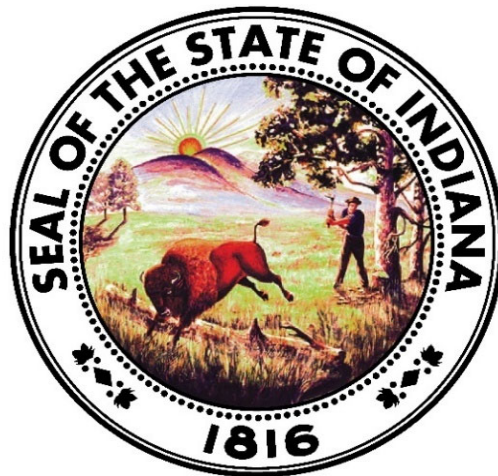


STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF
CITY OF MISHAWAKA
SAINT JOSEPH COUNTY, INDIANA
January 1, 2022 to December 31, 2022



FILED
10/16/2023



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

October 16, 2023

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, 2022 to December 31, 2022. Per the *Independent Auditor's Report*, the financial statements present fairly the financial condition of the City of Mishawaka, as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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 on pages 11-12 of the Single Audit Report.

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

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 black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

City of Mishawaka, Indiana

Annual Financial Report

December 31, 2022

City of Mishawaka, Indiana

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City of Mishawaka, Indiana

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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 Auditor's Report

The Officials of the City of Mishawaka, Indiana

Report on the Audit of Financial Statements

Opinions

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 (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Restatement of Net Position at Beginning of Year

As discussed in Note 3 to the financial statements, the City corrected its accounting policies related to local income taxes (LIT), which resulted in a restatement of net position as of December 31, 2021, to apply the change in accounting policies on a retrospective basis.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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. 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 28, 2023

As management of the City of Mishawaka (the City), we offer the readers of the financial statements this narrative overview and analysis of the financial activities of the City of Mishawaka for the calendar year ended December 31, 2022. 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 \$42,251,109. Of this amount, governmental activities net position increased by \$30,462,397 and business-type activities increased by \$11,788,712.
- As of the close of calendar year 2022, the City of Mishawaka's governmental funds reported combined ending fund balances of \$86,177,914, a decrease of \$29,804,615 from the prior year.
- At the end of 2022, the unassigned fund balance for the General Fund was \$14,867,006 (42.04% of General Fund Expenditures) compared to \$15,408,125 for 2021 which was about 44.26% of total 2021 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.

City of Mishawaka, Indiana

Management Discussion and Analysis
Year Ended December 31, 2022

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), the Redevelopment TIF Allocation Fund, and the Redevelopment Bond 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, 2022:

<u>Revenues</u>	<u>2022 Amount</u>	<u>% of Total</u>
Taxes: General Property	\$ 44,116,995	57.29%
Taxes: Income	10,707,399	13.91%
Licenses and permits	785,583	1.02%
Intergovernmental	10,593,792	13.76%
Interest	1,655,603	2.15%
Charges for Services	7,941,671	10.31%
Fines and forfeits	32,349	0.04%
Gifts and Donations	169,706	0.22%
Other	999,941	1.30%
Total	<u>\$ 77,003,039</u>	<u>100.00%</u>

City of Mishawaka, Indiana

Management Discussion and Analysis Year Ended December 31, 2022

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

The City of Mishawaka has the ability through the State of Indiana to increase its general property tax levy by a maximum of 5%. In 2022, the increase was 4.3%. The above property tax revenue includes taxes collected on behalf of the following funds: General fund, Redevelopment TIF Allocation fund, Park and Recreation fund, Motor Vehicle Highway fund, Cumulative Capital Development fund. Approximately 65.54% of the General Fund's 2022 total revenue was derived from property taxes, the Redevelopment TIF Allocation fund derived 98.25% of its revenue from property tax and the Other Governmental Fund's property tax percentage was 18.03% 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%) but was then increased by ordinance beginning in 1998 to two-tenths of a percent (0.2%) and in 2009 it was increased to its maximum of (0.4%). In 2017 the former Economic Development Income Tax (EDIT) was combined into a single Local Income Tax (LIT). The City received \$4,072,554, \$4,240,743, and \$4,093,949 of economic development LIT for the years 2020, 2021 and 2022 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%) and increased yearly by one-tenth of a percent (0.1%) to a maximum of six-tenths of a percent (0.6%). In 2017, COIT was combined into the single LIT. The City received \$4,242,956, \$4,403,674 and \$3,064,295 of general-purpose income tax distributions for the years 2020, 2021 and 2022 respectively. In October of 2009 a Public Safety Local Option Income Tax was enacted at .25%. 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 \$2,950,796, 3,064,089 and \$2,953,753 for the years 2020, 2021 and 2022, 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, 2022.

<u>Expenditures</u>	<u>2022 Amount</u>	<u>% of Total</u>
General government	\$ 20,108,266	18.63%
Public safety	31,275,070	28.96%
Highways and streets	42,053,081	38.94%
Sanitation	2,632,308	2.44%
Culture and recreation	4,971,637	4.60%
Community development	1,149,997	1.06%
Debt service	5,798,425	5.37%
Total	<u>\$ 107,988,784</u>	<u>100.00%</u>

The City of Mishawaka breaks its general government expenditures into seven operating categories: general government, public safety, highways and streets, 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, Highways and Streets has the highest total of expenditures at \$42,053,081 or 38.94% of the total expenditures. Public Safety is at 28.96%, General Government is at 18.63% and Culture and Recreation is at 4.60%. Data for each nonmajor 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, Redevelopment TIF Allocation, and Redevelopment Bond, 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mishawaka adopts an annual appropriated budget for the majority of its funds. A Budgetary Comparison 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.

City of Mishawaka, Indiana

Management Discussion and Analysis
Year Ended December 31, 2022

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 nonmajor 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.

City of Mishawaka Statement of Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 137,009,415	\$ 170,087,147	\$ 104,133,857	\$ 130,085,717	\$ 241,143,272	\$ 300,172,864
Capital assets	322,363,205	284,461,982	286,986,322	262,735,380	609,349,527	547,197,362
Total assets	<u>459,372,620</u>	<u>454,549,129</u>	<u>391,120,179</u>	<u>392,821,097</u>	<u>850,492,799</u>	<u>847,370,226</u>
Deferred outflows of resources	15,597,177	11,254,180	5,922,010	3,091,967	21,519,187	14,346,147
Long-term liabilities	122,405,319	130,491,648	164,921,473	177,113,454	287,326,792	307,605,102
Other liabilities	15,055,841	9,519,770	13,466,209	9,255,893	28,522,050	18,775,663
Total liabilities	<u>137,461,160</u>	<u>140,011,418</u>	<u>178,387,682</u>	<u>186,369,347</u>	<u>315,848,842</u>	<u>326,380,765</u>
Deferred inflows of resources	47,111,299	59,135,622	3,848,443	6,526,365	50,959,742	65,661,987
Net position:						
Net Investment:						
In capital assets	295,045,527	269,088,188	157,065,195	144,643,770	452,110,722	413,731,958
Restricted	47,900,024	69,965,051	49,049,683	33,067,645	96,949,707	103,032,696
Unrestricted	<u>(52,548,213)</u>	<u>(72,396,970)</u>	<u>8,691,186</u>	<u>25,305,937</u>	<u>(43,857,027)</u>	<u>(47,091,033)</u>
Total net position	<u>\$ 290,397,338</u>	<u>\$ 266,656,269</u>	<u>\$ 214,806,064</u>	<u>\$ 203,017,352</u>	<u>\$ 505,203,402</u>	<u>\$ 469,673,621</u>

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, consumers of utilities, 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 nonborrowed current assets on new capital will reduce current assets and increase capital assets and will reduce unrestricted net position and increase net investment in capital assets. Principal payment on debt will reduce current assets and reduce long-term debt and reduce unrestricted net position and increase net investment in capital assets. Reduction of capital assets through depreciation will reduce capital assets and net investment in capital assets.

Current Year Impacts

At December 31, 2022, the City of Mishawaka's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$505,203,402, an increase of \$42,251,109 from the previous year. The largest portion of the City of Mishawaka's net position reflects its net investment in capital assets of \$452,110,722.

At year-end, the City of Mishawaka's net position was \$505,203,402. This amount is made up of \$452,110,722 of net investment in capital assets (e.g. land, buildings, machinery and equipment); \$96,949,707 of assets with external restrictions upon its use; and (\$43,857,027) of unrestricted assets. Unrestricted net position is negative as a result of the City's investment in capital assets and funds that are restricted by bond covenants and statutory requirements.

Current and other assets decreased \$59,029,592 and capital assets increased \$62,152,165 from December 31, 2021 to December 31, 2022 due to work done on City Hall and Ironworks Phase III during 2022. Total liabilities decreased \$10,531,923 due to normal debt payments and no new bonds issued in 2022.

Summary of Changes in Net Position

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

City of Mishawaka, Indiana

Management Discussion and Analysis Year Ended December 31, 2022

City of Mishawaka Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues:						
Charges for services	\$ 8,759,603	\$ 7,968,980	\$ 98,680,271	\$ 94,840,692	\$ 107,439,874	\$ 102,809,672
Operating grants and contributions	4,884,603	2,920,939	-	-	4,884,603	2,920,939
Capital grants and contributions	1,204,614	1,383,845	1,625,766	1,411,209	2,830,380	2,795,054
General revenues:						
Property taxes	45,373,296	42,644,931	-	-	45,373,296	42,644,931
Income taxes	13,932,283	19,583,193	-	-	13,932,283	19,583,193
Other taxes	-	1,081,626	-	-	-	1,081,626
Local shared revenue	6,420,999	3,979,993	-	-	6,420,999	3,979,993
Unrestricted investment earnings	1,655,603	627,831	1,048,011	352,509	2,703,614	980,340
Other revenue	1,195,104	6,953,186	(66,294)	(59,086)	1,128,810	6,894,100
Total revenues	<u>83,426,105</u>	<u>87,144,524</u>	<u>101,287,754</u>	<u>96,545,324</u>	<u>184,713,859</u>	<u>183,689,848</u>
EXPENSES						
General government	14,332,855	6,797,210	-	-	14,332,855	6,797,210
Public safety	15,742,877	25,751,864	-	-	15,742,877	25,751,864
Highways and streets	13,300,851	12,035,775	-	-	13,300,851	12,035,775
Sanitation	2,632,308	2,650,364	-	-	2,632,308	2,650,364
Community development	1,108,917	687,306	-	-	1,108,917	687,306
Health and welfare	8,003	-	-	-	8,003	-
Culture and recreation	6,429,253	6,366,812	-	-	6,429,253	6,366,812
Interest on long-term debt	587,681	724,262	-	-	587,681	724,262
Water utility	-	-	9,555,702	9,522,247	9,555,702	9,522,247
Wastewater utility	-	-	16,548,038	19,308,861	16,548,038	19,308,861
Electric utility	-	-	62,216,265	58,864,848	62,216,265	58,864,848
Total expenses	<u>54,142,745</u>	<u>55,013,593</u>	<u>88,320,005</u>	<u>87,695,956</u>	<u>142,462,750</u>	<u>142,709,549</u>
Changes in net position						
before transfers	29,283,360	32,130,931	12,967,749	8,849,368	42,251,109	40,980,299
Transfers	1,179,037	17,640,000	(1,179,037)	(17,640,000)	-	-
Net position restatement	(6,721,328)	-	-	-	(6,721,328)	-
Change in net position	<u>23,741,069</u>	<u>49,770,931</u>	<u>11,788,712</u>	<u>(8,790,632)</u>	<u>35,529,781</u>	<u>40,980,299</u>
Net Position-Beginning	<u>266,656,269</u>	<u>216,885,338</u>	<u>203,017,352</u>	<u>211,807,984</u>	<u>469,673,621</u>	<u>428,693,322</u>
Net Position-Ending	<u>\$ 290,397,338</u>	<u>\$ 266,656,269</u>	<u>\$ 214,806,064</u>	<u>\$ 203,017,352</u>	<u>\$ 505,203,402</u>	<u>\$ 469,673,621</u>

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. 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 2021 to 2022 by \$30,462,397 due to revenues exceeding expenses.

Charges for services revenue increased by \$790,623 due to activity resuming to a more normal level following the pandemic.

Operating grants and contributions increased by \$1,963,664 due to an increase in revenue recognized from ARPA funding.

Capital grants and contributions decreased by \$179,231.

Local shared revenue increased in 2022 by \$2,441,006 due to a difference in the categorization of some receipts between 2021 and 2022 in order to more accurately report those receipts

Property tax revenue increased by \$2,728,365 due to an increase in the certified levy amount for 2022.

Income tax revenue decreased by \$5,650,910 due to a restatement related to how local income taxes are being reported.

Unrestricted investment earnings increased by \$1,027,772 due to bond proceeds still on hand generating more interest.

Other revenue decreased by \$5,758,082 due to a difference in the categorization of some receipts between 2021 and 2022 in order to more accurately report those receipts.

Transfers decreased by \$16,460,963 as a result of the Electric Utility transferring funds to the City for the new City Hall construction project in 2021 but not in 2022.

Governmental expenses decreased by \$870,848 or 1.58%. This resulted from a decrease in the expenses related to pension and OPEB benefits per the actuarial valuations that were conducted.

Business-Type Activities

Business-Type Activities net position increased by \$11,788,712. This was caused by revenues from customers increasing at a higher rate than expenses.

Overall, utility revenues increased in 2022 by \$4,742,430. This was largely due to an increase in the revenue from customer sales.

The expenses of the Business-Type activities increased \$624,049, from 2021 levels or 0.71%. This was due in part to an overall increase in costs due to the economy.

Transfers out decreased by \$16,614,750 as a result of the Electric Utility transferring funds to the City for the new City Hall construction project in 2021 but not in 2022.

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 \$86,177,914, a decrease of \$29,804,615 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 \$215,542 and the Redevelopment TIF Allocation fund had a decrease of \$4,594,855. The Redevelopment Bond fund had deficiency of revenues under expenditures of \$16,842,333. 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.

Sixteen funds had lower fund balances at 2022 year-end. Of note, the New City Hall Construction fund decreased \$9,902,975. As planned, these funds were used for the new City Hall construction.

A loss of property tax revenue (Circuit Breaker) influenced the fund balances. The 2022 final tax settlement was a net 72.96% of budgeted revenues with a shortage of \$9.3 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 nonmajor 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, 2022, the unassigned fund balance was \$14,867,006 and the total fund balance in the General fund was \$15,463,178, an increase of \$215,542 from 2021. 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 42.04% of the total General fund expenditures. The total grows to 43.73% when total fund balance is compared to General fund expenditures.

Individual fund data for each nonmajor 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 and wastewater utilities experienced an increase in their net positions in 2022 while the electric utility experienced a decrease in net position. The total net position for the City of Mishawaka's enterprise funds was increased by \$11,788,712. Of this, net investment of capital assets increased by \$12,421,425, restricted increased by \$15,982,038 and unrestricted net position decreased by \$16,614,751. Total assets and deferred outflows increased by \$1,129,125. The total liabilities and deferred inflows for the enterprise funds had a decrease from 2021 of \$10,659,587.

The Internal Service Fund unrestricted net position was \$1,284,060.

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's change in fund balance was more than the original budget by \$995,385. 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 2022, the submitted budget to the state was increased with encumbrances from 2020 by \$995,385. A budget adjustment of \$995,385 was necessary to cover the necessary expenses of the City. 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 2022 were \$3,990,843 above budget and expenditures were \$2,555,599 under the final budget amount.

City of Mishawaka, Indiana

Management Discussion and Analysis Year Ended December 31, 2022

Tax collection due to Circuit Breaker was 72.96%. In 2021 it was 66.8%. As assessed value for the City goes down, Circuit Breaker losses increase. In 2022, reimbursements came in higher than budget by \$1,175,351 and income taxes came in higher than budget by \$288,610. This is primarily due to receiving a supplemental local income tax distribution in 2022.

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, 2022, amounts to \$609,349,534 (net of accumulated depreciation), which represents a net increase (additions less retirements and depreciation) of \$62,152,172. 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 3).

City of Mishawaka (Net of depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 13,381,950	\$ 13,381,950	\$ 3,329,154	\$ 3,329,154	\$ 16,711,104	\$ 16,711,104
Construction in progress	65,874,546	37,893,762	69,629,069	48,076,191	135,503,615	85,969,953
Buildings	29,222,664	30,093,369	31,543,473	32,668,095	60,766,137	62,761,464
Improvement other than buildings	24,480,507	25,664,882	171,270,005	166,297,127	195,750,512	191,962,009
Machinery and equipment	12,173,869	11,457,497	10,197,595	10,954,327	22,371,464	22,411,824
Transportation	-	-	1,017,026	1,410,486	1,017,026	1,410,486
Infrastructure being depreciated	177,229,669	165,970,522	-	-	177,229,669	165,970,522
Total	\$ 322,363,205	\$ 284,461,982	\$ 286,986,322	\$ 262,735,380	\$ 609,349,527	\$ 547,197,362

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

- Riverwalk Expansion – \$2.31 million
- Hill Street Redesign Project – \$710 thousand

Construction in Progress items:

- Ironworks Plaza Improvements Ph III – \$16.4 million

Debt Outstanding

At December 31, 2022, the City had \$42,475,000 of outstanding tax increment bonds. The enterprise funds had \$149,700,000 of revenue bonds payable. Under the Indiana Constitution and state statute, the City of Mishawaka's general obligation bonded debt issuances are subject to a legal limitation based upon 2% of assessed value of real and personal property.

Outstanding Bonds Debt at Year-End

	<u>2022</u>	<u>2021</u>
Governmental:		
Tax Increment	\$ 48,995,467	\$ 53,400,708
Business-Type:		
Water Utility	65,898,577	68,227,165
Wastewater Utility	59,209,054	65,254,041
Electric Utility	<u>30,717,932</u>	<u>33,326,879</u>
Subtotal	<u>155,825,563</u>	<u>166,808,085</u>
Total	<u>\$ 204,821,030</u>	<u>\$ 220,208,793</u>

During 2022, net principal bond payments of \$3,135,000 and \$10,080,000 were made in the governmental and business-type activities, respectively.

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

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

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

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

The most recent Waterworks Revenue Bonds of 2018 was rated AA-.

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

The most recent Lease Rental Revenue Bonds of 2021 was rated AA-.

The most recent Waterworks Revenue Bonds of 2021 was rated AA-.

The most recent Electric Revenue Bonds of 2021 was rated Aa3.

A detailed listing of the City's debt can be found in the Notes to the Financial Statements (Note 3).

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. 2022 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 2020 census number was 51,063.

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%). 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 2022, the City only received 72.96% of its distribution of property tax. Due to the property tax caps (Circuit Breaker), the City was left short \$9.3 million in funds. With these expected losses each year and with debt in St. Joseph County falling below the levy in 2022 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 2022 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 2022, the City of Mishawaka submitted another balanced budget. The adopted 2022 Civil City Budget included total expenditures of \$51,769,133, which is 1.22% higher than in 2021. The General fund budget for 2022 included total expenditures of \$37,796,869, which is slightly higher than FY2021. The goal in 2022 was to underspend, hoping to increase cash reserves. This was attained with the combined fund balances increasing before the addition from new debt.

City Highlights:

- New City Hall and the Ironworks Skate/Events/Café Center are fully operational.
- The old Mishawaka Utility Business Office and Police Station have been sold to private investors, Beacon Healthcare and Cressey and Everett respectively.
- Construction began in 2023 for Fire Station 2 and the Juday Creek Water Treatment Plant. Both are to be fully operational in 2024.
- The Mishawaka Fieldhouse broke ground in 2023 with a completion date in 2024. This entity being developed by Card and Associates will bring competitive youth sports to north central Indiana.

Restatement

Fund balance and Net Position has been restated to correct an error in reporting of LIT receivables. The error was identified based on new state guidance.

