

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES

Porter County, Indiana

FINANCIAL STATEMENTS

December 31, 2024

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
PORTER COUNTY, INDIANA

FINANCIAL STATEMENTS
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CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
PORTER COUNTY, INDIANA
SCHEDULE OF OFFICIALS
December 31, 2024 (Unaudited)

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	H. Jon Costas	01-01-24 to 12-31-24
Clerk Treasurer	Holly Taylor	01-01-24 to 12-31-24
Executive Director	Steve Poulos	01-01-24 to 12-31-24
Utilities Chief Financial Officer	Alina Hahn (Vacant)	01-01-24 to 04-26-24 04-27-24 to 06-18-24
	Ronald Patoka (Vacant)	06-19-24 to 08-16-24 08-17-24 to 09-15-24
	Carla Platipodis	09-16-24 to 12-31-24
President of the Utilities Board of Directors	John Walsh	01-01-24 to 12-31-24

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the financial statements of the business-type activities and each major enterprise fund of the City of Valparaiso Water and Water Reclamation Utilities (Utilities), departments of the City of Valparaiso, Indiana, as of and for the year ended December 31, 2024, 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 and each major enterprise fund of the Utilities, departments of the City of Valparaiso, as of December 31, 2024 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 1, the financial statements of the Utilities, departments 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 of Valparaiso 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, 2024, 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.

(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.

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 the 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.

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 opinions 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
November 7, 2025

CITY OF VALPARAISO WATER AND WATER RECLAMATION UTILITIES
STATEMENT OF NET POSITION
December 31, 2024

<u>Assets</u>	<u>Water</u>	<u>Water Reclamation</u>	<u>Total Business Type Activities</u>
Current assets:			
Cash and cash equivalents	\$ 5,324,160	\$ 2,137,141	\$ 7,461,301
Accounts receivable (net of allowance)	861,789	980,228	1,842,017
Lease receivable	2,524,116	-	2,524,116
Other receivables	261,218	-	261,218
Inventories	183,824	474,773	658,597
Total current assets	9,155,107	3,592,142	12,747,249
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Revenue bond covenant account	2,427,943	1,784,464	4,212,407
Improvement	8,527,375	6,355,110	14,882,485
Reserve for SRF loan	-	3,623,647	3,623,647
Construction account	9,846,326	60,545,226	70,391,552
Meter replacement	250,000	250,000	500,000
Tank painting and maintenance	459,575	-	459,575
Customer deposits	46,584	-	46,584
Total restricted assets	21,557,803	72,558,447	94,116,250
Capital assets:			
Land, improvements to land and construction in progress	7,755,361	7,115,839	14,871,200
Other capital assets (net of accumulated depreciation)	69,803,191	36,706,421	106,509,612
Total capital assets	77,558,552	43,822,260	121,380,812
Total noncurrent assets	99,116,355	116,380,707	215,497,062
Total assets	108,271,462	119,972,849	228,244,311
<u>Deferred Outflows of Resources</u>			
Deferred OPEB items	\$ 69,001	\$ 90,993	\$ 159,994

(Continued)

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, 2024

<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	\$ 188,960	\$ 419,834	\$ 608,794
Taxes payable	24,178	-	24,178
Accrued wages and benefits payable	51,727	-	51,727
Compensated absences	5,667	5,602	11,269
Deferred revenue	-	58,000	58,000
Collections held for others	520,967	125,360	646,327
Financed purchase	116,914	171,853	288,767
Current liabilities payable from restricted assets:			
Customer deposits payable	47,074	-	47,074
Revenue bonds payable	505,000	1,860,000	2,365,000
SRF loan payable	889,000	85,000	974,000
Accrued interest payable	216,675	978,686	1,195,361
Total current liabilities	2,566,162	3,704,335	6,270,497
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discount)	10,555,714	9,887,836	20,443,550
SRF loan payable	17,263,000	62,620,000	79,883,000
Financed purchase	305,000	787,435	1,092,435
Pratt DSR due to RDC payable	-	1,000,000	1,000,000
Compensated absences payable	124,317	122,883	247,200
Total OPEB liability	135,982	139,514	275,496
Total noncurrent liabilities	28,384,013	74,557,668	102,941,681
Total liabilities	30,950,175	78,262,003	109,212,178
Deferred Inflows of Resources			
Deferred OPEB items	172,406	158,866	331,272
Deferred inflows - platform rental	2,524,116	-	2,524,116
Deferred inflows - Harrison West	-	65,957	65,957
Total deferred inflows of resources	2,696,522	224,823	2,921,345
Net Position			
Net investment in capital assets	57,770,250	28,955,362	86,725,612
Restricted for debt service	2,211,268	3,429,425	5,640,693
Restricted for capital improvement and other purposes	9,283,534	6,605,110	15,888,644
Unrestricted	5,428,714	2,587,119	8,015,833
Total net position	\$ 74,693,766	\$ 41,577,016	\$ 116,270,782

