

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
Porter County, Indiana

FINANCIAL STATEMENTS
December 31, 2023

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PORTER COUNTY, INDIANA

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CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
PORTER COUNTY, INDIANA
SCHEDULE OF OFFICIALS
December 31, 2023 (Unaudited)

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

INDEPENDENT AUDITOR'S REPORT

The Officials of
City of Valparaiso Water and Water Reclamation Utilities
Porter County, Indiana

Opinion

We have audited the accompanying financial statements of the business-type activities of the City of Valparaiso Water and Water Reclamation Utilities (Utilities), the City of Valparaiso's enterprise funds (City), as of and for the year ended December 31, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Utilities as of December 31, 2023, and the changes in financial position and cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Utilities of the City of Valparaiso, Indiana are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities 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 of Valparaiso, Indiana as of December 31, 2023, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

(Continued)

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 Utilities' 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 opinion. 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.

Other Matters

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 Government 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.

(Continued)

Required Supplementary Information

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

Other Information

Management is responsible for the other information included with the financial statement. The other information is comprised of the Schedule of Officials, marked as unaudited on the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.


Crowe LLP

Indianapolis, Indiana
December 19, 2024

CITY OF VALPARAISO UTILITIES
STATEMENT OF NET POSITION
December 31, 2023

<u>Assets</u>	<u>Water</u>	<u>Water Reclamation</u>	<u>Total Business Type Activities</u>
Current assets:			
Cash and cash equivalents	\$ 4,616,600	\$ 1,659,596	\$ 6,276,196
Accounts receivable (net of allowance)	523,786	896,150	1,419,936
Lease receivable	1,031,521	-	1,031,521
Other receivables	273,681	-	273,681
Collections held for others	13,394	-	13,394
Inventories	165,435	350,036	515,471
Total current assets	6,624,417	2,905,782	9,530,199
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Revenue bond covenant account	2,169,386	988,897	3,158,283
Reserve for Pratt bond	-	1,000,000	1,000,000
Improvement	8,371,363	8,846,052	17,217,415
Reserve for SRF loan	-	1,491,030	1,491,030
Construction account	3,429,565	-	3,429,565
Retainage	-	25,438	25,438
Meter replacement	250,000	250,000	500,000
Tank painting and maintenance	316,019	-	316,019
Customer deposits	38,758	-	38,758
Note receivable	-	8,634	8,634
Total restricted assets	14,575,091	12,610,051	27,185,142
Capital assets:			
Land, improvements to land and construction in progress	5,744,376	3,662,619	9,406,995
Other capital assets (net of accumulated depreciation)	68,910,174	38,202,853	107,113,027
Total capital assets	74,654,550	41,865,472	116,520,022
Total noncurrent assets	89,229,641	54,475,523	143,705,164
Total assets	95,854,058	57,381,305	153,235,363
Deferred Outflows of Resources			
OPEB items	113,013	89,740	202,753

(Continued)

CITY OF VALPARAISO UTILITIES
STATEMENT OF NET POSITION
December 31, 2023

<u>Liabilities, Deferred Inflows and Net Position</u>	<u>Water</u>	<u>Water Reclamation</u>	<u>Total Business Type Activities</u>
Current liabilities:			
Accounts payable	\$ 975,505	\$ 350,410	\$ 1,325,915
Retainage payable	-	25,438	25,438
Taxes payable	21,691	-	21,691
Accrued wages and benefits payable	58,707	53,241	111,948
Subscription liability - short term	26,337	26,337	52,674
Compensated absences	7,859	5,438	13,297
Deferred revenue	-	58,000	58,000
Collections held for others	-	55,281	55,281
Customer deposits payable	39,280	-	39,280
Current portion of long-term debt:			
Revenue bonds payable	1,090,000	1,795,000	2,885,000
SRF loan	-	82,000	82,000
Financed purchase	137,123	68,868	205,991
Accrued interest payable	192,712	195,259	387,971
Total current liabilities	2,549,214	2,715,272	5,264,486
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discount)	14,777,907	11,817,512	26,595,419
BAN payable	6,000,000	-	6,000,000
SRF loan payable	-	656,000	656,000
Financed purchase	421,913	352,500	774,413
Pratt DSR due to RDC payable	-	1,000,000	1,000,000
Compensated absences payable	172,394	119,286	291,680
Total OPEB Liability	208,233	213,638	421,871
Total noncurrent liabilities	21,580,447	14,158,936	35,739,383
Total liabilities	24,129,661	16,874,208	41,003,869
<u>Deferred Inflows of Resources</u>			
OPEB items	131,156	104,136	235,292
Leases - Platform rental	1,031,521	-	1,031,521
Leases - Harrison West	-	65,957	65,957
Total deferred inflows of resources	1,162,677	170,093	1,332,770
<u>Net Position</u>			
Invested in capital assets, net of related debt	54,556,167	27,093,592	81,649,759
Restricted for debt service	2,169,386	2,479,927	4,649,313
Restricted for other purposes	12,419,099	9,121,490	21,540,589
Unrestricted	1,530,081	1,731,735	3,261,816
Total net position	\$ 70,674,733	\$ 40,426,744	\$ 111,101,477