General Fund

General Fund Balance – December 31, 2021	\$ 15,758,352
Less: LIT receivable error correction	<u>(510,716)</u>
Fund Balance – December 31, 2021 (as restated)	<u>\$ 15,247,636</u>

Nonmajor Governmental Funds

Nonmajor Governmental Funds Balance – December 31, 2021	\$ 45,899,173
Less: LIT receivable error correction	<u>(1,174,616)</u>
Fund Balance – December 31, 2021 (as restated)	<u>\$ 44,724,557</u>

Governmental Activities Net Position

Governmental Activities Net Position – December 31, 2021	\$ 266,656,269
Less: LIT receivable error correction	<u>(6,721,328)</u>
Governmental Activities Net Position – December 31, 2021 (as restated)	<u>\$ 259,934,941</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, 100 Lincolnway West, Mishawaka, IN 46544 or by email at rmaguire@mishawaka.in.gov.

City of Mishawaka, IndianaStatement of Net Position
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and cash equivalents	\$ 88,383,144	\$ 38,465,167	\$ 126,848,311
Receivables (net of allowances for uncollectibles):			
Accounts	527,967	4,963,819	5,491,786
Interest	98,909	-	98,909
Taxes	32,670,844	-	32,670,844
Intergovernmental	2,660,276	-	2,660,276
Loan	191,308	-	191,308
Lease	-	324,384	324,384
Inventories	-	6,009,044	6,009,044
Prepays	585,660	457,982	1,043,642
Restricted assets:			
Revenue bond and interest cash	-	5,212,885	5,212,885
Debt service reserve cash	-	9,210,666	9,210,666
Improvement fund cash	-	26,054	26,054
Construction fund cash	-	26,212,479	26,212,479
Consumer meter deposit cash	-	4,863,778	4,863,778
Repair cash	-	8,387,599	8,387,599
Cash and cash equivalents	11,891,307	-	11,891,307
Capital assets:			
Land and construction in progress	79,256,496	72,958,223	152,214,719
Other capital assets, net of depreciation	243,106,709	214,028,099	457,134,808
Total assets	459,372,620	391,120,179	850,492,799
Deferred Outflows of Resources			
Deferred amount on refunding of debt	-	263,311	263,311
Pension related	13,802,072	4,955,633	18,757,705
OPEB related	1,795,105	198,420	1,993,525
Utility rate making expenses	-	504,646	504,646
Total deferred outflows of resources	15,597,177	5,922,010	21,519,187

See notes to financial statements

City of Mishawaka, Indiana

 Statement of Net Position
 December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities:			
Accounts payable	\$ 4,589,133	\$ 5,734,718	\$ 10,323,851
Accrued payroll and withholdings payable	255,552	253,528	509,080
Taxes payable	-	1,072,234	1,072,234
Interfund services provided and used	-	16,974	16,974
Accrued interest payable	681,328	1,504,802	2,186,130
Claims payable	637,117	-	637,117
Unearned revenue	8,892,711	-	8,892,711
Hydrant use deposit payable	-	20,175	20,175
Customer deposits payable	-	4,863,778	4,863,778
Noncurrent liabilities:			
Due within one year:			
Financed purchases	192,083	-	192,083
Compensated absences	674,074	157,609	831,683
Notes and loans payable	-	129,000	129,000
Revenue bonds payable	-	9,092,000	9,092,000
TIF bonds payable	3,247,543	-	3,247,543
Due in more than one year:			
Financed purchases	294,685	-	294,685
Revenue bonds payable (net of unamortized premiums)	-	146,733,563	146,733,563
Notes and loans payable	-	947,000	947,000
TIF bonds payable (net of amortized discounts)	45,747,924	-	45,747,924
Compensated absences	329,193	154,821	484,014
Other long-term payables:			
Net pension liability	42,742,377	4,482,407	47,224,784
Total OPEB liability	29,177,440	3,225,073	32,402,513
Total liabilities	137,461,160	178,387,682	315,848,842
Deferred Inflows of Resources			
Lease	-	324,384	324,384
Pension related	1,048,956	1,450,728	2,499,684
OPEB related	18,757,550	2,073,331	20,830,881
Unavailable revenue	27,304,793	-	27,304,793
Total deferred inflows of resources	47,111,299	3,848,443	50,959,742
Net Position			
Net investment in capital assets	295,045,527	157,065,195	452,110,722
Net position, restricted for:			
Public safety	4,307,106	-	4,307,106
Highways and streets	4,808,992	-	4,808,992
Health and welfare	297,333	-	297,333
Culture and recreation	4,217,586	-	4,217,586
Economic development	12,718,941	-	12,718,941
Capital projects	9,204,565	34,626,132	43,830,697
Debt service	11,231,117	14,423,551	25,654,668
Sanitation	1,114,384	-	1,114,384
Net position, unrestricted (deficit)	(52,548,213)	8,691,186	(43,857,027)
Total net position	\$ 290,397,338	\$ 214,806,064	\$ 505,203,402

See notes to financial statements

City of Mishawaka, Indiana

Statement of Activities

Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 14,332,855	\$ 1,078,323	\$ 2,837,251	\$ -	\$ (10,417,281)	\$ -	\$ (10,417,281)
Public safety	15,742,877	3,731,514	56,795	51,404	(11,903,164)	-	(11,903,164)
Highways and streets	13,300,851	75,084	1,990,557	1,153,210	(10,082,000)	-	(10,082,000)
Community development	1,108,917	-	-	-	(1,108,917)	-	(1,108,917)
Health and welfare	8,003	-	-	-	(8,003)	-	(8,003)
Culture and recreation	6,429,253	1,395,959	-	-	(5,033,294)	-	(5,033,294)
Sanitation	2,632,308	2,478,723	-	-	(153,585)	-	(153,585)
Interest on long-term debt	587,681	-	-	-	(587,681)	-	(587,681)
Total governmental activities	54,142,745	8,759,603	4,884,603	1,204,614	(39,293,925)	-	(39,293,925)
Business-type activities:							
Water	9,555,702	14,703,755	-	1,308,759	-	6,456,812	6,456,812
Wastewater	16,548,038	21,306,635	-	317,007	-	5,075,604	5,075,604
Electric	62,216,265	62,669,881	-	-	-	453,616	453,616
Total business-type activities	88,320,005	98,680,271	-	1,625,766	-	11,986,032	11,986,032
Total primary government	\$ 142,462,750	\$ 107,439,874	\$ 4,884,603	\$ 2,830,380	(39,293,925)	11,986,032	(27,307,893)
General revenues:							
Property taxes					45,373,296	-	45,373,296
Income taxes					13,932,283	-	13,932,283
Local shared revenue					6,420,999	-	6,420,999
Unrestricted investment earnings					1,655,603	1,048,011	2,703,614
Donations					169,706	-	169,706
Gain (loss) on sale of disposal					2,093	(66,294)	(64,201)
Miscellaneous					1,023,305	-	1,023,305
Transfers					1,179,037	(1,179,037)	-
Total general revenues and transfers					69,756,322	(197,320)	69,559,002
Change in net position					30,462,397	11,788,712	42,251,109
Net Position, Beginning as Previously Stated					266,656,269	203,017,352	469,673,621
Prior period adjustment (See note 3)					(6,721,328)	-	(6,721,328)
Net Position, Beginning as restated					259,934,941	203,017,352	462,952,293
Net Position, Ending					\$ 290,397,338	\$ 214,806,064	\$ 505,203,402

See notes to financial statements

City of Mishawaka, Indiana

Balance Sheet - Governmental Funds
December 31, 2022

	General	Redevelopment TIF Allocation	Redevelopment Bond	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 15,300,911	\$ 13,947,515	\$ 23,044,600	\$ 34,130,916	\$ 86,423,942
Receivables:					
Taxes	24,389,559	-	-	4,171,535	28,561,094
Interest	6,478	7,895	63,398	21,138	98,909
Accounts	381,786	-	-	144,631	526,417
Intergovernmental	1,019,685	-	-	1,640,591	2,660,276
Loans	-	-	-	191,308	191,308
Restricted:					
Cash and cash equivalents	-	-	-	11,891,307	11,891,307
Total assets	\$ 41,098,419	\$ 13,955,410	\$ 23,107,998	\$ 52,191,426	\$ 130,353,253
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 214,104	\$ 1,546,819	\$ 943,441	\$ 1,845,194	\$ 4,549,558
Accrued payroll and withholdings payable	120,317	-	-	135,235	255,552
Unearned revenue	-	-	-	8,892,711	8,892,711
Total liabilities	334,421	1,546,819	943,441	10,873,140	13,697,821
Deferred Inflows of Resources					
Unavailable revenue	25,300,820	-	-	5,176,698	30,477,518
Total deferred inflows of resources	25,300,820	-	-	5,176,698	30,477,518
Fund Balances					
Restricted	-	12,408,591	22,164,557	36,172,761	70,745,909
Assigned	596,172	-	-	-	596,172
Unassigned	14,867,006	-	-	(31,173)	14,835,833
Total fund balances	15,463,178	12,408,591	22,164,557	36,141,588	86,177,914
Total liabilities, deferred inflows of resources and fund balances	\$ 41,098,419	\$ 13,955,410	\$ 23,107,998	\$ 52,191,426	\$ 130,353,253

See notes to financial statements

City of Mishawaka, Indiana

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2022

Fund Balances, Governmental Funds		\$ 86,177,914
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 the funds:		
Land and construction in progress	\$ 79,256,496	
Capital assets, net of depreciation	<u>243,106,709</u>	322,363,205
Prepays are not current financial resources and, therefore, are not reported in the funds.		585,660
Pension liability, pension assets, and OPEB liabilities, are not paid from or used for current financial resources and therefore are not shown in the funds.		
OPEB liability	(29,177,440)	
Net pension liability	<u>(42,742,377)</u>	(71,919,817)
Deferred outflows of resources on pension related items are not recognized in the governmental funds, but are recorded in the statement of net position.		13,802,072
Deferred outflows of resources on OPEB related items are not recognized in the governmental funds, but are recorded in the statement of net position.		1,795,105
Deferred inflows of resources on pension related items are not recognized in the governmental funds, but are recorded in the statement of net position.		(1,048,956)
Deferred inflows of resources on OPEB related items are not recognized in the governmental funds, but are recorded in the statement of net position.		(18,757,550)
Unavailable revenues are not available to pay current liabilities and, therefore, are not reported as liabilities in the statement of net position.		3,172,725
Local income tax receivables are not current financial resources and, therefore, are not reported in the funds.		4,109,750
Internal service funds are used by management to charge the costs of insurance to General and Highway Funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.		1,284,060
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(1,003,267)
Accrued interest on bonds payable is not due and payable in the current period and, therefore, is not reported in the funds.		(681,328)
Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.		(486,768)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Tax increment financing bonds		<u>(48,995,467)</u>
Net Position of Governmental Activities		<u>\$ 290,397,338</u>

See notes to financial statements

City of Mishawaka, Indiana

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental funds
 Year Ended December 31, 2022

	General	Redevelopment TIF Allocation	Redevelopment Bond	Nonmajor Governmental Funds	Total
Revenues					
Taxes:					
Property	\$ 20,070,872	\$ 19,675,785	\$ -	\$ 4,370,338	\$ 44,116,995
Income	3,288,610	-	-	7,418,789	10,707,399
Licenses and permits	599,410	-	-	186,173	785,583
Intergovernmental	2,596,042	-	-	7,997,750	10,593,792
Charges for services	3,535,206	-	-	4,406,465	7,941,671
Fines and forfeits	29,802	-	-	2,547	32,349
Investment earnings	954,684	295,601	182,845	222,473	1,655,603
Other:					
Donation	-	-	-	169,706	169,706
Miscellaneous	58,547	55,692	239,452	646,250	999,941
Total revenues	31,133,173	20,027,078	422,297	25,420,491	77,003,039
Expenditures					
Current:					
General government	5,872,135	-	2,500	3,643,256	9,517,891
Public safety	28,432,622	-	-	141,310	28,573,932
Highways and streets	448,653	543,913	31,410	6,139,447	7,163,423
Culture and recreation	-	-	-	4,629,304	4,629,304
Sanitation	-	-	-	2,632,308	2,632,308
Community development	227,645	891,406	-	30,946	1,149,997
Debt service:					
Principal	-	-	-	3,628,208	3,628,208
Interest	-	-	-	2,170,217	2,170,217
Capital outlay:					
General government	380,632	-	-	10,209,743	10,590,375
Public safety	-	-	184,360	2,516,778	2,701,138
Highways and streets	-	14,742,806	17,046,360	3,100,492	34,889,658
Culture and recreation	-	-	-	342,333	342,333
Total expenditures	35,361,687	16,178,125	17,264,630	39,184,342	107,988,784
Excess (deficiency) of revenues over (under) expenditures	(4,228,514)	3,848,953	(16,842,333)	(13,763,851)	(30,985,745)
Other Financing Sources (Uses)					
Sale of assets	2,093	-	-	-	2,093
Transfers in	4,441,963	-	-	7,338,786	11,780,749
Transfers out	-	(8,443,808)	-	(2,157,904)	(10,601,712)
Total other financing sources (uses)	4,444,056	(8,443,808)	-	5,180,882	1,181,130
Net change in fund balances	215,542	(4,594,855)	(16,842,333)	(8,582,969)	(29,804,615)
Fund balance, beginning as previously stated	15,758,352	17,003,446	39,006,890	45,899,173	117,667,861
Adjustment to fund balance (See Note 3)	(510,716)	-	-	(1,174,616)	(1,685,332)
Fund Balances, Beginning as restated	15,247,636	17,003,446	39,006,890	44,724,557	115,982,529
Fund Balances, Ending	\$ 15,463,178	\$ 12,408,591	\$ 22,164,557	\$ 36,141,588	\$ 86,177,914

See 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
Year Ended December 31, 2022

Net Change in Fund Balances, Total Governmental Funds

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

Net change in fund balances, total governmental funds (statement of revenues, expenditures and changes in fund balances) \$ (29,804,615)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as in the current period:

Capital outlays	48,523,504
Loss on disposal of assets	(34,320)
Depreciation expense	(10,587,961)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

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

Principal payments	\$ 3,628,209	
Amortization of bond discount/premium and loss on refunding	<u>1,270,240</u>	4,898,449

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred inflows, pensions	14,436,278
Deferred inflows, OPEB	(969,270)
Unavailable revenue	(2,748,137)
Local income taxes	9,145,746

Expenses in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds:

Deferred outflows of resources, pensions	4,924,317
Deferred outflows of resources, OPEB	(581,320)

Compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.

(47,799)

Prepays amortized in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in governmental funds when paid.

465

Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

312,295

Pension assets are considered revenues of the general government and, therefore, are not reported as current revenues in the funds.

(8,034,969)

Pension obligations are considered expenses of the general government and, therefore, are not reported as current expenditures in the funds.

(1,545,802)

OPEB liability reported in the statement of activities does not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

4,781,481

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

(2,205,945)

Change in Net Position of Governmental Activities (Statement of Activities)

\$ 30,462,397

See notes to financial statements

City of Mishawaka, IndianaStatement of Net Position -
Proprietary Funds
December 31, 2022

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Assets					
Current assets:					
Cash and cash equivalents	\$ 9,884,630	\$ 12,030,832	\$ 16,549,705	\$ 38,465,167	\$ 1,959,202
Receivables					
Accounts (net of allowance)	680,308	1,290,147	2,993,364	4,963,819	1,550
Lease	324,384	-	-	324,384	-
Inventory	797,744	-	5,211,300	6,009,044	-
Prepays	109,238	149,592	199,152	457,982	-
Restricted assets:					
Bond and interest cash	2,031,436	2,995,865	185,584	5,212,885	-
Debt service reserve cash	2,835,588	4,876,772	1,498,306	9,210,666	-
Improvement fund cash	26,054	-	-	26,054	-
Construction fund cash	21,954,823	-	4,257,656	26,212,479	-
Consumer meter deposit cash	910,508	6,875	3,946,395	4,863,778	-
Repair cash	-	8,387,599	-	8,387,599	-
Capital assets:					
Land and construction in progress	51,405,115	15,731,774	5,821,334	72,958,223	-
Other capital assets, net of depreciation	39,665,099	133,449,063	40,913,937	214,028,099	-
Total assets	130,624,927	178,918,519	81,576,733	391,120,179	1,960,752
Deferred Outflows of Resources					
Unamortized deferral on bond refunding	-	263,311	-	263,311	-
Pension related	1,185,251	1,399,830	2,370,552	4,955,633	-
OPEB related	59,265	43,692	95,463	198,420	-
Utility rate making expenses	-	-	504,646	504,646	-
Total deferred outflows of resources	1,244,516	1,706,833	2,970,661	5,922,010	-

See notes to financial statements

City of Mishawaka, Indiana

 Statement of Net Position -
 Proprietary Funds
 December 31, 2022

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Liabilities					
Current liabilities:					
Accounts payable	\$ 303,491	\$ 1,134,556	\$ 4,296,671	\$ 5,734,718	\$ 39,575
Accrued payroll and withholdings payable	63,804	83,534	106,190	253,528	-
Taxes payable	378,500	-	693,734	1,072,234	-
Interfund services provided and used	-	-	16,974	16,974	-
Accrued interest payable	804,120	700,682	-	1,504,802	-
Claims payable	-	-	-	-	637,117
Hydrant use deposit payable	20,175	-	-	20,175	-
Customer deposits payable	910,508	6,875	3,946,395	4,863,778	-
Total current liabilities	2,480,598	1,925,647	9,059,964	13,466,209	676,692
Noncurrent Liabilities					
Due within one year:					
Compensated absences	46,759	39,550	71,300	157,609	-
Notes and loans payable	-	129,000	-	129,000	-
Revenue bonds, current	2,422,000	5,875,000	795,000	9,092,000	-
Due in more than one year:					
Revenue bonds payable (net of unamortized premium)	63,476,577	53,334,054	29,922,932	146,733,563	-
Notes and loans payable	-	947,000	-	947,000	-
Compensated absences	51,057	52,211	51,553	154,821	-
Net pension liability	992,880	1,503,597	1,985,930	4,482,407	-
Total OPEB liability	963,287	710,167	1,551,619	3,225,073	-
Total noncurrent liabilities	67,952,560	62,590,579	34,378,334	164,921,473	-
Total liabilities	70,433,158	64,516,226	43,438,298	178,387,682	676,692
Deferred Inflows of Resources					
Lease	324,384	-	-	324,384	-
Pension related	356,355	381,655	712,718	1,450,728	-
OPEB related	619,277	456,551	997,503	2,073,331	-
Total deferred inflows of resources	1,300,016	838,206	1,710,221	3,848,443	-
Net Position					
Net investment in capital assets	47,126,460	89,159,094	20,779,641	157,065,195	-
Restricted:					
Debt service	4,867,024	7,872,637	1,683,890	14,423,551	-
Capital projects	21,980,877	8,387,599	4,257,656	34,626,132	-
Unrestricted	(13,838,092)	9,851,590	12,677,688	8,691,186	1,284,060
Total net position	\$ 60,136,269	\$ 115,270,920	\$ 39,398,875	\$ 214,806,064	\$ 1,284,060