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, 2024

	<u>Water</u>	<u>Water Reclamation</u>	<u>Total Business Type Activities</u>
Operating Revenues:			
Metered water revenue:			
Residential	\$ 4,078,165	\$ -	\$ 4,078,165
Commercial	1,228,181	-	1,228,181
Industrial	1,217,290	-	1,217,290
Multiple family dwellings	1,096,951	-	1,096,951
Public authorities	209,209	-	209,209
Water reclamation collection and treatment revenue	-	11,666,649	11,666,649
Water reclamation surcharges	-	7,732	7,732
Fire protection revenue	1,272,296	-	1,272,296
Penalties	19,619	82,287	101,906
Water reclamation portion of general expenses	784,933	-	784,933
Other	406,374	317,895	724,269
	<u>10,313,018</u>	<u>12,074,563</u>	<u>22,387,581</u>
Operating expenses:			
Transmission and distribution	1,597,868	-	1,597,868
Pumping - operations and maintenance	679,728	287,065	966,793
Treatment and disposal - operations and maintenance	1,462,116	-	1,462,116
Customer accounts	817,425	-	817,425
Administration and general	1,907,285	2,603,544	4,510,829
Reclaimed water treatment - operations and maintenance	-	3,512,142	3,512,142
Reclaimed water distribution - operations and maintenance	-	1,196,512	1,196,512
Depreciation	1,800,884	3,754,515	5,555,399
Amortization expense	26,337	26,337	52,674
	<u>8,291,643</u>	<u>11,380,115</u>	<u>19,671,758</u>
Total operating expenses	<u>8,291,643</u>	<u>11,380,115</u>	<u>19,671,758</u>
Operating income (loss)	<u>2,021,375</u>	<u>694,448</u>	<u>2,715,823</u>
Non-operating revenues (expenses):			
Interest and investment revenue	1,398,439	2,055,610	3,454,049
Miscellaneous revenue	63,127	-	63,127
Interest expense	(935,445)	(1,403,380)	(2,338,825)
Pratt surcharge	-	1,176,207	1,176,207
Payments to RDC	-	(1,176,207)	(1,176,207)
Transfers	(47,775)	47,775	-
	<u>478,346</u>	<u>700,005</u>	<u>1,178,351</u>
Total non-operating revenues (expenses)	<u>478,346</u>	<u>700,005</u>	<u>1,178,351</u>
Income before contributions and transfers	<u>2,499,721</u>	<u>1,394,453</u>	<u>3,894,174</u>
Capital Contributions and Transfers:			
Contributions from developers	2,278,955	527,664	2,806,619
In lieu of taxes	(759,643)	(771,845)	(1,531,488)
	<u>1,519,312</u>	<u>(244,181)</u>	<u>1,275,131</u>
Total contributions and transfers	<u>1,519,312</u>	<u>(244,181)</u>	<u>1,275,131</u>
Change in net position	4,019,033	1,150,272	5,169,305
Total net position - beginning	<u>70,674,733</u>	<u>40,426,744</u>	<u>111,101,477</u>
Total net position - ending	<u>\$ 74,693,766</u>	<u>\$ 41,577,016</u>	<u>\$ 116,270,782</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, 2024

