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February 11, 2021

Board of Trustees
Patoka Lake Regional Water and Sewer District
2647 N State Road 545
Dubois, IN 47527

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, 2018 to December 31, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Patoka Lake Regional Water and Sewer District as of December 31, 2019 and 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
Dubois County, Indiana

FINANCIAL STATEMENTS
December 31, 2019 and 2018

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT

FINANCIAL STATEMENTS
December 31, 2019 and 2018

CONTENTS

SCHEDULE OF OFFICIALS (Unaudited)	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	4
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PERF	31
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PERF	32
OTHER REPORT	33

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF OFFICIALS (unaudited)
December 31, 2019 and 2018

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Doug Merkel	06-01-15 to 12-31-19
Operations Manager	Shawn Kluesner	06-01-15 to 12-31-19
Water Plant Superintendent	Jerry Allstott	01-01-15 to 12-31-19
Wastewater Superintendent	Troy Wheeler	01-01-15 to 12-31-19
Controller	Craig Adams	10-26-15 to 12-31-19
Treasurer	Patrick Seger	01-01-17 to 12-31-19
President of the Board	John Wade	01-01-18 to 12-31-19

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Patoka Lake Regional Water and Sewer District (District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Officials is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Required Supplementary Information

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

Management has omitted the management 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.



Crowe LLP

Indianapolis, Indiana
January 27, 2021

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Assets			
Current assets:			
Unrestricted:			
Operating cash and cash equivalents	\$ 838,935	\$ 184,459	\$ 1,023,394
Accounts receivable - customers	834,244	105,284	939,528
Accounts receivable – other	720	-	720
Inventories	907,910	104,495	1,012,405
Land held for resale	<u>24,903</u>	<u>74,524</u>	<u>99,427</u>
Total unrestricted current assets	<u>2,606,712</u>	<u>468,762</u>	<u>3,075,474</u>
Noncurrent assets:			
Restricted:			
Restricted cash, cash equivalents and investments:			
Bond and interest cash and cash equivalents	220,803	-	220,803
Debt service reserve investments	2,921,965	-	2,921,965
Improvement investments	3,690,810	2,823,536	6,514,346
Interest receivable	<u>8,098</u>	<u>6,254</u>	<u>14,352</u>
Total restricted noncurrent assets	<u>6,841,676</u>	<u>2,829,790</u>	<u>9,671,466</u>
Capital assets:			
Land, improvements to land, and construction in progress	4,722,375	982,644	5,705,019
Other capital assets (net of accumulated depreciation)	<u>86,937,749</u>	<u>8,478,447</u>	<u>95,416,196</u>
Total capital assets	<u>91,660,124</u>	<u>9,461,091</u>	<u>101,121,215</u>
Total noncurrent assets	<u>98,501,800</u>	<u>12,290,881</u>	<u>110,792,681</u>
Total assets	<u>101,108,512</u>	<u>12,759,643</u>	<u>113,868,155</u>
Deferred outflows of resources:			
Accounting loss on refunding of debt	2,888,013	-	2,888,013
Bond issuance costs	493,441	-	493,441
Unamortized tank painting costs	923,853	246,879	1,170,732
Pension	<u>164,502</u>	<u>21,041</u>	<u>185,543</u>
Total deferred outflows of resources	<u>4,469,809</u>	<u>267,920</u>	<u>4,737,729</u>
Total assets and deferred outflows of resources	<u>\$ 105,578,321</u>	<u>\$ 13,027,563</u>	<u>\$ 118,605,884</u>

See accompanying notes to financial statements.
(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Liabilities			
Current liabilities:			
Unrestricted:			
Accounts payable	\$ 217,852	\$ 21,608	\$ 239,460
Accrued payroll and withholdings payable	72,868	11,000	83,868
Taxes payable	15,042	-	15,042
Advances for construction	<u>62,910</u>	<u>-</u>	<u>62,910</u>
Total unrestricted current liabilities	<u>368,672</u>	<u>32,608</u>	<u>401,280</u>
Payable from restricted assets:			
Accrued interest payable	152,803	-	152,803
Loans payable	68,000	-	68,000
Contract liability	<u>444,084</u>	<u>-</u>	<u>444,084</u>
Total restricted current liabilities	<u>664,887</u>	<u>-</u>	<u>664,887</u>
Total current liabilities	<u>1,033,559</u>	<u>32,608</u>	<u>1,066,167</u>
Noncurrent liabilities:			
Net pension liability	1,337,081	171,020	1,508,101
Revenue bonds payable (net of discounts /premiums)	28,975,000	-	28,975,000
Loans payable	7,883,048	400,000	8,283,048
Contract liability	<u>1,755,797</u>	<u>-</u>	<u>1,755,797</u>
Total noncurrent liabilities	<u>39,950,926</u>	<u>571,020</u>	<u>40,521,946</u>
Total liabilities	<u>40,984,485</u>	<u>603,628</u>	<u>41,588,113</u>
Deferred inflows of resources:			
Pension	<u>211,384</u>	<u>27,037</u>	<u>238,421</u>
Total liabilities and deferred inflows of resources	<u>\$ 41,195,869</u>	<u>\$ 630,665</u>	<u>\$ 41,826,534</u>
Net position			
Net investment in capital assets	\$ 55,422,208	\$ 9,061,091	\$ 64,483,299
Restricted for:			
Debt service	2,989,965	-	2,989,965
Capital outlay	<u>3,698,908</u>	<u>2,829,790</u>	<u>6,528,698</u>
Total restricted	<u>6,688,873</u>	<u>2,829,790</u>	<u>9,518,663</u>
Unrestricted	<u>2,271,371</u>	<u>506,017</u>	<u>2,777,388</u>
Total net position	<u>\$ 64,382,452</u>	<u>\$ 12,396,898</u>	<u>\$ 76,779,350</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