See notes to financial statements

City of Mishawaka, Indiana

 Statement of Revenues, Expenses and Changes in Fund Net Position -
 Proprietary Funds
 Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Electric Utility	Total	
Operating Revenues					
Unmetered revenue	\$ 3,585	\$ -	\$ -	\$ 3,585	\$ -
Metered revenue:					
Residential	5,534,962	-	28,310,554	33,845,516	-
Commercial	5,378,748	-	27,582,669	32,961,417	-
Public street and highway lighting	-	-	688,097	688,097	-
Measured revenue:					
Residential	-	9,951,664	-	9,951,664	-
Commercial	-	10,402,425	-	10,402,425	-
Fire protection	3,061,918	-	-	3,061,918	-
Penalties	57,807	265,513	232,024	555,344	-
Insurance reimbursements and refunds	-	-	-	-	9,520,205
Miscellaneous	666,735	687,033	5,856,537	7,210,305	23,364
Total operating revenues	14,703,755	21,306,635	62,669,881	98,680,271	9,543,569
Operating Expenses					
Source of supply and expense, operation and maintenance	4,276,718	2,577,024	-	6,853,742	-
Transmission and distribution	964,373	-	7,359,282	8,323,655	-
Customer accounts	15,046	6,682	75,740	97,468	-
Administrative and general	65,140	1,101,563	8,325,053	9,491,756	-
Insurance claims and expenses	-	335,642	-	335,642	11,749,514
Purchased power	634,302	516,732	43,136,614	44,287,648	-
Sewer, operation and maintenance	-	4,510,219	-	4,510,219	-
Pretreatment, operation and maintenance	-	611,113	-	611,113	-
Chemicals	-	297,460	-	297,460	-
Depreciation	1,568,479	4,305,573	2,799,411	8,673,463	-
Total operating expenses	7,524,058	14,262,008	61,696,100	83,482,166	11,749,514
Operating income (loss)	7,179,697	7,044,627	973,781	15,198,105	(2,205,945)
Nonoperating Revenues (Expenses)					
Interest and investment revenue	332,743	429,223	286,045	1,048,011	-
Amortization expense	(228,588)	(364,987)	(308,947)	(902,522)	-
Loss on disposal of assets	(21,965)	-	(44,329)	(66,294)	-
Interest expense	(1,803,056)	(1,921,043)	(211,218)	(3,935,317)	-
Transfers out, payments in lieu of taxes	(668,994)	(2,124,267)	(648,703)	(3,441,964)	-
Capital contributions	1,308,759	317,007	-	1,625,766	-
Transfers in	-	3,360,000	769,704	4,129,704	-
Transfers out	(384,852)	(384,852)	(1,097,073)	(1,866,777)	-
Total nonoperating revenues (expenses)	(1,465,953)	(688,919)	(1,254,521)	(3,409,393)	-
Change in net position	5,713,744	6,355,708	(280,740)	11,788,712	(2,205,945)
Total Net Position, Beginning	54,422,525	108,915,212	39,679,615	203,017,352	3,490,005
Total Net Position, Ending	\$ 60,136,269	\$ 115,270,920	\$ 39,398,875	\$ 214,806,064	\$ 1,284,060

See notes to financial statements

City of Mishawaka, IndianaStatement of Cash Flows -
Proprietary Funds
Year Ended December 31, 2022

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 14,511,718	\$ 21,101,226	\$ 62,488,506	\$ 98,101,450	\$ -
Receipts from interfund services provided	-	-	-	-	9,542,019
Payments to suppliers	(5,354,845)	(8,347,061)	(55,169,122)	(68,871,028)	-
Payments to employees	(1,652,985)	(1,586,924)	(3,435,417)	(6,675,326)	-
Payments for interfund services used	-	-	-	-	(11,709,665)
Net cash provided (used) by operating activities	<u>7,503,888</u>	<u>11,167,241</u>	<u>3,883,967</u>	<u>22,555,096</u>	<u>(2,167,646)</u>
Cash Flows From Noncapital Financing Activities					
Transfer from/(to) other funds	<u>(1,053,846)</u>	<u>850,881</u>	<u>(1,179,037)</u>	<u>(1,382,002)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	(22,079,330)	(6,025,391)	(3,079,412)	(31,184,133)	-
Principal paid on debt	(2,100,000)	(5,680,000)	(2,300,000)	(10,080,000)	-
Principal paid on loans	-	(125,000)	-	(125,000)	-
Interest paid	<u>(2,166,832)</u>	<u>(2,712,919)</u>	<u>(1,530,164)</u>	<u>(6,409,915)</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>(26,346,162)</u>	<u>(14,543,310)</u>	<u>(6,909,576)</u>	<u>(47,799,048)</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest received	<u>332,743</u>	<u>429,223</u>	<u>286,045</u>	<u>1,048,011</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(19,563,377)</u>	<u>(2,095,965)</u>	<u>(3,918,601)</u>	<u>(25,577,943)</u>	<u>(2,167,646)</u>
Cash and Cash Equivalents, Beginning	<u>57,206,416</u>	<u>30,393,908</u>	<u>30,356,247</u>	<u>117,956,571</u>	<u>4,126,848</u>
Cash and Cash Equivalents, Ending	<u>\$ 37,643,039</u>	<u>\$ 28,297,943</u>	<u>\$ 26,437,646</u>	<u>\$ 92,378,628</u>	<u>\$ 1,959,202</u>

See notes to financial statements

City of Mishawaka, Indiana

 Statement of Cash Flows -
 Proprietary Funds
 Year Ended December 31, 2022

	Water Utility	Wastewater Utility	Electric Utility	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities					
Operating income (loss)	\$ 7,179,697	\$ 7,044,627	\$ 973,781	\$ 15,198,105	\$ (2,205,945)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Depreciation expense	1,568,479	4,305,573	2,799,411	8,673,463	-
(Increase) decrease in assets:					
Accounts receivable	(192,037)	(205,409)	(181,375)	(578,821)	(1,550)
Inventories	(256,032)	-	(606,101)	(862,133)	-
Prepaid items	(2,444)	(14,002)	(34,381)	(50,827)	-
Lease	(324,384)	-	-	(324,384)	-
Net pension asset	547,521	547,521	1,095,040	2,190,082	-
Increase (decrease) in liabilities:					
Accounts payable	(1,528,050)	405,290	217,216	(905,544)	(143,336)
Accrued payroll and withholdings payable	11,749	9,835	1,200	22,784	-
Taxes payable	141,337	-	622,974	764,311	-
Compensated absences payable	4,116	2,887	1,080	8,083	-
Claims payable	-	-	-	-	183,185
Net pension liability	992,880	1,286,980	1,985,930	4,265,790	-
OPEB	397,544	(383,955)	(262,274)	(248,685)	-
(Increase) decrease in deferred outflows:					
Deferred outflows, pensions	(739,081)	(785,100)	(1,478,211)	(3,002,392)	-
Deferred outflows, OPEB	18,839	32,874	31,473	83,186	-
Increase (decrease) in deferred inflows:					
Lease	324,384	-	-	324,384	-
Deferred inflows, pension	(694,164)	(1,005,967)	(1,388,320)	(3,088,451)	-
Deferred inflows, OPEB	53,534	(73,913)	106,524	86,145	-
Total adjustments	324,191	4,122,614	2,910,186	7,356,991	38,299
Net cash provided (used) by operating activities	\$ 7,503,888	\$ 11,167,241	\$ 3,883,967	\$ 22,555,096	\$ (2,167,646)
Noncash Investing, Capital and Financing Activities					
Work in progress moved to capital assets	\$ 2,746,693	\$ 8,641,302	\$ 2,270,796	\$ 13,658,791	
Disposal of capital assets	\$ 83,765	\$ 1,885	\$ 228,580	\$ 314,230	

See notes to financial statements

City of Mishawaka, Indiana

Statement of Fiduciary Net Position -

Pension Trust Funds

December 31, 2022

	Pension Trust Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 1,970,594
	<hr/>
Investments at fair value:	
Mutual funds	23,869,373
Municipal bonds	172,767
	<hr/>
Total investments	24,042,140
	<hr/>
Total assets	26,012,734
	<hr/>
Net position:	
Restricted for pensions	\$ 26,012,734
	<hr/> <hr/>

See notes to financial statements

City of Mishawaka, Indiana

Statement of Changes in Fiduciary Net Position -

Fiduciary Funds

Year Ended December 31, 2022

	Pension Trust Funds
Additions	
Contributions:	
On behalf contributions	\$ 4,371,810
Total contributions	<u>4,371,810</u>
Investment income (loss):	
Interest	11
Net decrease in fair value of investments	<u>(5,166,224)</u>
Total investment income (loss)	<u>(5,166,213)</u>
Total additions	<u>(794,403)</u>
Deductions	
Benefit payments (including refunds of employee contributions)	4,378,814
Administrative expense	<u>10,200</u>
Total deductions	<u>4,389,014</u>
Change in fiduciary net position	(5,183,417)
Net Position, Beginning	<u>31,196,151</u>
Net Position, Ending	<u><u>\$ 26,012,734</u></u>

See notes to financial statements

City of Mishawaka, Indiana

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December 31, 2022

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1. 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).

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.

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, 100 Lincolnway West, Mishawaka, Indiana, 46544.

The Mishawaka Local Public Improvement Bond Bank 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 the (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 100 Lincolnway West, Mishawaka, Indiana, 46544.

The Regional Development Authority (Authority) is a blended component unit of the City. The Authority's main purpose is to finance construction and remodeling of City buildings for the City of Mishawaka. Debt of the Authority is repaid through lease payments from the City. Financial statements for the Authority are available at the City Controller's Office, City of Mishawaka, 100 Lincolnway West, 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.

Government-Wide and Fund Financial Statements

In June of 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the City's leasing activities. This standard was implemented January 1, 2022, and the implementation had no impact on the City's net position or fund balance as of January 1, 2022.

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.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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.

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% 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% test is at least 5% 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

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.

Redevelopment Bond - Capital Projects Fund

Redevelopment Bond - Capital Projects Fund is used to account for receipts and expenditures related to the Redevelopment Bond.

Redevelopment TIF Allocation - Capital Projects Fund

Redevelopment TIF Allocation - 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 Fund

Water Utility Fund accounts for the operations of the City's water system. The fund's operations are financed by water utility fees charged to residential and commercial customers.

Wastewater Utility Fund

Wastewater Utility Fund accounts for the operations of the City's wastewater system. The fund's operations are financed by utility fees charged to residential and commercial customers.

Electric Utility Fund

Electric Utility Fund accounts for the operations of the City's electric system. The fund's operations are financed by electric utility fees charged mostly to residential and commercial customers.:

The City reports the following nonmajor governmental funds:

Special Revenue Funds

Special Revenue Funds 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

Debt Service Funds are 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

Capital Projects Funds are 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

Internal Service Funds are 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

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

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 the economic asset is 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.

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.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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.

Use of Estimates

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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

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.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the 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 3.

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 3. for further information.

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% 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, 2022

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.

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.

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 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.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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.

Capital Assets

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.

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. The City is reporting deferred outflows for pension and OPEB related items, utility rate making expenses, and a deferred amount on refunding of debt.

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.

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

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

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, 2022, are determined on the basis of current salary rates and include salary related payments.

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.

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.

Unearned Revenue

The City is reporting unearned revenue for funds received but not yet obligated for a particular purpose.

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. The City is reporting deferred inflows related to pension and OPEB related items, leases, and unavailable revenue related to the approved tax levy at year end.

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, 2022

- 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 3. for further information.

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, information about the fiduciary net position of the City OPEB Plan and additions to/deductions from the City OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the City OPEB plan. For this purpose, the City OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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.

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.

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.

2. Stewardship, Compliance and Accountability

Deficit Balances

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

As of December 31, 2022, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
COVID-19 CDBG	\$ 31,173	Accounts payable

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.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Budgetary Information

Annual budgets are adopted for the following governmental funds:

<u>General Funds</u>	<u>Nonmajor Governmental Funds</u>	
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
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
	Law enforcement continuing education	
	Park nonreverting operating	

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.

3. Detailed Notes on All Funds

Deposits and Investments

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

	<u>Carrying Value</u>	<u>Statement Balances</u>
Deposits	\$194,423,303	\$201,670,114
Mutual Funds, bond funds	23,869,373	23,869,373
State and Local Bonds	172,767	172,767
Money market funds	<u>200,370</u>	<u>200,370</u>
Total deposits and investments	<u>\$218,665,813</u>	<u>\$225,912,624</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Reconciliation to financial statements

Per statement of net position:

Unrestricted cash and investments	\$ 126,848,311
Restricted cash and investments	65,804,768

Per statement of net position, fiduciary funds:

Pension trust funds cash	1,970,594
Pension trust investments	<u>24,042,140</u>

Total deposits and investments	<u>\$ 218,665,813</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 deposit accounts at December 31, 2022 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

Investment Type	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds, bond funds	\$ 23,869,373	\$ -	\$ -	\$ 23,869,373
State and Local Bonds	<u>172,767</u>	<u>-</u>	<u>-</u>	<u>172,767</u>
Total	<u>\$ 24,042,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,042,140</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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, 2022, the Primary Government had deposit balances in the amount of \$201,870,484. 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	\$ 200,370
Total	<u>\$ 200,370</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.

At December 31, 2022, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	Amounts
Russell Inv Investment Grade Bond S	Mutal FundMutual fund	7.54 %	\$ 1,813,240
Vanguard Developed Markets Index Admiral	Mutual fund	5.78	1,390,672
Vanguard Large Cap Index Admiral	Mutual fund	18.94	4,553,327
Vanguard Ultra Short-Term Bond Admiral	Mutual fund	5.56	1,336,303
Vanguard Windsor II Adm	Mutual fund	7.27	1,747,809

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.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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, 2022, the City's investments were as follows:

Pension Fund

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 to 5	More than 2
Municipal bonds	\$ 172,767	\$ -	\$ 172,767	\$ -
Mutual funds	23,869,373	23,869,373	-	-
Total	<u>\$ 24,042,140</u>	<u>\$ 23,869,373</u>	<u>\$ 172,767</u>	<u>\$ -</u>

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

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:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ -	\$ 27,304,793
Delinquent property taxes receivable	-	1,256,301
Other taxes	-	1,042,639
Opioid Receivable	-	873,785
ARPA funds received, not yet obligated	<u>8,892,711</u>	<u>-</u>
Total unearned and unavailable revenue for governmental funds	<u>\$ 8,892,711</u>	<u>\$ 30,477,518</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Restricted Assets

Following is a list of restricted assets at December 31, 2022:

	Restricted Assets
Customer deposits	\$ 4,863,778
Revenue bond covenant accounts	5,212,885
Reserve account	9,210,666
Construction account	26,212,479
City debt service accounts	11,891,307
Improvement fund	26,054
Repair account	<u>8,387,599</u>
Total	<u>\$ 65,804,768</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 13,381,950	\$ -	\$ -	\$ 13,381,950
Construction in progress	<u>37,893,762</u>	<u>42,632,957</u>	<u>14,652,173</u>	<u>65,874,546</u>
Total capital assets not being depreciated	<u>51,275,712</u>	<u>42,632,957</u>	<u>14,652,173</u>	<u>79,256,496</u>
Capital assets being depreciated:				
Buildings	42,942,544	-	-	42,942,544
Improvements other than buildings	44,379,257	543,676	-	44,922,933
Machinery, equipment and vehicles	40,307,077	2,846,697	457,677	42,696,097
Infrastructure	<u>215,702,533</u>	<u>17,152,347</u>	<u>-</u>	<u>232,854,880</u>
Total capital assets being depreciated	<u>343,331,411</u>	<u>20,542,720</u>	<u>457,677</u>	<u>363,416,454</u>
Total capital assets	<u>394,607,123</u>	<u>63,175,677</u>	<u>15,109,850</u>	<u>442,672,950</u>
Less accumulated depreciation for:				
Buildings	12,849,175	870,705	-	13,719,880
Improvements other than buildings	18,714,375	1,728,051	-	20,442,426
Machinery, equipment and vehicles	28,849,580	2,096,005	423,357	30,522,228
Infrastructure	<u>49,732,011</u>	<u>5,893,200</u>	<u>-</u>	<u>55,625,211</u>
Total accumulated depreciation	<u>110,145,141</u>	<u>10,587,961</u>	<u>423,357</u>	<u>120,309,745</u>
Net capital assets being depreciated	<u>233,186,270</u>	<u>9,954,759</u>	<u>34,320</u>	<u>243,106,709</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 284,461,982</u>	<u>\$ 52,587,716</u>	<u>\$ 14,686,493</u>	<u>\$ 322,363,205</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 299,809
Public safety	1,560,902
Highways and streets	6,579,018
Community development	2,209
Culture and recreation	<u>2,146,023</u>
Total governmental activities depreciation expense	<u>\$ 10,587,961</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 3,329,154	\$ -	\$ -	\$ 3,329,154
Construction in progress	<u>48,076,191</u>	<u>35,211,669</u>	<u>13,658,791</u>	<u>69,629,069</u>
Total capital assets not being depreciated	<u>51,405,345</u>	<u>35,211,669</u>	<u>13,658,791</u>	<u>72,958,223</u>
Capital assets being depreciated:				
Buildings	56,702,925	-	-	56,702,925
Improvements other than buildings	254,875,283	10,929,360	287,248	265,517,395
Machinery, equipment and vehicles	46,625,014	346,652	618	46,971,048
Transportation	<u>6,362,156</u>	<u>161,809</u>	<u>26,364</u>	<u>6,497,601</u>
Total capital assets being depreciated	<u>364,565,378</u>	<u>11,437,821</u>	<u>314,230</u>	<u>375,688,969</u>
Total capital assets	<u>415,970,723</u>	<u>46,649,490</u>	<u>13,973,021</u>	<u>448,647,192</u>
Less accumulated depreciation for:				
Buildings	24,034,830	1,124,622	-	25,159,452
Improvements other than buildings	88,578,156	5,890,804	221,570	94,247,390
Machinery, equipment and vehicles	35,670,687	1,102,768	2	36,773,453
Transportation	<u>4,951,670</u>	<u>555,269</u>	<u>26,364</u>	<u>5,480,575</u>
Total accumulated depreciation	<u>153,235,343</u>	<u>8,673,463</u>	<u>247,936</u>	<u>161,660,870</u>
Net capital assets being depreciated	<u>211,330,035</u>	<u>2,764,358</u>	<u>66,294</u>	<u>214,028,099</u>
Business-type capital assets, net of accumulated depreciation	<u>\$ 262,735,380</u>	<u>\$ 37,976,027</u>	<u>\$ 13,725,085</u>	<u>\$ 286,986,322</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 1,568,479
Wastewater	4,305,573
Electric	<u>2,799,411</u>
Total business-type activities depreciation expense	<u>\$ 8,673,463</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Interfund Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Water Utility	\$ 668,994	PILOT
General Fund	Wastewater Utility	2,124,267	PILOT
General Fund	Electric Utility	1,648,702	PILOT, transfer from reserve
Wastewater Utility	Redevelopment TIF Allocation	3,360,000	Debt payments
Nonmajor funds	Redevelopment TIF Allocation	5,083,808	Debt payments
Nonmajor funds	Electric Utility	97,074	To fund City Hall improvements
Electric Utility	Water Utility	384,852	Business office expenses
Electric Utility	Wastewater Utility	384,852	Business office expenses
Nonmajor funds	Nonmajor funds	<u>2,157,904</u>	LRS, MVH, and Bond Bank Transfers
Total, fund financial statements		15,910,453	
Less fund eliminations		<u>(14,731,416)</u>	
Total transfer, government-wide statement of activities		<u>\$ 1,179,037</u>	

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.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
Tax increment financing bonds	\$ 45,610,000	\$ -	\$ 3,135,000	\$ 42,475,000	\$ 3,247,543
Notes and loans payable and financed purchases	979,976	-	493,208	486,768	192,083
(Discounts)/premiums	<u>7,790,708</u>	<u>-</u>	<u>1,270,241</u>	<u>6,520,467</u>	<u>-</u>
Subtotal	<u>54,380,684</u>	<u>-</u>	<u>4,898,449</u>	<u>49,482,235</u>	<u>3,439,626</u>
Other liabilities:					
Compensated absences	955,468	675,081	627,282	1,003,267	674,074
Total other postemployment benefits	33,958,921	2,867,711	7,649,192	29,177,440	-
Net pension liability	<u>41,196,575</u>	<u>22,308,190</u>	<u>20,762,388</u>	<u>42,742,377</u>	<u>-</u>
Total other liabilities	<u>76,110,964</u>	<u>25,850,982</u>	<u>29,038,862</u>	<u>72,923,084</u>	<u>674,074</u>
Total governmental activities long-term liabilities	<u>\$130,491,648</u>	<u>\$ 25,850,982</u>	<u>\$ 33,937,311</u>	<u>\$122,405,319</u>	<u>\$ 4,113,700</u>
Business-Type Activities					
Bonds and notes payable:					
Water utility	\$ 65,835,000	\$ -	\$ 2,100,000	\$ 63,735,000	\$ 2,422,000
Wastewater utility	63,090,000	-	5,680,000	57,410,000	5,875,000
Electric utility	30,855,000	-	2,300,000	28,555,000	795,000
Financed purchases	81,932	-	81,932	-	-
Notes and loans payable	1,201,000	-	125,000	1,076,000	129,000
(Discounts)/premiums	<u>7,028,085</u>	<u>-</u>	<u>902,522</u>	<u>6,125,563</u>	<u>-</u>
Subtotal	<u>168,091,017</u>	<u>-</u>	<u>11,189,454</u>	<u>156,901,563</u>	<u>9,221,000</u>
Other liabilities:					
Compensated absences	304,347	163,113	155,030	312,430	157,609
Total other postemployment benefits	4,024,108	329,539	1,128,574	3,225,073	-
Net pension liability	<u>216,617</u>	<u>8,181,008</u>	<u>3,915,218</u>	<u>4,482,407</u>	<u>-</u>
Total other liabilities	<u>4,545,072</u>	<u>8,673,660</u>	<u>5,198,822</u>	<u>8,019,910</u>	<u>157,609</u>
Total business-type activities long-term liabilities	<u>\$172,636,089</u>	<u>\$ 8,673,660</u>	<u>\$ 16,388,276</u>	<u>\$164,921,473</u>	<u>\$ 9,378,609</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, 2022

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 2022, the water utility paid \$2,100,000 in debt payments or approximately 14.36% of operating revenues. The wastewater utility paid \$5,680,000 in debt payments or approximately 26.85% of operating revenues. The electric utility paid \$2,300,000 in debt payments or approximately 3.69%. Bond coverage for the water utility at December 31, 2022 was 212%. Bond coverage for the wastewater utility at December 31, 2022 was 170%. Bond coverage for the electric utility was 221%. Bond coverage is based on the operating income (loss) reported on the City's financial statements.