	Water	Water Reclamation	Total Business Type Activities
Cash flows from operating activities:			
Receipts from customers and users	\$ 8,508,278	\$ 11,990,485	\$ 20,498,763
Payments to suppliers and contractors	(1,622,437)	(4,565,900)	(6,188,337)
Payments to employees for services and benefits	(3,730,535)	(3,134,804)	(6,865,339)
Net cash provided by operating activities	3,155,306	4,289,781	7,445,087
Cash from noncapital financing activities:			
Non-operating receipts	63,127	-	63,127
Transfers in (out)	(47,775)	47,775	-
In lieu of taxes	(759,643)	(771,845)	(1,531,488)
Net cash provided (used) by noncapital financing activities	(744,291)	(724,070)	(1,468,361)
Cash flows from capital and related financing activities:			
Contributions	2,278,955	527,664	2,806,619
Acquisition and construction of capital assets	(4,731,221)	(5,737,639)	(10,468,860)
Pratt surcharge collected	-	1,176,207	1,176,207
Payment to RDC	-	(1,176,207)	(1,176,207)
Bond proceeds	14,447,000	62,049,000	76,496,000
Principal paid on capital debt	(7,095,000)	(1,877,000)	(8,972,000)
Interest paid on capital debt	(896,787)	(640,267)	(1,537,054)
Interest paid on loans	-	(26,878)	(26,878)
Principal paid on financed purchase	(92,122)	537,920	445,798
Interest paid on subscriptions	(257)	(257)	(514)
Interest paid on financed purchase	(21,889)	(22,485)	(44,374)
Notes receivable	-	8,634	8,634
Net cash provided (used) by capital and related financing activities	3,888,679	54,818,692	58,707,371
Cash flows from investing activities:			
Interest received	1,398,438	2,055,610	3,454,048
Net increase (decrease) in cash and cash equivalents	7,698,132	60,440,013	68,138,145
Cash and cash equivalents, January 1	19,183,831	14,255,575	33,439,406
Cash and cash equivalents, December 31	\$ 26,881,963	\$ 74,695,588	\$ 101,577,551
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 2,021,375	\$ 694,448	\$ 2,715,823
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,800,884	3,754,515	5,555,399
Amortization	26,337	26,337	52,674
(Increase) decrease in assets:			
Accounts receivable	(324,609)	(84,078)	(408,687)
Lease receivable	(1,492,594)	-	(1,492,594)
Other receivables	12,463	-	12,463
Inventories	(18,389)	(124,737)	(143,126)
Increase (decrease) in liabilities:			
Accounts payable	(265,578)	139,503	(126,075)
Taxes payable	2,487	-	2,487
Subscription liability	(26,080)	(26,080)	(52,160)
Accrued wages and benefits payable	(440,466)	(53,241)	(493,707)
Deferred inflows - platform rental	1,492,595	-	1,492,595
Compensated absence payable	137,843	9,199	147,042
Total OPEB liability, deferred outflows, and deferred inflows	221,244	(20,647)	200,597
Customer deposits	7,794	-	7,794
Retainage payable	-	(25,438)	(25,438)
Total adjustments	1,133,931	3,595,333	4,729,264
Net cash provided by operating activities	\$ 3,155,306	\$ 4,289,781	\$ 7,445,087

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Valparaiso Water and Water Reclamation Utility Funds (collectively referred to as “the Utility”) are enterprise funds of the City of Valparaiso, State of Indiana. The Utility provides water production, treatment, distribution, and wastewater collection and treatment services to residential, commercial, and industrial customers within the City and certain surrounding areas.

These funds are reported as stand-alone enterprise operations to demonstrate accountability for revenues and expenses that are financed and recovered primarily through user charges. Although legally separate in operation, the Utility remains a component of the City’s primary government for financial reporting purposes because the City Council retains authority over rates, budgets, and issuance of debt. Accordingly, these financial statements present only the activities of the Water and Water Reclamation enterprise funds and are not intended to present the financial position or results of operations of the City of Valparaiso as a whole.

B. Measurement Focus and Basis of Accounting

The Utility’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to proprietary funds of governmental entities, as prescribed by the Governmental Accounting Standards Board (GASB).

The Utility uses the economic resources measurement focus and the accrual basis of accounting. Under this method:

- Revenues are recognized when earned and measurable, regardless of when cash is received.
- Expenses are recognized when incurred, regardless of when cash is disbursed.
- All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (both current and noncurrent) associated with the Utility’s operations are included in the Statement of Net Position.

Operating revenues and expenses generally result from providing water and wastewater utility services. Nonoperating revenues and expenses include investment income, interest expense, and other items not directly related to primary operation. Capital contributions from developers are reported separately after nonoperating items.

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.

