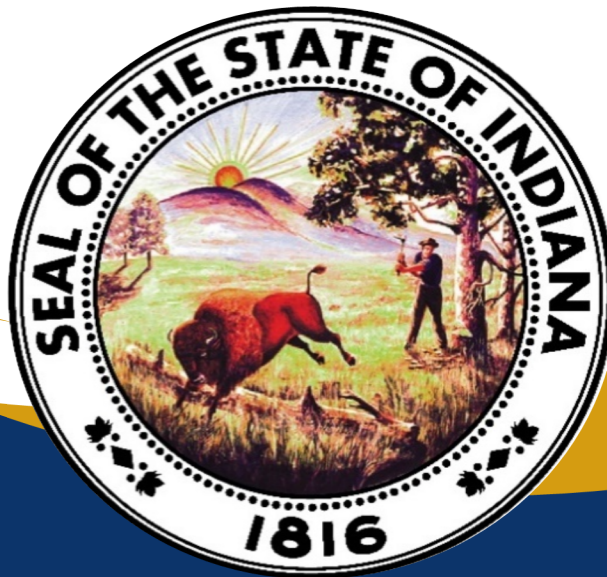


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

**Paul D. Joyce, CPA
State Examiner**

FINANCIAL STATEMENT AND
FEDERAL COMPLIANCE AUDIT REPORT
OF
PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
DUBOIS COUNTY, INDIANA
January 1, 2022 to December 31, 2023



FILED
12/19/2024



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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December 19, 2024

Board of Trustees
Patoka Lake Regional Water and Sewer District
Dubois County, Indiana

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Patoka Lake Regional Water and Sewer District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly, in all material respects, the respective financial position of the business-type activities and each major enterprise fund, of the District, as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Patoka Lake Regional Water and Sewer District was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

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

Tammy R. White, CPA
Deputy State Examiner

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
Dubois County, Indiana

FINANCIAL STATEMENTS
December 31, 2023 and 2022

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT

FINANCIAL STATEMENTS
December 31, 2023 and 2022

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PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2023 and 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Doug Merkel	01-01-22 to 12-31-23
T&D Superintendent	Steven Dodd	01-01-22 to 12-31-23
Water Plant Superintendent	Adam Scherle	01-01-22 to 12-31-23
Wastewater Superintendent	Joshua Walker	01-01-22 to 12-31-23
Controller	Craig Adams	01-01-22 to 02-04-22
Controller	Vacant	02-05-22 to 03-06-22
Controller	Dylan Schaefer	03-07-22 to 12-31-23
Treasurer	Patrick Seger	01-01-22 to 12-31-22
Treasurer	Chad Riddle	01-01-23 to 12-31-23
President of the Board	John Wade	01-01-22 to 12-31-23

INDEPENDENT AUDITOR'S REPORT

The Officials of the Patoka Lake Regional Water
and Sewer District, Dubois County, Indiana

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the business-type activities and each major enterprise fund of the Patoka Lake Regional Water and Sewer District (District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's 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 District, as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). For the year ended December 31, 2023, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, 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.

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of the Net Position Liability - PERF, and the Schedule of District's Contributions – PERF as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal award is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Officials and State Reporting Information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 basic financial statements, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2023. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Districts' internal control over financial reporting and compliance.


Crowe LLP

Indianapolis, Indiana
September 19, 2024

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

Assets	Water	Wastewater	Total Business Type Activities
Current assets:			
Unrestricted:			
Operating cash and cash equivalents	\$ 2,004,120	\$ 508,998	\$ 2,513,118
Accounts receivable - customers	917,383	126,568	1,043,951
Accounts receivable - other	365,471	-	365,471
Inventories	1,086,802	101,092	1,187,894
Total unrestricted current assets	<u>4,373,776</u>	<u>736,658</u>	<u>5,110,434</u>
Noncurrent assets:			
Restricted:			
Restricted cash, cash equivalents and investments:			
Construction Cash and Cash Equivalents	-	92,541	92,541
Debt service reserve investments	2,542,566	-	2,542,566
Improvement cash and cash equivalents	75,152	-	75,152
Improvement investments	2,767,145	2,966,620	5,733,765
Investments - bond project fund	1,376,804	3,904,959	5,281,763
Interest receivable	37,503	27,335	64,838
Total restricted current assets	<u>6,799,170</u>	<u>6,991,455</u>	<u>13,790,625</u>
Capital assets:			
Land, improvements to land and construction in progress	4,151,095	852,211	5,003,306
Other capital assets (net of accumulated depreciation)	85,192,334	8,375,917	93,568,251
Total capital assets	<u>89,343,429</u>	<u>9,228,128</u>	<u>98,571,557</u>
Total noncurrent assets	<u>96,142,599</u>	<u>16,219,583</u>	<u>112,362,182</u>
Total assets	<u>100,516,375.00</u>	<u>16,956,241</u>	<u>117,472,616</u>
Deferred outflows of resources:			
Deferred charge on refunding of debt	2,271,949	-	2,271,949
Regulatory asset - bond issuance costs	672,021	246,460	918,481
Regulatory asset - unamortized tank painting costs	1,416,593	110,577	1,527,170
Pension	589,815	75,439	665,254
Total deferred outflows of resources	<u>4,950,378</u>	<u>432,476</u>	<u>5,382,854</u>
Total assets and deferred outflows of resources	<u>\$ 105,466,753</u>	<u>\$ 17,388,717</u>	<u>\$ 122,855,470</u>

See accompanying notes to financial statements.
(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

	Water	Wastewater	Total Business Type Activities
Liabilities			
Current liabilities:			
Unrestricted:			
Accounts payable	\$ 820,230	\$ 371,504	\$ 1,191,734
Accrued payroll and withholdings payable	63,940	6,504	70,444
Taxes payable	14,237	-	14,237
Advances for construction	3,343	1,291	4,634
Total unrestricted current liabilities	<u>901,750</u>	<u>379,299</u>	<u>1,281,049</u>
Payable from restricted assets:			
Revenue bonds payable	-	130,000	130,000
Contract liability	460,366	-	460,366
Total restricted current liabilities	<u>460,366</u>	<u>130,000</u>	<u>590,366</u>
Total current liabilities	<u>1,362,116</u>	<u>509,299</u>	<u>1,871,415</u>
Noncurrent liabilities:			
Net pension liability	1,417,798	181,343	1,599,141
Revenue bonds payable (net of unamortized discounts/premiums)	<u>34,995,000</u>	<u>3,925,000</u>	<u>38,920,000</u>
Total noncurrent liabilities	<u>36,412,798</u>	<u>4,106,343</u>	<u>40,519,141</u>
Total liabilities	<u>37,774,914</u>	<u>4,615,642</u>	<u>42,390,556</u>
Deferred inflows of resources			
Pension	<u>19,984</u>	<u>2,556</u>	<u>22,540</u>
Total liabilities and deferred inflows of resources	<u>\$ 37,794,898</u>	<u>\$ 4,618,198</u>	<u>\$ 42,413,096</u>
Net position			
Net investment in capital assets	\$ 56,910,364	\$ 8,812,972	\$ 65,723,336
Restricted for:			
Debt service	2,542,566	-	2,542,566
Capital outlay	2,879,800	2,993,955	5,873,755
Total restricted	<u>5,422,366</u>	<u>2,993,955</u>	<u>8,416,321</u>
Unrestricted	<u>5,339,125</u>	<u>963,592</u>	<u>6,302,717</u>
Total net position	<u>\$ 67,671,855</u>	<u>\$ 12,770,519</u>	<u>\$ 80,442,374</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

