

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

FINANCIAL STATEMENTS AUDIT REPORT

OF

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES

PORTER COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

08/17/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Basic Financial Statements and Accompanying Notes:	
Statement of Net Position.....	8-9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements.....	12-26
Required Supplementary Information:	
Schedule of Changes in Net OPEB Liability.....	27
Schedule of Net OPEB Liability	28
Schedule of Employer Contributions	29
Other Reports.....	30

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Holly Taylor	01-01-22 to 12-31-23
Mayor	Matthew Murphy	01-01-22 to 12-31-23
Executive Director	Steve Poulos	01-01-22 to 12-31-23
Chief Financial Officer	Alina Hahn	01-01-22 to 12-31-23
President of the Utilities Board of Directors	David Bengs John Walsh	01-01-22 to 06-30-23 07-01-23 to 06-30-23



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF VALPARAISO WATER AND WATER
RECLAMATION UTILITIES, PORTER COUNTY, INDIANA

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the City of Valparaiso Water and Water Reclamation Utilities (Utilities), departments of the City of Valparaiso (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Utilities, 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 (GAAS). 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 Utilities, 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.

Emphasis of Matter

As discussed in Note I.A., the financial statements of the Utilities are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. As presented in the financial statements and notes to the financial statements, during the year ended December 31, 2022, the Utilities adopted new accounting guidance, GASB Statement 87, *Leases*. Our opinion is not modified with respect to these matters.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 Utilities' ability to continue as a going concern for 12 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 GAAS 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 GAAS, 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 Utilities' 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 Utilities' 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net OPEB Liability, Schedule of Net OPEB Liability, and Schedule of Employer Contributions as listed in the Table of Contents, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 25, 2023

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
STATEMENT OF NET POSITION
December 31, 2022

<u>Assets</u>	<u>Water</u>	<u>Water Reclamation</u>
Current assets:		
Cash and cash equivalents	\$ 5,201,207	\$ 2,210,513
Accounts receivable (net of allowance)	522,061	770,319
Lease receivable	1,090,881	-
Other receivables	57,103	-
Collections held for others	11,719	-
Inventories	120,503	183,133
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Total current assets	7,003,474	3,163,965
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Revenue bond covenant account	2,081,392	983,314
Reserve for Pratt bond	-	1,000,000
Improvement	9,657,285	11,201,042
Reserve for SRF loan	-	1,422,124
Retainage	-	23,564
Meter replacement	250,000	250,000
Tank painting and maintenance	209,090	-
Customer deposits	51,621	-
Note receivable	-	20,727
	<hr/>	<hr/>
Total restricted assets	12,249,388	14,900,771
Capital assets:		
Land, improvements to land and construction in progress	1,818,516	953,641
Other capital assets (net of accumulated depreciation)	66,350,590	37,027,548
	<hr/>	<hr/>
Total capital assets	68,169,106	37,981,189
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Total noncurrent assets	80,418,494	52,881,960
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Total assets	87,421,968	56,045,925
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<u>Deferred Outflows of Resources</u>		
Deferred OPEB items	96,979	118,150
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The notes to the financial statements are an integral part of this statement.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
STATEMENT OF NET POSITION
December 31, 2022

<u>Liabilities, Deferred Inflows and Net Position</u>	Water	Water Reclamation
Current liabilities:		
Accounts payable	324,600	743,615
Retainage payable	-	23,564
Taxes payable	32,146	-
Accrued wages and benefits payable	48,954	48,895
Compensated absences	7,682	5,525
Deferred revenue	-	58,000
Current liabilities payable from restricted assets:		
Collections held for others	-	12,078
Customer deposits payable	52,325	-
Revenue bonds payable (current)	1,060,000	1,730,000
SRF loan	-	79,000
Financed purchase	135,372	68,259
Accrued interest payable	140,932	222,689
	1,802,011	2,991,625
 Total current liabilities	 1,802,011	 2,991,625
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discount)	15,875,101	13,682,189
SRF loan payable	-	738,000
Financed purchase	559,036	421,370
Pratt DSR due to RDC payable	-	1,000,000
Compensated absences payable	168,514	121,185
Other post employment benefits obligation	225,977	231,845
	16,828,628	16,194,589
 Total noncurrent liabilities	 16,828,628	 16,194,589
 Total liabilities	 18,630,639	 19,186,214
 <u>Deferred Inflows of Resources</u>		
Deferred OPEB items	121,391	89,822
Deferred inflows - Platform rental	1,090,881	-
Deferred inflows - Harrison West	-	65,957
	1,212,272	155,779
 Total deferred inflows of resources	 1,212,272	 155,779
 <u>Net Position</u>		
Invested in capital assets, net of related debt	50,539,597	21,262,371
Restricted for debt service	2,081,392	2,405,438
Restricted for other purposes	10,179,715	11,474,606
Unrestricted	4,875,332	1,679,667
	58,675,036	36,822,082
 Total net position	 \$ 67,676,036	 \$ 36,822,082