C. 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.

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 \$21,557,803 and \$72,558,447 for the Water and Water Reclamation Utilities, respectively, of restricted assets, of which are restricted by bond covenants and other agreements.

4. Accounts Receivable and Allowance for Uncollectible Accounts

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, 2024.

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)

Certain items that do not individually meet the assigned threshold may be aggregated for capitalization purposes. For example, the installation of a new metering system that includes individual water meters with a low unit cost.

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

General Description

The government provides compensated absences in the form of paid time off to eligible employees in accordance with its personnel policies. Paid time off leave is earned based on years of service and hire date.

Recognition and Measurement

Liabilities for compensated absences are recognized as the benefits are earned by employees. A liability is reported for leave that:

- Accumulates,
- Is attributable to services already rendered, and
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means

The liability for compensated absences is measured using the pay or salary rates in effect at the balance sheet date and includes related salary-based payments such as the employer's share of Social Security and Medicare taxes.

The Utilities provides the following types of leave:

- a. Paid Time Off (PTO) – Full time employees earn paid time off at the rate of 12 days to 33 days per year based on years of service and their hire date. Unused PTO may be accumulated to a maximum of 30 days. Accumulated PTO is paid to employees upon termination. Under GASB Statement No. 101, the Utilities recognize a compensated absences liability as of December 31st for all accumulated PTO.
- b. Supplemental Paid Time Off (SPTO) – SPTO is PTO “banked” by an employee in hourly increments to use for a personal non work-related illness or injury which lasts more than three (3) consecutive working days. SPTO can be accumulated in two ways: 1) Any unused PTO days at year-end over the 30 day PTO carryforward limit are converted to SPTO. 2) Employees can transfer PTO days to SPTO days anytime during the year. SPTO may not be used for absences due to a work-related injury or illness. SPTO may be accumulated to a maximum of 23 days. Accumulated SPTO is not paid to employees upon termination. Under GASB Statement No. 101, the Utilities recognize a compensated absences liability as of December 31st for all accumulated SPTO.

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. Lease Receivable

The Utility accounts for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This statement requires that lease arrangements be recognized as either lease assets and liabilities (for lessees) or lease receivables and deferred inflows of resources (for lessors), based on the right to use or control an identified asset for a specified period of time in exchange for consideration.

When the Utility is the lessor, it recognizes at the commencement of the lease term:

- A lease receivable, measured at the present value of future lease payments expected to be received during the lease term; and
- A corresponding deferred inflow of resources, representing the unearned portion of lease revenue to be recognized over the lease term.

Lease revenue is recognized over the term of the lease on a systematic and rational basis, generally consistent with the passage of time, and includes the recognition of interest income on the outstanding lease receivable using the effective interest method.

Cash receipts from lease payments are first applied to interest revenue and then to reduce the principal portion of the lease receivable.

10. Other Post-Employment Benefits

The Utility provides postemployment health benefits to eligible retirees. The plan is not administered through a trust; therefore, no assets are accumulated in a qualifying trust, and there is no fiduciary net position. The Utility's OPEB liability is measured as the total OPEB liability determined by actuarial valuation in accordance with GASB Statement No. 75. Benefits are financed on a pay-as-you-go basis, and related OPEB expense, deferred outflows of resources, and deferred inflows of resources are recognized in the proprietary fund financial statements as required by GASB.

11. 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. Unrestricted net position amounts are not restricted or invested in capital assets.

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. Implementation of Accounting Standards

For the year ended December 31, 2024, the Utilities adopted the following accounting pronouncement:

GASB Statement No. 101, Compensated Absences. This Statement updates the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement was implemented for the year ended December 31, 2024 and applied retrospectively. There were no changes in the compensated absences liability recorded by the Utilities as there was no impact on the January 1, 2024 balance. A liability of \$258,469 is recorded as of December 31, 2024.

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, 2024, the Water and Water Reclamation Utilities had deposit balances in the amount of \$19,120,497 and \$69,460,276, respectively. The book value of the Water and Water Reclamation Utilities was \$18,916,552 and \$69,203,683, 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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, 2024, the Water and Water Reclamation Utilities investment accounts within the TrustIndiana Local Government Investment Pool was valued at \$7,965,411 and \$5,491,905, respectively.

B. Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

<u>2024</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated/amortized:				
Land	\$ 2,143,754	\$ -	\$ -	\$ 2,143,754
Construction in progress	3,600,622	2,010,985	-	5,611,607
Total capital assets, not being depreciated/amortized	5,744,376	2,010,985	-	7,755,361
Capital assets, being depreciated/amortized:				
Building	8,134,756	28,425	-	8,163,181
Improvements other than buildings	649,838	-	-	649,838
Infrastructure	57,091,576	2,065,218	-	59,156,794
Subscription asset	76,307	-	-	76,307
Machinery, equipment, and vehicles	21,349,006	626,595	(48,550)	21,927,051
Total Capital Assets Being Depreciated/Amortized	87,301,483	2,720,238	(48,550)	89,973,171
Less accumulated depreciation/amortization for:				
Building	(1,756,496)	(163,264)	-	(1,919,760)
Improvements other than buildings	(239,453)	(12,997)	-	(252,450)
Infrastructure	(13,638,974)	(1,183,201)	-	(14,822,175)
Subscription asset	(49,970)	(26,337)	-	(76,307)
Machinery, equipment, and vehicles	(2,706,416)	(441,422)	48,550	(3,099,288)
Total Accumulated Depreciation/Amortization	(18,391,309)	(1,827,221)	48,550	(20,169,980)
Total capital assets, being depreciated/amortized, net	68,910,174	893,017	-	69,803,191
Total capital assets, net	\$ 74,654,550	\$ 2,904,002	\$ -	\$ 77,558,552

(Continued)

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

<u>2024</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	\$ 48,600	\$ -	\$ 606,614
Construction in progress	<u>3,104,605</u>	<u>3,404,620</u>	<u>-</u>	<u>6,509,225</u>
Total capital assets, not being depreciated/amortized	<u>3,662,619</u>	<u>3,453,220</u>	<u>-</u>	<u>7,115,839</u>
Capital assets, being depreciated/amortized:				
Building	27,059,306	65,878	(59,600)	27,065,584
Improvements other than buildings	172,956	-	-	172,956
Machinery, equipment, and vehicles	39,791,453	1,366,889	-	41,158,342
Subscription asset	76,307	-	-	76,307
Infrastructure	<u>49,213,083</u>	<u>851,653</u>	<u>-</u>	<u>50,064,736</u>
Total Capital Assets Being Depreciated/Amortized	<u>116,313,105</u>	<u>2,284,420</u>	<u>(59,600)</u>	<u>118,537,925</u>
Less accumulated depreciation/amortization for:				
Building	(9,419,149)	(540,944)	59,600	(9,900,493)
Improvements other than buildings	(6,150,172)	(3,459)	-	(6,153,631)
Machinery, equipment, and vehicles	(34,796,462)	(2,698,098)	-	(37,494,560)
Subscription asset	(49,970)	(26,337)	-	(76,307)
Infrastructure	<u>(27,694,499)</u>	<u>(512,014)</u>	<u>-</u>	<u>(28,206,513)</u>
Total Accumulated Depreciation/Amortization	<u>(78,110,252)</u>	<u>(3,780,852)</u>	<u>59,600</u>	<u>(81,831,504)</u>
Total capital assets, being depreciated/amortized, net	<u>38,202,853</u>	<u>(1,496,432)</u>	<u>-</u>	<u>36,706,421</u>
Total capital assets, net	<u>\$ 41,865,472</u>	<u>\$ 1,956,788</u>	<u>\$ -</u>	<u>\$ 43,822,260</u>

C. Commitments

The Utilities have Construction work in progress as of December 31, 2024 as follows:

Water			
<u>Project</u>	<u>Total project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Water Bond Projects/Upgrades	<u>\$ 14,822,618</u>	<u>\$ 5,611,607</u>	<u>\$ 9,211,011</u>
Water Reclamation			
<u>Project</u>	<u>Total project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Water Reclamation Bond Projects/Upgrades	<u>\$ 63,439,644</u>	<u>\$ 6,509,225</u>	<u>\$ 56,930,419</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility					
Revenue bonds payable	\$ 15,810,000	\$ -	\$ 4,800,000 (1)	\$ 11,010,000	\$505,000
Add: premium	57,907	-	7,193	50,714	-
Total revenue bonds payable	15,867,907	-	4,807,193	11,060,714	505,000
BAN payable	6,000,000	-	6,000,000	-	-
SRF Loans payable	-	18,762,000 (1)(2)	610,000	18,152,000	889,000
Financed purchase	559,036	-	137,122	421,914	116,914
Compensated absences	180,253	-	50,269	129,984	5,667
Subscription Liability	26,337	-	26,337	-	-
Other post employment benefits obligations	208,233	-	72,251	135,982	-
Total Long-term liabilities	\$ 22,841,766	\$ 18,762,000	\$ 11,703,172	\$ 29,900,594	\$ 1,516,581

