living Increases	3.50%
Discount rate	6.75%
Mortality assumption	Pub-2010 General Amount-Weighted Mortality with Two Dimensional Generational Mortality Improvement Project Scale MP-2020

CITY OF MISHAWAKA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020
(Continued)

NOTE 3. FINANCIAL REPORTING – OPEB

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

Cost method	Entry Age Normal Level % of Salary
Amortization method	Not Applicable
Discount rate	2.12% per annum
Discount rate basis	S & P municipal bond 20-year high grade rate index
Inflation rate	2.25% per annum
Investment rate of return	Not applicable since the plan is not currently prefunded
Disability	None

Mortality: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020, SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020, and SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

Coverage rate: Active employees with current coverage with less than 20 years of service at retirement 40%, Pre-Medicare with at least 20 years of service 100%, and post-Medicare with at least 20 years of service 40%; Inactive employees with current coverage that are currently under age 65 100% (decreases to 40% upon reaching age 65), currently over age 65 100%, and inactive employees with no coverage 0% medical benefit & 100% for life insurance benefit

Retirement rates:

Age	General		Public Safety	
	<20 YOS	20+ YOS	<20 YOS	20+ YOS
50	4%	4%	5%	5%
55	5%	14%	15%	15%
60	12%	12%	25%	25%
65	30%	30%	50%	50%
70	30%	30%	100%	100%
75+	100%	100%	100%	100%

CITY OF MISHAWAKA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020
(Continued)

NOTE 3. FINANCIAL REPORTING – OPEB (cont.)

Turnover: Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. Rates are based on the most recent Indiana Public Retirement System Public Employees’ Retirement Fund actuarial valuation as of June 30, 2020.

Sample annual turnover rates are shown below:

		Male			
Age	0 YOS	2 YOS	5 YOS	10+ YOS	
20	23.0%	23.0%	17.0%	7.0%	
25	23.0%	23.0%	17.0%	7.0%	
30	22.0%	19.0%	13.0%	7.0%	
35	17.0%	17.0%	10.0%	6.0%	
40	17.0%	14.0%	10.0%	5.0%	
45	14.0%	14.0%	10.0%	4.0%	
50	14.0%	9.0%	9.0%	4.0%	
55	13.0%	7.0%	7.0%	4.0%	

		Female			
Age	0 YOS	2 YOS	5 YOS	10+ YOS	
20	23.0%	23.0%	17.0%	8.0%	
25	23.0%	22.0%	17.0%	8.0%	
30	21.0%	21.0%	14.0%	8.0%	
35	19.0%	16.0%	12.0%	7.0%	
40	18.0%	16.0%	12.0%	6.0%	
45	16.0%	16.0%	10.0%	6.0%	
50	16.0%	15.0%	9.0%	6.0%	
55	16.0%	11.0%	9.0%	6.0%	

Per capita costs: Annual per capita costs were calculated based on the City’s monthly premium rates effective on January 1, 2020.

Health care trend rates:

FYE	Medical/Rx
2021	8.00%
2022	7.50%
2023	7.00%
2024	6.50%
2025	6.00%
2026	5.50%
2027	5.00%
2028+	4.50%

OTHER SUPPLEMENTARY INFORMATION

CITY OF MISHAWAKA, INDIANA

COMBINING BALANCE SHEET-
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue									
	Motor Vehicle Highway	Local Road and Street	Motor Vehicle Highway - Restricted	Park and Recreation	Park and Recreation Gift	Public Safety	COVID-19 Cares Act	COVID-19 CDBG	CEDIT Revolving Fund	Police Drug Investigation Assistance
Assets										
Cash and Cash Equivalents	\$ 827,059	\$ 664,359	\$ 204,318	\$ 1,956,258	\$ 150,396	\$ 1,817,672	\$ -	\$ -	\$ 466,648	\$ 2,067
Receivables (Net of Allowances for Uncollectibles):										
Interest	-	-	-	-	-	-	-	-	-	-
Taxes	1,943,652	-	-	3,671,053	-	-	-	-	-	-
Accounts	-	-	-	970	-	-	-	-	-	-
Intergovernmental Loans	156,794	139,870	156,794	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total assets	2,927,505	804,229	361,112	5,628,281	150,396	1,817,672	-	-	466,648	2,067
Liabilities, Deferred Inflow of Resources and Fund Balances										
Liabilities:										
Accounts payable	6,642	53,502	46,650	42,720	5,977	269,425	-	-	-	-
Accrued payroll and withholdings payable	56,508	-	-	26,858	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	17,640	-	-
	-	-	-	-	-	-	-	-	-	-
Total liabilities	63,150	53,502	46,650	69,578	5,977	269,425	-	17,640	-	-
Deferred inflow of resources:										
Property taxes unavailable	141,129	-	-	143,598	-	-	-	-	-	-
Property taxes levied for next period	1,802,523	-	-	3,527,455	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total deferred inflow of resources	1,943,652	-	-	3,671,053	-	-	-	-	-	-
Fund Balances:										
Restricted	861,313	646,000	154,812	1,760,526	144,419	1,232,905	-	(17,640)	466,648	2,067
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	59,390	104,727	159,650	127,124	-	315,342	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total fund balances	920,703	750,727	314,462	1,887,650	144,419	1,548,247	-	(17,640)	466,648	2,067
Total liabilities, deferred inflow of resources and fund balances	\$ 2,927,505	\$ 804,229	\$ 361,112	\$ 5,628,281	\$ 150,396	\$ 1,817,672	\$ -	\$ -	\$ 466,648	\$ 2,067