Assets	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Current assets:			
Unrestricted:			
Operating cash and cash equivalents	\$ 1,544,339	\$ 111,596	\$ 1,655,935
Accounts receivable - customers	646,724	99,661	746,385
Accounts receivable – other	-	851	851
Inventories	1,050,278	105,131	1,155,409
Land held for resale	<u>26,876</u>	<u>80,549</u>	<u>107,425</u>
Total unrestricted current assets	<u>3,268,217</u>	<u>397,788</u>	<u>3,666,005</u>
Noncurrent assets:			
Restricted:			
Restricted cash, cash equivalents and investments:			
Bond and interest cash and cash equivalents	196,277	-	196,277
Debt service reserve investments	2,869,957	-	2,869,957
Improvement cash and cash equivalents	30,427	-	30,427
Improvement investments	5,732,264	3,074,528	8,806,792
Interest receivable	<u>16,370</u>	<u>3,627</u>	<u>19,997</u>
Total restricted noncurrent assets	<u>8,845,295</u>	<u>3,078,155</u>	<u>11,923,450</u>
Capital assets:			
Land, improvements to land, and construction in progress	2,396,023	517,957	2,913,980
Other capital assets (net of accumulated depreciation)	<u>85,690,008</u>	<u>8,834,726</u>	<u>94,524,734</u>
Total capital assets	<u>88,086,031</u>	<u>9,352,683</u>	<u>97,438,714</u>
Total noncurrent assets	<u>96,931,326</u>	<u>12,430,838</u>	<u>109,362,164</u>
Total assets	<u>100,199,543</u>	<u>12,828,626</u>	<u>113,028,169</u>
Deferred outflows of resources:			
Accounting loss on refunding of debt	169,941	-	169,941
Bond issuance costs	1,157,633	-	1,157,633
Unamortized tank painting costs	533,383	280,955	814,338
Pension	<u>208,893</u>	<u>26,718</u>	<u>235,611</u>
Total deferred outflows of resources	<u>2,069,850</u>	<u>307,673</u>	<u>2,377,523</u>
Total assets and deferred outflows of resources	<u>\$ 102,269,393</u>	<u>\$ 13,136,299</u>	<u>\$ 115,405,692</u>