Assets	Water	Wastewater	Total Business Type Activities
Current assets:			
Unrestricted:			
Operating cash and cash equivalents	\$ 3,823,982	\$ 257,478	\$ 4,081,460
Accounts receivable - customers	832,415	88,914	921,329
Inventories	1,129,128	91,302	1,220,430
Total unrestricted current assets	<u>5,785,525</u>	<u>437,694</u>	<u>6,223,219</u>
Noncurrent assets:			
Restricted:			
Restricted cash, cash equivalents and investments:			
Bond and Interest Investments	2,011,525	-	2,011,525
Debt service reserve investments	2,542,566	-	2,542,566
Improvement investments	704,908	3,320,958	4,025,866
Investments - bond project fund	2,359,494	-	2,359,494
Interest receivable	19,060	10,197	29,257
Total restricted current assets	<u>7,637,553</u>	<u>3,331,155</u>	<u>10,968,708</u>
Capital assets:			
Land, improvements to land and construction in progress	2,010,064	532,788	2,542,852
Other capital assets (net of accumulated depreciation)	85,419,743	8,493,099	93,912,842
Total capital assets	<u>87,429,807</u>	<u>9,025,887</u>	<u>96,455,694</u>
Total noncurrent assets	<u>95,067,360</u>	<u>12,357,042</u>	<u>107,424,402</u>
Total assets	<u>100,852,885</u>	<u>12,794,736</u>	<u>113,647,621</u>
Deferred outflows of resources:			
Deferred charge on refunding of debt	2,414,296	-	2,414,296
Regulatory asset - bond issuance costs	721,132	-	721,132
Regulatory asset - unamortized tank painting costs	1,580,370	144,652	1,725,022
Pension	513,395	65,665	579,060
Total deferred outflows of resources	<u>5,229,193</u>	<u>210,317</u>	<u>5,439,510</u>
Total assets and deferred outflows of resoucrs	<u>\$ 106,082,078</u>	<u>\$ 13,005,053</u>	<u>\$ 119,087,131</u>

See accompanying notes to financial statements.
(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Liabilities			
Current liabilities:			
Unrestricted:			
Accounts payable	\$ 366,667	\$ 242,093	\$ 608,760
Accrued payroll and withholdings payable	63,604	7,121	70,725
Taxes payable	14,378	-	14,378
Advances for construction	3,343	23,992	27,335
Total unrestricted current liabilities	<u>447,992</u>	<u>273,206</u>	<u>721,198</u>
Payable from restricted assets:			
Accrued interest payable	526,525	-	526,525
Revenue bonds payable	3,000,000	-	3,000,000
Contract liability	501,449	-	501,449
Total restricted current liabilities	<u>4,027,974</u>	<u>-</u>	<u>4,027,974</u>
Total current liabilities	<u>4,475,966</u>	<u>273,206</u>	<u>4,749,172</u>
Noncurrent liabilities:			
Net pension liability	1,301,625	166,484	1,468,109
Revenue bonds payable (net of unamortized discounts/premiums)	34,995,000	-	34,995,000
Contract liability	444,050	-	444,050
Total noncurrent liabilities	<u>36,740,675</u>	<u>166,484</u>	<u>36,907,159</u>
Total liabilities	<u>41,216,641</u>	<u>439,690</u>	<u>41,656,331</u>
Deferred inflows of resources			
Pension	62,182	7,953	70,135
Total liabilities and deferred inflows of resources	<u>41,278,823</u>	<u>447,643</u>	<u>41,726,466</u>
Net position			
Net investment in capital assets	53,263,098	8,815,067	62,078,165
Restricted for:			
Debt service	4,027,566	-	4,027,566
Capital outlay	723,968	3,331,155	4,055,123
Total restricted	<u>4,751,534</u>	<u>3,331,155</u>	<u>8,082,689</u>
Unrestricted	<u>6,788,623</u>	<u>411,188</u>	<u>7,199,811</u>
Total net position	<u>\$ 64,803,255</u>	<u>\$ 12,557,410</u>	<u>\$ 77,360,665</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Operating revenues:			
Metered water revenue			
Residential	\$ 3,477,407	\$ -	\$ 3,477,407
Wholesale	8,013,057	-	8,013,057
Measured revenue			
Residential/commercial	-	863,363	863,363
Industrial	-	305,888	305,888
Other	72,984	31,552	104,536
Total operating revenues	<u>11,563,448</u>	<u>1,200,803</u>	<u>12,764,251</u>
Operating expenses:			
Source of supply and expense/collection system expense:			
Operations and Maintenance	417,837	81,897	499,734
Transmission and Distribution	2,836,821	-	2,836,821
Treatment and Disposal - Operations and Maintenance	2,185,096	399,177	2,584,273
Customer Accounts	76,374	9,284	85,658
Administration and General	1,650,844	193,254	1,844,098
Depreciation and Amortization	3,255,241	515,630	3,770,871
Total Operating Expenses	<u>10,422,213</u>	<u>1,199,242</u>	<u>11,621,455</u>
Operating income (loss)	<u>\$ 1,141,235</u>	<u>\$ 1,561</u>	<u>\$ 1,142,796</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	407,939	185,097	593,036
Net gain (loss) on disposal/sale of asset	40,726	-	40,726
Miscellaneous revenue	8,298	-	8,298
Amortization of bond issue costs	(49,111)	(2,181)	(51,292)
Interest expense	(1,169,800)	(26,891)	(1,196,691)
Total nonoperating revenues (expenses)	<u>(761,948)</u>	<u>156,025</u>	<u>(605,923)</u>
Change in net position before capital contributions	379,287	157,586	536,873
Capital contributions	<u>2,489,313</u>	<u>55,523</u>	<u>2,544,836</u>
Change in net position	2,868,600	213,109	3,081,709
Net position, beginning of year	<u>64,803,255</u>	<u>12,557,410</u>	<u>77,360,665</u>
Net position, end of year	<u>\$ 67,671,855</u>	<u>\$ 12,770,519</u>	<u>\$ 80,442,374</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

	Water	Wastewater	Total Business Type Activities
Operating revenues:			
Metered water revenue			
Residential	\$ 3,236,680	\$ -	\$ 3,236,680
Wholesale	7,040,147	-	7,040,147
Measured revenue			
Residential/commercial	-	850,839	850,839
Industrial	-	277,009	277,009
Other	56,556	6,368	62,924
Total operating revenues	<u>10,333,383</u>	<u>1,134,216</u>	<u>11,467,599</u>
Operating expenses:			
Source of supply and expense/collection system expense:			
Operations and Maintenance	391,824	145,665	537,489
Transmission and Distribution	2,468,972	-	2,468,972
Treatment and Disposal - Operations and Maintenance	1,911,960	354,628	2,266,588
Customer Accounts	89,391	19,066	108,457
Administration and General	1,495,794	159,887	1,655,681
Depreciation and Amortization	3,216,598	496,508	3,713,106
Total Operating Expenses	<u>9,574,539</u>	<u>1,175,754</u>	<u>10,750,293</u>
Operating income (loss)	<u>\$ 758,844</u>	<u>\$ (41,538)</u>	<u>\$ 717,306</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	48,185	12,651	60,836
Net gain (loss) on disposal/sale of asset	36,067	72,949	109,016
Miscellaneous revenue	39,251	-	39,251
Amortization of bond issue costs	(99,018)	-	(99,018)
Interest expense	(1,472,575)	-	(1,472,575)
Total nonoperating revenues (expenses)	<u>(1,448,090)</u>	<u>85,600</u>	<u>(1,362,490)</u>
Change in net position before capital contributions	(689,246)	44,062	(645,184)
Capital contributions	478,524	29,036	507,560
Change in net position	(210,722)	73,098	(137,624)
Net position, beginning of year	<u>65,013,977</u>	<u>12,484,312</u>	<u>77,498,289</u>
Net position, end of year	<u>64,803,255</u>	<u>\$ 12,557,410</u>	<u>\$ 77,360,665</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	Water	Wastewater	Total Business Type Activities
Cash flows from operating activities:			
Receipts from customers and users	\$ 11,476,258	\$ 1,163,149	\$ 12,639,407
Payments to suppliers	(3,715,021)	(342,350)	(4,057,371)
Payments to employees and for benefits	(3,582,542)	(369,405)	(3,951,947)
Other receipts (payments)	8,298	(22,701)	(14,403)
Net Cash Provided By Operating Activities	<u>4,186,993</u>	<u>428,693</u>	<u>4,615,686</u>
Cash flows from capital and related financial activities:			
Capital contributions	2,123,842	55,523	2,179,365
Acquisition and construction of capital assets	(4,288,742)	(536,961)	(4,825,703)
Principal paid on capital debt	(3,000,000)	-	(3,000,000)
Interest paid on capital debt	(1,553,977)	(26,891)	(1,580,868)
Proceeds from bonds	-	4,055,000	4,055,000
Bond issuance costs	-	(248,641)	(248,641)
Payments on the contract payable	(534,299)	-	(534,299)
Net cash used by capital and related financing activities	<u>(7,253,176)</u>	<u>3,298,030</u>	<u>(3,955,146)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	15,186,268	810,728	15,996,996
Purchase of investments	(14,254,290)	(4,361,349)	(18,615,639)
Interest received	389,495	167,959	557,454
Net cash provided (used) by investing activities	<u>1,321,473</u>	<u>(3,382,662)</u>	<u>(2,061,189)</u>
Net increase in cash and cash equivalents	(1,744,710)	344,061	(1,400,649)
Cash and cash equivalents, January 1	3,823,982	257,478	4,081,460
Cash and cash equivalents, December 31	<u>\$ 2,079,272</u>	<u>\$ 601,539</u>	<u>\$ 2,680,811</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,141,235	\$ 1,561	\$ 1,142,796
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense and amortization expense	3,255,241	515,630	3,770,871
Deferred pension - inflows and outflows	(2,445)	(312)	(2,757)
Bad debt expense	2,221	-	2,221
Nonoperating revenue (expense)	8,298	-	8,298
(Increase) decrease in assets:			
Accounts receivable	(87,190)	(37,654)	(124,844)
Inventories	42,326	(9,790)	32,536
Increase (decrease) in liabilities:			
Accounts payable	(172,889)	(17,425)	(190,314)
Advances for construction	-	(22,701)	(22,701)
Accrued payroll and withholdings payable	337	(616)	(279)
Taxes payable	(141)	-	(141)
Total adjustments	<u>3,045,758</u>	<u>427,132</u>	<u>3,472,890</u>
Net Cash Provided by Operating Activities	<u>\$ 4,186,993</u>	<u>\$ 428,693</u>	<u>\$ 4,615,686</u>
Noncash investing, capital and financing activities:			
Transfer of construction-in-progress to capital asset	\$ 2,156,149	\$ -	\$ 2,156,149
Amortization of bond issuance costs	49,111	2,181	51,292
Disposal of capital assets fully depreciated	88,192	-	88,192
Deferral of bond issuance costs	-	248,641	248,641
Construction in progress in AP	487,295	339,773	827,068