Revenue debt payable at December 31, 2022, consists of the following:

Business-Type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
<u>Water Utility</u>					
Waterworks Refunding Revenue Bonds of 2018	10/29/18	07/01/39	2.82%	\$ 13,000,000	\$ 12,395,000
Waterworks Revenue Bonds of 2021	05/19/21	01/01/42	2%-4%	51,600,000	<u>51,340,000</u>
				Total Water Utility	<u>63,735,000</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
<u>Wastewater Utility</u>					
2015 Wastewater refunding revenue bonds	08/20/15	01/01/27	2.25%-5%	\$ 34,755,000	\$ 15,640,000
2017 Sewage Works Revenue Bonds, Series A	12/08/17	03/01/34	4%	16,315,000	11,395,000
2017 Sewage Works Revenue Bonds, Series B	12/08/17	09/01/34	2.85%	24,210,000	18,910,000
2018 Sewage Works Revenue Bonds	10/16/18	09/01/39	2%-6%	12,550,000	<u>11,465,000</u>
				Total Wastewater Utility	<u>57,410,000</u>
<u>Electric Utility</u>					
Electric Utility Revenue Bonds of 2021	06/03/21	01/01/42	2%-4%	30,855,000	<u>28,555,000</u>
Total business-type activities, revenue debt					<u>\$ 149,700,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-Type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 7,390,000	\$ 3,157,203
2024	8,525,000	3,259,900
2025	8,905,000	2,890,675
2026	9,290,000	2,507,275
2027	6,525,000	2,143,575
2028-2032	29,100,000	7,671,684
2033-2037	26,210,000	3,763,759
2038-2042	<u>22,450,000</u>	<u>1,153,572</u>
Total	<u>\$ 118,395,000</u>	<u>\$ 26,547,643</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

<u>Years</u>	Business-Type Activities Revenue Debt - Direct Placement	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,702,000	\$ 884,329
2024	1,738,000	835,886
2025	1,772,000	786,437
2026	1,813,000	736,009
2027	3,049,000	667,460
2028-2032	12,562,000	2,148,324
2033-2037	6,921,000	688,133
2038-2042	1,748,000	61,998
Total	<u>\$ 31,305,000</u>	<u>\$ 6,808,576</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 11.76% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,167,128. Principal and interest paid for the current year and total customer net revenues were \$2,323,024 and \$19,675,785, respectively.

The City has pledged future TIF revenues, net of specified operating expenses, to repay revenue bonds issued in 2021. Proceeds from the bonds provided financing for the certain local public improvements through the City. The bonds are payable solely from TIF revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require 8.14% of net revenues. The total principal and interest remaining to be paid on the bonds is \$51,353,125. Principal and interest paid for the current year and total customer net revenues were \$2,951,218 and \$19,675,785 respectively.

Tax Increment Financing Bonds at December 31, 2022, consists of the following:

Governmental Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2022
Tax Increment Financing Bonds					
Ironworks Tax increment economic development revenue bonds, Series 2017	09/26/17	02/01/23	1.6%-2.1%	\$ 10,985,000	\$ 1,155,000
Lease Rental Revenue Bonds of 2021	06/28/21	02/15/33	3%-5%	42,190,000	<u>41,320,000</u>
Total governmental activities tax Increment financing bonds					<u>\$ 42,475,000</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities Tax Increment Financing Bonds	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,247,543	\$ 1,808,003
2024	3,425,000	1,660,000
2025	3,590,000	1,486,625
2026	3,755,000	1,305,000
2027	3,895,000	1,115,250
2028-2032	22,125,000	2,633,850
2033-2037	<u>2,437,457</u>	<u>36,525</u>
Total	<u>\$ 42,475,000</u>	<u>\$ 10,045,253</u>

Remedies for Failure to Comply with Bond Agreements

The bond agreements have Continuing Disclosure Undertaking Certificates. The sole remedy against the City for any failure to carry out any provision of the Certificate shall be for specific performance of the City's disclosure obligations, as defined, and not for money damages of any kind or in any amount or for any other remedy. The City's failure to honor its covenants, as defined, shall not constitute a breach or default of the bonds, the ordinance or any other agreement to which the City is a party and shall not give rise to any other rights or remedies.

Notes and Loans Payable and Financed Purchases

The City has the following financed purchase agreements as of December 31, 2022:

Governmental Activities

<u>Notes and Loans Payable and Financed Purchases</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
US Bancorp Police Cars	05/01/20	08/01/25	1.8%	\$ 956,400	\$ 486,768
Total governmental activities notes and loans payable and financed purchases					<u>\$ 486,768</u>

Business-Type Activities

<u>Notes and Loans Payable and Financed Purchases</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2022</u>
2010A Sewage Works revenue bonds	01/28/10	03/01/30	3.050%	\$ 2,398,000	\$ 1,076,000
Total business-type activities notes and loans payable and financed purchases					<u>\$ 1,076,000</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities Notes and Loans Payable and Financed Purchases		Business-Type Activities Notes and Loans Payable and Financed Purchases	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 192,083	\$ 7,936	\$ 129,000	\$ 31,842
2024	195,571	4,448	133,000	27,877
2025	99,114	896	137,000	23,790
2026	-	-	143,000	19,566
2027	-	-	147,000	15,174
2028-2032	-	-	387,000	17,904
Total	<u>\$ 486,768</u>	<u>\$ 13,280</u>	<u>\$ 1,076,000</u>	<u>\$ 136,153</u>

Lessor - Lease Receivables

Business-Type Activities

<u>Lease Receivables Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Receivable Balance December 31, 2022</u>
Juday Creek Golf Course Lease	07/10/17	07/10/47	3.00%	\$ 324,384
Total business-type activities lease receivables				<u>\$ 324,384</u>

The City recognized \$4,592 of lease revenue during the fiscal year.

The City recognized \$16,338 of interest revenue during the fiscal year.

Net Position/Fund Balances

Net position reported on the government wide statement of net position at December 31, 2022, includes the following:

Governmental Activities

Net investment in capital assets:

Land and construction in progress	\$ 79,256,496
Other capital assets, net of accumulated depreciation	243,106,709
Less long-term debt outstanding	(49,482,235)
Plus unspent capital related debt proceeds	<u>22,164,557</u>
Total net investment in capital assets	<u>\$ 295,045,527</u>

City of Mishawaka, Indiana

Notes to Financial Statements
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Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2022, include the following:

	<u>General Fund</u>	<u>Redevelopment TIF Allocation</u>	<u>Redevelopment Bond</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balances					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 4,307,106	\$ 4,307,106
Highways and streets	-	-	-	4,808,992	4,808,992
Economic development	-	12,408,591	22,164,557	310,350	34,883,498
Culture and recreation	-	-	-	4,217,586	4,217,586
Debt service	-	-	-	11,912,445	11,912,445
Capital projects	-	-	-	9,204,565	9,204,565
Sanitation	-	-	-	1,114,384	1,114,384
Health and welfare	-	-	-	297,333	297,333
Subtotal	<u>-</u>	<u>12,408,591</u>	<u>22,164,557</u>	<u>36,172,761</u>	<u>70,745,909</u>
Assigned to:					
General government	<u>596,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,172</u>
Subtotal	<u>596,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,172</u>
Unassigned:	<u>14,867,006</u>	<u>-</u>	<u>-</u>	<u>(31,173)</u>	<u>14,835,833</u>
Total fund balances	<u>\$ 15,463,178</u>	<u>\$ 12,408,591</u>	<u>\$ 22,164,557</u>	<u>\$ 36,141,588</u>	<u>\$ 86,177,914</u>

Business-Type Activities

Net investment in capital assets:

Land and construction in progress	\$ 72,958,223
Other capital assets, net of accumulated depreciation	214,028,099
Less long-term debt outstanding	(156,901,563)
Plus unspent capital related debt proceeds	26,212,479
Plus deferred amount on refunding	263,311
Plus deferred utility ratemaking expenses	<u>504,646</u>

Total net investment in capital assets 157,065,195

Restricted:

Debt service	14,423,551
Capital projects	<u>34,626,132</u>
Total restricted	<u>49,049,683</u>

Unrestricted 8,691,186

Total business-type activities net position \$ 214,806,064

City of Mishawaka, Indiana

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Restatement of Fund Balances/Net Position

Fund balance has been restated to correct an error in the reporting of LIT receivables

General Fund

General Fund balance, December 31, 2021 (as reported)	\$ 15,758,352
Less LIT receivable amountLIT receivable error correction	<u>(510,716)</u>
Fund balance, December 31, 2021 (as restated)	<u>\$ 15,247,636</u>

Nonmajor Governmental Funds

Nonmajor Governmental Funds Fund balance, December 31, 2021 (as reported)	\$ 45,899,173
Less LIT receivable error correction	<u>(1,174,616)</u>
Fund balance, December 31, 2021 (as restated)	<u>\$ 44,724,557</u>

Net position has been restated to reclassify errors in reporting prior LIT receivables

Net Position, December 31, 2021 (as reported)	\$ 266,656,269
Less LIT receivable error correction	<u>(6,721,328)</u>
Net position, December 31, 2021 (as restated)	<u>\$ 259,934,941</u>

4. Other Information

Employees' Retirement System

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERF	\$ 4,241,589	\$ 1,757,543	\$ 210,139
1977 Police	4,269,020	5,960,196	418,779
1977 Fire	4,501,922	6,305,787	446,161
1925 Police	10,829,600	-	-
1937 Fire	19,427,521	-	-
Utility	<u>3,955,132</u>	<u>4,734,179</u>	<u>1,424,605</u>
Total	<u>\$ 47,224,784</u>	<u>\$ 18,757,705</u>	<u>\$ 2,499,684</u>

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 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% 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 is 11.20% of annual covered payroll. 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 \$868,010 for the calendar year ended December 31, 2022.

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 nonvested 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% of the pension benefit component. This annual pension benefit is equal to 1.1% 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.

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% 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% 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%. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84%) to age 50 being 44%.

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.

If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired at the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

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 3% 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% 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.

City of Mishawaka, Indiana

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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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for Public Employee's Retirement Fund was (7.0%).

Net Pension liability

At December 31, 2022, the City reported a Liability of \$4,241,589 for its proportionate share of the net pension Liability. The City allocates the pension liability to Governmental Activities and Business-Type Activities based on their respective contributions to INPRS. For 2022, the allocation was \$3,714,314 and \$527,275 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 nonemployer contributing entity legally responsible for making contributions that are used to provide pension benefits to members of the pension plan. At December 31, 2022, the City's proportion was allocated as follows for 2022 and 2021:

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	.0012841	.0011195	.0001646
2022	.0013449	.0011777	.0001672

The net pension liability for fiscal year 2022 is calculated as set forth in the following table:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net pension liability, beginning December 31, 2021	\$ 1,584,413	\$ 105,268
Total pension expense	412,106	178,153
Difference between expected and actual experience	44,905	6,375
Net difference between projected and actual investments	2,379,555	337,798
Change in assumptions	(67,737)	(9,617)
Change in proportionate share of contributions	114,142	16,203
Defined benefit plan employer contributions	<u>(753,070)</u>	<u>(106,905)</u>
Net pension liability, December 31, 2022	<u>\$ 3,714,314</u>	<u>\$ 527,275</u>

City of Mishawaka, Indiana

Notes to Financial Statements
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Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Differences between expected and actual experience	\$ 80,094	\$ 14,126
Changes in assumptions	503,086	158,911
Net differences between projected and actual earnings on pension plan investments	458,386	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	115,545	10,979
Employer contributions subsequent to the measurement date	378,978	-
	<u>\$ 1,536,089</u>	<u>\$ 184,016</u>
Total		
Business-Type Activities		
Differences between expected and actual experience	\$ 11,370	\$ 2,006
Changes in assumptions	71,416	22,558
Net differences between projected and actual earnings on pension plan investments	65,071	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,403	1,559
Employer contributions subsequent to the measurement date	57,194	-
	<u>\$ 221,454</u>	<u>\$ 26,123</u>
Total		

\$378,978 and \$57,194 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 in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)	
	Governmental Activities	Business-Type Activities
2023	\$ 195,877	\$ 27,806
2024	335,213	47,586
2025	(42,878)	(6,087)
2026	484,883	68,832

City of Mishawaka, Indiana

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Pension Expense

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

<u>Pension Expense</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Proportionate share of plan pension expense	\$ 474,925	\$ 67,420
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	41,958	5,956
Internal change in proportionate share	<u>(104,777)</u>	<u>104,777</u>
Total	<u>\$ 412,106</u>	<u>\$ 178,153</u>

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

Valuation Date:

Assets: June 30, 2022

Liabilities: June 30, 2021 - Member census data as of June 30, 2021 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2021 and June 30, 2022. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2021 to the June 30, 2022 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: 6.25%, net of investment expense, including inflation

Cost of Living Increases: Beginning January 1, 2024 - 0.40%

Beginning January 1, 2034 - 0.50%

Beginning January 1, 2039 - 0.60%

Salary increases, including inflation: 2.65% - 8.65%

Inflation: 2.00%

Mortality:

Healthy: Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Disability: Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Funding policy location: www.in.gov/inprs/files/INPRS_Funding_Policy.pdf

Change in Assumptions. There were no changes in assumptions during the fiscal year.

City of Mishawaka, Indiana

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Changes in Actuarial Methods. There were no changes to the actuarial methods during the fiscal year.

Plan Amendments. There were no changes to the plan provisions during the fiscal year.

Long-Term Return Expectation. 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.

<u>Global Asset Class</u>	<u>Long-Term Expected Rate of Return (Geometric Basis)</u>	<u>Target Asset Allocation</u>
Public Equity	3.6%	20.0%
Private Markets	7.7	15.0
Fixed Income - Ex Inflation-Linked	1.4	20.0
Fixed Income - Inflation-Linked	(0.3)	15.0
Commodities	0.9	10.0
Real Estate	3.7	10.0
Absolute Return	2.1	5.0
Risk Parity	3.8	20.0
Cash and Cash Overlay	(1.7)	NA

Discount rate. The discount rate used to measure the total pension liability was 6.25% as of June 30, 2022 and is equal to the long-term expected return on plan investments.

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

The following presents the City's proportionate share of the net pension Liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease to Discount Rate (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase to Discount Rate (7.25%)</u>
Governmental activity's proportionate share of the net pension liability	\$ 6,274,834	\$ 3,714,314	\$ 1,578,652
Business-type activity's proportionate share of the net pension liability	890,762	527,275	224,102

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_FY22.pdf
https://www.in.gov/inprs/files/INPRSConsolidatedAR_FY22_Actuarial.pdf

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, 2022, 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>129</u>
Total	<u><u>210</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%) of the member's average monthly wage, which is based upon regular straight time rate, received during the highest paid five (5) 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 fifty-five (55), 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 (1/4%) 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 (10) years of credited service and permanent disability as determined for purposes of the Federal Social Security Act.

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

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

Contributions

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

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

For the year ended December 31, 2022, the mandatory member contribution rate was 0% of annual pay and the actuarially determined Employer's contribution rate was 12.74% 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, 2022, the City recognized pension expense of \$1,455,395 for the utility fund.

At December 31, 2022, 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
Changes in assumptions	\$ 343,607	\$ 343,607	\$ 687,212
Net differences between projected and actual earnings on pension plan investments	<u>839,938</u>	<u>839,938</u>	<u>1,679,877</u>
Total	<u>\$ 1,183,545</u>	<u>\$ 1,183,545</u>	<u>\$ 2,367,089</u>
	Deferred Inflows of Resources		
	Water Utility	Wastewater Utility	Electric Utility
Differences between expected and actual experience	\$ 338,204	\$ 338,204	\$ 676,408
Changes in assumptions	<u>17,947</u>	<u>17,947</u>	<u>35,895</u>
Total	<u>\$ 356,151</u>	<u>\$ 356,151</u>	<u>\$ 712,303</u>

City of Mishawaka, Indiana

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As shown in Note 4, 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 4 and the above table.

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

Years ending December 31:	Water Utility	Wastewater Utility	Electric Utility
2023	\$ 56,484	\$ 56,484	\$ 112,969
2024	187,412	187,412	374,822
2025	261,346	261,346	522,691
2026	332,908	332,908	665,814
2027	(4,319)	(4,319)	(8,637)
Thereafter	<u>(6,437)</u>	<u>(6,437)</u>	<u>(12,873)</u>
Total	<u>\$ 827,394</u>	<u>\$ 827,394</u>	<u>\$ 1,654,786</u>

Pension Plan Investments - Policy and Rate of Return

The pension plan investment policy is consistent with the overall policy of the City as described in Note 1. The plan held \$24,042,141 of investments as of December 31, 2022. See Note 3. Deposits and Investments for more detail on these investments and their risks.

Net Pension Liability

The components of the net pension asset of the Utility Pension Plan at December 31, 2022 were as follows:

	Utility Pension	Allocated to:		
		Water Utility	Wastewater Utility	Electric Utility
Actuarial net pension liability	\$ 28,262,126	\$ 7,065,532	\$ 7,065,532	\$ 14,131,062
Plan fiduciary net position	<u>(24,306,994)</u>	<u>(6,076,748)</u>	<u>(6,076,748)</u>	<u>(12,153,498)</u>
Net pension liability	<u>\$ 3,955,132</u>	<u>\$ 988,784</u>	<u>\$ 988,784</u>	<u>\$ 1,977,564</u>
Plan fiduciary net position as a percentage of total pension liability	<u>86.01 %</u>	<u>86.01 %</u>	<u>86.01 %</u>	<u>86.01 %</u>

City of Mishawaka, Indiana

Notes to Financial Statements
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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, 2021	\$ 27,262,177	\$ (29,452,259)	\$ (2,190,082)
Service cost	801,903	-	801,903
Interest cost	1,709,672	-	1,709,672
Differences between expected and actual experience (gain)/loss	(202,110)	-	(202,110)
Employer contributions	-	(1,037,151)	(1,037,151)
Net investment income	-	4,784,801	4,784,801
Administrative expense	-	88,099	88,099
Benefit payments, including refunds	(1,309,516)	1,309,516	-
Total	\$ 28,262,126	\$ (24,306,994)	\$ 3,955,132

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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	December 31, 2022
Valuation Date	December 31, 2022
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	6.25%, 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-2021 (separate employee, retiree, contingent survivor and disabled retiree tables and separate male & female tables).

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Discount Rate

The discount rate used to measure the total pension liability was 6.25% as of December 31, 2022, and is equal to the long-term expected return on plan investments. The projection cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed to prevent the deterioration in the actuarial 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.

Amortization Periods

The changes in total pension liability due to liability experience losses/(gains) and changes in assumptions for the most current year have been amortized over 6.876 years, the average remaining service of all members with any liability in the plan as of January 1, 2022. The change in net pension liability due to investment losses/(gains) has been amortized over 5.000 years as prescribed.

Assumption Changes There were no assumption changes for 2022.

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 6.25% 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 6.25%.