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

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended December 31, 2022

	<u>Water</u>	<u>Water Reclamation</u>
Operating Revenues:		
Metered water revenue:		
Residential	\$ 3,750,447	\$ -
Commercial	1,137,436	-
Industrial	1,462,977	-
Multiple family dwellings	1,089,361	-
Public authorities	201,577	-
Water reclamation collection and treatment revenue	-	11,214,168
Fire protection revenue	1,195,168	-
Penalties	21,005	69,845
Other	1,209,819	290,532
	<u>10,067,790</u>	<u>11,574,545</u>
Total operating revenues		
Operating expenses:		
Transmission and distribution	1,456,183	-
Pumping - operations and maintenance	729,747	190,581
Treatment and disposal - operations and maintenance	1,074,222	-
Customer accounts	844,590	-
Administration and general	1,420,623	2,005,370
Reclaimed water treatment - operations and maintenance	-	3,316,153
Reclaimed water distribution - operations and maintenance	-	1,097,905
Depreciation	1,661,450	3,436,981
	<u>7,186,815</u>	<u>10,046,990</u>
Total operating expenses		
Operating income (loss)	<u>2,880,975</u>	<u>1,527,555</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	249,772	198,975
Miscellaneous revenue	29,397	-
Interest expense	(581,076)	(505,784)
Donations	-	-
Pratt Surcharge	-	1,177,283
Payments to RDC	-	(1,177,283)
Transfers	(93,809)	93,809
	<u>(395,716)</u>	<u>(213,000)</u>
Total nonoperating revenues (expenses)		
Income (loss) before contributions and transfers	<u>2,485,259</u>	<u>1,314,555</u>
Contributions and Transfers:		
Contributions	3,421,131	479,049
In lieu of taxes	(759,643)	(771,845)
	<u>2,661,488</u>	<u>(292,796)</u>
Total contributions and transfers		
Change in net position	5,146,747	1,021,759
Total net position - beginning	<u>62,529,289</u>	<u>35,800,323</u>
Total net position - ending	<u>\$ 67,676,036</u>	<u>\$ 36,822,082</u>

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

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended December 31, 2022

	Water	Water Reclamation
Cash flows from operating activities:		
Receipts from customers and users	\$ 10,048,739	\$ 11,608,489
Payments to suppliers and contractors and employees and benefits	(5,319,693)	(5,944,446)
Net cash provided by operating activities	<u>4,729,046</u>	<u>5,664,043</u>
Cash from noncapital financing activities:		
Nonoperating receipts	29,397	-
Transfers in (out)	(93,809)	93,809
In lieu of taxes	(759,643)	(771,845)
Net cash provided (used) by noncapital financing activities	<u>(824,055)</u>	<u>(678,036)</u>
Cash flows from capital and related financing activities:		
Contributions	3,421,131	66,634
Acquisition and construction of capital assets	(3,216,676)	(1,595,665)
Pratt surcharge collected	-	1,177,283
Payment to RDC	-	(1,177,283)
Principal paid on capital debt	(1,045,000)	(1,680,000)
Principal paid on loans	-	(77,000)
Interest paid on capital debt	(564,534)	(540,523)
Interest paid on loans	-	(29,488)
Principal paid on financed purchase	(108,323)	(68,336)
Interest paid on financed purchase	(27,770)	(26,187)
Notes receivable	-	12,126
Net cash provided (used) by capital and related financing activities	<u>(1,541,172)</u>	<u>(3,938,439)</u>
Cash flows from investing activities:		
Interest received	249,772	198,975
Net increase (decrease) in cash and cash equivalents	2,613,591	1,246,543
Cash and cash equivalents, January 1	14,837,004	15,844,014
Cash and cash equivalents, December 31	<u>\$ 17,450,595</u>	<u>\$ 17,090,557</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 2,880,975	\$ 1,527,555
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,661,450	3,436,981
Amortization		
(Increase) decrease in assets:		
Accounts receivable	30,429	33,944
Other receivables	(49,480)	-
Inventories	21,170	32,597
Increase (decrease) in liabilities:		
Accounts payable	162,843	577,616
Taxes payable	1,784	-
Accrued wages and benefits payable	841	4,094
Compensated absence payable	2,797	8,694
Pratt DSR due to RDC Payable	-	-
Net other post-employment benefits obligation	3,262	18,998
Customer deposits	12,975	-
Retainage payable	-	23,564
Total adjustments	<u>1,848,071</u>	<u>4,136,488</u>
Net cash provided by operating activities	<u>\$ 4,729,046</u>	<u>\$ 5,664,043</u>
Noncash investing, capital and financing activities:		
Contributions of Assets	\$ -	\$ 412,415
Donation of assets	-	-
Purchase of equipment by financed purchase	47,127	47,128