(1) Includes reclassification of 2014B Bonds in the amount of \$4,315,000.

(2) 2024 SRF Loan was issued in the amount of \$14,447,000.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Reclamation Utility					
Revenue bonds payable	\$ 13,280,000	\$ -	\$ 1,795,000	\$ 11,485,000	\$1,860,000
Add: premium	332,512	-	69,676	262,836	-
Total revenue bonds payable	13,612,512	-	1,864,676	11,747,836	1,860,000
SRF Loans payable	738,000	62,049,000	82,000	62,705,000	85,000
Financed purchase	421,368	606,788	68,868	959,288	171,853
Compensated absences	124,724	3,761	-	128,485	5,602
Subscription Liability	26,337	-	26,337	-	-
Other post employment benefits obligations	213,638	-	74,124	139,514	-
Pratt project	1,000,000	-	-	1,000,000	-
Total Long-term liabilities	\$ 16,136,579	\$ 62,659,549	\$ 2,116,005	\$ 76,680,123	\$ 2,122,455

2. 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:				
2014A Water Utility: Improvements (Open Market)	3.500% - 3.625%	9,980,000	(45,338)	10,025,338
2018 Water Utility: Refunding (Open Market)	2.500% - 3.000%	1,030,000	(5,376)	1,035,376
Total		\$ 11,010,000	\$ (50,714)	\$ 11,060,714
Water Reclamation Utility:				
2015 Refunding Revenue Bonds (Open Market)	4.000%	\$ 5,440,000	\$ (200,904)	\$ 5,640,904
2015 Water Reclamation Utility: Improvements (Open Market)	3.000% - 3.375%	1,545,000	(11,414)	1,556,414
2019 Water Reclamation Utility (Open Market)	2.000% - 3.000%	4,500,000	(50,518)	4,550,518
Total		\$ 11,485,000	\$ (262,836)	\$ 11,747,836

(Continued)

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Revenue bonds debt service requirements to maturity are as follows:

	Water		Water Reclamation	
	Open Market		Open Market	
	Principal	Interest	Principal	Interest
2025	\$ 505,000	\$ 385,025	\$ 1,860,000	\$ 358,825
2026	525,000	370,350	1,920,000	289,500
2027	-	358,500	1,995,000	215,775
2028	-	358,500	1,230,000	139,225
2029	1,290,000	347,300	415,000	112,550
2030-2034	7,115,000	1,011,756	2,270,000	401,441
2035-2039	1,575,000	42,956	1,795,000	125,769
2040-2044	-	-	-	-
2045-2049	-	-	-	-
Totals	<u>\$ 11,010,000</u>	<u>\$ 2,874,388</u>	<u>\$ 11,485,000</u>	<u>\$ 1,643,085</u>

3. Loans Payable

The Water Utility and Water Reclamation Department have 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		Water Reclamation Utility	
	Principal	Interest	Principal	Interest
2025	\$ 889,000	\$ 467,080	\$ 85,000	\$ 1,944,919
2026	1,167,000	439,993	242,000	1,941,960
2027	1,763,000	405,244	391,000	1,931,942
2028	1,818,000	357,989	1,253,000	1,919,558
2029	585,000	317,909	2,166,000	1,866,821
2030-2034	3,197,000	1,353,028	11,854,000	8,275,055
2035-2039	3,672,000	915,010	14,625,000	6,254,483
2040-2044	4,167,000	414,734	19,122,000	3,677,592
2045-2049	894,000	17,270	12,967,000	712,473
Totals	<u>\$ 18,152,000</u>	<u>\$ 4,688,258</u>	<u>\$ 62,705,000</u>	<u>\$ 28,524,801</u>

As of December 31, 2024, 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, 2024.