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

The following presents the net pension liability of the plan, calculated using the discount rate of 6.25%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	Net Pension Liability (Asset)		
	1% Decrease to Discount Rate (5.25%)	Current Discount Rate (6.25%)	1% Increase to Discount Rate (7.25%)
Water Utility	\$ 1,822,523	\$ 988,784	\$ 282,454
Wastewater Utility	1,822,523	988,784	282,454
Electric Utility	3,645,046	1,977,566	564,906

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, 2022, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	<u>33</u>
Total	<u><u>33</u></u>

Benefits Provided

The plan provides retirement, disability and death benefits. The benefit provisions of the plan for nonconverted 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 nonconverted 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.

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

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Nonconverted 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 nonconverted plan members. Early retirement benefits are reduced by 7% per year for converted plan members between ages fifty and fifty-two. Late retirement benefits are calculated in the same manner as normal retirement benefits.

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

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

Pre-retirement death benefits vary for converted and nonconverted 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% of a first-class patrolman salary, with longevity, or from 55-100% of the monthly benefit the member was receiving, or was entitled to receive, on the date of death. Pre-retirement death benefits are payable to the surviving spouse, children and dependent parents of plan members provided they meet eligibility guidelines. A one-time funeral death benefit is paid to the heirs or estate upon a member's death from any cause and is equal to at least \$12,000. An additional benefit of \$150,000 is paid from the Pension Relief Fund to a surviving spouse, children, or parent(s) if death occurs in the line of duty.

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

Contributions

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

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

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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 \$1,108,970 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 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% survivor benefits. A member, upon retirement, may elect to forgo DROP benefits and instead receive monthly retirement benefits calculated as if the member never elected to participate in the DROP. There is no balance of amounts held by the pension plan pursuant to the DROP.

Net Pension Liability

The components of the net pension liability of the 1925 Police Officers' Pension Plan at December 31, 2022 were as follows:

	1925 Police Officers' Pension
Actuarial net pension liability	\$ 11,615,491
Plan fiduciary net position	<u>(785,891)</u>
Net pension liability	<u>\$ 10,829,600</u>
Plan fiduciary net position as a percentage of total pension liability	<u>6.77 %</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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, 2021	\$ 15,774,656	\$ (851,864)	\$ 14,922,792
Interest cost	211,105	-	211,105
Differences between expected and actual experience (gain)/loss	(32,636)	-	(32,636)
Changes in assumptions (gain)/loss	(3,228,393)	-	(3,228,393)
Nonemployer contributing entity contributions	-	(1,045,997)	(1,045,997)
Administrative expense	-	3,000	3,000
Benefit payments, including refunds	(1,109,241)	1,108,970	(271)
Balance at December 31, 2022	<u>\$ 11,615,491</u>	<u>\$ (785,891)</u>	<u>\$ 10,829,600</u>

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

For the year ended December 31, 2022, the City recognized pension income of \$3,049,924. At December 31, 2022, 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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	December 31, 2022
Valuation Date	January 1, 2022
Inflation	2.00% per annum
Salary increases	2.65% per annum
Cost of Living Increases for Certain Retirees	
Nonconverted	2.65% per year in retirement
Converted	3.00% on July 1, 2022; 1.95% thereafter

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, along with the results of the INPRS asset liability study adopted by the INPRS Board in May 2021.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Discount Rate

The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 4.12% as of December 31, 2022. The discount rate increased from the 1.39% used for the December 31, 2021 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 4.12%. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2022. 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 to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 4.12%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.12%) or 1-percentage-point higher (5.12%) than the current rate:

	1% Decrease to Discount Rate (3.12%)	Current Discount Rate (4.12%)	1% Increase to Discount Rate (5.12%)
Net pension liability	\$ 11,850,156	\$ 10,829,600	\$ 9,952,378

Funding Status and Funding Progress

As of the January 1, 2022 actuarial valuation date, the plan was not funded and is on a pay as you go basis. The actuarial accrued liability for benefits was \$11,615,491, and the actuarial value of assets was \$785,891, resulting in an unfunded actuarial accrued liability of \$10,829,600. 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 reported 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.

Plan Membership

At December 31, 2022, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	<u>57</u>
Total	<u><u>57</u></u>

Benefits Provided

The plan provides retirement, disability, and death benefits. The benefit provisions of the 1937 Firefighters' Pension Plan for nonconverted 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 nonconverted 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. Nonconverted members of any age with twenty or more years of creditable service and converted plan members who are age fifty-two with twenty or more years of creditable service are eligible for normal benefits. Normal retirement benefits are calculated at 50% of the base salary of a First-Class Firefighter, plus an additional 1% for each completed six months of service over twenty years up to a maximum of 74% with 32 years of service.

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

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

Pre-retirement death benefits vary for converted and nonconverted 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% of a First-Class Firefighter's salary, with longevity, or from 55-100% of the monthly benefit the member was receiving, or was entitled to receive, on the date of death.

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.

Nonconverted 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 nonconverted retired members are increased annually based on increases in the First-Class Firefighter's salary as approved by the employer.

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

Contributions

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

Actuarial valuations are performed annually for the 1937 Firefighters' Pension Plan. Benefits to members of the Plan are funded on a pay-as-you-go basis by certain revenues and appropriations from the State of Indiana to the Pension Relief Fund. On-behalf contributions from the State of Indiana of \$1,960,328 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 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% survivor benefits. A member, upon retirement, may elect to forgo DROP benefits and instead receive monthly retirement benefits calculated as if the member never elected to participate in the DROP. There is no balance of amounts held by the pension plan pursuant to the DROP.

Net Pension Liability

The components of the net pension liability of the 1937 Firefighters' Pension Plan at December 31, 2022 were as follows:

	1937 Firefighters' Pension
Actuarial net pension liability	\$ 20,385,408
Plan fiduciary net position	<u>(957,887)</u>
Net pension liability	<u>\$ 19,427,521</u>
Plan fiduciary net position as a percentage of total pension liability	<u>4.70 %</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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

Changes in Net Pension Liability	1937 Firefighters' Pension		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 25,736,272	\$ (935,553)	\$ 24,800,719
Interest cost	363,654	-	363,654
Differences between expected and actual experience (gain)/loss	1,411,603	-	1,411,603
Changes in assumptions (gain)/loss	(5,154,649)	-	(5,154,649)
Nonemployer contributing entity contributions	-	(1,988,662)	(1,988,662)
Administrative expense	-	6,000	6,000
Benefit payments, including refunds	(1,971,472)	1,960,328	(11,144)
Balance at December 31, 2022	<u>\$ 20,385,408</u>	<u>\$ (957,887)</u>	<u>\$ 19,427,521</u>

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

For the year ended December 31, 2022, the City recognized pension income of \$3,379,392. At December 31, 2022, 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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	December 31, 2022
Valuation Date	January 1, 2022
Inflation	2.00% per annum
Salary increases	2.65% per annum
Cost of Living Increases:	
Nonconverted	2.65% each July 1st
Converted	3.00% on July 1, 2022; 1.95% thereafter

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 2021, which covered the period beginning July 1, 2015 and ending June 30, 2019, along with the results of the INPRS asset liability study adopted by the INPRS Board in May 2021.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Discount Rate

The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 4.12% as of December 31, 2022. The discount rate increased from the 1.39% used for the December 31, 2022 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 4.12%. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2022. 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 to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 4.12%, as well as what the plan's net pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.12%) or 1-percentage-point higher (5.12%) than the current rate:

	1% Decrease to Discount Rate (3.12%)	Current Discount Rate (4.12%)	1% Increase to Discount Rate (5.12%)
Net pension liability	\$ 21,085,264	\$ 19,427,521	\$ 17,980,809

Funding Status and Funding Progress

As of the January 1, 2022 actuarial valuation date, the plan was not funded and is on a pay as you go basis. The actuarial accrued liability for benefits was \$20,385,408, and the actuarial value of assets was \$957,887, resulting in an unfunded actuarial accrued liability of \$19,427,521. 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 and amended by State legislative action.

Annual retirement benefits for employees are calculated equal to 50% 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 nonduty 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% increase.

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% 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% 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% 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, 2022 the amount held by the plan pursuant to the DROP is \$110.5 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 2022, all participating employers were required to contribute 17.5% of the salary of a first-class officer or firefighter. City contributions for the year ended December 31, 2022 were \$1,148,407 and \$1,263,924 for the Police Officers and Firefighters Funds, respectively.

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, 2022, the City reported a net pension liability of \$4,269,020 for the Police and \$4,501,922 for the Firefighter proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the City's proportion of the Police Officers' fund was 0.0065895%, which is a decrease of 0.0001515% from its proportion measured as of June 30, 2021. At June 30, 2022, the City's proportion of the Firefighters' fund was 0.0069490%, which was an increase of 0.0000948% from its proportion measured as of June 30, 2021.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

For the year ended December 31, 2022, the City recognized pension expense of \$1,131,285 for the Police Officers and \$1,192,170 for the Firefighters' fund. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Police	Fire	Total
Differences between expected and actual experience	\$ 2,183,327	\$ 2,302,441	\$ 4,485,768
Changes in assumptions	1,821,600	1,920,980	3,742,580
Net differences between projected and actual earnings on pension plan investments	1,358,733	1,432,860	2,791,593
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,106	12,385	51,491
Employer contributions subsequent to the measurement date	557,430	637,121	1,194,551
Total	<u>\$ 5,960,196</u>	<u>\$ 6,305,787</u>	<u>\$ 12,265,983</u>

	Deferred Inflows of Resources		
	Police	Fire	Total
Differences between expected and actual experience	\$ 59,571	\$ 62,821	\$ 122,392
Changes in assumptions	336,666	355,033	691,699
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,542	28,307	50,849
Total	<u>\$ 418,779</u>	<u>\$ 446,161</u>	<u>\$ 864,940</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

\$557,430 reported for the Police Officers' and \$637,121 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending December 31:</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2023	\$ 506,242	\$ 530,056	\$ 1,036,298
2024	739,595	774,054	1,513,649
2025	440,204	459,306	899,510
2026	2,017,148	2,122,190	4,139,338
2027	556,817	582,412	1,139,229
Thereafter	<u>723,981</u>	<u>754,487</u>	<u>1,478,468</u>
Total	<u>\$ 4,983,987</u>	<u>\$ 5,222,505</u>	<u>\$ 10,206,492</u>

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary increases	2.65%
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"	6.25% net of investment expense, including inflation
(COLA) or "Ad Hoc"	1.95%, compounded annually, beginning July 1, 2021. Actual COLA increases at July 1, 2019 (2.1%) and July 1, 2020 (1.9%) are reflected in valuation.

The actuarial assumptions used in the June 30, 2022 valuation of the Public Employees' Retirement Fund were adopted by the INPRS Board in May 2021. 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 2018. The funding policy is available online at:

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

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

The target allocation and best estimates of arithmetic real rates of return as of June 30, 2022 for each major asset class are summarized in the following table:

Global Asset Class	Long-Term Expected Rate of Return (Geometric Basis)	Target Asset Allocation
Public Equity	3.6%	20.0%
Private Markets	7.7	15.0
Fixed Income - Ex Inflation-Linked	1.4	20.0
Fixed Income - Inflation-Linked	(0.3)	15.0
Commodities	0.9	10.0
Real Estate	3.7	10.0
Absolute Return	2.1	5.0
Risk Parity	3.8	20.0
Cash and Cash Overlay	(1.7)	NA

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (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 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease to Discount Rate (5.25%)	Current Discount Rate (6.25%)	1% Increase to Discount Rate (7.25%)
City's proportionate share of the net pension liability (asset), Police Officers'	\$ 12,799,407	\$ 4,269,020	\$ (2,616,313)
City's proportionate share of the net pension liability (asset), Firefighters'	13,497,697	4,501,922	(2,759,050)

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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_FY22.pdf
https://www.in.gov/inprs/files/INPRSConsolidatedAR_FY22_Actuarial.pdf

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

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims, beginning of year	\$ 368,317	\$ 453,932
Current year claims and changes in estimates	12,325,051	11,932,699
Claim payments	<u>(12,239,436)</u>	<u>(11,749,514)</u>
Unpaid claims, end of year	<u>\$ 453,932</u>	<u>\$ 637,117</u>

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 Department of Justice, 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 \$480 million in 2021 dollars to comprehensively upgrade and expand the City's sewage collection, storage, conveyance, and treatment system.

The LTCP level of control is zero combined sewer overflows in the typical year, or 100% volume reduction. To date the City has spent \$292 million and has achieved a 99.5% CSO volume reduction. To achieve an additional 0.5% volume reduction, it would cost an additional \$188 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.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

A new LTCP has been developed that would result in 4 CSOs in the typical year and result in a 99.9% volume reduction. The cost for this revised plan would be an additional \$29 million for a total cost of \$321 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.

As of May of 2023, Mishawaka has continued to negotiate a revised Long Term Control Plan since the request to modify in January of 2018. During this time, Mishawaka has continued to work towards the reduction of combined sewer overflows. In May of 2023, Mishawaka sold \$33 million in revenue bonds for the continued construction and upgrade of the City's sewage collection system.

The City has active construction projects as of December 31, 2022. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2022</u>	<u>Remaining Commitments</u>
Governmental Activities			
Inworks Phase III - Ice, Cafe & Event Center	\$ 17,439,987	\$ 16,369,728	\$ 1,070,259
Niles Avenue Reconstruction	1,395,437	1,354,067	41,370
Helen, Delorenzi, Third and Fourth Streets Front, Main, Church Intersection Improvements	2,020,414	2,020,334	80
2022 Community Crossing, Jefferson Blvd	3,441,288	3,338,034	103,254
City Hall Building Project	2,614,376	2,109,059	505,317
Battell Park Improvements	30,417,059	30,386,311	30,748
	<u>867,916</u>	<u>337,709</u>	<u>530,207</u>
Total governmental activities	<u>\$ 58,196,477</u>	<u>\$ 55,915,242</u>	<u>\$ 2,281,235</u>
<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2022</u>	<u>Remaining Commitments</u>
Business-Type Activities			
Electric:			
Union Street Substation	\$ 4,658,199	\$ 4,598,124	\$ 60,075
Water:			
Rivercrest Project	32,437	14,455	17,982
Northbridge Valley Subdivision	15,192	11,315	3,877
Wastewater:			
Milburn Improve Master Plan	899,686	864,503	35,183
West St. Project	692,403	683,129	9,274
Holy Cross Lift Station	793,000	-	793,000
Linden Area LTCP Div. A1	2,065,435	232,720	1,832,715
3rd Street Sewer Improvement	7,278,545	5,120,844	2,157,701
LTCP, CSO	237,075	211,793	25,282
Miscellaneous WWTP Improvements	<u>606,275</u>	<u>176,946</u>	<u>429,329</u>
Total business-type activities	<u>\$ 17,278,247</u>	<u>\$ 11,913,829</u>	<u>\$ 5,364,418</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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

General	\$ 596,172
Nonmajor funds	<u>2,641,491</u>
Total	<u>\$ 3,237,663</u>

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, 2022, the Primary Government contributed \$1,677,877 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, 2022, the following employees were covered by the benefit terms:

Retirement participants	80
Active plan members	<u>491</u>
	<u>571</u>

Total OPEB Liability

The City's total OPEB liability of \$32,402,513 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	December 31, 2022 December 31, 2022; Liabilities as of January 1, 2022 are based on an actuarial valuation date of January 1, 2021 projected to January 1, 2022 on a "no loss/no gain" basis.
Actuarial Valuation Date	4.31% as of December 31, 2022 and 2.25% as of January 1, 2022
Discount Rate	2.00%
Inflation	2.65% plus merit raises
Salary Increases	7.5% trending down to 4.5%
Healthcare Cost Trend Rates	

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-2021

Public Safety: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at December 31, 2021	\$ 37,983,029
Changes for the year:	
Service cost	2,124,608
Interest	883,650
Changes of benefit terms	(419,464)
Differences between expected and actual experience	(4,945,394)
Changes in assumptions or other inputs	(1,546,039)
Benefit payments	<u>(1,677,877)</u>
Net changes	<u>(5,580,516)</u>
Balances at December 31, 2022	<u>\$ 32,402,513</u>

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

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 (3.31%) or 1-percentage-point higher (5.31%) than the current discount rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Net OPEB liability	\$ 35,206,837	\$ 32,402,513	\$ 29,844,505

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 (6.5% decreasing to 3.5%) or 1-percentage-point higher (8.5% decreasing to 5.5%) than the current healthcare cost trend rates:

	<u>1% Decrease (6.5% Decreasing to 3.5%)</u>	<u>Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)</u>	<u>1% Increase (8.5% Decreasing to 5.5%)</u>
Net OPEB liability	\$ 29,189,998	\$ 32,402,513	\$ 36,165,467

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of \$(2,182,718). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,355,974
Changes of assumptions or other inputs	<u>1,993,525</u>	<u>6,474,907</u>
Total	<u>\$ 1,993,525</u>	<u>\$ 20,830,881</u>

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

Years ending December 31:

	<u>Balance</u>
2023	\$ (4,771,512)
2024	(4,771,514)
2025	(3,052,287)
2026	(3,639,655)
2027	(1,675,043)
Thereafter	(927,345)

City of Mishawaka, Indiana

Notes to Financial Statements
December 31, 2022

Subsequent Events

Bond Issuance

On January 26th, 2023, the City issued Taxable Economic Development Lease Rental Revenue Bonds in the amount of \$35,465,000 to finance economic development facilities including an indoor sports complex. Payments on the bond will begin in 2023 and continue through 2046.

On May 25th, 2023 the City issued the Sewage Works Revenue Bonds of 2023 in the amount of \$33,775,000. The bond proceeds will be used to pay for costs of certain additions, extensions, and improvements to the City of Mishawaka Sewage works, including various system upgrades and expansions. The City will be making payments on the bond until 2043.