See accompanying notes to financial statements.
(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Liabilities			
Current liabilities:			
Unrestricted:			
Accounts payable	\$ 241,048	\$ 17,483	\$ 258,531
Accrued payroll and withholdings payable	65,572	8,137	73,709
Taxes payable	12,896	-	12,896
Advances for construction	<u>16,665</u>	<u>6,232</u>	<u>22,897</u>
Total unrestricted current liabilities	<u>336,181</u>	<u>31,852</u>	<u>368,033</u>
Payable from restricted assets:			
Accrued interest payable	130,277	-	130,277
Loans payable	<u>66,000</u>	<u>-</u>	<u>66,000</u>
Total restricted current liabilities	<u>196,277</u>	<u>-</u>	<u>196,277</u>
Total current liabilities	<u>532,458</u>	<u>31,852</u>	<u>564,310</u>
Noncurrent liabilities:			
Net pension liability	1,370,679	175,316	1,545,995
Revenue bonds payable (net of discounts /premiums)	28,003,715	-	28,003,715
Loans payable	<u>7,951,048</u>	<u>600,000</u>	<u>8,551,048</u>
Total noncurrent liabilities	<u>37,325,442</u>	<u>775,316</u>	<u>38,100,758</u>
Total liabilities	<u>37,857,900</u>	<u>807,168</u>	<u>38,665,068</u>
Deferred inflows of resources:			
Deferred pension	<u>226,118</u>	<u>28,921</u>	<u>255,039</u>
Total liabilities and deferred inflows of resources	<u>\$ 38,084,018</u>	<u>\$ 836,089</u>	<u>\$ 38,920,107</u>
Net position			
Net investment in capital assets	\$ 52,235,208	\$ 8,856,119	\$ 61,091,327
Restricted for:			
Debt service	2,935,957	-	2,935,957
Capital outlay	<u>5,779,061</u>	<u>3,078,155</u>	<u>8,857,216</u>
Total restricted	<u>8,715,018</u>	<u>3,078,155</u>	<u>11,793,173</u>
Unrestricted	<u>3,235,149</u>	<u>365,936</u>	<u>3,601,085</u>
Total net position	<u>\$ 64,185,375</u>	<u>\$ 12,300,210</u>	<u>\$ 76,485,585</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, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Operating revenues:			
Metered water revenue			
Residential	\$ 2,972,109	\$ -	\$ 2,972,109
Wholesale	6,126,917	-	6,126,917
Measured revenue			
Residential/commercial	-	945,710	945,710
Industrial	-	322,612	322,612
Other	<u>48,765</u>	<u>7,749</u>	<u>56,514</u>
Total operating revenues	<u>9,147,791</u>	<u>1,276,071</u>	<u>10,423,862</u>
Operating expenses:			
Source of supply and expense/collection system expense:			
Operations and maintenance	353,113	98,710	451,823
Transmission and distribution	2,071,767	-	2,071,767
Treatment and disposal – operations and maintenance	1,527,792	358,476	1,886,268
Customer accounts	58,266	7,360	65,626
Administration and general	1,320,032	312,978	1,633,010
Depreciation and amortization	<u>2,884,522</u>	<u>518,891</u>	<u>3,403,413</u>
Total operating expenses	<u>8,215,492</u>	<u>1,296,415</u>	<u>9,511,907</u>
Operating income (loss)	<u>932,299</u>	<u>(20,344)</u>	<u>911,955</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	189,885	90,726	280,611
Gain/loss on disposal/sale of assets	(87,396)	18,729	(68,667)
Miscellaneous revenue	37,149	-	37,149
Amortization of bond issue costs	(76,441)	-	(76,441)
Interest expense	<u>(911,280)</u>	<u>(12,000)</u>	<u>(923,280)</u>
Total nonoperating revenues (expenses)	<u>(848,083)</u>	<u>97,455</u>	<u>(750,628)</u>
Change in net position before capital contributions	84,216	77,111	161,327
Capital contributions	<u>112,861</u>	<u>19,577</u>	<u>132,438</u>
Change in net position	197,077	96,688	293,765
Net position, beginning of year	<u>64,185,375</u>	<u>12,300,210</u>	<u>76,485,585</u>
Net position, end of year	<u>\$ 64,382,452</u>	<u>\$ 12,396,898</u>	<u>\$ 76,779,350</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, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Operating revenues:			
Metered water revenue			
Residential	\$ 2,791,792	\$ -	\$ 2,791,792
Wholesale	5,150,583	-	5,150,583
Measured revenue			
Residential/commercial	-	892,992	892,992
Industrial	-	375,254	375,254
Other	<u>47,330</u>	<u>6,521</u>	<u>53,851</u>
Total operating revenues	<u>7,989,705</u>	<u>1,274,767</u>	<u>9,264,472</u>
Operating expenses:			
Source of supply and expense/collection system expense:			
Operations and maintenance	409,625	104,460	514,085
Transmission and distribution	1,740,816	-	1,740,816
Treatment and disposal – operations and maintenance	1,566,423	349,386	1,915,809
Customer accounts	42,477	5,747	48,224
Administration and general	1,373,550	303,296	1,676,846
Depreciation and amortization	<u>2,728,355</u>	<u>497,059</u>	<u>3,225,414</u>
Total operating expenses	<u>7,861,246</u>	<u>1,259,948</u>	<u>9,121,194</u>
Operating income	<u>128,459</u>	<u>14,819</u>	<u>143,278</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	228,253	53,626	281,879
Gain/loss on disposal/sale of assets	324	19,228	19,552
Miscellaneous revenue	8,677	-	8,677
Amortization of bond issue costs	(78,446)	-	(78,446)
Interest expense	<u>(1,398,787)</u>	<u>(16,000)</u>	<u>(1,414,787)</u>
Total nonoperating revenues (expenses)	<u>(1,239,979)</u>	<u>56,854</u>	<u>(1,183,125)</u>
Change in net assets before capital contributions	(1,111,520)	71,673	(1,039,847)
Capital contributions	<u>130,805</u>	<u>2,388</u>	<u>133,193</u>
Change in net position	(980,715)	74,061	(906,654)
Net position, beginning of year	<u>65,166,090</u>	<u>12,226,149</u>	<u>77,392,239</u>
Net position, end of year	<u>\$ 64,185,375</u>	<u>\$ 12,300,210</u>	<u>\$ 76,485,585</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 8,958,241	\$ 1,271,299	\$ 10,229,540
Payments to suppliers	(2,325,857)	(286,000)	(2,611,857)
Payments to employees and for benefits	(2,832,885)	(484,403)	(3,317,288)
Other receipts (payments)	<u>39,122</u>	<u>18,522</u>	<u>57,644</u>
Net cash provided by operating activities	3,838,621	519,418	4,358,039
Cash flows from capital and related financing activities:			
Capital contributions	112,861	19,577	132,438
Acquisition and construction of capital assets	(5,376,480)	(593,223)	(5,969,703)
Principal paid on capital debt	(581,000)	(200,000)	(781,000)
Interest paid on capital debt	<u>(886,858)</u>	<u>(12,000)</u>	<u>(898,858)</u>
Net cash used by capital and related financing activities	(6,731,477)	(785,646)	(7,517,123)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	6,327,800	769,090	7,096,890
Purchase of investments	(4,344,405)	(518,098)	(4,862,503)
Interest received	<u>198,156</u>	<u>88,099</u>	<u>286,255</u>
Net cash provided by investing activities	<u>2,181,551</u>	<u>339,091</u>	<u>2,520,642</u>
Net increase (decrease) in cash and cash equivalents	(711,305)	72,863	(638,442)
Cash and cash equivalents, January 1	<u>1,771,043</u>	<u>111,596</u>	<u>1,882,639</u>
Cash and cash equivalents, December 31	<u>\$ 1,059,738</u>	<u>\$ 184,459</u>	<u>\$ 1,244,197</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 932,299	\$ (20,344)	\$ 911,955
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense and amortization expense	2,884,522	518,891	3,403,413
Deferred pension - inflows and outflows	(3,941)	(503)	(4,444)
Bad debt expense	1,310	-	1,310
Land held for resale	1,973	6,025	7,998
Sale of asset	-	18,729	18,729
Nonoperating revenue (expense)	37,149	-	37,149
(Increase) decrease in assets:			
Accounts receivable	(189,550)	(4,772)	(194,322)
Inventories	142,368	636	143,004
Increase (decrease) in liabilities:			
Accounts payable	(23,196)	4,125	(19,071)
Advances for construction	46,245	(6,232)	40,013
Accrued payroll and withholdings payable	7,296	2,863	10,159
Taxes payable	<u>2,146</u>	<u>-</u>	<u>2,146</u>
Total adjustments	<u>2,906,322</u>	<u>539,762</u>	<u>3,446,084</u>
Net cash provided by operating activities	<u>\$ 3,838,621</u>	<u>\$ 519,418</u>	<u>\$ 4,358,039</u>
Noncash investing, capital and financing activities:			
Transfer of construction-in-progress to capital assets	\$ 527,033	\$ 18,959	\$ 545,992
Amortization of bond issuance costs	78,446	-	78,446
Deferral of bond issuance costs	344,479	-	344,479
Transfer of bond issuance costs to loss on refunding	932,230	-	932,230
Disposal of capital assets fully depreciated	1,038,803	20,950	1,059,753
Refunding of bonds	22,955,000	-	22,955,000
Capital asset purchases funded via contract liability	2,199,882	-	2,199,882