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 10,335,057	\$ 1,136,935	\$ 11,471,992
Payments to suppliers	(3,017,864)	(333,355)	(3,351,219)
Payments to employees and for benefits	(3,323,044)	(343,243)	(3,666,287)
Other receipts (payments)	47,378	117,250	164,628
Net Cash Provided By Operating Activities	<u>4,041,527</u>	<u>577,587</u>	<u>4,619,114</u>
Cash flows from capital and related financial activities:			
Capital contributions	478,524	29,036	507,560
Acquisition and construction of capital assets	(2,116,433)	(346,537)	(2,462,970)
Interest paid on capital debt	(526,525)	-	(526,525)
Payments on the contract liability	(675,980)	-	(675,980)
Net cash used by capital and related financing activities	<u>(2,840,414)</u>	<u>(317,501)</u>	<u>(3,157,915)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	5,921,350	473,611	6,394,961
Purchase of investments	(4,599,849)	(612,522)	(5,212,371)
Interest received	31,680	3,346	35,026
Net cash provided (used) by investing activities	<u>1,353,181</u>	<u>(135,565)</u>	<u>1,217,616</u>
Net increase in cash and cash equivalents	2,554,294	124,521	2,678,815
Cash and cash equivalents, January 1	1,269,688	132,957	1,402,645
Cash and cash equivalents, December 31	<u>3,823,982</u>	<u>257,478</u>	<u>4,081,460</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 758,844	\$ (41,538)	\$ 717,306
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense and amortization expense	3,216,598	496,508	3,713,106
Deferred pension - inflows and outflows	(84,294)	(10,781)	(95,075)
Bad debt expense	10,617	-	10,617
Land held for resale	8,128	23,561	31,689
Sale of asset	-	72,949	72,949
Nonoperating revenue (expense)	39,250	-	39,250
(Increase) decrease in assets:			
Accounts receivable	1,674	2,719	4,393
Inventories	(29,450)	862	(28,588)
Increase (decrease) in liabilities:			
Accounts payable	149,159	11,849	161,008
Advances for construction	(29,894)	20,740	(9,154)
Accrued payroll and withholdings payable	1,494	718	2,212
Taxes payable	(599)	-	(599)
Total adjustments	<u>3,282,683</u>	<u>619,125</u>	<u>3,901,808</u>
Net Cash Provided by Operating Activities	<u>\$ 4,041,527</u>	<u>\$ 577,587</u>	<u>\$ 4,619,114</u>
Noncash investing, capital and financing activities:			
Transfer of construction-in-progress to capital asset	\$ 591,973	\$ 41,692	\$ 633,665
Amortization of bond issuance costs	99,018	-	99,018
Disposal of capital assets fully depreciated	59,047	45,558	104,605
Construction in progress in AP	210,820	-	210,820

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The District (primary government) was established under the laws of the State of Indiana. The District operates under an appointed Board of Directors form of government and provides the following services: water distribution and treatment and wastewater collection and treatment. The accompanying financial statements present the activities of the District. There are no significant component units which require inclusion.

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.

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

The District presents two major funds, the Water fund and Wastewater fund. Activities of the Water fund could be described as metered and residential services of local homes and organizations. While activities of the Wastewater fund could be described as various resident and commercial activities that assist in the disposal and monitoring of wastewater.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflow of resources at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: During the 2022 and 2023 audit period, the District adopted the following:

- GASB Statement No. 87, *Leases*
- 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.

Assets, Liabilities and Net Position:

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

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State statute (IC 5-13-9) authorizes the District 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

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.

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 and 2022.

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 acquisition value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
<i>Water Utility:</i>			
Buildings	\$ 5,000	Straight-line	10 to 40 years
Improvements other than buildings	5,000	Straight-line	10 to 60 years
Machinery and equipment	5,000	Straight-line	5 to 60 years
Transportation equipment	5,000	Straight-line	5 to 10 years

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Wastewater Utility:			
Buildings	\$ 5,000	Straight-line	5 to 40 years
Improvements other than buildings	5,000	Straight-line	5 to 60 years
Machinery and equipment	5,000	Straight-line	5 to 10 years
Transportation equipment	5,000	Straight-line	5 to 10 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Starting with GASB 89, Interest incurred during the construction phase of capital assets of business-type activities is expensed.

Deferred Outflow / Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. Items that qualify for reporting in this category include a deferred charge on refunding resulting from the difference in the carrying value of the refunded debt and its reacquisition price. In addition, the District has reported regulatory assets per GASB No. 62, for bond issuance costs with amortization over the life of the related debt, and tank painting costs over its useful life. Lastly, the District reports deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. The item relates the implementation of GASB No. 68 to recognize the liability associated with the District's pension plan.

Compensated Absences:

Effective January 1, 2022, full-time employees with 15 years of service or more were given the option to stay with the below sick, vacation, and personal leave policies or elect into the new paid time off policy.

Sick Leave - District employees earn sick leave at the rate of 4 hours per month. Unused sick leave may be accumulated indefinitely. However, if the employee retires at age 65 with at least 10 years of service, the employee will be paid for their accumulated sick leave at the employee's regular rate of pay up to a maximum of \$20,000.

Vacation Leave - District employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate. However, the employee is permitted to carry over the amount of vacation leave they can earn in one year to the next year.

Personal Leave - District employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to sick leave at the end of the year.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paid Time Off - As of January 1, 2022, District employees earn paid time off 19 days to 29 days per year based upon the number of years of service. Employees may rollover up to 72 hours of unused paid time off into accrued sick leave account.

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, as well as issuance costs (per GASB No. 62), 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.

Net Pension Liability: The District has recorded a net pension liability reflecting their proportionate share of the difference between the total pension liabilities and the fiduciary net positions of the Indiana Public Retirement System (INPRS) PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS PERF Plan and additions to/deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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

- Restricted Net Position - Consists of net position with constraints placed on it either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions enabling legislation.
- Unrestricted Net Position - All other net position amounts that do not meet the definition of "restricted".
- Net Investment in Capital Assets - Consists of investments in capital assets net of related debt.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

Revenues and Expenditures: Operating revenues and expenditures for the District result from providing potable 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.