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections*
- *Statement No 101, Compensated Absences*

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Mishawaka, Indiana

Required Supplementary Information
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) -
 General Fund
 December 31, 2022

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 19,268,919	\$ 19,268,919	\$ 20,070,872	\$ 801,953
Income	3,000,000	3,000,000	3,288,610	288,610
Licenses and permits	890,500	890,500	1,022,404	131,904
Intergovernmental	1,895,550	1,895,550	2,065,465	169,915
Fines and forfeits	15,000	15,000	85,376	70,376
Charges for services	1,386,600	1,386,600	2,185,238	798,638
Sale and use of property	-	-	2,093	2,093
Reimbursements	355,000	355,000	1,530,351	1,175,351
Interest	400,000	400,000	948,495	548,495
Miscellaneous	-	-	3,508	3,508
Total revenues	<u>27,211,569</u>	<u>27,211,569</u>	<u>31,202,412</u>	<u>3,990,843</u>
Expenditures				
Current:				
General Government:				
Mayor:				
Personal services	170,584	175,702	180,717	(5,015)
Supplies	1,000	1,023	216	807
Other services and charges	17,500	17,741	12,964	4,777
City Clerk:				
Personal services	158,297	163,429	162,675	754
Supplies	3,500	3,500	836	2,664
Other services and charges	23,350	23,377	17,306	6,071
Central Services:				
Personal services	728,395	764,894	642,197	122,697
Supplies	917,750	1,244,015	1,499,020	(255,005)
Other services and charges	83,500	122,188	126,034	(3,846)
Common Council:				
Personal services	136,875	140,802	144,648	(3,846)
Supplies	1,500	1,500	35	1,465
Other services and charges	16,500	16,740	10,824	5,916
Controller:				
Personal services	2,708,249	2,741,167	2,168,321	572,846
Supplies	15,000	16,906	11,154	5,752
Other services and charges	1,939,500	1,973,173	1,900,178	72,995
Capital outlay	500,000	580,162	459,034	121,128
Other financing uses	-	-	14,150	(14,150)
Human Resources:				
Personal services	92,310	75,773	36,500	39,273
Supplies	1,000	1,030	1,060	(30)
Other services and charges	74,000	91,885	102,700	(10,815)
Information Technology:				
Personal services	387,168	398,784	410,313	(11,529)
Supplies	20,000	20,096	16,665	3,431
Other services and charges	50,000	50,000	30,027	19,973
Cemetery:				
Other services and charges	30,000	30,000	30,000	-
Legal:				
Personal services	122,333	126,003	129,594	(3,591)
Supplies	1,000	1,000	12	988
Other services and charges	55,000	55,210	18,078	37,132
Planning:				
Personal services	300,587	309,387	318,187	(8,800)
Supplies	5,000	5,000	1,635	3,365
Other services and charges	4,500	4,500	3,698	802
Total general government	<u>8,564,398</u>	<u>9,154,987</u>	<u>8,448,778</u>	<u>706,209</u>

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) -
 General Fund
 December 31, 2022

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
Public Safety:				
Police:				
Personal services	\$ 12,833,175	\$ 12,888,038	\$ 11,823,381	\$ 1,064,657
Supplies	111,000	132,703	96,810	35,893
Other services and charges	601,600	603,738	466,100	137,638
Fire:				
Personal services	13,393,955	13,557,155	13,283,181	273,974
Supplies	362,000	449,890	436,371	13,519
Other services and charges	495,800	535,120	343,575	191,545
Building Department:				
Personal services	223,807	230,522	237,102	(6,580)
Supplies	2,000	2,000	1,867	133
Other services and charges	5,900	5,900	1,707	4,193
Code Enforcement:				
Personal services	354,220	364,847	361,348	3,499
Supplies	5,700	3,500	1,243	2,257
Other services and charges	38,000	41,808	40,123	1,685
Total public safety	<u>28,427,157</u>	<u>28,815,221</u>	<u>27,092,808</u>	<u>1,722,413</u>
Highways and Streets:				
Engineering:				
Personal services	420,834	433,160	443,244	(10,084)
Supplies	8,000	8,387	5,860	2,527
Other services and charges	15,250	16,298	12,378	3,920
Total highways and streets	<u>444,084</u>	<u>457,845</u>	<u>461,482</u>	<u>(3,637)</u>
Community Development:				
Redevelopment:				
Personal services	225,030	225,030	163,177	61,853
Supplies	1,000	1,000	201	799
Other services and charges	135,200	138,171	70,209	67,962
Total community development	<u>361,230</u>	<u>364,201</u>	<u>233,587</u>	<u>130,614</u>
Total expenditures	<u>37,796,869</u>	<u>38,792,254</u>	<u>36,236,655</u>	<u>2,555,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,585,300)</u>	<u>(11,580,685)</u>	<u>(5,034,243)</u>	<u>6,546,442</u>
Other Financing Sources				
Transfers In	4,385,000	4,385,000	4,441,963	56,963
Total other financing sources (uses)	<u>4,385,000</u>	<u>4,385,000</u>	<u>4,441,963</u>	<u>56,963</u>
Net changes in fund balances	(6,200,300)	(7,195,685)	(592,280)	6,603,405
Fund Balance, Beginning	<u>16,495,388</u>	<u>14,931,797</u>	<u>11,479,499</u>	<u>(3,452,298)</u>
Fund Balance, Ending	<u>\$ 10,295,088</u>	<u>\$ 7,736,112</u>	<u>\$ 10,887,219</u>	<u>\$ 3,151,107</u>

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
Budget/GAAP Reconciliation -
General Fund
Year Ended December 31, 2022

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)	\$ (592,280)
Adjustments:	
To adjust revenues for accruals	(79,371)
To adjust expenditures for accruals	(108,193)
To adjust expenditures for encumbrances	<u>995,385</u>
Net change in fund balances (GAAP basis)	<u>\$ 215,542</u>

City of Mishawaka, Indiana

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability -
Public Employees' Retirement Fund
Available Data: Last 9 Fiscal Years

	<u>2022</u>	<u>2021</u>	<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	0.0013449	0.0012841	0.0012836	0.0012883	0.0012780	0.0013270	0.0013284	0.0014061	0.0014579
City's proportionate share of the net pension liability	\$ 4,241,589	\$ 1,689,681	\$ 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	\$ 7,740,030	\$ 7,079,921	\$ 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 as a percentage of its covered payroll	54.80%	23.87%	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	82.50%	92.50%	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.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
Schedule of City Contributions -
Public Employees' Retirement Fund
Available Data: Last 9 Calendar Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 868,010	\$ 825,946	\$ 769,773	\$ 745,596	\$ 722,847	\$ 731,175	\$ 707,253	\$ 748,561	\$ 767,937
Contributions in relation to the contractually required contribution	<u>(868,010)</u>	<u>(825,946)</u>	<u>(769,773)</u>	<u>(745,596)</u>	<u>(722,847)</u>	<u>(731,175)</u>	<u>(707,253)</u>	<u>(748,561)</u>	<u>(767,937)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,750,088	\$ 7,374,517	\$ 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	11.20%	11.20%	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.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability -
Police Officers' 1977 Fund

Available Data: Last 9 Fiscal Years

	<u>2022</u>	<u>2021</u>	<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)	0.0065895	0.0067410	0.0065912	0.0067964	0.0068926	0.0072750	0.0071511	0.0071297	0.0074439
Proportionate share of the net pension liability (asset)	\$ 4,269,020	\$ (3,984,033)	\$ 1,600,395	\$ 62,635	\$ (605,936)	\$ (112,220)	\$ 635,282	\$ (1,053,200)	\$ (379,492)
Covered payroll	\$ 6,660,891	\$ 6,400,009	\$ 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	64.09%	-62.25%	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	92.20%	107.80%	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.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
Schedule of City Contributions -
Police Officers' 1977 Fund
Available Data: Last 9 Calendar Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,148,407	\$ 1,142,332	\$ 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	<u>(1,148,407)</u>	<u>(1,142,332)</u>	<u>(1,069,574)</u>	<u>(1,051,317)</u>	<u>(1,015,850)</u>	<u>(1,099,360)</u>	<u>(1,088,820)</u>	<u>(1,047,375)</u>	<u>(1,037,474)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 6,562,323	\$ 6,527,611	\$ 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	17.50%	17.50%	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.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability -
Firefighters' 1977 Fund

Available Data: Last 9 Fiscal Years

	<u>2022</u>	<u>2021</u>	<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)	0.0069490	0.0068542	0.0069072	0.0069997	0.0073905	0.0073905	0.0071635	0.0073620	0.0076191
City's proportionate share of the net pension liability (asset)	\$ 4,501,922	\$ (4,050,937)	\$ 1,677,122	\$ 64,509	\$ (615,220)	\$ (114,001)	\$ 636,383	\$ (1,087,515)	\$ (388,424)
City's covered payroll	\$ 7,024,193	\$ 6,507,511	\$ 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	64.09%	-62.25%	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	92.20%	107.80%	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.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
Schedule of City Contributions -
Firefighters' 1977 Fund
Available Data: Last 9 Calendar Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,263,924	\$ 1,190,537	\$ 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>(1,263,924)</u>	<u>(1,190,537)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ 48,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,222,421	\$ 6,803,069	\$ 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	17.50%	17.50%	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.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 Available Data: Last 10 Calendar Years

1925 Police Officers' Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Total pension liability, beginning of year	15,774,656	16,968,702	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	211,105	241,017	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	(32,636)	(179,109)	(6,023)	1,541,162	(554,336)	795,978	(1,111,822)	(60,691)	2,379,342	2,676,759
Plan amendments	(3,228,393)	(28,075)	-	110,206	-	-	-	-	-	-
Projected benefit payments	(1,109,241)	(1,227,879)	(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	\$ 11,615,491	\$ 15,774,656	\$ 16,968,702	\$ 17,725,332	\$ 16,936,338	\$ 18,095,597	\$ 17,519,874	\$ 20,074,686	\$ 20,977,077	\$ 19,201,969
Plan fiduciary net position:										
Plan fiduciary net position, beginning of year	\$ 851,864	\$ 795,240	\$ 803,828	\$ 585,213	\$ 763,592	\$ 756,901	\$ 741,320	\$ 787,611	\$ 782,880	\$ 795,394
Administrative	(3,000)	(2,999)	(3,000)	(1,500)	(3,000)	-	(35)	(4,450)	(6,001)	-
Nonemployer contributing entity contributions	1,045,997	1,224,258	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	(1,108,970)	(1,164,635)	(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	\$ 785,891	\$ 851,864	\$ 795,240	\$ 803,828	\$ 585,213	\$ 763,592	\$ 756,901	\$ 741,320	\$ 787,611	\$ 782,880
Net pension liability	\$ 10,829,600	\$ 14,922,792	\$ 16,173,462	\$ 16,921,504	\$ 16,351,125	\$ 17,332,005	\$ 16,762,973	\$ 19,333,366	\$ 20,189,466	\$ 18,419,089
1937 Firefighters' Pension										
Total pension liability:										
Total pension liability, beginning of year	\$ 25,736,272	\$ 26,749,822	\$ 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	363,654	392,697	580,210	791,672	753,705	843,915	783,385	830,569	1,318,268	1,581,245
Experience (gains)/losses	1,411,603	565,477	353,573	252,684	1,245,739	(433,951)	(825,334)	(1,706,681)	-	526,248
Assumption changes	(5,154,649)	(52,174)	(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	(1,971,472)	(1,919,550)	(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	\$ 20,385,408	\$ 25,736,272	\$ 26,749,822	\$ 27,865,364	\$ 26,271,884	\$ 27,182,688	\$ 27,573,516	\$ 31,563,080	\$ 34,780,160	\$ 31,755,489
Plan fiduciary net position:										
Plan fiduciary net position, beginning of year	\$ 935,553	\$ 960,391	\$ 946,597	\$ 1,015,084	\$ 955,915	\$ 953,399	\$ 980,987	\$ 1,003,077	\$ 887,820	\$ 1,018,421
Administration	(6,000)	(7,650)	(6,750)	(6,751)	(7,914)	-	(100)	(7,875)	(7,314)	(6,848)
Nonemployer contributing entity contributions	1,988,662	1,919,552	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	(1,960,328)	(1,936,740)	(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	\$ 957,887	\$ 935,553	\$ 960,391	\$ 946,597	\$ 1,015,084	\$ 955,915	\$ 953,399	\$ 980,987	\$ 1,003,077	\$ 887,820
Net pension liability	\$ 19,427,521	\$ 24,800,719	\$ 25,789,431	\$ 26,918,767	\$ 25,256,800	\$ 26,226,773	\$ 26,620,117	\$ 30,582,093	\$ 33,777,083	\$ 30,867,669

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 Available Data: Last 9 Calendar Years

<u>Utilities Pension</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:									
Total pension liability, beginning of year	\$ 27,262,177	\$ 25,872,578	\$ 25,200,949	\$ 23,690,327	\$ 23,001,227	\$ 22,338,927	\$ 22,565,043	\$ 21,966,679	\$ 20,177,128
Service cost	801,903	656,666	599,489	581,919	578,732	572,487	531,666	551,697	547,910
Interest cost	1,709,672	1,744,869	1,696,384	1,588,963	1,551,071	1,508,344	1,520,132	1,482,659	1,367,260
Experience (gains)/losses	(202,110)	(1,204,137)	(291,266)	(419,816)	(257,443)	(237,501)	(931,461)	(135,067)	41,160
Assumption changes	-	1,446,368	(98,218)	1,111,060	(73,486)	(136,901)	(282,632)	(279,902)	699,670
Plan amendments	(1,309,516)	(1,254,167)	(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>\$ 28,262,126</u>	<u>\$ 27,262,177</u>	<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	\$ 29,452,259	\$ 26,561,211	\$ 23,318,947	\$ 20,014,789	\$ 21,292,912	\$ 18,510,885	\$ 17,431,518	\$ 17,659,728	\$ 16,901,219
Employer contributions	1,037,151	1,215,067	1,175,200	1,041,600	1,057,700	1,094,354	1,047,200	1,025,201	867,363
Investment return	(4,784,801)	3,018,367	3,377,094	3,685,334	(1,148,432)	2,789,417	1,153,814	(173,954)	813,594
Actual benefit payments	(1,309,516)	(1,254,167)	(1,234,760)	(1,351,504)	(1,109,774)	(1,044,129)	(1,063,821)	(1,021,023)	(866,449)
Administrative and project expenses	(88,099)	(88,219)	(75,270)	(71,272)	(77,617)	(57,615)	(57,826)	(58,434)	(55,999)
Plan fiduciary net position, end of year	<u>\$ 24,306,994</u>	<u>\$ 29,452,259</u>	<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>\$ 3,955,132</u>	<u>\$ (2,190,082)</u>	<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.

City of Mishawaka, Indiana

Required Supplementary Information

Schedule of Changes in the City's Net Pension Liability and Related Ratios

Available Data: Last 9 Calendar Years

1925 Police Officers' Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 11,615,491	\$ 15,774,656	\$ 16,968,702	\$ 17,725,332	\$ 16,936,338	\$ 18,095,597	\$ 17,519,874	\$ 20,074,686	\$ 20,977,077
Less plan fiduciary net position	(785,891)	(851,864)	(795,240)	(803,828)	(585,213)	(763,592)	(756,901)	(741,320)	(787,611)
Net pension liability	<u>\$ 10,829,600</u>	<u>\$ 14,922,792</u>	<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>
Plan fiduciary net position as a percentage of the total pension liability	6.77%	5.40%	4.69%	4.53%	3.46%	4.22%	4.32%	3.69%	3.75%
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	N/A
1937 Firefighters' Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 20,385,408	\$ 25,736,272	\$ 26,749,822	\$ 27,865,364	\$ 26,271,884	\$ 27,182,688	\$ 27,573,516	\$ 31,563,080	\$ 34,780,160
Less plan fiduciary net position	(957,887)	(935,553)	(960,391)	(946,597)	(1,015,084)	(955,915)	(953,399)	(980,987)	(1,003,077)
Net pension liability	<u>\$ 19,427,521</u>	<u>\$ 24,800,719</u>	<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>
Plan fiduciary net position as a percentage of the total pension liability	4.70%	3.64%	3.59%	3.40%	3.86%	3.52%	3.46%	3.11%	2.88%
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	N/A
Utilities Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability (asset)	\$ 28,262,126	\$ 27,262,177	\$ 25,872,578	\$ 25,200,949	\$ 23,690,327	\$ 23,001,227	\$ 22,338,927	\$ 22,565,043	\$ 21,966,679
Less plan fiduciary net position	(24,306,994)	(29,452,259)	(26,561,211)	(23,318,947)	(20,014,789)	(21,292,912)	(18,510,885)	(17,431,516)	(17,659,728)
Net pension liability (asset)	<u>\$ 3,955,132</u>	<u>\$ (2,190,082)</u>	<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>
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.01%	108.03%	102.66%	92.53%	84.49%	92.57%	82.86%	77.25%	80.39%
Covered payroll	\$ 8,062,830	\$ 7,492,147	\$ 7,010,376	\$ 6,279,655	\$ 6,396,977	\$ 6,211,193	\$ 6,012,037	\$ 6,119,311	\$ 6,361,099
Net pension liability (asset) as a percentage of covered payroll	49.05%	-29.23%	-9.82%	29.97%	57.46%	27.50%	63.67%	83.89%	67.71%

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
 Schedule of Contributions
 Available Data: Last 10 Calendar Years

1925 Police Officers' Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,108,970	\$ 1,164,635	\$ 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	<u>(1,108,970)</u>	<u>(1,164,635)</u>	<u>(1,312,557)</u>	<u>(1,284,515)</u>	<u>(1,515,459)</u>	<u>(1,347,955)</u>	<u>(1,358,078)</u>	<u>(1,405,853)</u>	<u>(1,398,490)</u>	<u>(1,425,677)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	**	**	**	**	**	**	**	**	**	**
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1937 Firefighters' Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,960,328	\$ 1,936,740	\$ 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	<u>(1,960,328)</u>	<u>(1,936,740)</u>	<u>(1,954,539)</u>	<u>(1,990,594)</u>	<u>(1,997,260)</u>	<u>(2,046,698)</u>	<u>(2,188,594)</u>	<u>(2,255,353)</u>	<u>(2,336,529)</u>	<u>(2,464,464)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	**	**	**	**	**	**	**	**	**	**
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Utilities Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 954,718	\$ 881,611	\$ 959,444	\$ 905,591	\$ 882,692	\$ 910,977	\$ 956,702	\$ 1,012,206	\$ 897,211	\$ 841,896
Less contributions in relation to the actuarially determined contribution	<u>(1,037,151)</u>	<u>(1,215,067)</u>	<u>(1,175,200)</u>	<u>(1,041,600)</u>	<u>(1,057,700)</u>	<u>(1,094,354)</u>	<u>(1,047,200)</u>	<u>(1,025,201)</u>	<u>(867,363)</u>	<u>(874,082)</u>
Contribution deficiency (excess)	<u>\$ (82,433)</u>	<u>\$ (333,456)</u>	<u>\$ (215,756)</u>	<u>\$ (136,009)</u>	<u>\$ (175,008)</u>	<u>\$ (183,377)</u>	<u>\$ (90,498)</u>	<u>\$ (12,995)</u>	<u>\$ 29,848</u>	<u>\$ (32,186)</u>
Covered employee payroll	\$ 8,062,830	\$ 7,492,147	\$ 7,010,376	\$ 6,279,655	\$ 6,396,977	\$ 6,211,193	\$ 6,012,037	\$ 6,119,311	\$ 6,361,099	\$ 6,159,487
Contributions as a percentage of covered employee payroll	12.86%	16.22%	16.76%	16.59%	16.53%	17.62%	17.42%	16.75%	13.64%	14.19%

Notes to Statement:

** Not available.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information

Schedule of Investment Returns

Available Data: Last 10 Calendar Years

1925 Police Officers' Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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 **	N/A **	N/A **
1937 Firefighters' Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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 **	N/A **	N/A **
Utilities Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	-16.53%	11.36%	14.52%	18.63%	-5.41%	15.07%	6.64%	-1.30%	4.50%	13.40%

Notes to Statement:

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

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
 Schedule of Changes in Net OPEB Liability
 Available Data: Last 5 Calendar Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net OPEB Liability					
Total OPEB Liability					
Service cost	\$ 2,124,608	\$ 2,340,926	\$ 2,447,315	\$ 1,975,381	\$ 2,763,976
Interest	883,650	914,698	1,782,982	1,979,760	2,000,815
Change in plan provisions	(419,464)	-	-	-	-
Differences between expected and actual experience	(4,945,394)	(395,998)	(995,205)	(539,974)	(7,188,975)
Changes in assumptions	(1,546,039)	(4,837,879)	(12,757,077)	4,651,552	(4,845,588)
Benefit payments	<u>(1,677,877)</u>	<u>(1,679,029)</u>	<u>(2,148,940)</u>	<u>(1,879,944)</u>	<u>(1,993,055)</u>
Net change in total OPEB liability	(5,580,516)	(3,657,282)	(11,670,925)	6,186,775	(9,262,827)
Total OPEB liability, beginning of year	<u>37,983,029</u>	<u>41,640,311</u>	<u>53,311,236</u>	<u>47,124,461</u>	<u>56,387,288</u>
Total OPEB liability, end of year (1)	<u>\$ 32,402,513</u>	<u>\$ 37,983,029</u>	<u>\$ 41,640,311</u>	<u>\$ 53,311,236</u>	<u>\$ 47,124,461</u>
Plan Fiduciary Net Position					
Contributions	\$ 1,677,877	\$ 1,679,029	\$ 2,148,940	\$ 1,879,944	\$ 1,993,055
Net investment income	-	-	-	-	-
Benefit payments	<u>(1,677,877)</u>	<u>(1,679,029)</u>	<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 (1)	-	-	-	-	-
Plan Fiduciary Net Position, Ending (2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total OPEB liability, end of year (1) - (2)	<u>\$ 32,402,513</u>	<u>\$ 37,983,029</u>	<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, Indiana

Required Supplementary Information
Schedule of Net OPEB Liability
Available Data: Last 6 Calendar Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
1. Total OPEB Liability	\$ 32,402,513	\$ 37,983,029	\$ 41,640,311	\$ 53,311,236	\$ 47,124,461	\$ 84,306,691
2. Plan Fiduciary Net Position	-	-	-	-	-	-
3. Total OPEB Liability	<u>\$ 32,402,513</u>	<u>\$ 37,983,029</u>	<u>\$ 41,640,311</u>	<u>\$ 53,311,236</u>	<u>\$ 47,124,461</u>	<u>\$ 84,306,691</u>
4. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability = (2) / (1)	0%	0%	0%	0%	0%	0%
5. Covered Payroll	\$ 30,294,787	\$ 29,618,045	\$ 28,825,348	N/A	N/A	\$ 28,924,333
6. Total OPEB Liability as a Percentage of Covered-Employee Payroll = (3) / (5)	107.0%	128.2%	144.5%	N/A	N/A	291.5%

Notes to Statement:

Information presented for the years information is available.