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 7,954,534	\$ 1,290,274	\$ 9,244,808
Payments to suppliers	(2,572,876)	(464,154)	(3,037,030)
Payments to employees and for benefits	(2,501,131)	(434,161)	(2,935,292)
Other receipts (payments)	<u>10,651</u>	<u>13,848</u>	<u>24,499</u>
Net cash provided by operating activities	2,891,178	405,807	3,296,985
Cash flows from capital and related financing activities:			
Capital contributions	130,805	2,388	133,193
Acquisition and construction of capital assets	(3,893,591)	(1,015,271)	(4,908,862)
Principal paid on capital debt	(1,009,000)	(200,000)	(1,209,000)
Interest paid on capital debt	<u>(1,374,483)</u>	<u>(16,000)</u>	<u>(1,390,483)</u>
Net cash used by capital and related financing activities	(6,146,269)	(1,228,883)	(7,375,152)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	7,963,443	708,988	8,672,431
Purchase of investments	(5,219,578)	(394,145)	(5,613,723)
Interest received	<u>230,330</u>	<u>54,145</u>	<u>284,475</u>
Net cash provided by investing activities	<u>2,974,195</u>	<u>368,988</u>	<u>3,343,183</u>
Net increase (decrease) in cash and cash equivalents	(280,896)	(454,088)	(734,984)
Cash and cash equivalents, January 1	<u>2,051,939</u>	<u>565,684</u>	<u>2,617,623</u>
Cash and cash equivalents, December 31	<u>\$ 1,771,043</u>	<u>\$ 111,596</u>	<u>\$ 1,882,639</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 128,459	\$ 14,819	\$ 143,278
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense and amortization expense	2,728,355	497,059	3,225,414
Pension – deferred inflows and outflows of resources	36,737	(1,599)	35,138
Bad debt expense	4,709	-	4,709
Land held for resale	1,974	6,026	8,000
Sale of asset	-	17,728	17,728
(Increase) decrease in assets:			
Accounts receivable	(35,171)	4,975	(30,196)
Inventories	(14,017)	(8,128)	(22,145)
Prepaid items	51,326	10,711	62,037
Increase (decrease) in liabilities:			
Accounts payable	(8,562)	(143,715)	(152,277)
Accrued payroll and withholdings payable	8,212	3,299	11,511
Advances for construction	(11,340)	2,132	(9,208)
Customer deposits	-	2,500	2,500
Taxes payable	<u>496</u>	<u>-</u>	<u>496</u>
Total adjustments	<u>2,762,719</u>	<u>390,988</u>	<u>3,153,707</u>
Net cash provided by operating activities	<u>\$ 2,891,178</u>	<u>\$ 405,807</u>	<u>\$ 3,296,985</u>
Noncash investing, capital and financing activities:			
Transfer of construction-in-progress to capital assets	\$ 1,935,568	\$ 985,145	\$ 2,920,713
Amortization of bond issue costs	78,446	-	78,446
Disposal of capital assets fully depreciated	413,591	35,831	449,422

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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.

Allowance for Uncollectible Accounts: 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, 2019 and 2018.

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. Investments are reported at fair value.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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>
Water Utility:			
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
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.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is offset by interest earned on construction funds and included as part of the capitalized value of the assets constructed. No interest was capitalized by the District during the years ended December 31, 2019 and 2018 for water and wastewater.

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, debt issuance costs as a regulatory asset per GASB No. 62, with amortization over the life of the related debt and pension contributions subsequent to the measurement date of June 30.

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:

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.

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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 - DETAILED NOTES ON ALL FUNDS

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2019 and 2018, the District had total deposit balances including certificates of deposit in the amount of \$10,680,508 and \$13,559,388, respectively.