(Continued on next page)

CITY OF MISHAWAKA, INDIANA
COMBINING BALANCE SHEET-
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue									
	Off-Street Parking	Sidewalk and Curb Repair	Flexible Spending Account	Ambulance Fund	Industrial Development	Trash Collection	Mishawaka Gift	LOIT Special Distribution	Law Enforcement Continuing Education	Bicentennial Gift
Assets										
Cash and Cash Equivalents	\$ 18,503	\$ -	\$ 3,533	\$ 390,600	\$ 58,158	\$ 1,092,681	\$ 452,738	\$ -	\$ 154,400	\$ 1,391
Receivables (Net of Allowances for Uncollectibles):										
Interest	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	112,352	-	-	3,383	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total assets	18,503	-	3,533	390,600	58,158	1,205,033	452,738	-	157,783	1,391
Liabilities, Deferred Inflow of Resources and Fund Balances										
Liabilities:										
Accounts payable	-	-	-	84,122	-	194,947	-	-	2,268	-
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	84,122	-	194,947	-	-	2,268	-
Deferred inflow of resources:										
Property taxes unavailable	-	-	-	-	-	-	-	-	-	-
Property taxes levied for next period	-	-	-	-	-	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-	-	-	-	-	-
Fund Balances:										
Restricted	18,503	-	3,533	222,356	58,158	1,010,086	452,738	-	145,028	1,391
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	84,122	-	-	-	-	10,487	-
Total fund balances	18,503	-	3,533	306,478	58,158	1,010,086	452,738	-	155,515	1,391
Total liabilities, deferred inflow of resources and fund balances	\$ 18,503	\$ -	\$ 3,533	\$ 390,600	\$ 58,158	\$ 1,205,033	\$ 452,738	\$ -	\$ 157,783	\$ 1,391

(Continued on next page)

CITY OF MISHAWAKA, INDIANA
 COMBINING BALANCE SHEET-
 NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue								
	Community Development	Property Rehabilitation Revolving	Park Nonreverting Operating	Criminal Assistance Grant	NSP (3) Grant	Local Road and Bridge Matching Grant	Rainy Day	CARES Provider Relief Fund	Totals
Assets									
Cash and Cash Equivalents	\$ 22,102	\$ 138,976	\$ 710,794	\$ 82,583	\$ -	\$ -	\$ 586,340	\$ 44,576	\$ 9,846,152
Receivables (Net of Allowances for Uncollectibles):									
Interest	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	5,614,705
Accounts	-	-	-	-	-	-	-	-	116,705
Intergovernmental	-	-	-	-	-	-	-	-	453,458
Loans	221,462	-	-	-	-	-	-	-	221,462
Total assets	<u>243,564</u>	<u>138,976</u>	<u>710,794</u>	<u>82,583</u>	<u>-</u>	<u>-</u>	<u>586,340</u>	<u>44,576</u>	<u>16,252,482</u>
Liabilities, Deferred Inflow of Resources and Fund Balances									
Liabilities:									
Accounts payable	-	240	-	14,206	-	-	-	-	720,699
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-	83,366
Contracts payable	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-	17,640
Total liabilities	<u>-</u>	<u>240</u>	<u>-</u>	<u>14,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>821,705</u>
Deferred inflow of resources:									
Property taxes unavailable	-	-	-	-	-	-	-	-	284,727
Property taxes levied for next period	-	-	-	-	-	-	-	-	5,329,978
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,614,705</u>
Fund Balances:									
Restricted	243,564	138,736	685,968	68,377	-	-	586,340	44,576	8,930,404
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	24,826	-	-	-	-	-	885,668
Total fund balances	<u>243,564</u>	<u>138,736</u>	<u>710,794</u>	<u>68,377</u>	<u>-</u>	<u>-</u>	<u>586,340</u>	<u>44,576</u>	<u>9,816,072</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 243,564</u>	<u>\$ 138,976</u>	<u>\$ 710,794</u>	<u>\$ 82,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,340</u>	<u>\$ 44,576</u>	<u>\$ 16,252,482</u>