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.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District'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. At December 31, 2023 and 2022, the District had total deposit balances including certificates of deposit in the amount of \$16,238,905 and \$15,020,911, respectively.

Investments: Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2023 the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	More than 5
<u>Water Utility</u>				
United States treasury notes	\$ 1,642,270	\$ 1,642,270	\$ -	\$ -
Certificates of Deposit	1,490,000	1,490,000	-	-
Mortgage-backed debt securities	1,803,683	1,803,683	-	-
Trust Indiana pooled account	968,043	968,043	-	-
U.S. Government money market funds	782,519	782,519	-	-
Total Investments	\$ 6,686,515	\$ 6,686,515	\$ -	\$ -
<u>Wastewater Utility</u>				
United States treasury notes	\$ 384,318	\$ 384,318	\$ -	\$ -
Certificates of Deposit	620,000	620,000	-	-
Mortgage-backed debt securities	394,751	394,751	-	-
Trust Indiana pooled account	3,904,959	3,904,959	-	-
U.S. Government money market funds	1,567,551	1,567,551	-	-
Total Investments	\$ 6,871,579	\$ 6,871,579	\$ -	\$ -

As of December 31, 2022 the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	More than 5
<u>Water Utility</u>				
United States treasury notes	\$ 3,456,090	\$ 3,456,090	\$ -	\$ -
Certificates of Deposit	1,000,000	500,000	500,000	-
Mortgage-backed debt securities	2,509,065	697,816	1,811,249	-
Trust Indiana pooled account	602,497	602,497	-	-
U.S. Government money market funds	50,841	50,841	-	-
Total Investments	\$ 7,618,493	\$ 5,307,244	\$ 2,311,249	\$ -
<u>Wastewater Utility</u>				
United States treasury notes	\$ 2,482,071	\$ 2,482,071	\$ -	\$ -
Certificates of Deposit	235,000	235,000	-	-
Mortgage-backed debt securities	391,050	391,050	-	-
Trust Indiana pooled account	170,425	170,425	-	-
U.S. Government money market funds	42,412	42,412	-	-
Total Investments	\$ 3,320,958	\$ 3,320,958	\$ -	\$ -

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Certificates of deposit are reported at cost. United States treasury notes, mortgage-backed debt securities, and U.S. Government money market funds are reported at fair value. The fair value of the U.S. Government money market funds is determined using unadjusted quoted prices in active markets for identical assets and are therefore classified as level one fair value measurements.

The fair value of investments in United States treasury notes and mortgage-backed debt securities are based on quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets. The Trust Indiana pooled account is a pooled investment account authorized by Indiana Code 5-13-9-11. The Trust Indiana account is made up of a common pool of fixed income investment assets. Accordingly, all investments in United States treasury notes, Trust Indiana pooled account, and the mortgage-backed debt securities are classified in level two of the hierarchy of fair value.

Statutory Authorization for Investment Policies

Indiana Code 5-13-9 authorizes the primary government to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the primary government to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of no more than two years.

Indiana code also provides for investment in money market mutual funds that are in the form of securities of or interest in an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities or interest in an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the primary government may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy for custodial credit risk for investments.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government must follow state statute and limit the stated final maturities of the investments to no more than five years. The primary government does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy for credit risk for investments. All of the District's investments are FDIC insured or are backed by the U.S. Government.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The primary government does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets:

	January 1 2021 Balance	Increases	Decreases	December 31 2022 Balance	Increases	Decreases	December 31 2023 Balance
Water Utility:							
Capital assets, not being depreciated:							
Land	\$ 740,118	\$ -	\$ -	\$ 740,118	\$ -	\$ -	\$ 740,118
Construction in progress	185,602	1,676,316	(591,972)	1,269,946	4,297,181	(2,156,150)	3,410,977
Total	925,720	1,676,316	(591,972)	2,010,064	4,297,181	(2,156,150)	4,151,095
Capital assets, being depreciated:							
Infrastructure	91,385,403	500,493	-	91,885,896	881,266	(97,435)	92,669,727
Buildings	32,852,846	19,150	-	32,871,996	1,438,362	-	34,310,358
Improvements other than buildings	104,949	-	-	104,949	-	-	104,949
Machinery and equipment	10,156,313	413,282	(59,047)	10,510,548	352,487	(169,625)	10,693,410
Transportation equipment	1,306,046	132,055	(57,058)	1,381,043	356,176	(145,404)	1,591,815
Organizational costs	96,609	-	-	96,609	-	-	96,609
Total	135,902,166	1,064,980	(116,105)	136,851,041	3,028,291	(412,464)	139,466,868
Less accumulated depreciation for:							
Infrastructure	(32,273,277)	(1,624,102)	-	(33,897,379)	(1,634,841)	66,387	(35,465,833)
Buildings	(10,857,062)	(878,467)	-	(11,735,529)	(879,744)	-	(12,615,273)
Improvements other than buildings	(25,230)	(7,714)	-	(32,944)	(7,715)	-	(40,659)
Machinery and equipment	(4,451,486)	(454,556)	59,048	(4,846,994)	(473,683)	50,887	(5,269,790)
Transportation equipment	(768,096)	(87,982)	34,235	(821,843)	(95,481)	130,954	(786,370)
Organizational costs	(96,609)	-	-	(96,609)	-	-	(96,609)
Total accumulated depreciation	(48,471,760)	(3,052,821)	93,283	(51,431,298)	(3,091,464)	248,228	(54,274,534)
Capital assets, net	87,430,406	(1,987,841)	(22,822)	85,419,743	(63,173)	(164,236)	85,192,334
Total capital assets, net	\$88,356,126	\$ (311,525)	\$ (614,794)	\$ 87,429,807	\$ 4,234,008	\$ (2,320,386)	\$89,343,429

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

	January 1 2021 Balance	Increases	Decreases	December 31 2022 Balance	Increases	Decreases	December 31 2023 Balance
Wastewater Utility:							
Capital assets, not being depreciated:							
Land	\$ 314,634	\$ -	\$ -	\$ 314,634	\$ -	\$ -	\$ 314,634
Construction in progress	41,692	218,154	(41,692)	218,154	530,243	(210,820)	537,577
Total	<u>356,326</u>	<u>218,154</u>	<u>(41,692)</u>	<u>532,788</u>	<u>530,243</u>	<u>(210,820)</u>	<u>852,211</u>
Capital assets, being depreciated:							
Infrastructure	14,117,479	225,120	-	14,342,599	326,010	-	14,668,609
Buildings	3,664,801	56,498	-	3,721,299	32,817	-	3,754,116
Machinery and equipment	649,573	99,279	(45,558)	703,294	5,546	-	708,840
Transportation equipment	223,764	-	-	223,764	-	-	223,764
Organizational costs	16,319	-	-	16,319	-	-	16,319
Total	<u>18,671,936</u>	<u>380,897</u>	<u>(45,558)</u>	<u>19,007,275</u>	<u>364,373</u>	<u>-</u>	<u>19,371,648</u>
Less accumulated depreciation for:							
Infrastructure	(7,420,780)	(348,721)	-	(7,769,501)	(355,125)	-	(8,124,626)
Buildings	(2,341,840)	(65,153)	-	(2,406,993)	(69,120)	-	(2,476,113)
Machinery and equipment	(191,800)	(30,721)	45,558	(176,963)	(48,053)	-	(225,016)
Transportation equipment	(126,563)	(17,837)	-	(144,400)	(9,258)	-	(153,658)
Organizational costs	(16,319)	-	-	(16,319)	-	-	(16,319)
Total accumulated depreciation	<u>(10,097,302)</u>	<u>(462,432)</u>	<u>45,558</u>	<u>(10,514,176)</u>	<u>(481,555)</u>	<u>-</u>	<u>(10,995,731)</u>
Capital assets, net	<u>8,574,634</u>	<u>(81,535)</u>	<u>-</u>	<u>8,493,099</u>	<u>(117,182)</u>	<u>-</u>	<u>8,375,917</u>
Total capital assets, net	<u>\$ 8,930,960</u>	<u>\$ 136,619</u>	<u>\$ (41,692)</u>	<u>\$ 9,025,887</u>	<u>\$ 413,061</u>	<u>\$ (210,820)</u>	<u>\$ 9,228,128</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Construction Commitments: Construction work in progress and remaining project commitments:

<u>Project</u>	<u>2022</u>		<u>2023</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>	<u>Expended to December 31,</u>	<u>Committed</u>
<u>Water Utility:</u>				
Drying Bed	\$ 741,056	\$ 617,585	\$ -	\$ -
Tank 4 Replacement	128,363	3,860,638	2,958,711	1,145,927
St. Anthony Pipe Replacement	260,965	-	-	-
Jasper Connection	864	-	2,089	-
Town of Bristow Pipe Replacement	81,580	-	-	-
Dubois South Pit Replacement	3,148	-	3,148	-
Huntingburg Ph 1 Pit Replacement	53,971	12,039	-	-
Oakland City Pipe Replacement	-	-	166,405	-
Water Plant UV PLC Upgrade	-	-	37,064	-
250 hp High Service Pump Soft Start Install	-	-	8,445	-
HighFill Booster Station	-	-	19,916	-
Finch-Newton Pit	-	-	3,719	-
Possum Junction Pipe Replacement	-	-	52,045	-
Booster Station 1 Generator	-	-	3,385	-
300 hp High Service Pump Soft Start Install	-	-	9,764	-
SCADA System Improvements	-	-	7,129	368,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Water Utility	<u>\$ 1,269,945</u>	<u>\$ 4,478,223</u>	<u>\$ 3,271,820</u>	<u>\$ 1,514,797</u>
<u>Wastewater Utility:</u>				
Wabash Valley Produce	\$ 7,334	\$ -	\$ 519,695	\$ 3,711,971
Granite In-Liner	<u>210,820</u>	<u>211,633</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Wastewater Utility	<u>\$ 218,154</u>	<u>\$ 211,633</u>	<u>\$ 519,695</u>	<u>\$ 3,711,971</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Liabilities:

Changes in Long-Term Liabilities: Long-term liability activity for the years ended December 31, 2023 was as follows:

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Water Utility:</u>					
Revenue bonds payable	\$ 37,995,000	\$ -	\$ 3,000,000	\$ 34,995,000	\$ -
Contract liability	945,499	49,166	534,299	460,366	460,366
Net pension liability	1,301,625	116,173	-	1,417,798	-
Total	<u>\$ 40,242,124</u>	<u>\$ 165,339</u>	<u>\$ 3,534,299</u>	<u>\$ 36,873,164</u>	<u>\$ 460,366</u>
<u>Wastewater Utility:</u>					
Revenue Bonds Payable	\$ -	\$ 4,055,000	\$ -	\$ 4,055,000	\$ 130,000
Net pension liability	166,484	14,859	-	181,343	-
Total	<u>\$ 166,484</u>	<u>\$ 4,069,859</u>	<u>\$ -</u>	<u>\$ 4,236,343</u>	<u>\$ 130,000</u>

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

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Water Utility:</u>					
Revenue bonds payable	\$ 37,995,000	\$ -	\$ -	\$ 37,995,000	\$ 3,000,000
Contract liability	1,621,479	-	675,980	945,499	501,449
Net pension liability	540,499	761,126	-	1,301,625	-
Total	<u>\$ 40,156,978</u>	<u>\$ 761,126</u>	<u>\$ 675,980</u>	<u>\$ 40,242,124</u>	<u>\$ 3,501,449</u>
<u>Wastewater Utility:</u>					
Net pension liability	<u>\$ 69,133</u>	<u>\$ 97,351</u>	<u>\$ -</u>	<u>\$ 166,484</u>	<u>\$ -</u>

Revenue Bonds: The District issues bonds to be paid by income derived from the acquired or constructed assets.

On November 15, 2023, the District issued \$4,055,000 of Sewage Works Revenue Bonds of 2023 for construction related to increasing capacity on the District's wastewater system and enhancing the District's wastewater system to provide additional capacity to Wabash Valley Foods, LLC ("Wabash Valley"). The District and Wabash Valley entered into Definitive Agreement for Sanitary Sewage Disposal Service on November 13, 2023, whereas, the Wabash Valley agrees to make annual payments to the District in the amount of \$276,650 to cover the debt service incurred by the District for making the capacity enhancements, payable in twelve monthly installments of \$23,054.17 for a period of twenty years.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

The Bonds were issued as provided in Ordinance No. 2023-5 adopted by the Board of Trustees on September 25, 2023 (the “Bond Ordinance” or “Ordinance”). The Bonds are payable solely from and constitute a first charge upon the Net Revenues (hereinafter defined) of the District’s Sewage Works.

The Bonds shall not constitute an indebtedness of the District within the meaning of the provisions and limitations of the constitution of the State of Indiana.

Revenue bonds outstanding at year end 2023 are as follows:

Purpose	Interest Rates	Water Utility		
		Balance at December 31	Plus: Unamortized Premium (Discount)	Amount
2012B Waterworks Refunding Revenue Bonds	2.896 to 3.30%	\$ 1,830,000	\$ -	\$ 1,830,000
2014A Waterworks Refunding Revenue Bonds	2.15%	435,000	-	435,000
2019 Waterworks Refunding Revenue Bonds	1.932 to 3.338%	22,010,000	-	22,010,000
2021 Waterworks Revenue and Refunding Revenue Bonds	0.350 to 2.9%	10,240,000	-	10,240,000
2021 Waterworks Refunding Revenue Bonds	3.20%	480,000	-	480,000
Total		\$ 34,995,000	\$ -	\$ 34,995,000

The 2021 Waterworks Revenue and Refunding Revenue Bonds, the 2019 Bonds and 2012B Bonds are publicly trade and require continuing disclosure. The 2012B Bonds, 2014A Bonds and 2021 Waterworks Refunding Revenue Bonds are direct placements.

Purpose	Interest Rates	Wastewater Utility		
		Balance at December 31	Plus: Unamortized Premium (Discount)	Amount
2023 Sewage Works Revenue Bonds	5.19%	\$ 4,055,000	-	\$ 4,055,000
Total		\$ 4,055,000	\$ -	\$ 4,055,000

The 2023 Sewage Works Revenue Bonds are direct placements.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Revenue bonds outstanding at year end 2022 are as follows:

Purpose	Interest Rates	Water Utility		
		Balance at December 31	Plus: Unamortized Premium (Discount)	Amount
2012A Waterworks Refunding Revenue Bonds	1.45%	\$ 145,000	\$ -	\$ 145,000
2012B Waterworks Refunding Revenue Bonds	2.896 to 3.30%	1,975,000	-	1,975,000
2014A Waterworks Refunding Revenue Bonds	2.15%	1,270,000	-	1,270,000
2019 Waterworks Refunding Revenue Bonds	1.932 to 3.338%	23,315,000	-	23,315,000
2021 Waterworks Revenue and Refunding Revenue Bonds	0.350 to 2.9%	10,745,000	-	10,745,000
2021 Waterworks Refunding Revenue Bonds	3.20%	545,000	-	545,000
Total		\$ 37,995,000	\$ -	\$ 37,995,000

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2024	\$ -	\$ -	\$ 130,000	\$ 208,768
2025	1,575,000	964,931	135,000	202,021
2026	1,610,000	928,986	145,000	194,885
2027	1,650,000	890,871	150,000	187,229
2028	1,690,000	850,523	160,000	179,315
2029-2033	9,135,000	3,556,557	925,000	762,930
2034-2038	10,595,000	2,107,529	1,200,000	492,272
2039-2043	8,740,000	426,555	1,210,000	145,320
Totals	\$ 34,995,000	\$ 9,725,952	\$ 4,055,000	\$ 2,372,738

The Water and Wastewater January 1, 2023 principal payments were remitted during January 2023. The Water January 1, 2024 principal payments were remitted during December 2023. Interest expense incurred by the District during the year ended December 31, 2022 was \$1,472,575 and \$0 for water and wastewater, respectively, and during the year ended December 31, 2023 was \$1,169,800 and \$26,891 for water and wastewater, respectively, of which none was capitalized.