Certificates of Deposit: Certificates of deposit amounted to \$9,436,311 and \$11,676,749 at December 31, 2019 and 2018, respectively. In accordance with the District's policy, certificates of deposit were fully collateralized with securities of the U.S. Government. All investment collateral is held in safekeeping in the District's name by financial institutions acting as the District's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

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

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets:

	December 31 <u>2017 Balance</u>	<u>Increases</u>	<u>Decreases</u>	December 31 <u>2018 Balance</u>	<u>Increases</u>	<u>Decreases</u>	December 31 <u>2019 Balance</u>
Water Utility:							
Capital assets, not being depreciated:							
Land	\$ 740,118	\$ -	\$ -	\$ 740,118	\$ -	\$ -	\$ 740,118
Construction in progress	<u>516,468</u>	<u>3,602,174</u>	<u>(2,462,737)</u>	<u>1,655,905</u>	<u>4,031,775</u>	<u>(1,705,423)</u>	<u>3,982,257</u>
Total	1,256,586	3,602,174	(2,462,737)	2,396,023	4,031,775	(1,705,423)	4,722,375
Capital assets, being depreciated:							
Infrastructure	88,380,799	1,294,359	-	89,675,158	375,352	(99,184)	89,951,326
Buildings	26,083,753	620,608	(222,574)	26,481,787	3,251,206	(775,018)	28,957,975
Improvements other than buildings	8,000	18,000	-	26,000	78,949	-	104,949
Machinery and equipment	8,979,417	568,034	(121,765)	9,425,686	476,800	(164,600)	9,737,886
Transportation equipment	1,164,611	85,841	(61,503)	1,188,949	-	-	1,188,949
Organizational costs	<u>96,609</u>	<u>-</u>	<u>-</u>	<u>96,609</u>	<u>-</u>	<u>-</u>	<u>96,609</u>
	124,713,189	2,586,842	(405,842)	126,894,189	4,182,307	(1,038,802)	130,037,694
Less accumulated depreciation for:							
Infrastructure	(27,087,921)	(1,444,873)	-	(28,532,794)	(1,607,823)	71,097	(30,069,520)
Buildings	(8,590,507)	(666,175)	192,634	(9,064,048)	(676,816)	715,805	(9,025,059)
Improvements other than buildings	(8,000)	-	-	(8,000)	(1,800)	-	(9,800)
Machinery and equipment	(2,599,186)	(398,717)	70,054	(2,927,849)	(437,216)	129,400	(3,235,665)
Transportation equipment	(545,860)	(90,524)	61,503	(574,881)	(88,411)	-	(663,292)
Organizational costs	<u>(96,609)</u>	<u>-</u>	<u>-</u>	<u>(96,609)</u>	<u>-</u>	<u>-</u>	<u>(96,609)</u>
Total accumulated depreciation	<u>(38,928,083)</u>	<u>(2,600,289)</u>	<u>324,191</u>	<u>(41,204,181)</u>	<u>(2,812,066)</u>	<u>916,302</u>	<u>(43,099,945)</u>
Capital assets, net	<u>85,785,106</u>	<u>(13,447)</u>	<u>(81,651)</u>	<u>85,690,008</u>	<u>1,370,241</u>	<u>(122,500)</u>	<u>86,937,749</u>
Total capital assets, net	<u>\$ 87,041,692</u>	<u>\$ 3,588,727</u>	<u>\$ (2,544,388)</u>	<u>\$ 88,086,031</u>	<u>\$ 5,402,016</u>	<u>\$ (1,827,923)</u>	<u>\$ 91,660,124</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

	<u>December 31</u> <u>2017 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u> <u>2018 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u> <u>2019 Balance</u>
Wastewater Utility:							
Capital assets, not being depreciated:							
Land	\$ 314,634	\$ -	\$ -	\$ 314,634	\$ -	\$ -	\$ 314,634
Construction in progress	<u>192,634</u>	<u>995,834</u>	<u>(985,145)</u>	<u>203,323</u>	<u>483,646</u>	<u>(18,959)</u>	<u>668,010</u>
Total	507,268	995,834	(985,145)	517,957	483,646	(18,959)	982,644
Capital assets, being depreciated:							
Infrastructure	13,847,074	7,427	-	13,854,501	73,004	-	13,927,505
Buildings	2,444,851	537,880	(17,702)	2,965,029	41,916	(20,950)	2,985,995
Machinery and equipment	118,525	460,782	(2,356)	576,951	13,615	-	590,566
Transportation equipment	211,648	-	(15,773)	195,875	-	-	195,875
Organizational costs	<u>16,319</u>	<u>-</u>	<u>-</u>	<u>16,319</u>	<u>-</u>	<u>-</u>	<u>16,319</u>
	16,638,417	1,006,089	(35,831)	17,608,675	128,535	(20,950)	17,716,260
Less accumulated depreciation for:							
Infrastructure	(5,950,105)	(381,254)	-	(6,331,359)	(384,373)	4,934	(6,710,798)
Buildings	(2,094,094)	(72,209)	17,702	(2,148,601)	(72,409)	20,950	(2,200,060)
Machinery and equipment	(106,785)	(3,523)	2,356	(107,952)	(26,970)	-	(134,922)
Transportation equipment	(180,718)	(5,588)	15,773	(170,533)	(5,588)	-	(176,121)
Organizational costs	<u>(15,096)</u>	<u>(408)</u>	<u>-</u>	<u>(15,504)</u>	<u>(408)</u>	<u>-</u>	<u>(15,912)</u>
Total accumulated depreciation	<u>(8,346,798)</u>	<u>(462,982)</u>	<u>35,831</u>	<u>(8,773,949)</u>	<u>(489,748)</u>	<u>25,884</u>	<u>(9,237,813)</u>
Capital assets, net	<u>8,291,619</u>	<u>543,107</u>	<u>-</u>	<u>8,834,726</u>	<u>(361,213)</u>	<u>4,934</u>	<u>8,478,447</u>
Total capital assets, net	<u>\$ 8,798,887</u>	<u>\$ 1,538,941</u>	<u>\$ (985,145)</u>	<u>\$ 9,352,683</u>	<u>\$ 122,433</u>	<u>\$ (14,025)</u>	<u>\$ 9,461,091</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Construction Commitments: CWIP and remaining project commitments:

<u>Project</u>	<u>2018</u>		<u>2019</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>	<u>Expended to December 31,</u>	<u>Committed</u>
<u>Water Utility:</u>				
Celestine Pit	\$ 224	\$ 81,945	\$ 66,066	\$ 16,104
Ampstun GL Conversion	2,500	6,000	-	-
Operations Facility	1,456,930	3,483,393	3,668,464	580,580
Santine Road Relocation	100,870	115,251	-	-
Kress Line Extension	-	-	51	40,533
Celestine St. Rd. 164 Bridge	-	-	110,834	78,471
Westfork Rd. Replacement	-	-	73,384	26,616
Other	95,381	-	63,458	-
Total Water Utility	\$ 1,655,905	\$ 3,686,589	\$ 3,982,257	\$ 742,304
<u>Wastewater Utility:</u>				
Ampstun GL Conversion	\$ -	\$ 1,500	\$ -	\$ -
Operations Facility	200,000	433,809	625,000	13,809
Plant Creek Crossing	-	-	31,033	3,967
Doors & Exhaust Fan	-	-	7,980	9,900
Other	3,323	-	3,997	-
Total Wastewater Utility	\$ 203,323	\$ 435,309	\$ 668,010	\$ 27,676

Operations Facility: The District is constructing a 41,474 square foot operations facility to be financed using cash reserves. Bids were awarded on July 13, 2018 and construction began in 2018 and was ongoing through December 31, 2019.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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, 2019 was as follows:

	2019				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Water Utility</u>					
Revenue bonds payable	\$ 27,930,000	\$ 24,515,000	\$ (23,470,000)	\$ 28,975,000	\$ -
Plus: unamortized premium	<u>73,715</u>	<u>151</u>	<u>(73,866)</u>	<u>-</u>	<u>-</u>
	28,003,715	24,515,151	(23,543,866)	28,975,000	-
Contract liability	-	2,199,881	-	2,199,881	442,115
Loans payable	<u>8,017,048</u>	<u>-</u>	<u>(66,000)</u>	<u>7,951,048</u>	<u>68,000</u>
Total	<u>\$ 36,020,763</u>	<u>\$ 26,715,032</u>	<u>\$ (23,609,866)</u>	<u>\$ 39,125,929</u>	<u>\$ 510,115</u>
<u>Wastewater Utility</u>					
Loan payable	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 400,000</u>	<u>\$ -</u>

Long-term liability activity for the years ended December 31, 2018 was as follows:

	2018				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<u>Water Utility</u>					
Revenue bonds payable	\$ 28,875,000	\$ -	\$ (945,000)	\$ 27,930,000	\$ -
Plus: unamortized premium	<u>77,341</u>	<u>-</u>	<u>(3,626)</u>	<u>73,715</u>	<u>-</u>
	28,952,341	-	(948,626)	28,003,715	-
Loan payable	<u>8,081,048</u>	<u>-</u>	<u>(64,000)</u>	<u>8,017,048</u>	<u>66,000</u>
Total	<u>\$ 37,033,389</u>	<u>\$ -</u>	<u>\$ (1,012,626)</u>	<u>\$ 36,020,763</u>	<u>\$ 66,000</u>
<u>Wastewater Utility</u>					
Loan payable	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 600,000</u>	<u>\$ -</u>

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

On December 19, 2019, the District issued \$24,515,000 of Taxable Waterworks Refunding Revenue Bonds for the advance refunding of \$13,125,000 of outstanding 2013 Waterworks Revenue Bonds with an average interest rate of 4.08% and \$9,830,000 of outstanding Waterworks Revenue Bonds of 2014, Series B with an average interest rate of 4.1%. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The refunding resulted in the accounting loss of \$2,747,042 which has been recognized on the statement of net position as a deferred outflow of resources. This amount will be amortized using the straight-line method and charged to interest expense over the next 20 years. The District in effect decreased its aggregate debt service payment by \$103,084 over the next 20 years and recognized an economic gain (difference between the present values of the old and new debt service payments) of \$1,150,148.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Revenue bonds outstanding at year end 2019 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Water Utility</u>		
		<u>Balance at December 31</u>	<u>Plus: Unamortized Premium/ (Discount)</u>	<u>Amount</u>
2012A Waterworks Refunding Revenue Bonds	1.45%	\$ 425,000	\$ -	\$ 425,000
2012B Waterworks Refunding Revenue Bonds	2.896% to 3.3%	1,975,000	-	1,975,000
2014A Waterworks Refunding Revenue Bonds	2.15%	2,060,000	-	2,060,000
2019 Waterworks Refunding Revenue Bonds	1.932 to 3.338%	<u>24,515,000</u>	<u>-</u>	<u>24,515,000</u>
Total		<u>\$ 28,975,000</u>	<u>\$ -</u>	<u>\$ 28,975,000</u>