(Continued on next page)

CITY OF MISHAWAKA, INDIANA

COMBINING BALANCE SHEET-
NONMAJOR GOVERNMENTAL FUNDS

	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	Mishawaka Local Public Improvement Bond Bank	
<u>Assets</u>						
Cash and Cash Equivalents	\$ 1,140,416	\$ -	\$ -	\$ 1,154,664	\$ 2,460,707	\$ 4,755,787
Receivables (Net of Allowances for Uncollectibles):						
Interest	19	-	-	-	-	19
Taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Total assets	<u>1,140,435</u>	<u>-</u>	<u>-</u>	<u>1,154,664</u>	<u>2,460,707</u>	<u>4,755,806</u>
<u>Liabilities, Deferred Inflow of Resources and Fund Balances</u>						
Liabilities:						
Accounts payable	-	-	-	-	-	-
Accrued payroll and withholdings payable	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflow of resources:						
Property taxes unavailable	-	-	-	-	-	-
Property taxes levied for next period	-	-	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted	1,140,435	-	-	1,154,664	2,460,707	4,755,806
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	<u>1,140,435</u>	<u>-</u>	<u>-</u>	<u>1,154,664</u>	<u>2,460,707</u>	<u>4,755,806</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,140,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,664</u>	<u>\$ 2,460,707</u>	<u>\$ 4,755,806</u>

(Continued on next page)

CITY OF MISHAWAKA, INDIANA
COMBINING BALANCE SHEET-
NONMAJOR GOVERNMENTAL FUNDS

	Capital Projects					Totals	Total Nonmajor Governmental Funds
	Cumulative Capital Improvement	Cumulative Sewer	Cumulative Capital Development	CEDIT	2017 Bonds Construction Fund		
Assets							
Cash and Cash Equivalents	\$ 1,895,443	\$ 2,491,700	\$ 406,403	\$ 5,574,652	\$ -	\$ 10,368,198	\$ 24,970,137
Receivables (Net of Allowances for Uncollectibles):							
Interest	-	-	-	-	-	-	19
Taxes	-	-	565,871	-	-	565,871	6,180,576
Accounts	-	-	-	-	-	-	116,705
Intergovernmental	-	-	-	-	-	-	453,458
Loans	-	-	-	-	-	-	221,462
Total assets	<u>1,895,443</u>	<u>2,491,700</u>	<u>972,274</u>	<u>5,574,652</u>	<u>-</u>	<u>10,934,069</u>	<u>31,942,357</u>
Liabilities, Deferred Inflow of Resources and Fund Balances							
Liabilities:							
Accounts payable	-	26,611	46,049	542,425	-	615,085	1,335,784
Accrued payroll and withholdings payable	-	-	-	-	-	-	83,366
Contracts payable	-	20,845	-	-	-	20,845	20,845
Interfund payable	-	-	-	-	-	-	17,640
Total liabilities	<u>-</u>	<u>47,456</u>	<u>46,049</u>	<u>542,425</u>	<u>-</u>	<u>635,930</u>	<u>1,457,635</u>
Deferred inflow of resources:							
Property taxes unavailable	-	-	28,695	-	-	28,695	313,422
Property taxes levied for next period	-	-	537,176	-	-	537,176	5,867,154
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>565,871</u>	<u>-</u>	<u>-</u>	<u>565,871</u>	<u>6,180,576</u>
Fund Balances:							
Restricted	1,895,443	2,337,256	305,589	-	-	4,538,288	18,224,498
Committed	-	-	-	4,431,704	-	4,431,704	4,431,704
Assigned	-	106,988	54,765	600,523	-	762,276	1,647,944
Total fund balances	<u>1,895,443</u>	<u>2,444,244</u>	<u>360,354</u>	<u>5,032,227</u>	<u>-</u>	<u>9,732,268</u>	<u>24,304,146</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,895,443</u>	<u>\$ 2,491,700</u>	<u>\$ 972,274</u>	<u>\$ 5,574,652</u>	<u>\$ -</u>	<u>\$ 10,934,069</u>	<u>\$ 31,942,357</u>