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

CITY OF VALPARAISO UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended December 31, 2023

	Water	Water Reclamation	Total Business Type Activities
Operating Revenues:			
Metered water revenue:			
Residential	\$ 3,748,449	\$ -	\$ 3,748,449
Commercial	1,137,918	-	1,137,918
Industrial	1,332,791	-	1,332,791
Multiple family dwellings	1,065,261	-	1,065,261
Public authorities	208,725	-	208,725
Water reclamation collection and treatment revenue	-	11,126,962	11,126,962
Fire protection revenue	1,211,500	-	1,211,500
Penalties	20,298	76,682	96,980
Other	1,175,216	339,867	1,515,083
Total operating revenues	9,900,158	11,543,511	21,443,669
Operating expenses:			
Transmission and distribution	1,471,829	-	1,471,829
Pumping - operations and maintenance	770,332	277,260	1,047,592
Treatment and disposal - operations and maintenance	1,269,671	-	1,269,671
Customer accounts	759,491	-	759,491
Administration and general	1,533,421	2,144,376	3,677,797
Reclaimed water treatment - operations and maintenance	-	3,214,679	3,214,679
Reclaimed water distribution - operations and maintenance	-	1,062,833	1,062,833
Depreciation	1,744,504	3,575,383	5,319,887
Amortization expense	24,998	24,998	49,996
Total operating expenses	7,574,246	10,299,529	17,873,775
Operating income (loss)	2,325,912	1,243,982	3,569,894
Non-operating revenues (expenses):			
Interest and investment revenue	798,622	688,917	1,487,539
Miscellaneous revenue	87,396	-	87,396
Interest expense	(640,873)	(442,700)	(1,083,573)
Pratt surcharge	-	1,173,123	1,173,123
Payments to RDC	-	(1,173,123)	(1,173,123)
Transfers	101,427	(101,427)	-
Total non-operating revenues (expenses)	346,572	144,790	491,362
Income (loss) before contributions and transfers	2,672,484	1,388,772	4,061,256
Contributions and Transfers:			
Contributions from developer agreements	1,085,856	2,987,735	4,073,591
Payment in lieu of taxes to the City	(759,643)	(771,845)	(1,531,488)
Total contributions and transfers	326,213	2,215,890	2,542,103
Change in net position	2,998,697	3,604,662	6,603,359
Total net position - beginning	67,676,036	36,822,082	104,498,118
Total net position - ending	\$ 70,674,733	\$ 40,426,744	\$ 111,101,477

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

CITY OF VALPARAISO UTILITIES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended December 31, 2023