Revenue bonds outstanding at year end 2018 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Water Utility</u>		
		<u>Balance at December 31</u>	<u>Plus: Unamortized Premium/ (Discount)</u>	<u>Amount</u>
2012A Waterworks Refunding Revenue Bonds	1.45%	\$ 560,000	\$ -	\$ 560,000
2012B Waterworks Refunding Revenue Bonds	2.896% to 3.3%	1,975,000	-	1,975,000
2013 Waterworks Revenue Bonds	3.00 to 4.75%	13,125,000	44,836	13,169,836
2014A Waterworks Refunding Revenue Bonds	2.15%	2,440,000	-	2,440,000
2014B Waterworks Refunding Revenue Bonds	4.00 to 4.50%	<u>9,830,000</u>	<u>28,879</u>	<u>9,858,879</u>
Total		<u>\$ 27,930,000</u>	<u>\$ 73,715</u>	<u>\$ 28,003,715</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility	
	Principal	Interest
2020	\$ -	\$ 407,801
2021	1,125,000	804,646
2022	1,145,000	782,350
2023	1,170,000	759,190
2024	1,260,000	733,646
2025-2029	6,740,000	3,197,270
2030-2034	7,660,000	2,228,591
2035-2039	8,060,000	992,758
2040	1,815,000	30,292
Totals	\$ 28,975,000	\$ 9,936,544

The January 1, 2020 and 2019 principal payments were remitted during December 2019 and 2018, respectively. Interest expense incurred by the District during the year ended December 31, 2018 was \$1,398,787 and \$16,000 for water and wastewater, respectively, and during the year ended December 31, 2019 was \$911,280 and \$12,000 for water and wastewater, respectively, of which none was capitalized.

Loans Payable: The District has entered into loans. Annual debt service requirements to maturity for the loans are as follows:

	USDA Water Rural Development Loan	
	Principal	Interest
2020	\$ 68,000	\$ 257,304
2021	69,000	255,078
2022	71,000	252,803
2023	74,000	250,447
2024	77,000	247,993
2025-2029	422,000	1,200,330
2030-2034	495,000	1,125,889
2035-2039	1,450,000	969,905
2040-2044	2,329,000	674,367
2045-2049	2,896,048	240,864
Totals	\$ 7,951,048	\$ 5,474,980

	Wastewater Loan from Dubois County	
	Principal	Interest
2020	\$ -	\$ 8,000
2021	-	8,000
2022	-	8,000
2023	-	8,000
2024	-	8,000
2025-2029	-	40,000
2030-2034	400,000	40,000
Totals	\$ 400,000	\$ 120,000

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)

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 remaining annual debt service requirements to maturity of the contract liability as of December 31, 2019 are as follows:

2020	\$ 444,084
2021	442,115
2022	440,062
2023	437,924
2024	<u>435,696</u>
	<u>\$ 2,199,881</u>

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

	<u>2019</u>	<u>2018</u>
<i>Water Utility:</i>		
Bond and interest	\$ 220,803	\$ 196,277
Debt service reserve	2,921,965	2,869,957
Improvement	<u>3,690,810</u>	<u>5,762,691</u>
Total restricted assets	<u>\$ 6,833,578</u>	<u>\$ 8,828,925</u>
 <i>Wastewater Utility:</i>		
Improvement	<u>\$ 2,823,536</u>	<u>\$ 3,074,528</u>

Revenues Pledged:

Water Utility Revenues Pledged: The District has pledged future water revenues, net of specified operating expenditures, to repay revenues bonds issued in 2012. 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 3% percent of net revenues.

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 12% 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 44% of net revenues.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 funded claims up to \$65,000 per covered member with a maximum liability of \$494,156. 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 May 12, 2008 and the current rate structure was approved by the District on November 29, 2018 and became effective March 1, 2019. The Water Utility has 5,426 retail customers and 29 wholesale customers.

Wastewater Utility: The current rate structure was approved by the District on May 31, 2006. The Wastewater Utility has 1,113 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, 2019 and 2018

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 2019, 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 7.4 percent of covered payroll as of July 1, 2019, which decreased from 7.8 percent as of July 1, 2018. No member contributions are required.

During fiscal year 2018, 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 7.8 percent of covered payroll as of July 1, 2018, which increased from 7.2 percent as of January 1, 2017.

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>
2019	\$ 272,650	100%
2018	263,670	100%
2017	267,277	100%

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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.

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, 2019
- Liability valuation date – June 30, 2018 – Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 4 years ended June 30, 2014
- Investment rate of return – 6.75%, includes inflation and net of investment expenses
- COLA – In lieu of a 1% COLA occurring beginning on January 1, 2020, the COLA was replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter will be 0.4% beginning on January 1, 2022, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.5% - 4.25%
- Inflation – 2.25%

Mortality rates for healthy members were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report. Mortality rates for disabled members were based on the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2019 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.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 3 - OTHER INFORMATION (Continued)

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>Asset Allocation</u>		<u>Geometric Basis</u> <u>Long-Term Expected</u> <u>Real Rate of Return</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Public Equity	22.0%	22.0%	4.9%	4.4%
Private Equity	14.0%	14.0%	7.0%	5.4%
Fixed Income – Ex Inflation-Linked	20.0%	20.0%	2.5%	2.2%
Fixed Income – Inflation-Linked	7.0%	7.0%	1.3%	0.8%
Commodities	8.0%	8.0%	2.0%	2.3%
Real Estate	7.0%	7.0%	6.7%	6.5%
Absolute Return	10.0%	10.0%	2.9%	2.7%
Risk Parity	12.0%	12.0%	5.3%	5.2%

Discount rate: Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent for both 2019 and 2018. 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 (6.75 percent). 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 Port's share of the net pension liability calculated using the discount rate of 6.75% percent for 2019 and 2018, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
<u>2019</u>			
Proportionate share of the Collective Net Pension Liability	\$ 2,422,029	\$ 1,508,101	\$ 745,814
<u>2018</u>			
Proportionate share of the Collective Net Pension Liability	\$ 2,433,645	\$ 1,545,995	\$ 805,792

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 3 - OTHER INFORMATION (Continued)

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, 2019 and 2018, the District reported a liability of \$1,508,101 and \$1,545,995, 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, 2019 measurement date was 0.0004563. This represents a slight increase from the prior measurement date. The proportionate share used at the June 30, 2018 measurement date was 0.0004551. The proportionate share used at the June 30, 2017 measurement date was 0.0004568.