In 2024, the water utility issued \$18,762,000 in SRF loans and the Water reclamation utility issued \$62,049,000 in SRF loans. The loans will be issued for construction related projects and improvements.

(Continued)

4. 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. \$1,000,000 was set up in the debt service reserve account and is due to the City's Redevelopment Commission (RDC) in order to pay the final two bond payments. The final semi-annual debt payments are scheduled for 2025 and 2026.

5. 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, 2024, are as follows:

	Water Utility	Water Reclamation Utility
2025	\$ 134,594	\$ 199,216
2026	64,000	199,216
2027	65,250	200,466
2028	66,500	201,716
2029	66,500	201,716
2030	66,500	66,500
2031	33,250	33,250
Sub-Total	496,594	1,102,080
Less amount representing interest	(74,680)	(142,792)
Present value of net minimum lease payments	\$ 421,914	\$ 959,288

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

	Water Utility	Water Reclamation Utility
Machinery and equipment	\$ 552,982	\$ 701,666
Building	750,000	750,000
Accumulated depreciation	(207,341)	(729,453)
Totals	\$ 1,095,641	\$ 722,213

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

E. Restricted Assets

The balances of restricted asset accounts as of December 31, 2024 are as follows:

	Water Utility	Water Reclamation Utility
Revenue bond covenant account	\$ 2,427,943	\$ 1,784,464
Improvement	8,527,375	6,355,110
Reserve for SRF loan	-	3,623,647
Construction account	9,846,326	60,545,226
Meter replacement	250,000	250,000
Tank Painting and Maintenance	459,575	-
Customer deposits	46,584	-
	\$ 21,557,803	\$ 72,558,447

F. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future water revenues, net of specified operating expenditures, to repay the outstanding 2014A, 2014B and 2024 revenue bonds and the 2018 refunding revenue bonds. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from water net revenues and are payable through 2026, 2028, 2035, and 2045. Annual principal and interest payments are expected to require less than 47 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$36,724,645. Principal and interest paid for the current year and total operating revenues were \$7,991,529 and \$10,453,477, 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, 2019, and 2024 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, 2039, and 2045. Annual principal and interest payments are expected to require less than 31 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$104,357,886. Principal and interest paid for the current year and total operating revenues were \$2,543,888 and \$12,074,561, respectively.

G. Lessor – Lease Receivables

Description	Date of Inception	Final Maturity	Interest Rates	Balance
T-Mobile Platform Rental	4/24/2002	4/30/2027	3.50%	\$ 42,546
Verizon Platform Rental	10/19/2015	9/30/2025	4.50%	32,640
AT&T Platform Rental	6/17/2009	3/31/2034	4.50%	279,477
AT&T Platform Rental	3/12/2024	12/31/2079	4.50%	2,169,453
				\$ 2,524,116
Lease revenue recognized during year:	\$ 17,525			
Interest revenue recognized during year:	140,460			

(Continued)

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. Related Party Transactions

The Utilities have entered into transactions with the City of Valparaiso, Indiana which has been determined to be a related-party of the Utilities. The Utilities paid the City \$3,168,964 for following services during 2024:

- \$1,531,488 for payment in lieu of taxes
- \$1,221,604 for insurance and benefits
- \$138,964 for employees' salaries
- \$3,788 for utilities
- \$273,120 for other miscellaneous expenses

C. 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, 2024, there were 63 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, 2024, the Utilities had \$0 of required contributions to the plan.

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

At December 31, 2024, the Utilities reported a combined liability of \$275,496 for its net OPEB liability. The net OPEB liability was measured as of December 31, 2024, 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.

	Water	Water Reclamation	Total
Annual required contribution	\$ 9,342	\$ 9,583	\$ 18,925
Interest on net OPEB obligation	8,703	8,929	17,632
Adjustment to annual required contribution	(90,296)	(92,636)	(182,932)
Annual OPEB cost	(72,251)	(74,124)	(146,375)
Contributions made	-	-	-
Increase (decrease) in net OPEB obligation	(72,251)	(74,124)	(146,375)
Net OPEB obligation, beginning of year	208,233	213,638	421,871
Net OPEB obligation, end of year	<u>\$ 135,982</u>	<u>\$ 139,514</u>	<u>\$ 275,496</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