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

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Valparaiso (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

The accounts of the business-type activity are maintained and the financial statements 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 recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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

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

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

The deferred compensation plan amounts are invested with a bank. The bank offers a range of investments and the participants choose how their earnings are invested.

2. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022
 (Continued)

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

The financial statements report \$12,249,388 and \$14,880,044 for the Water and Water Reclamation Utilities, respectively, of restricted assets, of which all is restricted by enabling legislation.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>
Water Utility:		
Buildings	\$ 5,000	2% Composite rate
Improvements other than buildings	5,000	2% Composite rate
Machinery and equipment	5,000	2% Composite rate
Infrastructure	5,000	2% Composite rate
Water Reclamation Utility:		
Buildings	5,000	2% Composite rate
Improvements other than buildings	5,000	2% Composite rate
Distribution and collection systems:		
Sewer lines	5,000	1% Composite rate
Treatment center	5,000	5% Composite rate
Machinery and Equipment:		
Pumping equipment	5,000	5% Composite rate
Transportation equipment	5,000	20% Composite rate
Office furniture and equipment	5,000	20% Composite rate
Machinery and equipment	5,000	10% Composite rate
Infrastructure	5,000	2% Composite rate

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.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

5. Compensated Absences

The policy on compensated absences, which includes all leave as paid time-off, was adopted by the Utilities on July 31, 2007. Paid time-off may be used for vacation, sick, family illness, and personal business. Paid time-off is accrued on the first day of the month following an employee's hire date. Utility employees earn paid time-off rates from 96 to 264 hours per year based upon the number of years of service and regularly scheduled work hours.

Upon termination of employment, an employee may be paid for unused accrued paid time-off. The maximum paid time-off an employee will be eligible to receive is 240 hours for an employee who is regularly scheduled to work 40 hours per week.

A liability is reported by the Utilities for paid time-off.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

7. Deferred Outflows and Deferred Inflows

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The utilities have one item that qualifies for reporting in this category. The deferred outflow for other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future reporting periods and so will not be recognized as an inflow of resources (revenue) until that time. The utilities have three types of items, one, the Water Reclamation Utility has an agreement with an organization, Harrison West, for future improvements. This is due to the Water Reclamation Utility accepting Harrison West's storm water infrastructure; the utility receives funds that are to be used for any repairs to the associated assets. This is per "Memorandum of Understanding – Dedication of Right-Of-Way" from June 24, 2014. The second deferred inflow is for other postemployment benefits items. The third type, the Water Utility has a monthly platform rental contract with certain cell phone companies where the companies have agreed to pay the Utility for allowing the companies to install equipment on the Utility's water towers.

8. Future Adoption of Accounting Pronouncements

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

- Statement No. 94, *Public Private and Public-Public Partnerships and Availability Payment Arrangements*

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

- 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.

9. Other Post-Employment Benefits

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

E. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered immaterial and do not affect the overall presentation of the financial statements.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2022, the Water and Water Reclamation Utilities had deposit balances in the amount of \$18,171,366 and \$17,535,127, respectively.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

B. Capital Assets

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

<u>2022</u>	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 1,488,034	\$ 55,720	\$ -	\$ 1,543,754
Construction in progress	-	274,761	-	274,761
Total capital assets, not being depreciated	1,488,034	330,481	-	1,818,515
Capital assets, being depreciated:				
Buildings	7,782,865	326,466	-	8,109,331
Improvements other than buildings	649,838	-	-	649,838
Infrastructure	52,066,072	2,093,560	(129,762)	54,029,870
Machinery, equipment, and vehicles	19,906,924	528,045	(151,504)	20,283,465
Total Capital Assets Being Depreciated	80,405,699	2,948,071	(281,266)	83,072,504
Less accumulated depreciation for:				
Building	(1,431,614)	(162,187)	-	(1,593,801)
Improvements other than buildings	(213,459)	(12,997)	-	(226,456)
Infrastructure	(11,565,739)	(1,080,598)	129,762	(12,516,575)
Machinery, equipment, and vehicles	(2,116,168)	(405,668)	136,755	(2,385,081)
Total Accumulated Depreciation	(15,326,980)	(1,661,450)	266,517	(16,721,913)
Total capital assets, being depreciated, net	65,078,719	1,286,621	(14,749)	66,350,591
Total capital assets, net	\$ 66,566,753	\$ 1,617,102	\$ (14,749)	\$ 68,169,106