See notes to required supplementary information

City of Mishawaka, Indiana

Required Supplementary Information
Schedule of Employer Contributions
Available Data: Last 5 Calendar Years

OPEB Contributions	2022	2021	2020	2019	2018
Actuarially determined contribution**	\$ 1,677,877	\$ 1,679,029	\$ 2,148,940	\$ 1,879,944	\$ 1,993,055
Actual employer contributions	<u>1,677,877</u>	<u>1,679,029</u>	<u>2,148,940</u>	<u>1,879,944</u>	<u>1,993,055</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered - employee payroll	N/A	N/A	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.

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

Major funds (1):

General fund

Nonmajor funds:

Special revenue funds (7):

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

Capital projects funds (4):

Cumulative Capital Improvement, Cumulative Sewer, Cumulative Capital Development, and CEDIT

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

2. Financial Reporting, Pension Plans

- A. Plan Amendments: There were no changes in plan provisions during the fiscal year.
- B. Assumptions: There were no changes in actuarial methods during the fiscal year.

PERF Plan:

- a) The actuarial assumptions and methods used in the June 30, 2022 valuation of the Public Employees' Defined Benefit Account were adopted by the INPRS Board in May 2021. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 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, 2022 valuation of the 1977 Police Officers' and Firefighters' Retirement Fund were adopted by the INPRS board in May 2021. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 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.

City of Mishawaka, Indiana

Notes to Required Supplementary Information
December 31, 2022

1925 and 1937 Plans:

- c) The discount rate used for the December 31, 2022 valuation was 4.12% based on the Barclay's 20-year Municipal Bond Index. This is an increase from 1.39% used for the December 31, 2021 valuation.

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, 2022. 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	2.00%
Salary increases	2.65%
Cost-of-Living increases	Nonconverted 2.65% per year in retirement
Converted	3.00% on July 1, 2022; 1.95% thereafter
Discount rate	4.12% (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	20 years
Inflation	2.50%
Cost-of-Living increases	3.50%
Discount rate	6.25%
Mortality assumption	Pub-2010 General Amount-Weighted Mortality Projected Generationally with Mortality Improvement Project Scale MP-2021

City of Mishawaka, Indiana

Notes to Required Supplementary Information
December 31, 2022

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	4.31% per annum
Discount rate basis	S & P municipal bond 20-year high grade rate index
Inflation rate	2.00% 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-2021, SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021, and SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021
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	
	<10 YOS	15 YOS	25 YOS	35+ YOS	Age	All YOS
50	0 %	4 %	4 %	4 %	50	5 %
55	0	5	5	14	55	15
60	0	12	12	12	60	25
65	30	30	30	30	65	50
70	30	30	30	30	70+	100
75+	100	100	100	100		

City of Mishawaka, Indiana

Notes to Required Supplementary Information
December 31, 2022

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. The termination rates for general employees are based on the most recent Indiana Public Retirement System Public Employees' Retirement Fund actuarial valuation as of June 30, 2022. The termination rates for public safety employees are based on the most recent Indiana Retirement System 1977 Police Officers' and Firefighters' Retirement Fund actuarial valuation as of June 30, 2022. The assumptions from these state-wide valuations provide reasonable estimates of experience for municipal employers such as the City of Mishawaka.

Sample annual turnover rates are shown below:

<u>YOS</u>	<u>General</u>	<u>Public Safety</u>
0	18.00 %	10.00 %
5	8.00	2.50
10	6.50	1.50
15	5.25	1.00
20	4.00	2.00
25+	3.00	2.00

Per capita costs:

Annual per capita costs were calculated based on 2023 premium equivalent rates by plan actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates.

Annual per capita costs are as shown below:

<u>Age</u>	<u>Male</u>	<u>Female</u>
<50	\$ 8,400	\$ 11,600
50-54	\$ 11,800	\$ 13,500
55-59	\$ 15,900	\$ 15,400
60-64	\$ 20,900	\$ 18,900
65-69	\$ 7,400	\$ 7,400
70-74	\$ 9,200	\$ 9,200
75+	\$ 10,500	\$ 10,500

City of Mishawaka, Indiana

Notes to Required Supplementary Information
December 31, 2022

Health care trend rates:

<u>FYE</u>	<u>Medical/Rx Pre-65</u>	<u>Medical/Rx Post-65</u>
2023	7.50 %	6.50 %
2024	7.00	6.25
2025	6.50	6.00
2026	6.00	5.75
2027	5.50	5.50
2028	5.00	5.25
2029	4.50	5.00
2030	4.50	4.75
2031+	4.50	4.50

SUPPLEMENTARY INFORMATION

City of Mishawaka, Indiana

Combining Balance Sheet -
 Nonmajor Governmental Funds
 December 31, 2022

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 24,767,080	\$ -	\$ 9,363,836	\$ 34,130,916
Receivables:				
Taxes	3,479,611	-	691,924	4,171,535
Interest	-	21,138	-	21,138
Accounts	144,631	-	-	144,631
Intergovernmental	1,618,800	-	21,791	1,640,591
Loans	191,308	-	-	191,308
Restricted:				
Cash and cash equivalents	-	11,891,307	-	11,891,307
Total assets	<u>\$ 30,201,430</u>	<u>\$ 11,912,445</u>	<u>\$ 10,077,551</u>	<u>\$ 52,191,426</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 1,685,923	\$ -	\$ 159,271	\$ 1,845,194
Accrued payroll and withholdings payable	135,235	-	-	135,235
Unearned revenue	8,892,711	-	-	8,892,711
Total liabilities	<u>10,713,869</u>	<u>-</u>	<u>159,271</u>	<u>10,873,140</u>
Deferred Inflows of Resources				
Unavailable revenue	4,462,983	-	713,715	5,176,698
Total deferred inflows of resources	<u>4,462,983</u>	<u>-</u>	<u>713,715</u>	<u>5,176,698</u>
Fund Balances				
Restricted	15,055,751	11,912,445	9,204,565	36,172,761
Unassigned (deficit)	(31,173)	-	-	(31,173)
Total fund balances	<u>15,024,578</u>	<u>11,912,445</u>	<u>9,204,565</u>	<u>36,141,588</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,201,430</u>	<u>\$ 11,912,445</u>	<u>\$ 10,077,551</u>	<u>\$ 52,191,426</u>

City of Mishawaka, Indiana

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

Nonmajor Governmental Funds

Year Ended December 31, 2022

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues				
Taxes:				
Property	\$ 3,818,682	\$ -	\$ 551,656	\$ 4,370,338
Income	3,109,754	-	4,309,035	7,418,789
Licenses and permits	93,776	-	92,397	186,173
Intergovernmental	7,862,985	-	134,765	7,997,750
Charges for services	4,344,292	-	62,173	4,406,465
Fines and forfeits	2,547	-	-	2,547
Investment earnings	17	195,222	27,234	222,473
Other:				
Donation	169,706	-	-	169,706
Miscellaneous	351,491	294,759	-	646,250
	<u>19,753,250</u>	<u>489,981</u>	<u>5,177,260</u>	<u>25,420,491</u>
Total revenues				
Expenditures				
Current:				
General government	1,957,955	1,278,475	406,826	3,643,256
Public safety	137,445	-	3,865	141,310
Highways and streets	2,999,573	-	3,139,874	6,139,447
Culture and recreation	4,629,304	-	-	4,629,304
Sanitation	2,632,308	-	-	2,632,308
Urban redevelopment	30,946	-	-	30,946
Debt service:				
Principal	493,208	3,135,000	-	3,628,208
Interest	30,975	2,139,242	-	2,170,217
Capital outlay:				
General government	-	-	10,209,743	10,209,743
Public safety	1,472,284	-	1,044,494	2,516,778
Highways and streets	2,940,471	-	160,021	3,100,492
Culture and recreation	68,843	-	273,490	342,333
	<u>17,393,312</u>	<u>6,552,717</u>	<u>15,238,313</u>	<u>39,184,342</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>2,359,938</u>	<u>(6,062,736)</u>	<u>(10,061,053)</u>	<u>(13,763,851)</u>
Other Financing Sources (Uses)				
Transfers in	1,514,235	5,727,477	97,074	7,338,786
Transfers out	(2,150,788)	(7,116)	-	(2,157,904)
	<u>(636,553)</u>	<u>5,720,361</u>	<u>97,074</u>	<u>5,180,882</u>
Total other financing sources (uses)				
Net change in fund balances	<u>1,723,385</u>	<u>(342,375)</u>	<u>(9,963,979)</u>	<u>(8,582,969)</u>
Fund balance, beginning as previously stated	13,793,485	12,254,820	19,850,868	45,899,173
Adjustment to fund balance - (See Note 3)	(492,292)	-	(682,324)	(1,174,616)
Fund Balances, Beginning as restated	<u>13,301,193</u>	<u>12,254,820</u>	<u>19,168,544</u>	<u>44,724,557</u>
Fund Balances, Ending	<u>\$ 15,024,578</u>	<u>\$ 11,912,445</u>	<u>\$ 9,204,565</u>	<u>\$ 36,141,588</u>

City of Mishawaka, Indiana

Combining Balance Sheet -
 Nonmajor Special Revenue Funds
 December 31, 2022

	<u>Motor Vehicle Highway</u>	<u>Local Road and Street</u>	<u>MVH Restricted</u>	<u>Park and Recreation - Operating</u>	<u>Donations - Park</u>	<u>LIT - Public Safety</u>
Assets						
Cash and cash equivalents	\$ 2,200,613	\$ 810,509	\$ 389,928	\$ 2,781,667	\$ 223,292	\$ 3,465,059
Receivables:						
Taxes	522,788	-	-	2,956,823	-	-
Accounts	-	-	-	7,559	-	-
Intergovernmental	493,190	158,703	-	93,122	-	-
Loans	-	-	-	-	-	-
Total assets	<u>\$ 3,216,591</u>	<u>\$ 969,212</u>	<u>\$ 389,928</u>	<u>\$ 5,839,171</u>	<u>\$ 223,292</u>	<u>\$ 3,465,059</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 8,290	\$ -	\$ -	\$ 86,651	\$ 4,804	\$ 494,937
Accrued payroll and withholdings payable	82,871	-	-	52,364	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>91,161</u>	<u>-</u>	<u>-</u>	<u>139,015</u>	<u>4,804</u>	<u>494,937</u>
Deferred Inflows of Resources						
Unavailable revenue	<u>539,253</u>	<u>-</u>	<u>-</u>	<u>3,049,945</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>539,253</u>	<u>-</u>	<u>-</u>	<u>3,049,945</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted	2,586,177	969,212	389,928	2,650,211	218,488	2,970,122
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	<u>2,586,177</u>	<u>969,212</u>	<u>389,928</u>	<u>2,650,211</u>	<u>218,488</u>	<u>2,970,122</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,216,591</u>	<u>\$ 969,212</u>	<u>\$ 389,928</u>	<u>\$ 5,839,171</u>	<u>\$ 223,292</u>	<u>\$ 3,465,059</u>

City of Mishawaka, Indiana

Combining Balance Sheet -
 Nonmajor Special Revenue Funds
 December 31, 2022

	ARP Corona Local Fiscal Grant	COVID-19 CDBG	CEDIT Revolving Fund	Police Arson/Drug Invest	Parking	Flexible Spending Account
Assets						
Cash and cash equivalents	\$ 9,642,711	\$ -	\$ 510,172	\$ 42,916	\$ 30,965	\$ -
Receivables:						
Taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Total assets	<u>\$ 9,642,711</u>	<u>\$ -</u>	<u>\$ 510,172</u>	<u>\$ 42,916</u>	<u>\$ 30,965</u>	<u>\$ -</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 750,000	\$ 31,173	\$ -	\$ -	\$ 5,814	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-
Unearned revenue	8,892,711	-	-	-	-	-
Total liabilities	<u>9,642,711</u>	<u>31,173</u>	<u>-</u>	<u>-</u>	<u>5,814</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted	-	-	510,172	42,916	25,151	-
Unassigned (deficit)	-	(31,173)	-	-	-	-
Total fund balances	<u>-</u>	<u>(31,173)</u>	<u>510,172</u>	<u>42,916</u>	<u>25,151</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,642,711</u>	<u>\$ -</u>	<u>\$ 510,172</u>	<u>\$ 42,916</u>	<u>\$ 30,965</u>	<u>\$ -</u>

City of Mishawaka, Indiana

Combining Balance Sheet -
 Nonmajor Special Revenue Funds
 December 31, 2022

	Emergency Medical Services	Industrial Development	Trash & Garbage Pickup	Donations	Local Law Enforcement Continuing Education
Assets					
Cash and cash equivalents	\$ 1,015,041	\$ 58,158	\$ 1,195,903	\$ 438,033	\$ 200,815
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	133,001	-	3,419
Intergovernmental	-	-	-	-	-
Loans	-	-	-	-	-
Total assets	<u>\$ 1,015,041</u>	<u>\$ 58,158</u>	<u>\$ 1,328,904</u>	<u>\$ 438,033</u>	<u>\$ 204,234</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 214,520	\$ -	\$ 7,790
Accrued payroll and withholdings payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>214,520</u>	<u>-</u>	<u>7,790</u>
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	1,015,041	58,158	1,114,384	438,033	196,444
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>1,015,041</u>	<u>58,158</u>	<u>1,114,384</u>	<u>438,033</u>	<u>196,444</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,015,041</u>	<u>\$ 58,158</u>	<u>\$ 1,328,904</u>	<u>\$ 438,033</u>	<u>\$ 204,234</u>

City of Mishawaka, Indiana

Combining Balance Sheet -
 Nonmajor Special Revenue Funds
 December 31, 2022

	<u>Donations - Bicentennial</u>	<u>Community Development</u>	<u>Property Rehab Revolving</u>	<u>Park Non Reverting Operating</u>	<u>Criminal Assistance Grant</u>	<u>Local Road & Bridge Matching Grant</u>
Assets						
Cash and cash equivalents	\$ 1,411	\$ -	\$ 138,736	\$ 912,883	\$ 82,583	\$ 328,352
Receivables:						
Taxes	-	-	-	-	-	-
Accounts	-	-	-	652	-	-
Intergovernmental	-	-	-	-	-	-
Loans	-	191,308	-	-	-	-
Total assets	<u>\$ 1,411</u>	<u>\$ 191,308</u>	<u>\$ 138,736</u>	<u>\$ 913,535</u>	<u>\$ 82,583</u>	<u>\$ 328,352</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 77,852	\$ -	\$ 4,092	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>77,852</u>	<u>-</u>	<u>4,092</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted	1,411	113,456	138,736	909,443	82,583	328,352
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	<u>1,411</u>	<u>113,456</u>	<u>138,736</u>	<u>909,443</u>	<u>82,583</u>	<u>328,352</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,411</u>	<u>\$ 191,308</u>	<u>\$ 138,736</u>	<u>\$ 913,535</u>	<u>\$ 82,583</u>	<u>\$ 328,352</u>

City of Mishawaka, IndianaCombining Balance Sheet -
Nonmajor Special Revenue Funds
December 31, 2022

	<u>Opioid Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets		
Cash and cash equivalents	\$ 297,333	\$ 24,767,080
Receivables:		
Taxes	-	3,479,611
Accounts	-	144,631
Intergovernmental	873,785	1,618,800
Loans	-	191,308
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,171,118</u>	<u>\$ 30,201,430</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 1,685,923
Accrued payroll and withholdings payable	-	135,235
Unearned revenue	-	8,892,711
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>10,713,869</u>
Deferred Inflows of Resources		
Unavailable revenue	<u>873,785</u>	<u>4,462,983</u>
	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>873,785</u>	<u>4,462,983</u>
Fund Balances		
Restricted	297,333	15,055,751
Unassigned (deficit)	-	(31,173)
	<u> </u>	<u> </u>
Total fund balances	<u>297,333</u>	<u>15,024,578</u>
	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,171,118</u>	<u>\$ 30,201,430</u>

City of Mishawaka, Indiana

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Nonmajor Special Revenue Funds
 Year Ended December 31, 2022

	Motor Vehicle Highway	Local Road and Street	MVH Restricted	Park and Recreation - Operating	Donations - Park	LIT - Public Safety	ARP Corona Local Fiscal Grant	COVID-19 CDBG	CEDIT Revolving Fund	Police Arson/Drug Invest
Revenues										
Taxes:										
Property	\$ 1,625,545	\$ -	\$ -	\$ 2,193,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income	-	-	-	-	-	3,109,754	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	2,065,431	932,264	1,058,293	167,316	-	935	1,810,000	52,070	-	-
Charges for services	8,321	-	-	1,042,106	-	-	-	-	-	28,775
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-	-	-
Donation	-	-	-	-	87,680	-	-	-	-	-
Miscellaneous	3,761	26,200	-	-	30,572	1,725	-	-	19,551	-
Total revenues	3,703,058	958,464	1,058,293	3,402,559	118,252	3,112,414	1,810,000	52,070	19,551	28,775
Expenditures										
Current:										
General government	-	-	-	-	-	-	1,810,000	62,157	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Highways and streets	2,539,780	459,793	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	3,840,264	56,060	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-	-
Urban redevelopment	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	493,208	-	-	-	-
Interest	-	-	-	-	-	30,975	-	-	-	-
Capital outlay:										
Public safety	-	-	-	-	-	1,472,284	-	-	-	-
Highways and streets	-	728,338	539,052	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Total expenditures	2,539,780	1,188,131	539,052	3,840,264	56,060	1,996,467	1,810,000	62,157	-	-
Excess (deficiency) of revenues over (under) expenditures	1,163,278	(229,667)	519,241	(437,705)	62,192	1,115,947	-	(10,087)	19,551	28,775
Other Financing Sources (Uses)										
Transfers in	-	-	539,054	-	-	-	-	-	-	-
Transfers out	(524,820)	-	(975,181)	-	-	(636,553)	-	-	-	-
Total other financing sources (uses)	(524,820)	-	(436,127)	-	-	(636,553)	-	-	-	-
Net change in fund balances	638,458	(229,667)	83,114	(437,705)	62,192	479,394	-	(10,087)	19,551	28,775
Fund balance, beginning as previously stated	1,947,719	1,198,879	306,814	3,087,916	156,296	2,983,020	-	(21,086)	490,621	14,141
Adjustment to fund balance - (See Note 3)	-	-	-	-	-	(492,292)	-	-	-	-
Fund Balances (Deficit), Beginning as restated	1,947,719	1,198,879	306,814	3,087,916	156,296	2,490,728	-	(21,086)	490,621	14,141
Fund Balances (Deficit), Ending	\$ 2,586,177	\$ 969,212	\$ 389,928	\$ 2,650,211	\$ 218,488	\$ 2,970,122	\$ -	\$ (31,173)	\$ 510,172	\$ 42,916

City of Mishawaka, Indiana

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Nonmajor Special Revenue Funds
 Year Ended December 31, 2022

	<u>Parking</u>	<u>Flexible Spending Account</u>	<u>Emergency Medical Services</u>	<u>Industrial Development</u>	<u>Trash & Garbage Pickup</u>	<u>Donations</u>	<u>Local Law Enforcement Continuing Education</u>	<u>Donations - Bicentennial</u>	<u>Community Development</u>
Revenues									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income	-	-	-	-	-	-	-	-	-
Licenses and permits	6,316	-	-	-	-	-	87,460	-	-
Intergovernmental	-	-	-	-	-	-	-	-	448,302
Charges for services	-	-	379,391	-	2,478,723	-	53,123	-	-
Fines and forfeits	-	-	-	-	-	-	2,547	-	-
Investment earnings	-	-	-	-	-	-	-	17	-
Donation	-	-	-	-	-	82,026	-	-	-
Miscellaneous	-	62,403	-	-	176,120	-	-	-	213
Total revenues	6,316	62,403	379,391	-	2,654,843	82,026	143,130	17	448,515
Expenditures									
Current:									
General government	-	85,798	-	-	-	-	-	-	-
Public safety	6,987	-	-	-	-	-	78,295	-	-
Highways and streets	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	97,889	-	-	469,307
Sanitation	-	-	-	-	2,632,308	-	-	-	-
Urban redevelopment	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Capital outlay:									
Public safety	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Total expenditures	6,987	85,798	-	-	2,632,308	97,889	78,295	-	469,307
Excess (deficiency) of revenues over (under) expenditures	(671)	(23,395)	379,391	-	22,535	(15,863)	64,835	17	(20,792)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	(671)	(23,395)	379,391	-	22,535	(15,863)	64,835	17	(20,792)
Fund balance, beginning as previously stated	25,822	23,395	635,650	58,158	1,091,849	453,896	131,609	1,394	134,248
Adjustment to fund balance - (See Note 3)	-	-	-	-	-	-	-	-	-
Fund Balances (Deficit), Beginning as restated	25,822	23,395	635,650	58,158	1,091,849	453,896	131,609	1,394	134,248
Fund Balances (Deficit), Ending	\$ 25,151	\$ -	\$ 1,015,041	\$ 58,158	\$ 1,114,384	\$ 438,033	\$ 196,444	\$ 1,411	\$ 113,456