CITY OF MISHAWAKA, INDIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue									
	Motor Vehicle Highway	Local Road and Street	Motor Vehicle Highway - Restricted	Park and Recreation	Park and Recreation Gift	Public Safety	COVID-19 Cares Act	COVID-19 CDBG	CEDIT Revolving Fund	Police Drug Investigation Assistance
Revenues:										
Taxes:										
Property	\$ 536,193	\$ -	\$ -	\$ 2,643,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income	-	-	-	-	-	3,270,542	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	960,751	792,508	916,710	217,102	-	22,691	-	-	-	-
Charges for services	950,558	-	-	486,053	64,226	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Sale and use of property	24,841	-	-	78,719	-	-	-	-	-	-
Gifts and donations	-	-	-	-	3,347	-	-	-	-	-
Other	5,502	-	-	5,003	-	7,024	1,619,950	-	-	-
Total revenues	2,477,845	792,508	916,710	3,430,035	67,573	3,300,257	1,619,950	-	-	-
Expenditures:										
Current:										
General government	-	-	-	-	-	-	1,619,950	17,640	48,352	-
Public safety	-	-	-	-	-	2,352,138	-	-	-	-
Highways and streets	2,715,194	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	3,097,263	40,295	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	-	-	-	7,690	-	383,771	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	25,933	-	-	-	-
Capital Outlay:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Highways and streets	-	616,039	375,408	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Total expenditures	2,715,194	616,039	375,408	3,104,953	40,295	2,761,842	1,619,950	17,640	48,352	-
Excess (deficiency) of revenues										
Over (under) expenditures	(237,349)	176,469	541,302	325,082	27,278	538,415	-	(17,640)	(48,352)	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	515,000	-
Transfers out	-	-	(427,150)	-	-	(613,229)	-	-	-	-
Total other financing sources and uses	-	-	(427,150)	-	-	(613,229)	-	-	515,000	-
Net change in fund balances	(237,349)	176,469	114,152	325,082	27,278	(74,814)	-	(17,640)	466,648	-
Fund Balances - January 1	1,158,052	574,258	200,310	1,562,568	117,141	1,623,061	-	-	-	2,067
Restatement of Fund Balance	-	-	-	-	-	-	-	-	-	-
Fund Balance, January 1, restated	1,158,052	574,258	200,310	1,562,568	117,141	1,623,061	-	-	-	2,067
Fund Balances - December 31	\$ 920,703	\$ 750,727	\$ 314,462	\$ 1,887,650	\$ 144,419	\$ 1,548,247	\$ -	\$ (17,640)	\$ 466,648	\$ 2,067

(Continued on next page)

CITY OF MISHAWAKA, INDIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue									
	Off-Street Parking	Sidewalk and Curb Repair	Flexible Spending Account	Ambulance Fund	Industrial Development	Trash Collection	Mishawaka Gift	LOIT Special Distribution	Law Enforcement Continuing Education	Bicentennial Gift
Revenues:										
Taxes:										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income	-	-	-	-	-	-	-	-	-	-
Licenses and permits	7,491	-	-	-	-	-	-	-	44,070	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	143,904	-	2,427,300	-	-	42,414	-
Fines and forfeits	-	-	-	-	-	-	-	-	309	-
Interest	-	-	-	-	-	-	-	-	-	7
Sale and use of property	-	-	-	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	84,250	-	-	-
Other	-	-	74,425	-	-	176,525	-	-	690	-
Total revenues	7,491	-	74,425	143,904	-	2,603,825	84,250	-	87,483	7
Expenditures:										
Current:										
General government	-	-	116,908	-	-	-	-	-	-	-
Public safety	1,054	-	-	-	-	-	-	-	69,942	-
Highways and streets	-	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	2,409,608	-	-	-	-
Culture and recreation	-	-	-	-	-	-	44,436	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,054	-	116,908	-	-	2,409,608	44,436	-	69,942	-
Excess (deficiency) of revenues Over (under) expenditures	6,437	-	(42,483)	143,904	-	194,217	39,814	-	17,541	7
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources and	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	6,437	-	(42,483)	143,904	-	194,217	39,814	-	17,541	7
Fund Balances - January 1	12,066	-	46,016	162,574	58,158	815,869	412,924	-	137,974	1,384
Restatement of Fund Balance	-	-	-	-	-	-	-	-	-	-
Fund Balance, January 1, restated	12,066	-	46,016	162,574	58,158	815,869	412,924	-	137,974	1,384
Fund Balances - December 31	\$ 18,503	\$ -	\$ 3,533	\$ 306,478	\$ 58,158	\$ 1,010,086	\$ 452,738	\$ -	\$ 155,515	\$ 1,391