Contract liability: During 2018, the District commenced a repair project of approximately \$3,100,000 that extended the useful life of property and equipment. The project was completed during 2019. The contract provided seven-year financing with no stated interest rate to be paid subject to contractual terms dictated within an overall fourteen-year renovation and maintenance services agreement. The contract liability is considered a direct borrowing. As of December 31, 2023, the remaining annual debt service requirements to maturity of the contract liability is \$460,366 due in 2024.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Restricted Assets: The balances of restricted asset accounts in the enterprise funds, excluding accrued interest receivable, are as follows:

	<u>2023</u>	<u>2022</u>
<u>Water Utility:</u>		
Bond and interest	\$ -	\$ 2,011,525
Debt service reserve	2,542,566	2,542,566
Improvement	<u>4,219,101</u>	<u>3,064,402</u>
 Total restricted assets	 <u>\$ 6,761,667</u>	 <u>\$ 7,618,493</u>
 <u>Wastewater Utility:</u>		
Wabash Construction Fund	\$ 3,997,500	\$ -
Improvement	<u>2,966,620</u>	<u>3,320,958</u>
 Total restricted assets	 <u>\$ 6,964,120</u>	 <u>\$ 3,320,958</u>

Water Utility Revenues Pledged:

Bonds are payable solely out of the Net Revenues (defined as the gross revenues after deduction only for the payment of the reasonable expenses of operation, repair, and maintenance) of the Waterworks. The Bonds constitute a first charge upon the Net Revenues of the Waterworks and will rank on parity with the Outstanding Parity Bonds. The Bonds are further secured by a Debt Service Reserve Account (the "Reserve Account"). It is anticipated that the Reserve Account will be fully funded as of the date of delivery of the Bonds.

The District irrevocably pledges the Net Revenues of the Waterworks to the payment of the principal of and interest on the Bonds and any bonds ranking on parity therewith to the extent necessary. The District covenants that it will cause to be fixed, maintained and collected such rates and charges for services rendered by the Waterworks are sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the Waterworks and for the payment of the sums required by the Sinking Fund under the provisions of the Bond Ordinance.

The Net Revenues of the Waterworks that are pledged to payment of the Bonds are fully described in the Bond Ordinance, as is the pledge of Net Revenues (Section 11), flow of funds (Sections 12 through 15), rate covenant (Section 19), further covenants of the District (Section 20) and other pertinent matters. Only the Net Revenues of the Waterworks are pledged as security for the Bonds.

Water Utility Revenues Pledged:

- The District has pledged future water revenues, net of specified operating expenditures, to repay revenues bonds issued in 2012 (2012B). Proceeds from the bonds provided financing for refunding of the 1994 bonds originally issued to finance Phase IV improvements, the 2000 USDA loan originally issued to finance Phase VI improvements, and the 2004 bonds originally issued to refund the 1996 and 1997 bonds originally issued to finance Phase V and V-A improvements. The bonds are payable solely from water net revenues and are payable through 2037. Annual principal and interest payments are expected to require approximately 5% percent of net revenues.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

- The District has pledged future water revenues, net of specified operating expenditures, to repay the 2014 Series A Revenue Bonds. Proceeds from the bonds provided financing for Phase VIII improvements. The bonds are payable solely from water net revenues and are payable through 2025. Annual principal and interest payments are expected to require approximately 10% of net revenues.
- The District has pledged future water revenues, net of specified operating expenditures, to repay revenue bonds issued in 2019. Proceeds from the bonds provided financing for the refunding of the 2013 Bonds and the 2014B Bonds originally issued to finance Phase VIII improvements. The bonds are payable solely from water net revenues and are payable through 2040. Annual principal and interest payments are expected to require approximately 32% of net revenues.
- The District has pledged future water revenues, net of specified operating expenditures, to repay two revenue bonds issued in 2021. Proceeds from the bonds provided financing for the refunding of the 2010 USDA loan and provided financing for construction of additional sludge drying beds at the water treatment plant and to replace existing water storage tank. The bonds are payable solely from water net revenues and are payable through 2042. Annual principal and interest payments are expected to require approximately 12% of net revenues.

Rate Covenant:

Section 18 of the Bond Ordinance state that the District covenants and agrees that it will establish, maintain and collect reasonable and just rates and charges payable by the owner of each lot, parcel of land or building that is connected with and uses the works, which shall to the extent permitted by law produce sufficient revenues at all times to pay all legal and other necessary expenses incident to the operation of the works including maintenance costs, operating charges, upkeep, repairs, and interest charges on bonds or other obligations; to provide the sinking fund for the liquidation of bonds or other evidence of indebtedness and reserves against default in the payment of interest and principal of bonds; and to provide adequate funds to be used as working capital, as well as funds for making improvements, additions, extensions, and replacements, it being the intent and purpose hereof that such charges shall produce an income sufficient to maintain such utility property in a sound physical and financial condition to render adequate and efficient service. So long as any of the Bonds herein authorized are outstanding, none of the facilities or services rendered by said utility shall be furnished without a reasonable and just charge being made therefor. The District shall pay like charges for any and all services rendered by said utility to the District, and all such payments shall be deemed to be revenues of the utility. Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation and maintenance, and the requirements of the Sinking Fund.

Wastewater Utility Revenues Pledged:

Bonds are payable solely out of the Net Revenues (defined as the gross revenues after deduction only for the payment of the reasonable expenses of operation, repair, and maintenance) of the Sewage Works. The Bonds constitute a first charge upon the Net Revenues of the Sewage Works and will rank on parity with the Outstanding Parity Bonds. The Bonds are further secured by a Debt Service Reserve Account (the "Reserve Account") to the extent the Bonds require a Reserve Account. It is anticipated that the Reserve Account will be fully funded as of the date of delivery of the Bonds.

The District irrevocably pledges the Net Revenues of the Sewage Works to the payment of the principal of and interest on the Bonds and any bonds ranking on parity therewith to the extent necessary. The District covenants that it will cause to be fixed, maintained and collected such rates and charges for

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

services rendered by the Sewage Works as are sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the Sewage Works and for the payment of the sums required by the Sinking Fund under the provisions of the Bond Ordinance.

The Net Revenues of the Waterworks and Sewage Works that are pledged to payment of the Bonds are fully described in the Bond Ordinance, as is the pledge of Net Revenues (Section 9), flow of funds (Sections 12 through 13), rate covenant (Section 16), further covenants of the District (Section 19) and other pertinent matters. Only the Net Revenues of the Sewage Work are pledged as security for the Bonds.

Wastewater Utility Revenues Pledged:

- The District has pledged future wastewater revenues, net of specified operating expenditures, to repay revenues bonds issued in 2023. Proceeds from the bonds provided financing wastewater capacity improvements. The bonds are payable solely from wastewater net revenues including debt service surcharge payments from Wabash Valley and are payable through 2043. Annual principal and interest payments are expected to require approximately 12% percent of net revenues.

Rate Covenant:

Section 16 of the Bond Ordinance state that the District covenants and agrees that it will establish and maintain just and equitable rates or charges for the use of and the service rendered by the sewage works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the sewage works, or that in any way uses or is served by the sewage works, at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the District), to provide for the proper and reasonable expenses of operation, repair and maintenance or Operation and Maintenance, of the sewage works, to comply with and satisfy all covenants contained in this ordinance, and to pay all obligations of the sewage works and of the District with respect to the sewage works. Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance or Operation and Maintenance, as the case may be, of the sewage works and the requirements of the Sinking Fund and the Act. The rates and charges so established shall apply to any and all use of such works by and service rendered to the District and shall be paid by the District as the charges accrue.

(Continued)

NOTE 3 - OTHER INFORMATION

Risk Management: The District is 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 3 years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents: The District has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Water Operating fund. The District has a stop loss coverage up to \$65,000 per covered member with a maximum liability of \$458,713. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past two years.

Rate Structure:

Water Utility: The previous rate structure was approved by the District on March 31, 2021 and became effective June 30, 2021. The current rate structure was approved on November 14, 2022 and became effective January 1, 2023. The Water Utility has 5,823 retail customers and 30 wholesale customers.