For the year ended December 31, 2024, the Utilities recognized a combined OPEB expense credit of \$7,636. At December 31, 2024, 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	\$ 42,634	\$ 145,409
Change of assumptions	26,367	26,997
Totals	\$ 69,001	\$ 172,406
Water Reclamation Utility:	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 56,227	\$ 133,997
Change of assumptions	34,766	24,869
Totals	\$ 90,993	\$ 158,866

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, 2024	
	Water Utility	Water Reclamation Utility
2025	\$ (19,111)	\$ (25,198)
2026	(14,753)	(19,452)
2027	(7,769)	(10,244)
2028	(6,339)	(8,358)
2029	(14,630)	(19,290)
Thereafter	(11,271)	(14,863)
Total	\$ (73,873)	\$ (97,405)

Actuarial Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Measurement Date	December 31, 2024
Actuarial Valuation Date	December 31, 2024; Liabilities of December 31, 2024 are based on an actuarial valuation date of January 1, 2024 with adjustments for actual premium or discount rate changes from 2024 to 2025.
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

(Continued)

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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 4.28%. 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 4.00% as of January 1, 2024 to 4.28% as of December 31, 2024.

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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current discount rate:

	3.28% 1% Decrease	4.28% Current Rate	5.28% 1% Increase
Net OPEB Liability			
Water Utility	\$ 147,680	\$ 135,982	\$ 125,121
Water Reclamation Utility	151,516	139,514	128,370

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% 1% Decrease	8.0% decreasing to 4.5% Current Rate	9.0% decreasing to 5.5% 1% Increase
Net OPEB Liability:			
Water Utility	\$ 119,678	\$ 135,982	\$ 155,112
Water Reclamation Utility	122,787	139,514	159,140

(Continued)

D. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on April 22, 2024.

2. Water Reclamation Utility

The current rate structure was approved by the Utility on April 22, 2024. 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.

E. 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 \$8,261 and \$12,815, respectively. The pension forfeitures for 2024 are \$8,261 and the outstanding liability is \$275,496. 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.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND SCHEDULE OF NET OPEB LIABILITY
Last 10 Years***

Schedules of Required Supplementary Information SCHEDULE OF CHANGES IN NET OPEB LIABILITY Last 10 Years*								
NET OPEB LIABILITY	2024	2023	2022	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY								
Service cost	\$ 18,925	\$ 16,513	\$ 22,067	\$ 13,322	\$ 11,772	\$ 17,104	\$ 20,136	\$ 22,606
Interest	17,632	20,060	10,465	5,585	8,733	17,283	16,878	16,378
Change in Plan Provisions	-	-	-	-	-	(52,195)	-	-
Changes in assumptions	1,394	31,578	(87,135)	55,595	19,371	9,271	(16,586)	33,600
Differences between expected and actual experience	(184,326)	(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	(146,375)	(35,951)	14,769	192,937	(6,000)	(147,288)	(57,173)	21,645
Total OPEB liability - beginning of year	421,871	457,822	443,053	250,116	256,116	403,404	460,577	438,932
Total OPEB liability - end of year (1)	<u>\$ 275,496</u>	<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>\$ 275,496</u>	<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

Schedules of Required Supplementary Information SCHEDULE OF NET OPEB LIABILITY Last 10 Years*								
	2024	2023	2022	2021	2020	2019	2018	2017
1. Total OPEB Liability	\$ 275,496	\$ 421,871	\$ 457,822	\$ 443,053	\$ 250,116	\$ 256,116	\$ 403,404	\$ 460,577
2. Plan Fiduciary Net Position	-	-	-	-	-	-	-	-
3. Total OPEB Liability	<u>\$ 275,496</u>	<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	\$ 5,218,480	\$ 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)	5.30%	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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Years*

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

OPEB Contributions	2024	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**	\$ 5,218,480	\$ 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	5.30%	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:

Actuarial cost method
Amortization method
Remaining amortization period
Asset valuation method
Healthcare cost trend rates
Inflation
Payroll growth

Entry age normal - level percent of salary
Level dollar, open
30 years
Fair market value
Medical/Rx 8.0% in 2024 to 4.5% in 2032+ per actuarial report
4.28% 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.

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

4.00% as of December 31, 2023 and 4.28% as of December 31, 2024 for accounting disclosure purposes.

Other information:

None

*Information presented for the years information is available