<u>2022</u>	Beginning Balance	Adjustment	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Water Reclamation Utility:						
Capital assets, not being depreciated:						
Land	\$ 502,294	-	\$ 502,294	\$ 55,720	\$ -	\$ 558,014
Construction in progress	-	-	-	395,627	-	395,627
Total capital assets, not being depreciated	502,294	-	502,294	451,347	-	953,641
Capital assets, being depreciated:						
Building	27,221,663	-	27,221,663	-	(162,357)	27,059,306
Improvements other than buildings	123,602	-	123,602	49,354	-	172,956
Machinery, equipment, and vehicles	37,293,642	22,000	37,315,642	820,710	(34,308)	38,102,044
Infrastructure	45,517,865	-	45,517,865	753,548	-	46,271,413
Total Capital Assets Being Depreciated	110,156,772	22,000	110,178,772	1,623,612	(196,665)	111,605,719
Less accumulated depreciation for:						
Building	(8,499,134)	-	(8,499,134)	(541,186)	162,357	(8,877,963)
Improvements other than buildings	(6,143,252)	-	(6,143,252)	(3,460)	-	(6,146,712)
Machinery, equipment, and vehicles	(29,936,974)	(22,000)	(29,958,974)	(2,418,166)	14,557	(32,362,583)
Infrastructure	(26,716,744)	-	(26,716,744)	(474,169)	-	(27,190,913)
Total Accumulated Depreciation	(71,296,104)	(22,000)	(71,318,104)	(3,436,981)	176,914	(74,578,171)
Total capital assets, being depreciated, net	38,860,668	-	38,860,668	(1,813,369)	(19,751)	37,027,548
Total capital assets, net	\$ 39,362,962	\$ -	\$ 39,362,962	\$ (1,362,022)	\$ (19,751)	\$ 37,981,189

Note: The adjustment to the beginning balance was to record \$22,000 for a trade-in towards the purchase of a 2021 Service Truck that was not recognized in 2021.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

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

	2022
Water	\$ 1,661,450
Water Reclamation	3,436,981

C. Construction Commitments

The Utilities have Construction work in progress as of December 31, 2022 as follows:

	Water	2022	
Project		Expended to December 31,	Committed
Water Bond Projects/Upgrades		\$ 274,761	\$ 4,119,179
	Water Reclamation	2022	
Project		Expended to December 31,	Committed
Water Reclamation Bond Projects/Upgrades		\$ 395,627	\$ 3,970,210

D. Financed Purchases

The Water and Water Reclamation Utilities have entered into a financed purchase agreement for their portion of the new Public Works Facility. The Utilities also have financed purchase agreements for machinery and equipment purchases. Future minimum payments and present values of the net minimum payments under these agreements as of December 31, 2022, are as follows:

	Water Utility	Water Reclamation Utility
2023	\$ 160,838	\$ 90,244
2024	160,088	89,494
2025	134,594	64,000
2026	64,000	64,000
2027	65,250	65,250
2028-2031	232,750	232,750
Sub-Total	817,520	605,738
Less amount representing interest	(123,113)	(116,110)
Present value of net minimum lease payments	\$ 694,407	\$ 489,628

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

Assets acquired through finance purchase still in effect are as follows:

	Water Utility	Water Reclamation Utility
Machinery and equipment	\$ 552,982	\$ 559,335
Building	750,000	750,000
Accumulated depreciation	(155,222)	(540,144)
Totals	\$ 1,147,760	\$ 769,191

E. Long-Term Liabilities

1. Revenue Bonds

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

		Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Amount
Water Utility:					
2014B Water Utility: Improvements (Direct Placement)		2.70%	\$ 4,900,000	\$ -	\$ 4,900,000
2014A Water Utility: Improvements (Open Market)		2%-3.625%	9,980,000	(53,580)	10,033,580
2018 Water Utility: Refunding (Open Market)		2.25% - 3%	1,990,000	(11,520)	2,001,520
Subtotal			11,970,000	(65,100)	12,035,100
Total			\$ 16,870,000	\$ (65,100)	\$ 16,935,100
Water Reclamation Utility:					
2015 Refunding Revenue Bonds (Open Market)		3%-4%	\$ 8,235,000	\$ (331,219)	\$ 8,566,219
2015 Water Reclamation Utility: Improvements (Open Market)		2%-3.375%	1,785,000	(13,677)	1,798,677
2019 Water Reclamation Utility (Open Market)		2%-3%	4,990,000	(57,292)	5,047,292
Total			\$ 15,010,000	\$ (402,188)	\$ 15,412,188