Wastewater Utility: The current rate structure was approved by the District on May 31, 2006. The Wastewater Utility has 1,165 customers.

Pension Plan:

Cost Sharing Multiple-Employer Defined Benefit Pension Plan

The District contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (INPRS).

Public Employees' Retirement System - Defined Benefit Plan

Plan Description: PERF Defined Benefit (DB) is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits to fulltime employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, and 35 IAC 1.2. and other Indiana pension law. PERF DB is a component of the Public Employees Hybrid plan (PERF Hybrid).

PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), the defined contribution component. New employees hired by the State, or a participating political subdivision have a one-time election to join either the PERF Hybrid or the PERF My Choice: Retirement Savings Plan for Public Employees (PERF MC DC) which is covered in the Defined Contribution Plans section. A new hire that is an existing member of PERF Hybrid and was not given the option for PERF MC DC is given the option to elect PERF MC DC or remain in PERF Hybrid. Members who have at least one year of service in both PERF DB and the Teachers Retirement Fund (TRF Pre-'96 DB or TRF '96 DB) have the option of choosing from which of these funds they would like to retire.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 3 - OTHER INFORMATION (Continued)

Retirement benefits provided: A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position. A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is reduced to 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59.

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. Historically, eligible members receive a one-time check (13th check) with the dollar amount tied to years of service.

Disability and survivor benefits provided: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month). If death occurs while in active service, a spouse or dependent beneficiary of a member with a minimum of 15 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If death occurs while receiving a benefit, a spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Contributions: Contributions are determined by the INPRS Board of Trustees based on an actuarial valuation. During fiscal year 2023, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members. For PERF MC DC plan members, the political subdivisions were required to contribute a supplemental cost of 6.8 percent of covered payroll as of July 1, 2023, which decreased from 7.3 percent as of July 1, 2022. No member contributions are required.

During fiscal year 2022, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members employed by the State and political subdivisions. For PERF MC DC plan members, the political subdivisions were required to contribute a supplemental cost of 7.3 percent of covered payroll as of July 1, 2022, which increased from 7.2 percent as of January 1, 2021.

The District made payments equal to their annual required contribution of 11.2% for the last three years as follows:

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2023	\$ 325,082	100%
2022	298,739	100%
2021	292,828	100%

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 - OTHER INFORMATION (Continued)

Financial Report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

2023 Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

- Asset valuation date – June 30, 2023
- Liability valuation date – June 30, 2022 – Member census data as of June 30, 2022 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2022 and June 30, 2023. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2022 to the June 30, 2023 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%, includes inflation and net of investment expenses
- COLA – No COLA was granted for the 2023-2025 biennium. The COLA assumption thereafter will be 0.4% beginning on January 1, 2026, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65%
- Inflation – 2.00%

2022 Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

- Measurement Date – June 30, 2022
- Asset valuation date – June 30, 2022
- Liability valuation date – June 30, 2021 – The TPL as of June 30, 2022 was determined based on an actuarial valuation prepared as of June 30, 2021 rolled forward one year to June 30, 2022, using the following key assumptions and other inputs, such as benefit accruals and actual benefits payments during that time period.
- Inflation – 2.00%
- Future salary increases, including inflation – 2.65% - 8.65% based on service
- Investment rate of return – 6.25%, net of investment expenses
- COLA – As of June 30, 2022: Members in pay status were granted a 1.0% COLA on January 1, 2022 and no COLA on January 1, 2023. Therefore, the COLA assumption will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 3 - OTHER INFORMATION (Continued)

For both 2023 and 2022, mortality rates were based on the PUB-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generated projection of mortality improvements using SOA Scale MP-2019. A general employee table with a 3-year set forward for males and 1 year set forward for females were used for healthy employees. A general retiree table with a 3-year set forward for males and 1 year set for females were used for retirees. Contingent survivor table with no set forward for males and a 2-year set forward for females were used for beneficiaries and general disabled table with a 140% load were used for disableds.

The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019, was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the Board in May 2021 following the completion of an Asset-Liability study and first used in the June 30, 2021 actuarial valuation.

The long-term return expectation for the INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation.

Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<u>Target</u>		<u>Geometric Basis</u>	
	<u>Asset Allocation</u>		<u>Long-Term Expected</u> <u>Real Rate of Return</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Public Equity	20.0%	20.0%	3.7%	3.6%
Private Equity	15.0%	15.0%	6.4%	7.7%
Fixed Income – Ex Inflation-Linked	20.0%	20.0%	2.2%	1.4%
Fixed Income – Inflation-Linked	15.0%	15.0%	0.5%	(0.3)%
Commodities	10.0%	10.0%	1.1%	0.9%
Real Assets	10.0%	10.0%	3.4%	3.7%
Absolute Return	5.0%	5.0%	1.6%	2.1%
Risk Parity	20.0%	20.0%	5.9%	3.8%
Cash and Cash Overlay	N/A	N/A	-%	(1.7)%

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 3 - OTHER INFORMATION (Continued)

Discount rate: Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.25% for 2023 and 2022. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return. Based on these assumptions, the PERF defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the plan.

Sensitivity: The following presents the District's share of the net pension liability calculated using the discount rate of 6.25% for 2023 and 2022, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	1% Decrease <u>(5.25%)</u>	Current Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
<u>2023</u>			
Proportionate share of the			
Collective Net Pension Liability	\$ 2,606,092	\$ 1,599,141	\$ 759,542
<u>2022</u>			
Proportionate share of the			
Collective Net Pension Liability	\$ 2,480,173	\$ 1,468,109	\$ 623,973

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2023 and 2022, the District reported a liability of \$1,599,141 and \$1,468,109, respectively, for its proportionate share of the net pension liability. The District's proportionate share of the net pension liability was based on the District's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2023 measurement date was 0.0004531. This represents a slight decrease from the prior measurement date. The proportionate share used at the June 30, 2022 measurement date was 0.0004655. The proportionate share used at the June 30, 2021 measurement date was 0.0004633.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 - OTHER INFORMATION (Continued)

For the year ended December 31, 2023, the District recognized pension expense of \$327,871 and for the year ended December 31, 2022, the District recognized pension expense of \$198,118, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$3,241 and \$10,401, respectively. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	PERF - Water		PERF - Wastewater	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Average Remaining Service Life for 2023:	3.65 years		3.65 years	
Differences between expected and actual experience	\$ 29,008	\$ -	\$ 3,710	\$ -
Net difference between projected and actual investment earnings on pension plan investments	324,964	-	41,564	-
Change of assumptions	77,315	-	9,889	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,954	19,984	1,657	2,556
Contributions subsequent to the measurement date	145,574	-	18,619	-
Total	\$ 589,815	\$ 19,984	\$ 75,439	\$ 2,556

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2023 measurement dates are recognized as a reduction of net pension liability in the following year. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement date and is amortized over the average expected remaining service lives of the plan.

The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31, 2023</u>	<u>Amount</u>
2024	\$ 167,518
2025	24,236
2026	236,844
2027	50,013
Total	\$ 478,611

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 - OTHER INFORMATION (Continued)

Information for 2022 is as follows:

	PERF - Water		PERF - Wastewater	
	3.73 years		3.73 years	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Average Remaining Service Life for 2022:				
Differences between expected and actual experience	\$ 28,068	\$ 4,950	\$ 3,590	\$ 633
Net difference between projected and actual investment earnings on pension plan investments	160,634	-	20,546	-
Change of assumptions	176,299	55,688	22,549	7,123
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,114	1,544	1,677	197
Contributions subsequent to the measurement date	135,280	-	17,303	-
Total	\$ 513,395	\$ 62,182	\$ 65,665	\$ 7,953

Public Employees' Retirement Fund - Defined Contribution Plan

PERF DC is a multiple-employer defined contribution plan and is generally administered in accordance with IC 5-10.2, IC 5-10.3, and 35 IAC 1.2. The plan provides supplemental retirement benefits to PERF DB members and serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice) members. New employees hired by the State, or a participating political subdivision, have a one-time election to join either the Public Employees' Defined Benefit Account (Hybrid Plan) or My Choice. A new hire that is an existing member of the Public Employees' Defined Benefit Account (Hybrid Plan), and was not given the option for My Choice, is given the option to elect My Choice or remain in the Public Employees' Defined Benefit Account (Hybrid Plan).