For the years ended December 31, 2019 and 2018, the District recognized pension expense of \$263,319 and \$300,208, respectively, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$24,634 and \$57,805, respectively. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

<u>2019</u>	PERF Water		PERF Wastewater	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 35,405	\$ -	\$ 4,529	\$ -
Net difference between projected and actual investment earnings on pension plan investment	-	63,200	-	8,084
Changes of assumptions	298	145,351	38	18,591
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,906	2,833	755	362
Contributions subsequent to the measurement date	<u>122,893</u>	<u>-</u>	<u>15,719</u>	<u>-</u>
Total	<u>\$ 164,502</u>	<u>\$ 211,384</u>	<u>\$ 21,041</u>	<u>\$ 27,037</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 3 - OTHER INFORMATION (Continued)

2018

	PERF Water		PERF Wastewater	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 17,926	\$ 94	\$ 2,293	\$ 12
Net difference between projected and actual investment earnings on pension plan investment	40,594	-	5,192	-
Changes of assumptions	3,265	220,082	418	28,149
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,561	5,942	3,269	760
Contributions subsequent to the measurement date	<u>121,547</u>	<u>-</u>	<u>15,546</u>	<u>-</u>
Total	<u>\$ 208,893</u>	<u>\$ 226,118</u>	<u>\$ 26,718</u>	<u>\$ 28,921</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2019 and 2018 measurement dates are recognized as a reduction of net pension liability in the years ending December 31, 2020 and 2019, respectively. 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, 2019</u>	<u>Amount</u>
2020	\$ (55,980)
2021	(108,604)
2022	(21,371)
2023	<u>(5,535)</u>
Total	<u>\$ (191,490)</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3 - OTHER INFORMATION (Continued)

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.

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).

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3 - OTHER INFORMATION (Continued)

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.

NOTE 4 - RECENT AND SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus surfaced and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Unit may be materially affected by this global pandemic. The Unit has budgeted for operations and has continued to maintain business operations during 2020 to date. The extent to which the coronavirus may affect revenues and other business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

REQUIRED SUPPLEMENTARY INFORMATION

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY - PERF
 December 31, 2019 and 2018

	<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	0.0004563	0.0004551	0.0004568	0.0004417	0.0003898	0.0003937
District's proportionate share of the net pension liability						
Water	\$ 1,337,081	\$ 1,370,679	\$ 1,806,920	\$ 1,777,306	\$ 1,407,581	\$ 917,292
Wastewater	<u>171,020</u>	<u>175,316</u>	<u>231,113</u>	<u>227,325</u>	<u>180,036</u>	<u>117,326</u>
	1,508,101	1,545,995	2,038,033	2,004,631	1,587,617	1,034,618
District's covered payroll						
Water	\$ 2,107,604	\$ 2,058,717	\$ 2,009,266	\$ 1,877,009	\$ 1,665,468	\$ 1,704,309
Wastewater	<u>269,572</u>	<u>263,319</u>	<u>256,994</u>	<u>240,078</u>	<u>211,742</u>	<u>217,988</u>
	2,377,176	2,322,036	2,266,260	2,117,087	1,877,210	1,922,297
District's proportionate share of the net pension liability as a percentage of its covered payroll	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	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, 2019
- Liability valuation date – June 30, 2018 – Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 4 years ended June 30, 2014
- Investment rate of return – 6.75%
- COLA – In lieu of a 1% COLA occurring beginning on January 1, 2020, the COLA was replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter will be 0.4% beginning on January 1, 2022, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.50% - 4.25%
- Inflation – 2.25%
- Mortality – RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table, with Social Security Administration generational improvement scale from 2006.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution						
Water	\$ 242,014	\$ 230,671	\$ 240,714	\$ 212,617	\$ 200,190	\$ 192,765
Wastewater	30,636	32,999	26,563	23,598	20,804	21,263
Contributions in relation to the statutorily required contribution	<u>(272,650)</u>	<u>(263,670)</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>
The District's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%
District's covered payroll	\$ 2,434,375	\$ 2,354,196	\$ 2,386,402	\$ 2,109,063	\$ 1,973,161	\$ 1,910,964
Contributions as a percentage of covered payroll	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. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

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: 2.25%

Salary increases: 2.50% - 4.25%

Investment rate of return: 6.75%

Mortality: RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006

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 actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/17 was 10.11%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/18 was 9.89%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/19 was 10.03%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year. Member census data as of the prior year end was used in the valuation and adjusted, where appropriate, to reflect changes during the current fiscal year. Standard actuarial roll forward techniques were then used to project the liabilities computed as of prior year end to the current year measurement date.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT
OTHER REPORT
December 31, 2018 and 2019

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*.