City of Mishawaka, Indiana

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Nonmajor Special Revenue Funds
 Year Ended December 31, 2022

	Property Rehab Revolving	Park Non Reverting Operating	Criminal Assistance Grant	Local Road & Bridge Matching Grant	Opioid Fund	Total Nonmajor Special Revenue Funds
Revenues						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,818,682
Income	-	-	-	-	-	3,109,754
Licenses and permits	-	-	-	-	-	93,776
Intergovernmental	-	-	55,861	975,180	297,333	7,862,985
Charges for services	-	353,853	-	-	-	4,344,292
Fines and forfeits	-	-	-	-	-	2,547
Investment earnings	-	-	-	-	-	17
Donation	-	-	-	-	-	169,706
Miscellaneous	30,946	-	-	-	-	351,491
Total revenues	30,946	353,853	55,861	975,180	297,333	19,753,250
Expenditures						
Current:						
General government	-	-	-	-	-	1,957,955
Public safety	-	-	52,163	-	-	137,445
Highways and streets	-	-	-	-	-	2,999,573
Culture and recreation	-	165,784	-	-	-	4,629,304
Sanitation	-	-	-	-	-	2,632,308
Urban redevelopment	30,946	-	-	-	-	30,946
Debt service:						
Principal	-	-	-	-	-	493,208
Interest	-	-	-	-	-	30,975
Capital outlay:						
Public safety	-	-	-	-	-	1,472,284
Highways and streets	-	-	-	1,673,081	-	2,940,471
Culture and recreation	-	68,843	-	-	-	68,843
Total expenditures	30,946	234,627	52,163	1,673,081	-	17,393,312
Excess (deficiency) of revenues over (under) expenditures	-	119,226	3,698	(697,901)	297,333	2,359,938
Other Financing Sources (Uses)						
Transfers in	-	-	-	975,181	-	1,514,235
Transfers out	-	-	-	(14,234)	-	(2,150,788)
Total other financing sources (uses)	-	-	-	960,947	-	(636,553)
Net change in fund balances	-	119,226	3,698	263,046	297,333	1,723,385
Fund balance, beginning as previously stated	138,736	790,217	78,885	65,306	-	13,793,485
Adjustment to fund balance - (See Note 3)	-	-	-	-	-	(492,292)
Fund Balances (Deficit), Beginning as restated	138,736	790,217	78,885	65,306	-	13,301,193
Fund Balances (Deficit), Ending	\$ 138,736	\$ 909,443	\$ 82,583	\$ 328,352	\$ 297,333	\$ 15,024,578

City of Mishawaka, Indiana

Combining Balance Sheet -
 Nonmajor Debt Service Funds
 December 31, 2022

	<u>Mill at Ironworks Debt Reserve</u>	<u>Redevelopment Stimulus Debt Reserve</u>	<u>Mishawaka Building Corporation</u>	<u>Redevelopment Bond Sinking</u>	<u>City of Mishawaka Bond Bank</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets						
Receivables:						
Interest	\$ 5,695	\$ 15,443	\$ -	\$ -	\$ -	\$ 21,138
Restricted:						
Cash and cash equivalents	<u>1,146,908</u>	<u>5,072,600</u>	<u>-</u>	<u>2,525,719</u>	<u>3,146,080</u>	<u>11,891,307</u>
Total assets	<u>\$ 1,152,603</u>	<u>\$ 5,088,043</u>	<u>\$ -</u>	<u>\$ 2,525,719</u>	<u>\$ 3,146,080</u>	<u>\$ 11,912,445</u>
Fund Balances						
Restricted	<u>\$ 1,152,603</u>	<u>\$ 5,088,043</u>	<u>\$ -</u>	<u>\$ 2,525,719</u>	<u>\$ 3,146,080</u>	<u>\$ 11,912,445</u>
Total fund balances	<u>1,152,603</u>	<u>5,088,043</u>	<u>-</u>	<u>2,525,719</u>	<u>3,146,080</u>	<u>11,912,445</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,152,603</u>	<u>\$ 5,088,043</u>	<u>\$ -</u>	<u>\$ 2,525,719</u>	<u>\$ 3,146,080</u>	<u>\$ 11,912,445</u>

City of Mishawaka, Indiana

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances -
Nonmajor Debt Service Funds
Year Ended December 31, 2022

	Mill at Ironworks Debt Reserve	Redevelopment Stimulus Debt Reserve	Mishawaka Building Corporation	Redevelopment Bond Sinking	City of Mishawaka Bond Bank	Total Nonmajor Debt Service Funds
Revenues						
Investment earnings	\$ 11,861	\$ 30,646	\$ -	\$ 164	\$ 152,551	\$ 195,222
Miscellaneous	-	-	294,759	-	-	294,759
Total revenues	<u>11,861</u>	<u>30,646</u>	<u>294,759</u>	<u>164</u>	<u>152,551</u>	<u>489,981</u>
Expenditures						
Current:						
General government	-	-	294,759	52,832	930,884	1,278,475
Debt service:						
Principal	-	-	-	3,135,000	-	3,135,000
Interest	-	-	-	2,139,242	-	2,139,242
Total expenditures	<u>-</u>	<u>-</u>	<u>294,759</u>	<u>5,327,074</u>	<u>930,884</u>	<u>6,552,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,861</u>	<u>30,646</u>	<u>-</u>	<u>(5,326,910)</u>	<u>(778,333)</u>	<u>(6,062,736)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	5,090,924	636,553	5,727,477
Transfers out	-	(7,116)	-	-	-	(7,116)
Total other financing sources (uses)	<u>-</u>	<u>(7,116)</u>	<u>-</u>	<u>5,090,924</u>	<u>636,553</u>	<u>5,720,361</u>
Net change in fund balances	11,861	23,530	-	(235,986)	(141,780)	(342,375)
Fund Balances, Beginning	<u>1,140,742</u>	<u>5,064,513</u>	<u>-</u>	<u>2,761,705</u>	<u>3,287,860</u>	<u>12,254,820</u>
Fund Balances, Ending	<u>\$ 1,152,603</u>	<u>\$ 5,088,043</u>	<u>\$ -</u>	<u>\$ 2,525,719</u>	<u>\$ 3,146,080</u>	<u>\$ 11,912,445</u>

City of Mishawaka, Indiana

Combining Balance Sheet -
 Nonmajor Capital Project Funds
 December 31, 2022

	Cumulative Capital Improvement	Cumulative Sewer	Cumulative Capital Development	Economic Development Income Tax	New City Hall Construction	Total Nonmajor Capital Project Funds
Assets						
Cash and cash equivalents	\$ 1,861,537	\$ 253,183	\$ 465,537	\$ 6,783,579	\$ -	\$ 9,363,836
Receivables:						
Taxes	-	-	691,924	-	-	691,924
Intergovernmental	-	-	21,791	-	-	21,791
Total assets	\$ 1,861,537	\$ 253,183	\$ 1,179,252	\$ 6,783,579	\$ -	\$ 10,077,551
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 5,263	\$ 20,209	\$ 133,799	\$ -	\$ 159,271
Total liabilities	-	5,263	20,209	133,799	-	159,271
Deferred Inflows of Resources						
Unavailable revenue	-	-	713,715	-	-	713,715
Total deferred inflows of resources	-	-	713,715	-	-	713,715
Fund Balances						
Restricted	1,861,537	247,920	445,328	6,649,780	-	9,204,565
Total fund balances	1,861,537	247,920	445,328	6,649,780	-	9,204,565
Total liabilities, deferred inflows of resources and fund balances	\$ 1,861,537	\$ 253,183	\$ 1,179,252	\$ 6,783,579	\$ -	\$ 10,077,551

City of Mishawaka, Indiana

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances -
Nonmajor Capital Projects Funds
Year Ended December 31, 2022

	Cumulative Capital Improvement	Cumulative Sewer	Cumulative Capital Development	County Economic Development Income Tax	New City Hall Construction	Total Nonmajor Capital Project Funds
Revenues						
Taxes:						
Property	\$ -	\$ -	\$ 551,656	\$ -	\$ -	\$ 551,656
Income	-	-	-	4,309,035	-	4,309,035
Licenses and permits	-	92,397	-	-	-	92,397
Intergovernmental	92,679	-	42,086	-	-	134,765
Charges for services	-	-	-	62,173	-	62,173
Investment earnings	-	-	-	-	27,234	27,234
Total revenues	92,679	92,397	593,742	4,371,208	27,234	5,177,260
Expenditures						
Current:						
General government	111,984	-	294,842	-	-	406,826
Public safety	-	3,865	-	-	-	3,865
Highways and streets	-	-	-	3,139,874	-	3,139,874
Capital outlay:						
General government	-	-	182,460	-	10,027,283	10,209,743
Public safety	-	1,044,494	-	-	-	1,044,494
Highways and streets	-	-	-	160,021	-	160,021
Culture and recreation	-	-	-	273,490	-	273,490
Total expenditures	111,984	1,048,359	477,302	3,573,385	10,027,283	15,238,313
Excess (deficiency) of revenues over (under) expenditures	(19,305)	(955,962)	116,440	797,823	(10,000,049)	(10,061,053)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	97,074	97,074
Total other financing sources (uses)	-	-	-	-	97,074	97,074
Net change in fund balances	(19,305)	(955,962)	116,440	797,823	(9,902,975)	(9,963,979)
Fund balance, beginning as previously stated	1,880,842	1,203,882	328,888	6,534,281	9,902,975	19,850,868
Adjustment to fund balance - (See Note 3)	-	-	-	(682,324)	-	(682,324)
Fund Balances, Beginning as restated	1,880,842	1,203,882	328,888	5,851,957	9,902,975	19,168,544
Fund Balances, Ending	\$ 1,861,537	\$ 247,920	\$ 445,328	\$ 6,649,780	\$ -	\$ 9,204,565

City of Mishawaka, Indiana

Combining Statement of Fiduciary Net Position -
Pension Trust Funds
December 31, 2022

	Police Pension	Fire Pension	Utility Pension	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$ 785,891	\$ 957,887	\$ 226,816	\$ 1,970,594
Investments at fair value:				
Mutual funds	-	-	23,869,373	23,869,373
Municipal bonds	-	-	172,767	172,767
Total investments	-	-	24,042,140	24,042,140
Total assets	785,891	957,887	24,268,956	26,012,734
Net position:				
Restricted for net position	\$ 785,891	\$ 957,887	\$ 24,268,956	\$ 26,012,734

City of Mishawaka, Indiana

Combining Statement of Changes in Fiduciary Net Position -
Pension Trust Funds
Year Ended December 31, 2022

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Utility Pension</u>	<u>Total</u>
Additions				
Contributions:				
On behalf contributions	<u>\$ 1,045,997</u>	<u>\$ 1,988,662</u>	<u>\$ 1,337,151</u>	<u>\$ 4,371,810</u>
Total contributions and transfers	<u>1,045,997</u>	<u>1,988,662</u>	<u>1,337,151</u>	<u>4,371,810</u>
Investment income (loss):				
Interest	-	-	11	11
Net decrease in fair value of investments	<u>-</u>	<u>-</u>	<u>(5,166,224)</u>	<u>(5,166,224)</u>
Total investment income (loss)	<u>-</u>	<u>-</u>	<u>(5,166,213)</u>	<u>(5,166,213)</u>
Total additions	<u>1,045,997</u>	<u>1,988,662</u>	<u>(3,829,062)</u>	<u>(794,403)</u>
Deductions				
Benefit payments (including refunds of employee contributions)	1,108,970	1,960,328	1,309,516	4,378,814
Administrative expense	<u>3,000</u>	<u>6,000</u>	<u>1,200</u>	<u>10,200</u>
Total deductions	<u>1,111,970</u>	<u>1,966,328</u>	<u>1,310,716</u>	<u>4,389,014</u>
Change in fiduciary net position	(65,973)	22,334	(5,139,778)	(5,183,417)
Net Position, Beginning	<u>851,864</u>	<u>935,553</u>	<u>29,408,734</u>	<u>31,196,151</u>
Net Position, Ending	<u>\$ 785,891</u>	<u>\$ 957,887</u>	<u>\$ 24,268,956</u>	<u>\$ 26,012,734</u>

CITY OF MISHAWAKA, INDIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND INDEPENDENT AUDITOR'S REPORTS

December 31, 2022

CITY OF MISHAWAKA, INDIANA

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*Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards*

The Officials of the 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 the City of Mishawaka, Indiana (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 28, 2023.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on 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*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
September 28, 2023

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

The Officials of the City of Mishawaka, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Mishawaka, Indiana's (the City's) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control findings over compliance identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 28, 2023, 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
September 28, 2023

CITY OF MISHAWAKA, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S DEPARTMENT OF THE TREASURY				
Direct Award:				
COVID-19 - Coronavirus State & Local Fiscal Recovery Funds	21.027		<u>\$ 1,060,000</u>	
U.S DEPARTMENT OF TRANSPORTATION				
Passed through Indiana Criminal Justice Institute:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	69A3752030000402INO	<u>55,861</u>	<u>\$ 41,556</u>
U.S DEPARTMENT OF JUSTICE				
Direct Award:				
Bulletproof Vest Partnership Program	16.607		<u>1,915</u>	
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Award:				
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions	93.498		<u>6,740</u>	
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Awards:				
CDBG - Entitlement Grants Cluster:				
COVID-19 - Community Development Block Grants/Entitlement Grants/Special Purpose				
Grants/Insular Areas	14.225		52,070	52,070
Community Development Block Grants/Entitlement Grants	14.218		<u>448,302</u>	<u>115,612</u>
			<u>500,372</u>	<u>167,682</u>
			<u>\$ 1,624,888</u>	<u>\$ 209,238</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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the 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. 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.

Amount Provided to Subrecipients represents the actual expenditures incurred by subrecipients.

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, 2022**

Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's 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
21.027	U.S Department of Treasury	Coronavirus State & Local Fiscal Recovery Funds

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, 2022

Financial Statement Findings

2022-001 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: During the financial statement preparation process, management reviewed receivables, payables and capital asset activity. The financial statement preparation process did not appropriately identify all entries needed to correct these accounts. Controls to correct the issues noted in the 2020 and 2021 year-end financial statement preparation process were not properly implemented in 2022 and misstatements still existed as of and for the year ended December 31, 2022.

This finding is a repeat finding of 2020-001 and 2021-001.

Cause and Effect: The deficiency noted above resulted in undetected material misstatements to receivables, payables, capital assets and the related income and expenditure accounts as of and for the year ended December 31, 2022. In addition, the material misstatements in receivables impacted prior years and resulted in a restatement of opening net position as of December 31, 2021. 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, payables, and capital assets 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: The City agrees with the recommendation and will continue to work closely with Baker Tilly to reduce misstatements. The corrective action plan will be implemented by December 31, 2023, with the creation of the next Annual Financial Report.

Federal Award Findings and Questioned Costs

Subject: 2022-002 Coronavirus State and Local Fiscal Recovery Funds – Reporting

Federal Agency: Department of the Treasury

Federal Program: Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Compliance Requirement: Reporting

Audit Finding: Significant Deficiency

Criteria: 2 CFR 200.303 includes requirements related to internal controls for federal award programs, including that the Agency must, among other things, “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)”.

Condition and Context: We noted the City submitted a report required under the Coronavirus State and Local Fiscal Recovery Funds which did not have adequate review of the report for accuracy of the information or inclusion of the appropriate key line items.

This finding is a repeat finding of 2021-03.

Cause and Effect: We noted lack of internal controls surrounding the reporting process resulted in key line items to be misstated and the errors were identified subsequent to the initial submission. There were no questioned costs related to this issue.

Recommendation: We recommend the City implement procedures to ensure reports are being reviewed by an individual or third-party familiar with the program prior to submission.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the recommendation and plans to implement the recommendation during 2023.



CITY OF MISHAWAKA

DAVID A. WOOD, MAYOR

DEPARTMENT OF FINANCE
Rebecca S. Maguire, Controller
Kayla Yoder, Deputy Controller

CORRECTIVE ACTION PLAN Year Ended December 31, 2022

Indiana State Board of Accounts
302 W Washington Street, Room E 418
Indianapolis, IN 45204-2765

The City of Mishawaka, Indiana respectively submits the following corrective action plan for the year ended December 31, 2022.

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, 2022

The finding from the schedule of findings and questioned costs for the year ended December 31, 2022, is discussed below. The finding is numbered consistently with the number assigned in the Schedule.

FINANCIAL STATEMENT FINDING

2022-001 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.

Planned Corrective Actions: The City agrees with the recommendation and will continue to work closely with Baker Tilly to reduce misstatements. The corrective action plan will be implemented by December 31, 2023, with the creation of the next Annual Financial Report.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Subject: 2022-002 Coronavirus State and Local Fiscal Recovery Funds – Reporting

Federal Agency: Department of the Treasury

Federal Program: Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Compliance Requirement: Reporting

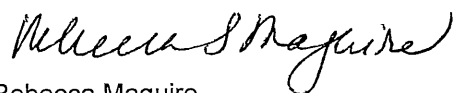
Audit Finding: Significant Deficiency

Recommendation: The Auditor recommends the City implement procedures to ensure reports are being reviewed by an individual or third-party familiar with the grant prior to their submission, including reconciliation of the report to the general ledger system.

Planned Corrective Actions: The City agrees with the recommendation and plans to implement the recommendation during 2023.

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".

Rebecca Maguire
City Controller
City of Mishawaka, Indiana



CITY OF MISHAWAKA

DAVID A. WOOD, MAYOR

DEPARTMENT OF FINANCE
Rebecca S. Maguire, Controller
Kayla Yoder, Deputy Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS

2021-001 (Repeat Finding of 2020-001) Material Weakness – Financial Reporting

Condition: This finding was a material weakness over financial reporting stating that internal controls over financial reporting were not appropriately designed to either prevent or detect and correct misstatements on a timely basis to provide reasonable assurance that financial statements are free of material misstatement.

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.

Status: We continue to work closely with Baker Tilly to provide reports and follow up with them on any questions or concerns. A similar finding was identified in the 2022 audit.

2021-002 (Repeat Finding of 2020-002) Material Weakness – Inventory

Condition: This finding was a material weakness over financial reporting stating that the inventory management system used by the City did not track the appropriate detail to be able to reconcile inventory reported in the inventory management system to the City's general ledger and was insufficient to provide reasonable assurance that inventory is free of material misstatement.

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.

Status: During 2022 internal control procedures were properly implemented to satisfy this material weakness in internal control. This deficiency is considered to be resolved in the 2022 audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Subject: 2021-003 Coronavirus State and Local Fiscal Recovery Funds – Reporting

Federal Agency: Department of the Treasury

Federal Program: Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Compliance Requirement: Reporting

Audit Finding: Significant Deficiency

Condition: This finding was a significant deficiency over compliance stating that internal controls over the reporting compliance requirement were not appropriately designed and implemented to ensure the accuracy of key line items on reporting submitted related to this federal award because there was no review of the report performed.

Recommendation: The auditor recommend the City implement procedures to ensure reports are being reviewed by an individual or third-party familiar with the program prior to submission.

Status: We implemented a process for review of reports during 2022. A similar finding was identified in the 2022 audit because this review did not include reconciliation of key line items to the general ledger. This will be implemented in 2023.