Revenue bonds debt service requirements to maturity are as follows:

	Water				Water Reclamation	
	Open Market		Direct Placement		Open Market	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 475,000	\$ 410,744	\$ 585,000	\$ 128,385	\$ 1,730,000	\$ 488,850
2024	485,000	399,100	605,000	112,455	1,795,000	425,000
2025	505,000	385,025	620,000	95,985	1,860,000	358,825
2026	525,000	370,350	630,000	79,178	1,920,000	289,500
2027	-	358,500	1,210,000	58,320	1,995,000	215,775
2028-2032	5,410,000	1,466,434	1,250,000	25,380	2,970,000	527,834
2033-2037	4,570,000	294,078	-	-	2,020,000	227,328
2038-2041	-	-	-	-	720,000	23,823
Totals	\$ 11,970,000	\$ 3,684,231	\$ 4,900,000	\$ 499,703	\$ 15,010,000	\$ 2,556,935

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022
 (Continued)

2. Loans Payable

The Water Reclamation Utility has entered into various loan agreements (State Revolving Loan Fund (SRF)). Annual debt service requirements to maturity for the loans (based upon having drawn down all of the funds), are as follows:

	Water Reclamation Utility	
	Principal	Interest
2023	\$ 79,000	\$ 26,876
2024	82,000	24,180
2025	85,000	21,400
2026	87,000	18,518
2027	91,000	15,553
2028-2031	393,000	30,379
Totals	\$ 817,000	\$ 136,906

As of December 31, 2022, all of the funds had been drawn down. The liability reported in the financial statements for loans payable is based upon the actual funds drawn as of December 31, 2022.

3. Pratt Payable

On December 29, 2015, the City of Valparaiso issued \$10,000,000 of its Taxable Economic Development Revenue Bonds, Series 2015 for the purpose of paying for sewage pretreatment facilities located at Pratt Paper (IN) LLC (Pratt), to partially fund a Debt Service Reserve and to pay issuance expenses per ordinance no. 32, 2014. A transfer of \$500,000 was made to partially fund the Debt Service Reserve. Ordinance No. 33, 2014 requires the remaining debt service reserve be funded with monthly transfers of \$8,334 over a five-year period. In addition, monthly bond and interest transfers will be made by Pratt to the Water Reclamation Utility in the form of a monthly debt service surcharge. These funds are transferred to the City's Redevelopment Commission (RDC) in order to pay the semiannual bond payments.

4. Changes in Long-Term Liabilities

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

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility					
Revenue bonds payable	\$ 17,915,000	\$ -	\$ 1,045,000	\$ 16,870,000	\$ 1,060,000
Add: premium	72,294	-	7,193	65,101	-
Total revenue bonds payable	17,987,294	-	1,052,193	16,935,101	1,060,000
Financed purchase	755,604	47,127	108,324	694,407	135,372
Compensated absences	173,399	10,357	7,560	176,196	7,682
Other post employment benefits obligations	218,687	7,290	-	225,977	-
Total Long-term liabilities	\$ 19,134,984	\$ 64,774	\$ 1,168,077	\$ 18,031,681	\$ 1,203,054
Water Reclamation Utility					
Revenue bonds payable	\$ 16,690,000	\$ -	\$ 1,680,000	\$ 15,010,000	\$ 1,730,000
Add: premium	471,865	-	69,676	402,189	-
Total revenue bonds payable	17,161,865	-	1,749,676	15,412,189	1,730,000
Loans payable	894,000	-	77,000	817,000	79,000
Financed purchase	510,837	47,128	68,337	489,628	68,259
Compensated absences	118,016	13,840	5,146	126,710	5,525
Other post employment benefits obligations	224,366	7,479	-	231,845	-
Pratt project	1,000,000	-	-	1,000,000	-
Total Long-term liabilities	\$ 19,909,084	\$ 68,447	\$ 1,900,159	\$ 18,077,372	\$ 1,882,784

F. Restricted Assets

The balances of restricted asset accounts as of December 31, 2022 are as follows:

	Water Utility	Water Reclamation Utility
Revenue bond covenant account	\$ 2,081,392	\$ 983,314
Reserve for Pratt Bond	-	1,000,000
Improvement	9,657,285	11,201,042
Reserve for SRF loan	-	1,422,124
Retainage	-	23,564
Meter replacement	250,000	250,000
Tank Painting and Maintenance	209,090	-
Customer deposits	51,621	-
Total restricted assets	\$ 12,249,388	\$ 14,880,044

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022
 (Continued)

G. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future water revenues, net of specified operating expenditures, to repay revenue bonds issued in 2014A&B and refunding revenue bonds in 2013 and 2018. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from water net revenues and are payable through 2026, 2028, and 2035. Annual principal and interest payments are expected to require less than 17 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$21,053,934. Principal and interest paid for the current year and total operating revenues were \$1,609,534 and \$10,067,790, respectively.

Water Reclamation Utility Revenues Pledged

The Utility has pledged future wastewater revenues, net of specified operating expenditures, to repay revenue bonds issued in 2011, 2015 and 2019 and refunding revenue bonds in 2013 and 2015. Proceeds from the bonds provided financing for wastewater collection and treatment system improvements. The bonds are payable solely from wastewater net revenues and are payable through 2028, 2031, 2035 and 2039. Annual principal and interest payments are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$17,566,935. Principal and interest paid for the current year and total operating revenues were \$2,220,523 and \$11,574,545, respectively.

H. Lease Disclosures

Lessor – Lease Receivables

<u>Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance</u>
T-Mobile Platform Rental	4/24/2002	4/30/2027	3.50%	\$ 74,845
Verizon Platform Rental	10/19/2015	9/30/2036	4.50%	700,432
AT&T Platform Rental	6/17/2009	3/31/2034	4.50%	<u>315,604</u>
				<u>\$1,090,881</u>
Lease revenue recognized during year:	\$ 54,029			
Interest revenue recognized during year:	49,985			

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

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

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

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

To create cost savings, the City (including the Utilities) decided to offer other medical insurance alternatives on January 1, 2013. Covered participants were given a choice of either a Health Savings Account (HSA) with a high deductible or a Traditional PPO. Coverage is provided by United Healthcare in conjunction with the Accelerate Indiana Municipalities (AIM) Medical Trust.

B. Other Postemployment Benefits

Plan Description

The City of Valparaiso administers a single-employer defined benefit healthcare plan which includes the Utility employees. The plan provides health insurance benefits for eligible retirees and their spouses through the Utilities' group health insurance plan, which covers both active and retired members. At December 31, 2022, there were 66 plan members. The Utilities' defined benefit OPEB plan, provides OPEB for all general employees who have reached age 55 with 20 years of service.

The actuarial report for the plan is publicly available and includes the required supplementary information for the plan as a whole and for the participants. The report may be obtained by contacting the Utilities Financial CFO:

Valparaiso City Utilities
Financial Department
205 Billings St
Valparaiso, IN 46383

Benefits

The Accelerate Indiana Municipalities (AIM) Medical Trust provides healthcare and dental benefits for retirees and their dependents for non-Medicare eligible employees. Currently retirees are required to pay 100% of the monthly premium. Retiree health coverage is implicitly more expensive than active health coverage. The higher cost of coverage creates a liability that the Utilities pays in higher premiums for current employees' coverage.

Contributions

Calculated required contributions are based on projected pay-as-you-go financing requirements. For the year ended December 31, 2022, the Utilities had no required contributions to the plan. 2022 contributions were \$0.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

	Water	Water Reclamation	Total
Annual required contribution	\$ 10,892	\$ 11,175	\$ 22,067
Interest on net OPEB obligation	5,166	5,299	10,465
Adjustment to annual required contribution	(8,768)	(8,995)	(17,763)
Annual OPEB cost	7,290	7,479	14,769
Contributions made	-	-	-
Increase (decrease) in net OPEB obligation	7,290	7,479	14,769
Net OPEB obligation, beginning of year	218,687	224,366	443,053
Net OPEB obligation, end of year	\$ 225,977	\$ 231,845	\$ 457,822

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

At December 31, 2022, the Utilities reported a combined liability of \$457,822 for its net OPEB liability. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Utilities' OPEB liability was based on actuarial valuation of the Valparaiso City Utilities. The liability is proportionally shared between water and water reclamation.