	Water	Water Reclamation	Total Business Type Activities
Cash flows from operating activities:			
Receipts from customers and users	\$ 9,680,180	\$ 11,417,680	\$ 21,097,860
Payments to employees and for benefits	(2,075,735)	(2,302,538)	(4,378,274)
Payments to suppliers	(3,156,739)	(4,884,764)	(8,041,502)
Net cash provided by operating activities	4,447,706	4,230,378	8,678,084
Cash flows from noncapital financing activities:			
Non-operating receipts	87,396	-	87,396
Transfers in (out)	101,427	(101,427)	-
In lieu of taxes	(759,643)	(771,845)	(1,531,488)
Net cash provided (used) by noncapital financing activities	(570,820)	(873,272)	(1,444,092)
Cash flows from capital and related financing activities:			
Contributions	485,856	-	485,856
Acquisition and construction of capital assets	(7,603,611)	(4,445,594)	(12,049,205)
Pratt surcharge collected	-	1,173,123	1,173,123
Payment to RDC	-	(1,173,123)	(1,173,123)
BAN proceeds	6,000,000	-	6,000,000
Principal paid on capital debt	(1,060,000)	(1,730,000)	(2,790,000)
Interest paid on capital debt	(568,724)	(488,848)	(1,057,572)
Principal paid on loans	-	(79,000)	(79,000)
Interest paid on loans	-	(26,878)	(26,878)
Principal paid on financed purchase	(135,371)	(68,260)	(203,631)
Interest paid on financed purchase	(25,968)	(22,487)	(48,455)
Principal paid on subscriptions	(24,998)	(24,998)	(49,996)
Interest paid on subscriptions	(1,596)	(1,595)	(3,191)
Notes receivable	-	12,093	12,093
Net cash provided (used) by capital and related financing activities	(2,934,412)	(6,875,567)	(9,809,979)
Cash flows from investing activities:			
Interest received	798,622	688,917	1,487,539
Net increase (decrease) in cash and cash equivalents	1,741,096	(2,829,544)	(1,088,448)
Cash and cash equivalents, January 1	17,450,595	17,090,557	34,541,152
Cash and cash equivalents, December 31	\$ 19,191,691	\$ 14,261,013	\$ 33,452,704
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 2,325,912	\$ 1,243,982	\$ 3,569,894
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,744,504	3,575,383	5,319,887
Amortization	24,998	24,998	49,996
(Increase) decrease in assets:			
Accounts receivable	(3,400)	(125,831)	(129,231)
Other receivables	(216,578)	-	(216,578)
Inventories	(44,932)	(166,903)	(211,835)
Increase (decrease) in liabilities:			
Accounts payable	650,905	(350,002)	300,903
Taxes payable	(10,455)	-	(10,455)
Accrued wages and benefits payable	9,753	4,346	14,099
Compensated absence payable	4,057	(1,986)	2,071
Total OPEB Liability	(24,013)	24,517	504
Customer deposits	(13,045)	-	(13,045)
Retainage payable	-	1,874	1,874
Total adjustments	2,121,794	2,986,396	5,108,190
Net cash provided by operating activities	\$ 4,447,706	\$ 4,230,378	\$ 8,678,084
Non-cash investing, capital and financing activities:			
Contributions of assets	\$ 600,000	\$ 2,987,735	\$ 3,587,735
Recognition of subscription asset	51,335	51,335	102,669

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

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 \$14,575,091 and \$12,601,417 for the Water and Water Reclamation Utilities, respectively, of restricted assets, which are restricted by bond covenants and other agreements.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The majority of receivables are trade receivables with no significant concentrations. The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances, and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the collection policy. Management estimated that no allowance was necessary at December 31, 2023.

5. 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:

	Capitalization Threshold	Depreciation Method
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

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

6. 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.

7. 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.

8. 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.

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.

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

10. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors. Net investment in capital assets consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

11. Revenues and Expenditures

Operating revenues and expenditures for the District result from providing water and wastewater collection and treatment services. They also include all revenues and expenditures not related to capital and related financing, noncapital financing, or investing activities.

12. Revenue Recognition

The Utility records revenue as billed to its customers and does not recognize any unbilled revenues that occur between meter readings. This accounting for revenue follows the rate making process of the Indiana Utility Regulatory Commission.

13. Adoption of New Accounting Pronouncements

For the year ended December 31, 2023, the Utility adopted the following:

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 99, *Omnibus 2022*

There was no material impact on the financial statements upon adoption of these pronouncements. See footnote II for further information on the impact of GASB 96.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the 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, 2023, the Water and Water Reclamation Utilities had deposit balances in the amount of \$7,559,209 and \$5,133,215, respectively. The book value of for the Water and Water Reclamation Utilities was \$6,411,381 and \$5,133,215, 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.

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. Cash equivalents

The Utilities hold an investment account within the TrustIndiana Local Government Investment Pool. The purpose of TrustIndiana is to allow local units of government (e.g. counties, municipalities, school corporations, townships, and other units of local government) as well as the State of Indiana to invest in a common pool of investment assets that preserves the principal of the public's funds, remains highly liquid, and maximizes return on investment. TrustIndiana was authorized by the Indiana General Assembly's passage of Indiana Code § 5-13-9-11. At December 31, 2023, the Water and Water Reclamation Utilities investment accounts within the TrustIndiana Local Government Investment Pool was valued at \$12,780,309 and \$9,127,798, respectively.

B. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

<u>2023</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated/amortized:				
Land	\$ 1,543,754	\$ 600,000	\$ -	\$ 2,143,754
Construction in progress	274,761	3,325,861	-	3,600,622
Total capital assets, not being depreciated/amortized	1,818,515	3,925,861	-	5,744,376
Capital assets, being depreciated/amortized:				
Building	8,109,331	25,425	-	8,134,756
Improvements other than buildings	649,838	-	-	649,838
Infrastructure	54,029,870	3,081,139	(19,433)	57,091,576
Subscription asset	-	76,307	-	76,307
Machinery, equipment, and vehicles	20,283,465	1,171,186	(105,645)	21,349,006
Total Capital Assets Being Depreciated/Amortized	83,072,504	4,354,057	(125,078)	87,301,483
Less accumulated depreciation/amortization for:				
Building	(1,593,801)	(162,695)	-	(1,756,496)
Improvements other than buildings	(226,456)	(12,997)	-	(239,453)
Infrastructure	(12,516,575)	(1,141,832)	19,433	(13,638,974)
Subscription asset	-	(49,970)	-	(49,970)
Machinery, equipment, and vehicles	(2,385,081)	(426,980)	105,645	(2,706,416)
Total Accumulated Depreciation/Amortization	(16,721,913)	(1,794,474)	125,078	(18,391,309)
Total capital assets, being depreciated/amortized, net	66,350,591	2,559,583	-	68,910,174
Total capital assets, net	<u>\$ 68,169,106</u>	<u>\$ 6,485,444</u>	<u>\$ -</u>	<u>\$ 74,654,550</u>

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

<u>2023</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Reclamation Utility:				
Capital assets, not being depreciated/amortized:				
Land	\$ 558,014	\$ -	\$ -	\$ 558,014
Construction in progress	395,627	2,708,978		3,104,605
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated/amortized	953,641	2,708,978	-	3,662,619
Capital assets, being depreciated/amortized:				
Building	27,059,306	-	-	27,059,306
Improvements other than buildings	172,956	-	-	172,956
Machinery, equipment, and vehicles	38,102,044	1,784,683	(95,274)	39,791,453
Subscription asset	-	76,307	-	76,307
Infrastructure	46,271,413	2,941,670	-	49,213,083
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets Being Depreciated/Amortized	111,605,719	4,802,660	(95,274)	116,313,105
Less accumulated depreciation/amortization for:				
Building	(8,877,963)	(541,186)	-	(9,419,149)
Improvements other than buildings	(6,146,712)	(3,460)	-	(6,150,172)
Machinery, equipment, and vehicles	(32,362,583)	(2,527,151)	93,272	(34,796,462)
Subscription asset	-	(49,970)	-	(49,970)
Infrastructure	(27,190,913)	(503,586)	-	(27,694,499)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated Depreciation/Amortization	(74,578,171)	(3,625,353)	93,272	(78,110,252)
Total capital assets, being depreciated/amortized, net	37,027,548	1,177,307	(2,002)	38,202,853
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, net	\$ 37,981,189	\$ 3,886,285	\$ (2,002)	\$ 41,865,472

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

	2023
Water	\$ 1,769,502
Water Reclamation	3,600,381

C. Construction Commitments

The Utilities have Construction work in progress as of December 31, 2023 as follows:

	2023	
<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Water Bond Projects/Upgrades	\$ 3,600,622	\$ 2,380,179
Water Reclamation		
	2023	
<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Water Reclamation Bond Projects/Upgrades	\$ 3,104,604	\$ 5,108,697

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility					
Revenue bonds payable	\$ 16,870,000	\$ -	\$ 1,060,000	\$ 15,810,000	\$ 1,090,000
Add: premium	65,101	-	7,194	57,907	-
Total revenue bonds payable	16,935,101	-	1,067,194	15,867,907	1,090,000
BAN payable	-	6,000,000	-	6,000,000	-
Financed purchases	694,407	-	135,371	559,036	137,123
Compensated absences	176,196	4,057	-	180,253	7,859
Subscription Liability	-	51,335	24,998	26,337	26,337
Other post employment benefits obligations	225,977	-	17,744	208,233	-
Total Long-term liabilities	\$ 18,031,681	\$ 6,055,392	\$ 1,245,307	\$ 16,815,429	\$ 1,261,319