PERF DC consists of two tiers:

The Public Employees' Hybrid Members Defined Contribution Account (PERF Hybrid DC) is the defined contribution component of the Public Employees' Hybrid Plan. The Public Employees' Defined Benefit Account (see Defined Benefit Plans section) is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at three percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is for members who are full-time employees of the State of Indiana or a participating political subdivision that elected to become members of My Choice. Member contributions are set by statute at three percent of compensation, plus these members may receive additional employer contributions in lieu of the Public Employees' Defined Benefit Account.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 - OTHER INFORMATION (Continued)

Members are 100 percent vested in all member contributions and are vested in employer contributions (see Contributions section), which includes all employer contributions and earnings as follows:

One (1) year of participation	20%
Two (2) years of participation	40%
Three (3) years of participation	60%
Four (4) years of participation	80%
Five (5) years of participation	100%

My Choice - The My Choice retirement and termination benefit is that after a 30-day separation from employment, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements). Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

The survivor benefit is that the beneficiary is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

Investments in the members' accounts are self-directed as participants direct the investment of their account balances among several investment options of varying degrees of risk and return potential. There are eight investment options available to My Choice members: Stable Value Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Money Market Fund, Small/Mid Cap Equity Fund, Large Cap Equity Index Fund, International Equity Fund and Target Date Funds. Members may make changes to their investment directions daily, and investments of the plan are reported at fair value.

PERF Hybrid DC and My Choice members contribute three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for PERF Hybrid. In addition, members of PERF Hybrid and My Choice may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Deferred Compensation Benefits

At the December 31, 2023, the District has a deferred compensation plan for all its eligible employees under a plan administered by Edward Jones and assets held by John Hancock in accordance with Internal Revenue Code Section 457. Employees are permitted to defer a portion of their salary until future years. Only upon terminations, retirement, death, or an unforeseen emergency is the deferred compensation available to an employee. There are no employer contributions to the plans. At December 31, 2022, the District had a similar plan document and terms with LPL financial, the former plan administrator.

Because these assets are held by a custodian for the specific benefit of participants and their beneficiaries, they are not reflected in the financial statements and are free from claims of District creditors. The fair value of investments held in custodial funds for participants was \$2,097,694 and \$1,708,428 at December 31, 2023 and 2022, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PERF
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0004531	0.0004655	0.0004633	0.0004619	0.0004563	0.0004551	0.0004568	0.0004417	0.0003898	0.0003937
District's proportionate share of the net pension liability										
Water	\$ 1,417,798	\$ 1,301,625	\$ 540,499	\$ 1,236,913	\$ 1,337,081	\$ 1,370,679	\$ 1,806,920	\$ 1,777,306	\$ 1,407,581	\$ 917,292
Wastewater	181,343	166,484	69,133	158,207	171,020	175,316	23,113	227,325	180,036	117,326
	<u>1,599,141</u>	<u>1,468,109</u>	<u>609,632</u>	<u>1,395,120</u>	<u>1,508,101</u>	<u>1,545,995</u>	<u>1,830,033</u>	<u>2,004,631</u>	<u>1,587,617</u>	<u>1,034,618</u>
District's covered payroll										
Water	\$ 2,573,372	\$ 2,375,425	\$ 2,264,550	\$ 2,210,969	\$ 2,107,604	\$ 2,058,717	\$ 2,009,266	\$ 1,877,009	\$ 1,655,468	\$ 1,704,309
Wastewater	329,146	303,827	289,646	282,792	269,572	263,319	256,994	240,078	211,742	217,988
	<u>2,902,518</u>	<u>2,679,252</u>	<u>2,554,196</u>	<u>2,493,761</u>	<u>2,377,176</u>	<u>2,322,036</u>	<u>2,266,260</u>	<u>2,117,087</u>	<u>1,867,210</u>	<u>1,922,297</u>
Proportionate share of the net pension liability as a percentage of covered payroll	55.1%	54.8%	23.9%	55.9%	63.4%	66.6%	80.8%	94.7%	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	80.8%	82.5%	92.5%	81.4%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%

Notes: The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year.

- Asset valuation date – June 30, 2023
- Liability valuation date – June 30, 2022 – Member census data as of June 30, 2022 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2022 and June 30, 2023. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2022 to the June 30, 2023 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%
- COLA – Members in pay were granted a 1.00% COLA on January 1, 2022. No COLA was granted for the 2023-2025 biennium. The COLA assumption thereafter will be 0.4% beginning on January 1, 2026, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65%
- Inflation – 2.00%
- Mortality – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MO-2019.

This schedule is presented to illustrate the requirement to show information for 10 years. Information for 2013 is not available as 2014 was the first-year actuary reports were available for the PERF plan.

Measurement date: Actuarial valuation reports from the prior fiscal year.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PERF
 December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution										
Water	\$ 291,367	\$ 267,294	\$ 259,623	\$ 240,044	\$ 234,555	\$ 244,593	\$ 240,714	\$ 212,617	\$ 200,190	\$ 192,765
Wastewater	22,335	23,392	28,435	32,823	33,372	30,771	26,563	23,598	20,804	21,263
Contributions in relation to the statutorily required contribution	<u>(313,702)</u>	<u>(290,686)</u>	<u>(288,058)</u>	<u>(272,867)</u>	<u>(267,927)</u>	<u>(275,364)</u>	<u>(267,277)</u>	<u>(236,215)</u>	<u>(220,994)</u>	<u>(214,028)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
District's covered payroll	2,800,911	2,595,411	2,571,946	2,436,313	2,392,205	2,458,607	2,386,402	2,109,063	1,973,161	1,910,964
Contributions as percentage of covered payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. Information for 2013 is not available as 2014 was the first-year actuary reports were available for the PERF plan.

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Actuarial cost method: Entry age normal (Level Percent of Payroll)

Amortization method: Level dollar

Remaining amortization period: 20 years, closed

Asset valuation method: 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

Inflation: 2.00%

Salary increases: 2.65% - 8.65%

Investment rate of return: 6.25%

Mortality: Pub-2020 Public Retirement Plans Mortality Tables (Amount-Weighted with a fully generational projection of mortality improvements using SOA Scale MP-2019

Other information: The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The employer contribution rate for the year ended June 30, 2023 was 11.20%.

OTHER INFORMATION (Unaudited)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATE REPORTING INFORMATION (UNAUDITED)
December 31, 2023 and 2022

The reports presented herein were prepared in addition to another official report prepared for the Unit as listed below:

Indiana State Board of Accounts Compliance Examination of Patoka Lake Regional Water and Sewer District

The above report contains the results of the compliance examination as required by the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts*.

SUPPLEMENTARY INFORMATION

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2023

<u>Federal Grantor Agency</u> <u>Cluster Title/Program Title/Project Title</u>	<u>Pass-Through Entity or Direct Grant</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity (or Other) Identifying Number</u>	<u>Total Federal Awards Expended</u>	<u>Total Passed Through to Subrecipient</u>
<u>Department of Commerce</u>					
<u>Economic Development Cluster</u>					
COVID-19 Economic Adjustment Assistance	Direct Award	11.307	06-79-06388 – URI: 118712	\$ 1,647,519	\$ -
Total – Economic Development Cluster				<u>1,647,519</u>	<u>-</u>
Total - Department of Commerce				<u>\$ 1,647,519</u>	<u>\$ -</u>

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Patoka Lake Regional Water and Sewer District (the "District") under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expensed when the reimbursement is received.

NOTE 2 - INDIRECT COST RATE

The District has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Those Charged with Governance
Patoka Lake Regional Water and Sewer District
Dubois County, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major enterprise fund of the District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2024.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
September 19, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Those Charged with Governance
Patoka Lake Regional Water and Sewer District
Dubois County, Indiana

Report on Compliance for Major Federal Program***Opinion on Major Federal Program***

We have audited the Patoka Lake Regional Water and Sewer District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
September 19, 2024

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section I – Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported
Noncompliance material to financial statement noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____ Yes	<u> X </u> No
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Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.