(Continued on next page)

CITY OF MISHAWAKA, INDIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue								
	Community Development	Property Rehabilitation Revolving	Park Nonreverting Operating	Criminal Assistance Grant	NSP (3) Grant	Local Road and Bridge Matching Grant	Rainy Day	CARES Provider Relief Fund	Totals
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,179,351
Income	-	-	-	-	-	-	-	-	3,270,542
Licenses and permits	-	-	-	-	-	-	-	-	51,561
Intergovernmental	421,834	-	-	79,061	-	427,150	-	-	3,837,807
Charges for services	-	-	205,975	-	-	-	-	-	4,320,430
Fines and forfeits	-	-	-	-	-	-	-	-	309
Interest	-	-	-	-	-	-	-	-	7
Sale and use of property	-	-	-	-	-	-	-	-	103,560
Gifts and donations	-	54,820	-	-	-	-	-	-	142,417
Other	10,486	-	-	-	-	-	-	44,576	1,944,181
Total revenues	432,320	54,820	205,975	79,061	-	427,150	-	44,576	16,850,165
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	-	1,802,850
Public safety	-	-	-	93,267	-	-	-	-	2,516,401
Highways and streets	-	-	-	-	-	-	-	-	2,715,194
Sanitation	-	-	-	-	-	-	-	-	2,409,608
Culture and recreation	-	-	140,452	-	-	-	-	-	3,322,446
Community development	456,176	54,845	-	-	-	-	-	-	511,021
Debt Service:									
Principal	-	-	-	-	-	-	-	-	391,461
Interest and fiscal charges	-	-	-	-	-	-	-	-	25,933
Capital Outlay:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	1,010,981	-	-	2,002,428
Culture and recreation	-	-	-	-	-	-	-	-	-
Total expenditures	456,176	54,845	140,452	93,267	-	1,010,981	-	-	15,697,342
Excess (deficiency) of revenues									
Over (under) expenditures	(23,856)	(25)	65,523	(14,206)	-	(583,831)	-	44,576	1,152,823
Other financing sources (uses):									
Transfers in	-	-	-	-	-	427,150	-	-	942,150
Transfers out	-	-	-	-	-	-	-	-	(1,040,379)
Total other financing sources and uses	-	-	-	-	-	427,150	-	-	(98,229)
Net change in fund balances	(23,856)	(25)	65,523	(14,206)	-	(156,681)	-	44,576	1,054,594
Fund Balances - January 1	267,420	138,761	645,271	82,583	-	156,681	586,340	-	8,761,478
Restatement of Fund Balance	-	-	-	-	-	-	-	-	-
Fund Balance, January 1, restated	267,420	138,761	645,271	82,583	-	156,681	586,340	-	8,761,478
Fund Balances - December 31	\$ 243,564	\$ 138,736	\$ 710,794	\$ 68,377	\$ -	\$ -	\$ 586,340	\$ 44,576	\$ 9,816,072

(Continued on next page)

CITY OF MISHAWAKA, INDIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

	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	Mishawaka Local Public Improvement Bond Bank	
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interest	4,216	-	-	634	120,919	125,769
Sale and use of property	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>4,216</u>	<u>-</u>	<u>-</u>	<u>634</u>	<u>120,919</u>	<u>125,769</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Debt Service:						
Principal	-	-	542,038	2,205,000	-	2,747,038
Interest and fiscal charges	-	-	71,191	153,843	-	225,034
Capital Outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>613,229</u>	<u>2,358,843</u>	<u>-</u>	<u>2,972,072</u>
Excess (deficiency) of revenues						
Over (under) expenditures	<u>4,216</u>	<u>-</u>	<u>(613,229)</u>	<u>(2,358,209)</u>	<u>120,919</u>	<u>(2,846,303)</u>
Other financing sources (uses):						
Transfers in	-	-	613,229	2,360,032	-	2,973,261
Transfers out	-	-	-	-	-	-
Total other financing sources an	<u>-</u>	<u>-</u>	<u>613,229</u>	<u>2,360,032</u>	<u>-</u>	<u>2,973,261</u>
Net change in fund balances	4,216	-	-	1,823	120,919	126,958
Fund Balances - January 1	1,136,219	-	-	1,152,841	6,904,851	9,193,911
Restatement of Fund Balance	-	-	-	-	(4,565,063)	(4,565,063)
Fund Balance, January 1, restated	<u>1,136,219</u>	<u>-</u>	<u>-</u>	<u>1,152,841</u>	<u>2,339,788</u>	<u>4,628,848</u>
Fund Balances - December 31	<u>\$ 1,140,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,664</u>	<u>\$ 2,460,707</u>	<u>\$ 4,755,806</u>