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Reclamation Utility					
Revenue bonds payable	\$ 15,010,000	\$ -	\$ 1,730,000	\$ 13,280,000	\$ 1,795,000
Add: premium	402,189	-	69,677	332,512	-
Total revenue bonds payable	15,412,189	-	1,799,677	13,612,512	1,795,000
Loans payable	817,000	-	79,000	738,000	82,000
Financed purchases	489,628	-	68,260	421,368	68,868
Compensated absences	126,710	-	1,986	124,724	5,438
Subscription Liability	-	51,335	24,998	26,337	26,337
Other post employment benefits obligations	231,845	-	18,207	213,638	-
Pratt project	1,000,000	-	-	1,000,000	-
Total Long-term liabilities	\$ 18,077,372	\$ 51,335	\$ 1,992,128	\$ 16,110,242	\$ 1,977,643

2. BAN Payable

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, with the option for the City to redeem prior to maturity at face value plus accrued interest through the call date. The BANs were called and paid off in full in August 2024.

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. 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:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Amount
Water Utility:				
2014B Water Utility: Improvements (Direct Placement)	2.700%	\$ 4,315,000	\$ -	\$ 4,315,000
2014A Water Utility: Improvements (Open Market)	3.500% - 3.625%	9,980,000	(49,459)	10,029,459
2018 Water Utility: Refunding (Open Market)	2.500% - 3.000%	1,515,000	(8,448)	1,523,448
Subtotal		<u>11,495,000</u>	<u>(57,907)</u>	<u>11,552,907</u>
Total		<u>\$ 15,810,000</u>	<u>\$ (57,907)</u>	<u>\$ 15,867,907</u>
Water Reclamation Utility:				
2015 Refunding Revenue Bonds (Open Market)	4.000%	\$ 6,865,000	\$ (266,061)	\$ 7,131,061
2015 Water Reclamation Utility: Improvements (Open Market)	3.000% - 3.375%	1,665,000	(12,545)	1,677,545
2019 Water Reclamation Utility (Open Market)	2.000% - 3.000%	4,750,000	(53,906)	4,803,906
Total		<u>\$ 13,280,000</u>	<u>\$ (332,512)</u>	<u>\$ 13,612,512</u>

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
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	-	358,500	1,250,000	25,380	1,230,000	139,225
2029-2033	6,880,000	1,260,366	-	-	2,205,000	457,647
2034-2038	3,100,000	141,647	-	-	1,910,000	174,894
2039-2043	-	-	-	-	365,000	7,219
Totals	<u>\$ 11,495,000</u>	<u>\$ 3,273,488</u>	<u>\$ 4,315,000</u>	<u>\$ 371,318</u>	<u>\$ 13,280,000</u>	<u>\$ 2,068,085</u>

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

4. 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
2024	\$ 82,000	\$ 24,180
2025	85,000	21,400
2026	87,000	18,518
2027	91,000	15,553
2028	93,000	12,469
2029-2031	300,000	17,910
Totals	\$ 738,000	\$ 110,030

As of December 31, 2023, 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, 2023.

5. Subscription Based Information Technology Agreements

The Utilities have the following Subscription Based Information Technology Agreements as of December 31, 2023:

Description	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2023
Tyler Technologies	4/27/2022	4/27/2025	3.00%	\$ 159,561	\$ 52,673

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

Years	Principal	Interest	Total
2024	\$ 52,673	\$ 514	\$ 53,187
Total	\$ 52,673	\$ 514	\$ 53,187

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

6. 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 required the remaining debt service reserve be funded with monthly transfers of \$8,334 over a five-year period to a total of \$1,000,000 which is due in two \$500,000 payments in July 2025 and January 2026. 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, totaling \$1,173,123 for 2023, are transferred to the City's Redevelopment Commission (RDC) in order to pay the semiannual bond payments.