For the year ended December 31, 2022, the Utilities recognized a combined OPEB expense debit of \$22,260. At December 31, 2022, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Water Utility:	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 66,848	\$ (74,891)
Change of assumptions	30,131	(46,500)
Totals	\$ 96,979	\$ (121,391)
Water Reclamation Utility:	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 81,441	\$ (55,414)
Change of assumptions	36,709	(34,408)
Totals	\$ 118,150	\$ (89,822)

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

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

	Year Ended December 31, 2022	
	Water	Water
	Utility	Reclamation Utility
2023	\$ (6,690)	\$ (3,582)
2024	(6,690)	(3,582)
2025	(6,766)	(3,622)
2026	(185)	(99)
2027	10,361	5,547
Thereafter	12,522	6,702
Total	\$ 2,552	\$ 1,364

Actuarial Assumptions

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

Measurement Date	December 31, 2022
Actuarial Valuation Date	December 31, 2022; Liabilities 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
Mortality	Healthy general retirees: SOA Pub-2010 General Headcount Weighted Mortality fully generational using Scale MP-2021 Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using MP -2021
Experience Study Date	N/A – No current study
Investment Rate of Return	N/A – No investments
Future Salary Increases	2.65% to 8.65%
Inflation	2.00%

The plan does not have any investments and no long-term rate of return was calculated.

Discount Rate:

The discount rate used to measure the total OPEB liability was 2.25%. The discount rate used in valuing OPEB liabilities for unfunded plans as of the measurement date must be based on a yield for 20-year tax-exempt general obligation municipal bonds.

The discount rate increased from 2.25% as of January 1, 2022 to 4.31% as of December 31, 2022.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022
 (Continued)

Sensitivity to Changes in the Discount Rate

The following presents the Water and Water Reclamation Utilities' proportionate shares of the net OPEB liability for the utilities as a whole, as well as what the respective proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current discount rate:

	3.31% 1% Decrease	4.31% Current Rate	5.31% 1% Increase
Net OPEB Liability			
Water Utility	\$ 246,069	\$ 225,977	\$ 207,482
Water Reclamation Utility	252,458	231,845	212,870

Sensitivity to Changes in the Healthcare Cost Trend Rate

The following presents the Utilities' proportionate share of the net OPEB liability, as well as what the Utilities' proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.5 Percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	6.5% decreasing to 3.5% 1% Decrease	7.5% decreasing to 4.5% Current Rate	8.5% decreasing to 5.5% 1% Increase
Net OPEB Liability:			
Water Utility	\$ 200,832	\$ 225,977	\$ 255,581
Water Reclamation Utility	206,048	231,845	262,218

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on November 25, 2013.

2. Water Reclamation Utility

The current rate structure was approved by the Utility on November 25, 2013. Ordinance No 25-2019 was adopted on October 28, 2019 established rates and charges for the use of and services rendered by the sewage works utility in the Damon Run service area.

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

D. Pension Plan

Defined Contribution Pension Plan

Plan Description

The Water Utility has a defined contribution pension plan administered by Centier Bank as authorized by Indiana Code 8-1.5-3-7. The employees of both the Water and Water Reclamation Utilities participate in the plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the governing board of the Utilities and the plan administrator. Assets of the plan are held in a trust. The plan administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Centier Bank
4th Floor Wealth Management
600 East 84th Avenue
Merrillville, IN 46410-6366
Phone (219) 755-6110

Funding Policy and Annual Pension Cost

The plan provides for up to 6 percent salary contributions per pay by the employees to be matched 100 percent by the employer. The employee can also make additional voluntary contributions allowable by applicable IRS rules. The additional contribution is not matched by the employer. Employer and employee contributions to the plan were \$221,617 and \$380,900, respectively. The pension forfeitures for 2022 are \$1,762.32 and the outstanding liability is \$125,173. This liability consists of individual employee 401k loans that are not owed by the Utility but by the individual employees that take out loans against their 401k plans. If an employee terminates before paying off their 401k loan, they have to pay it off in full or it becomes a taxable withdrawal potentially subject to an early withdrawal penalty. The utility is never liable for the outstanding loan balance.

E. Subsequent Events

Waterworks BAN: On February 6, 2023, the Water Utility issued \$6,000,000 of Waterworks Bond Anticipation Notes, Series 2023. The BANs were sold on January 24, 2023 at a net interest rate of 5.2115%. The BANs mature on January 1, 2025. Interest will be made semi-annually on April 1st and October 1st. Principal is payable upon maturity or upon redemption from the issuance of future Waterworks Revenue Bonds.

Beginning January 1, 2024, the BANs are redeemable prior to maturity, in whole or in part, at the option of the City at face value plus accrued interest through the call date.

Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
 Last 10 Years*

NET OPEB LIABILITY	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 22,067	\$ 13,322	\$ 11,772	\$ 17,104	\$ 20,136	\$ 22,606
Interest	10,465	5,585	8,733	17,283	16,878	16,378
Change in Plan Provisions	-	-	-	(52,195)	-	-
Changes in assumptions	(87,135)	55,595	19,371	9,271	(16,586)	33,600
Differences between expected and actual experience	69,372	118,435	(45,876)	(138,751)	(64,260)	(32,656)
Benefit payments	-	-	-	-	(13,341)	(18,283)
Net change in Total OPEB Liability	<u>14,769</u>	<u>192,937</u>	<u>(6,000)</u>	<u>(147,288)</u>	<u>(57,173)</u>	<u>21,645</u>
Total OPEB liability - beginning of year	443,053	250,116	256,116	403,404	460,577	438,932
Total OPEB liability - end of year (1)	<u>\$ 457,822</u>	<u>\$ 443,053</u>	<u>\$ 250,116</u>	<u>\$ 256,116</u>	<u>\$ 403,404</u>	<u>\$ 460,577</u>
PLAN FIDUCIARY NET POSITION						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 13,341	\$ 18,283
Benefit payments	-	-	-	-	(13,341)	(18,283)
Net change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning of year	-	-	-	-	-	-
Plan fiduciary net position - end of year (2)	<u>\$ -</u>					
Total OPEB Liability (Asset) - End of Year (1) - (2)	<u>\$ 457,822</u>	<u>\$ 443,053</u>	<u>\$ 250,116</u>	<u>\$ 256,116</u>	<u>\$ 403,404</u>	<u>\$ 460,577</u>

Notes to Schedule:

*Information presented for the years information is available

Schedules of Required Supplementary Information
 SCHEDULE OF NET OPEB LIABILITY
 Last 10 Years*

	2022	2021	2020	2019	2018	2017
1. Total OPEB Liability	\$ 457,822	\$ 443,053	\$ 250,116	\$ 256,116	\$ 403,404	\$ 460,577
2. Plan Fiduciary Net Position	-	-	-	-	-	-
3. Total OPEB Liability	<u>\$ 457,822</u>	<u>\$ 443,053</u>	<u>\$ 250,116</u>	<u>\$ 256,116</u>	<u>\$ 403,404</u>	<u>\$ 460,577</u>
4. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability = (2) / (1)		-	-	-	-	-
5. Covered-Employee Payroll	\$ 4,648,521	\$ 3,972,549	\$ 3,733,036	\$ 3,650,891	\$ 3,397,167	\$ 3,322,413
6. Total OPEB Liability as a Percentage of Covered-Employee Payroll = (3) / (5)	9.85%	11.15%	6.70%	7.02%	11.87%	13.86%

Notes to schedule:

* Information presented for the years information is available

Schedules of Required Supplementary Information
SCHEDULE OF EMPLOYER CONTRIBUTIONS
 Last 10 Years *

OPEB Contributions	2022	2021	2020	2019	2018	2017
Actuarially determined contribution**	\$ -	\$ -	\$ -	\$ -	\$ 13,341	\$ 18,283
Actual employer contributions	-	-	-	-	13,341	18,283
Contribution deficiency (excess)	<u>\$ -</u>					
Covered - employee payroll**	\$ 4,648,521	\$ 3,972,549	\$ 3,733,036	\$ 3,650,891	\$ 3,397,167	\$ 3,322,413
Contributions as a percentage of covered - employee payroll	0.00%	0.00%	0.00%	0.00%	0.39%	0.55%

Notes to schedule:

Valuation date:

**Actuarially determined contributions rates are calculated as of December 31.

Methods and assumptions used to determine most current contribution rate above:

Actuarial cost method	Entry age normal - level percent of salary
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Fair market value
Healthcare cost trend rates	Medical/Rx 7.5% in 2023 to 4.5% in 2029+ per actuarial report
Inflation	2.00% per year
Payroll growth	2.65% wage inflation plus the following merit and productivity increases which are based on the Indiana Public Retirement System (INPRS) Public Employee's Retirement Fund actuarial valuation as of June 30, 2021. The assumptions from these state-wide valuations provide reasonable estimates of experience for municipal employers such as Valparaiso City Utilities.

YOS	Rates	YOS	Rates
0	6.00%	8	1.25%
1	5.00%	9	1.00%
2	4.00%	10	0.75%
3	3.00%	11	0.50%
4	2.50%	12	0.25%
5	2.00%	13+	0.00%
6	1.75%		
7	1.50%		

Discount Rate 2.25% as of December 31, 2021 and 4.31% as of December 31, 2022 for accounting disclosure purposes.

Other information:

None

*Information presented for the years information is available

OTHER REPORTS

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