(Continued on next page)

CITY OF MISHAWAKA, INDIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

	Capital Projects					Totals	Total Nonmajor Governmental Funds
	Cumulative Capital Improvement	Cumulative Sewer	Cumulative Capital Development	CEDIT	2017 Bonds Construction Fund		
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ 528,173	\$ -	\$ -	\$ 528,173	\$ 3,707,524
Income	-	-	-	4,507,306	-	4,507,306	7,777,848
Licenses and permits	-	106,219	-	-	-	106,219	157,780
Intergovernmental	95,126	-	43,383	-	-	138,509	3,976,316
Charges for services	-	-	-	30,395	-	30,395	4,350,825
Fines and forfeits	-	-	-	-	-	-	309
Interest	-	-	-	-	-	-	125,776
Sale and use of property	-	-	-	-	-	-	103,560
Gifts and donations	-	-	-	-	-	-	142,417
Other	-	2,473	-	-	-	2,473	1,946,654
Total revenues	95,126	108,692	571,556	4,537,701	-	5,313,075	22,289,009
Expenditures:							
Current:							
General government	-	-	350,398	-	-	350,398	2,153,248
Public safety	-	209,938	-	-	-	209,938	2,726,339
Highways and streets	-	-	-	2,987,563	-	2,987,563	5,702,757
Sanitation	-	-	-	-	-	-	2,409,608
Culture and recreation	-	-	-	34,313	-	34,313	3,356,759
Community development	-	-	-	-	-	-	511,021
Debt Service:							
Principal	100,000	-	-	123,611	-	223,611	3,362,110
Interest and fiscal charges	15,493	-	-	37,642	-	53,135	304,102
Capital Outlay:							
General government	-	-	314,070	-	-	314,070	314,070
Public safety	-	221,018	-	100,000	-	321,018	321,018
Highways and streets	-	-	-	199,684	-	199,684	2,202,112
Culture and recreation	-	-	-	695,526	-	695,526	695,526
Total expenditures	115,493	430,956	664,468	4,178,339	-	5,389,256	24,058,670
Excess (deficiency) of revenues							
Over (under) expenditures	(20,367)	(322,264)	(92,912)	359,362	-	(76,181)	(1,769,661)
Other financing sources (uses):							
Transfers in	-	-	-	419,209	-	419,209	4,334,620
Transfers out	-	-	-	-	-	-	(1,040,379)
Total other financing sources and	-	-	-	419,209	-	419,209	3,294,241
Net change in fund balances	(20,367)	(322,264)	(92,912)	778,571	-	343,028	1,524,580
Fund Balances - January 1	1,915,810	2,766,508	453,266	4,253,656	-	9,389,240	27,344,629
Restatement of Fund Balance	-	-	-	-	-	-	(4,565,063)
Fund Balance, January 1, restated	1,915,810	2,766,508	453,266	4,253,656	-	9,389,240	22,779,566
Fund Balances - December 31	\$ 1,895,443	\$ 2,444,244	\$ 360,354	\$ 5,032,227	\$ -	\$ 9,732,268	\$ 24,304,146

CITY OF MISHAWAKA, INDIANA

COMBINING STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUNDS
December 31, 2020

	<u>1925 Police Pension</u>	<u>1937 Firefighters' Pension</u>	<u>Utility Pension</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 795,240	\$ 960,391	\$ 126,932	\$ 1,882,563
Receivables:				
Interest and dividends	-	-	23,104	23,104
Investments at fair value:				
Municipal bonds	-	-	577,120	577,120
Mutual funds	-	-	25,840,504	25,840,504
Total investments	-	-	26,417,624	26,417,624
Total assets	<u>795,240</u>	<u>960,391</u>	<u>26,567,660</u>	<u>28,323,291</u>
<u>Liabilities</u>				
Net benefits due and unpaid	-	-	6,447	6,447
Total liabilities	-	-	6,447	6,447
Net position - restricted for pensions	<u>\$ 795,240</u>	<u>\$ 960,391</u>	<u>\$ 26,561,213</u>	<u>\$ 28,316,844</u>

CITY OF MISHAWAKA, INDIANA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PENSION TRUST FUNDS
For the Year Ended December 31, 2020