7. 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, 2023, are as follows:

	Water Utility	Water Reclamation Utility
2024	\$ 160,088	\$ 89,494
2025	134,594	64,000
2026	64,000	64,000
2027	65,250	65,250
2029	66,500	66,500
2030-2031	166,250	166,250
Sub-Total	656,682	515,494
Less amount representing interest	(97,646)	(94,126)
Present value of net minimum lease payments	\$ 559,036	\$ 421,368

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

	Water Utility	Water Reclamation Utility
Machinery and equipment	\$ 552,982	\$ 94,878
Building	750,000	750,000
Accumulated depreciation	(181,282)	(574,120)
Totals	\$ 1,121,700	\$ 270,758

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

E. Restricted Assets

The balances of restricted asset accounts as of December 31, 2023 are as follows:

	Water Utility	Water Reclamation Utility
Revenue bond covenant account	\$ 2,169,386	\$ 988,897
Reserve for Pratt Bond Improvement	-	1,000,000
Reserve for SRF loan	-	1,491,030
Construction account	3,429,565	-
Retainage	-	25,438
Meter replacement	250,000	250,000
Tank Painting and Maintenance	316,019	-
Customer deposits	38,758	-
	\$ 14,575,091	\$ 12,601,417

The revenue bond covenant account, improvement, Reserve for SRF loan, and construction assets are restricted by bond covenants.

F. 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 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 \$19,454,806. Principal and interest cash outflows for the current year and total operating revenues were \$1,628,726 and \$9,990,158, respectively.

Water Reclamation Utility Revenues Pledged

The Utility has pledged future wastewater revenues, net of specified operating expenditures, to repay revenue bonds issued in 2015 and 2019 and refunding revenue bonds in 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, 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 \$15,348,085. Principal and interest cash outflows for the current year and total operating revenues were \$2,218,849 and \$11,543,511, respectively.

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

G. Lease Disclosures

Lessor – Lease Receivables

Description	<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%	\$ 59,158
Verizon Platform Rental	10/19/2015	9/30/2036	4.50%	673,951
AT&T Platform Rental	6/17/2009	3/31/2034	4.50%	<u>298,412</u>
				<u>\$ 1,031,521</u>
Lease revenue recognized during the year:	\$	59,360		
Interest revenue recognized during the year:	\$	47,597		

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.

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 72 active participants and 1 retiree participant. The Utilities' defined benefit OPEB plan, provides OPEB for all general employees who have reached age 55 with 20 years of service.

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, the Utilities had \$18,009 of required contributions to the plan.

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

	Water	Water Reclamation	Total
Annual required contribution	\$ 8,150	\$ 8,363	\$ 16,513
Interest on total OPEB obligation	9,901	10,159	20,060
Adjustment to annual required contribution	(35,795)	(36,729)	(72,524)
Annual OPEB cost	(17,744)	(18,207)	(35,951)
Contributions made	-	-	-
Increase (decrease) in net OPEB obligation	(17,744)	(18,207)	(35,951)
Total OPEB obligation, beginning of year	225,977	231,845	457,822
Total OPEB obligation, end of year	\$ 208,233	\$ 213,638	\$ 421,871

At December 31, 2023, the Utilities reported a combined liability of \$421,871 for its net OPEB liability. The total OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the total 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 based on assignment of specific employees to the departments.

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

For the year ended December 31, 2023, the Utilities recognized a combined OPEB expense of \$18,513. At December 31, 2023, 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	\$ 68,880	\$ 94,151
Change of assumptions	44,133	37,005
Totals	\$ 113,013	\$ 131,156

Water Reclamation Utility:	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 54,695	\$ 74,754
Change of assumptions	35,045	29,382
Totals	\$ 89,740	\$ 104,136

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, 2023	
	Water Utility	Water Reclamation Utility
2024	\$ (11,763)	\$ (6,297)
2025	(11,838)	(6,338)
2026	(5,257)	(2,815)
2027	5,289	2,831
2028	7,448	3,988
Thereafter	(2,022)	(5,765)
Total	\$ (18,143)	\$ (14,396)

(Continued)

CITY OF VALPARAISO UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Measurement Date	December 31, 2023
Actuarial Valuation Date	December 31, 2023; Liabilities of December 31, 2023 are based on an actuarial valuation date of January 1, 2024 with no adjustments to get to measurement date
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 6.00%
Inflation	4.00%

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 4.00%. 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 decreased from 4.31% as of December 31, 2022 to 4.00% as of December 31, 2023.