	1925 Police Pension	1937 Firefighters' Pension	Utility Pension	Totals
<u>Additions:</u>				
Contributions:				
On behalf contributions	\$ 1,310,469	\$ 1,978,583	\$ -	\$ 3,289,052
Employer	-	-	1,175,200	1,175,200
Total contributions	<u>1,310,469</u>	<u>1,978,583</u>	<u>1,175,200</u>	<u>4,464,252</u>
Investment income (loss):				
Net change in fair value of investments	-	-	2,534,042	2,534,042
Interest and dividends	-	-	843,052	843,052
Total investment income (loss)	<u>-</u>	<u>-</u>	<u>3,377,094</u>	<u>3,377,094</u>
Total additions	<u>1,310,469</u>	<u>1,978,583</u>	<u>4,552,294</u>	<u>7,841,346</u>
<u>Deductions:</u>				
Benefits	1,319,057	1,964,789	1,234,760	4,518,606
Administrative expense	-	-	75,269	75,269
Total deductions	<u>1,319,057</u>	<u>1,964,789</u>	<u>1,310,029</u>	<u>4,593,875</u>
Changes in net position	(8,588)	13,794	3,242,265	3,247,471
Net position - beginning	<u>803,828</u>	<u>946,597</u>	<u>23,318,948</u>	<u>25,069,373</u>
Net position - ending	<u>\$ 795,240</u>	<u>\$ 960,391</u>	<u>\$ 26,561,213</u>	<u>\$ 28,316,844</u>

CITY OF MISHAWAKA, INDIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND INDEPENDENT AUDITORS' REPORTS

December 31, 2020



CITY OF MISHAWAKA, INDIANA

CONTENTS

	Page
Independent Auditors' 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	1-2
Independent Auditors' Report on Compliance for Each Major Federal Program Required by the Uniform Guidance and on Internal Control Over Compliance	3-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-10
Corrective Action Plan	11-12

*Independent Auditors' 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*

The Officials of City of Mishawaka, 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, each major fund, and the aggregate remaining fund information of City of Mishawaka, Indiana (City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2022.

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) as a basis for designing 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 entity'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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be material weaknesses.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
March 29, 2022

*Independent Auditors' Report on Compliance for Each Major
Federal Program Required by the Uniform Guidance
and on Internal Control Over Compliance*

The Officials of City of Mishawaka, Indiana

Report on Compliance for Each Major Federal Program

We have audited City of Mishawaka, Indiana's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditors' 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 programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2020.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 29, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
March 29, 2022

CITY OF MISHAWAKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020

	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S DEPARTMENT OF THE TREASURY			
Passed through Indiana Finance Authority:			
COVID-19 - Coronavirus Relief Fund	21.019	Coronavirus Relief Fund Reimbursement Request #27	<u>\$ 1,619,950</u>
U.S DEPARTMENT OF TRANSPORTATION			
Passed through Indiana Department of Transportation:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	69A37518300001640INA	<u>79,061</u>
U.S DEPARTMENT OF JUSTICE			
Direct Awards:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>11,553</u>
Bulletproof Vest Partnership Program	16.607		<u>12,637</u>
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Awards:			
CDBG - Entitlement Grants Cluster			
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218		17,640
Community Development Block Grants/Entitlement Grants	14.218		<u>452,497</u>
			<u>470,137</u>
			<u>\$ 2,193,338</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF MISHAWAKA, INDIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of City of Mishawaka, Indiana (City). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR), *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City. In addition, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or federal award guidance, when such cost principles are not applicable to the specific federal award. Cost principles contained in the Uniform Guidance do not apply to the Coronavirus Relief Fund. Under the cost principles contained in the Uniform Guidance and federal award guidance, 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.

Subrecipients: The City provided no funds to subrecipients in 2020.

NOTE 2 - INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF MISHAWAKA, INDIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ yes no
- Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes ✓ no
- Significant deficiency(ies) identified? yes ✓ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes ✓ no

Identification of major programs:

Federal Assistance Listing Number	Agency	Title
21.019	U.S Department of Treasury	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes ✓ no

CITY OF MISHAWAKA, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2020

Financial Statement Findings

2020-001 Material Weakness – Financial Reporting

Criteria: Internal controls over financial reporting should be in place that provide reasonable assurance that the financial statements are free of material misstatement. Internal controls over financial reporting should be designed to either prevent or detect and correct misstatements on a timely basis and maintained to ensure they are operating as designed.

Condition and Context: At year-end, the City completes a financial statement preparation process. During the financial statement preparation process, management will review subsequent cash disbursements for accruals, identify and eliminate all intergovernmental transactions, and update records to reflect capital asset activity. The financial statement preparation process did not appropriately identify all subsequent cash disbursements for accruals, did not identify all intergovernmental transactions for elimination, and did not identify all capital assets sold.