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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current discount rate:

	3.00%	4.00%	5.00%
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability			
Water Utility	\$ 226,684	\$ 208,233	\$ 191,110
Water Reclamation Utility	232,567	213,638	196,070

(Continued)

CITY OF VALPARAISO UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

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 (7.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	7.0% decreasing to 3.5%	8.0% decreasing to 4.5%	9.0% decreasing to 5.5%
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability:			
Water Utility	\$ 185,929	\$ 208,233	\$ 234,277
Water Reclamation Utility	190,755	213,638	240,358

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.

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

(Continued)

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 \$238,449 and \$376,705, respectively. The pension forfeitures for 2023 are \$3,239 and the outstanding liability is \$113,153. 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

The Water Department and Water Reclamation Department closed on bonds with the Indiana State Revolving Fund program on June 20, 2024 in the principal amounts of \$14,447,000 and \$62,049,000, respectively.

The Water Department and Water Reclamation Department both adopted rate increases on April 22, 2024 with Rate Ordinances No. 8, 2024 and No 10, 2024. Both utilities adopted five-phase rate increase with phase 1 effective upon adoption and subsequent phases effective each July 1 from July 1, 2025 – July 1, 2028 with the water and water reclamation phased increase being 7.5% per phase and 7.9% per phase, respectively. Both utilities also implemented outside user rate surcharges of 14.9% effective upon adoption of the same ordinances.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALPARAISO UTILITIES
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
Last 10 Years*

Total OPEB LIABILITY	2023	2022	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY							
Service cost	\$ 16,513	\$ 22,067	\$ 13,322	\$ 11,772	\$ 17,104	\$ 20,136	\$ 22,606
Interest	20,060	10,465	5,585	8,733	17,283	16,878	16,378
Change in Plan Provisions	-	-	-	-	(52,195)	-	-
Changes in assumptions	31,578	(87,135)	55,595	19,371	9,271	(16,586)	33,600
Differences between expected and actual experience	(86,093)	69,372	118,435	(45,876)	(138,751)	(64,260)	(32,656)
Benefit payments	(18,009)	-	-	-	-	(13,341)	(18,283)
Net change in Total OPEB Liability	(35,951)	14,769	192,937	(6,000)	(147,288)	(57,173)	21,645
Total OPEB liability - beginning of year	<u>457,822</u>	<u>443,053</u>	<u>250,116</u>	<u>256,116</u>	<u>403,404</u>	<u>460,577</u>	<u>438,932</u>
Total OPEB liability - end of year (1)	<u>\$ 421,871</u>	<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	\$ 18,009	\$ -	\$ -	\$ -	\$ -	\$ 13,341	\$ 18,283
Benefit payments	(18,009)	-	-	-	-	(13,341)	(18,283)
Net change in Plan Fiduciary Net Position	-	-	-	-	-	-	-
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>\$ 421,871</u>	<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

CITY OF VALPARAISO UTILITIES
SCHEDULE OF TOTAL OPEB LIABILITY
Last 10 Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
1. Total OPEB Liability	\$ 421,871	\$ 457,822	\$ 443,053	\$ 250,116	\$ 256,116	\$ 403,404	\$ 460,577
2. Plan Fiduciary Net Position	-	-	-	-	-	-	-
3. Total OPEB Liability	<u>\$ 421,871</u>	<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	\$ 4,729,057	\$ 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)	8.90%	9.85%	11.15%	6.70%	7.02%	11.87%	13.86%

Notes to schedule:

* Information presented for the years information is available

**CITY OF VALPARAISO UTILITIES
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Years***

OPEB Contributions	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution**	\$ 18,009	\$ -	\$ -	\$ -	\$ -	\$ 13,341	\$ 18,283
Actual employer contributions	18,009	-	-	-	-	13,341	18,283
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll**	\$ 4,729,057	\$ 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	0.38%	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:

<p>Actuarial cost method Amortization method Remaining amortization period Asset valuation method Healthcare cost trend rates Inflation Payroll growth</p>	<p>Entry age normal - level percent of salary Level dollar, open 30 years Fair market value Medical/Rx 8.0% in 2023 to 4.5% in 2031+ per actuarial report 4% per year 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.</p>
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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

4.31% as of December 31, 2022 and 4.00% as of December 31, 2023 for accounting disclosure purposes.

Other information:

None

*Information presented for the years information is available