Cause and Effect: The deficiency noted above resulted in undetected material misstatements to accruals, receivables, capital assets, capital leases, and the related income and expenditure accounts. In addition to the material misstatements in the current year capital assets misstatement impact prior years and resulted in a restatement of opening net position. Similar misstatements could occur and materially impact the City's presentation of financial position, results from operations, and cash flows.

Recommendations: We recommend the City review the year-end financial statement preparation process and determine what appropriate procedures and review processes are necessary to prevent or detect misstatements. The City should give specific attention to receivables, accruals, capital assets and debt as these balances are generally material to the financial statements and can be significantly impacted in preparing financial statement in conformity with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation and plans to have the corrective action implemented for the year-end 2021 financial statement preparation process. The City Controller will work with Baker Tilly, consultant, on developing review procedures of the year-end financial statement preparation process. The review will consist of verifying amounts reported on the financial statements to the associated workpapers and underlying City records. This review will be implemented for the financial statements ending December 31, 2021.

2020-002 Material Weakness – Inventory Management System

Criteria: Internal controls over inventory should be in place to provide reasonable assurance that inventory is free of material misstatement. Internal controls over inventory should be designed to either prevent or detect and correct misstatements on a timely basis and maintained to ensure they are operating as designed.

Condition and Context: The City utilizes an inventory management system to track details such as inventory levels, orders, and sales. During our testing, we noted the inventory management system lacked sufficient transaction level detail to be able to reconcile to the City's general ledger on a perpetual basis.

Cause and Effect: The deficiency noted above may result in undetected material misstatements in the existence and valuation of the City's inventory.

Recommendations: We recommend the City review the current inventory management system to determine the specific limitations the system has in providing adequate detail to reconcile to the City's general ledger on a perpetual basis. The City should then identify short-term and long-term solutions to address the deficiency. We also recommend the City establish procedures to perform monthly reconciliations between the inventory management system and the general ledger to ensure both records are consistent and complete.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation and plans to have the corrective action implemented by the third quarter of 2022. It has been the Electric Department's historical practice to complete an annual inventory thus, the Controller's Office will review the processes and work with the electrical department in the short term to update inventory quarterly progress in long term to a monthly reconciliation of inventory amounts.

Federal Award Findings and Questioned Costs

None



CITY OF MISHAWAKA

DAVID A. WOOD, MAYOR

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

CORRECTIVE ACTION PLAN Year Ended December 31, 2020

Indiana State Board of Accounts
302 W Washington Street, Room E 418
Indianapolis, IN 46204-2765

The City of Mishawaka, Indiana respectively submits the following corrective action plan for the year ended December 31, 2020.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Audit period: Year ended December 31, 2020

The finding from the schedule of findings and questioned costs for the year ended December 31, 2020, is discussed below. The finding is numbered consistently with the number assigned in the Schedule.

FINANCIAL STATEMENT FINDING

2020-001 Material Weakness – Financial Reporting

Recommendations: The auditor recommended the City review the year-end financial statement preparation process and determine what appropriate procedures and review processes are necessary to prevent or detect misstatements. The City should give specific attention to receivables, accruals, capital assets and debt as these balances are generally material to the financial statements and can be significantly impacted in preparing financial statement in conformity with generally accepted accounting principles.

Planned Corrective Action: We agree with the recommendation and plan to have the corrective action implemented for 2021 financials.

The City Controller will work with Baker Tilly, consultant, on developing review procedures of the year-end financial statements. The review will consist of verifying amounts reported on the financial statements to the associated workpapers and underlying City records. This review will be implemented for the financial statements ending 12-31-21.

2020-002 Material Weakness – Inventory

Recommendations: The auditor recommended the City review the current inventory management system to determine the specific limitation the system has in providing adequate detail to reconcile to the City's general ledger. The City should then identify short-term and long-term solutions to address the deficiency. The auditor

also recommended the City establish procedures to perform monthly reconciliations between the inventory management system and the general ledger to ensure both records are consistent and complete.

Planned Corrective Action: We agree with the recommendation and plan to have the corrective action implemented by third quarter 2022.

As the Electric Department has always done an annual inventory, the Controller's Office will review the processes and work with them in the short term to update quarterly then long term graduate to a month reconciliation.

If the Indiana State Board of Accounts has questions regarding this plan, please call Rebecca Maguire, City Controller at 574-258-1622.

Sincerely yours,

A handwritten signature in cursive script that reads "Rebecca Maguire". The signature is written in black ink and is positioned to the left of the typed name.

Rebecca Maguire
City Controller
City of Mishawaka, Indiana