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December 27, 2022

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, 2020 to December 31, 2021. 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, 2020 and 2021, 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT**  
Dubois County, Indiana

**FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT

FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF OFFICIALS (Unaudited)  
December 31, 2021 and 2020

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<b><u>Office</u></b>	<b><u>Official</u></b>	<b><u>Term</u></b>
General Manager	Doug Merkel	06-01-15 to 12-31-21
Operations Manager	Shawn Kluesner	06-01-15 to 09-30-21
T&D Superintendent	Steven Dodd	10-01-21 to 12-31-21
Water Plant Superintendent	Jerry Allstott	01-01-15 to 09-30-21
Water Plant Superintendent	Adam Scherle	10-01-21 to 12-31-21
Wastewater Superintendent	Troy Wheeler	01-01-15 to 05-29-20
Wastewater Superintendent	Joshua Walker	05-30-20 to 12-31-21
Controller	Craig Adams	10-26-15 to 12-31-21
Treasurer	Patrick Seger	01-01-17 to 12-31-21
President of the Board	John Wade	01-01-18 to 12-31-21

## 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 Patoka Lake Regional Water and Sewer District (District), as of and for the years ended December 31, 2021 and 2020, 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 financial position of the District, as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years 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). 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 opinion.

***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.

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(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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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(Continued)

### ***Other Information***

Management is responsible for the other information included with the financial statements. 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 opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the 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.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
December 20, 2022

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2021

Assets	Water	Wastewater	Total Business Type Activities
Current assets:			
Unrestricted:			
Operating cash and cash equivalents	\$ 1,269,688	\$ 132,957	\$ 1,402,645
Accounts receivable - customers	844,706	91,633	936,339
Inventories	1,099,678	92,164	1,191,842
Land held for resale	8,128	23,561	31,689
Total unrestricted current assets	3,222,200	340,315	3,562,515
Noncurrent assets:			
Restricted:			
Restricted cash, cash equivalents and investments:			
Debt service reserve investments	2,542,566	-	2,542,566
Improvement investments	2,862,934	3,182,048	6,044,982
Investments- 2021 Bonds Project Fund	3,534,494	-	3,534,494
Interest receivable	2,554	892	3,446
Total restricted noncurrent assets	8,942,548	3,182,940	12,125,488
Capital assets:			
Land, improvements to land and construction in progress	925,720	356,326	1,282,046
Other capital assets (net of accumulated depreciation)	87,430,406	8,574,634	96,005,040
Total capital assets	88,356,126	8,930,960	97,287,086
Total noncurrent assets	97,298,674	12,113,900	109,412,574
Total assets	100,520,874	12,454,215	112,975,089
Deferred outflows of resources:			
Deferred charge on refunding of debt	2,833,822	-	2,833,822
Regulatory Asset - Bond issuance costs	794,150	-	794,150
Regulatory Asset - Unamortized tank painting costs	1,744,147	178,728	1,922,875
Pension	442,174	56,556	498,730
Total deferred outflows of resources	5,814,293	235,284	6,049,577
Total assets and deferred outflows of resources	106,335,167	12,689,499	119,024,666

See accompanying notes to financial statements.  
(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2021

	Water	Wastewater	Total Business Type Activities
<b>Liabilities</b>			
Current liabilities:			
Unrestricted:			
Accounts payable	\$ 217,508	\$ 19,424	\$ 236,932
Accrued payroll and withholdings payable	62,109	6,404	68,513
Taxes payable	14,977	-	14,977
Advances for construction	33,237	3,250	36,487
Total unrestricted current liabilities	<u>327,831</u>	<u>29,078</u>	<u>356,909</u>
Payable from restricted assets:			
Contract liability	675,980	-	675,980
Total restricted current liabilities	<u>675,980</u>	<u>-</u>	<u>675,980</u>
Total current liabilities	<u>1,003,811</u>	<u>29,078</u>	<u>1,032,889</u>
Noncurrent liabilities:			
Net pension liability	540,499	69,133	609,632
Revenue bonds payable (net of unamortized discounts/premiums)	37,995,000	-	37,995,000
Contract liability	945,499	-	945,499
Total noncurrent liabilities	<u>39,480,998</u>	<u>69,133</u>	<u>39,550,131</u>
Total liabilities	<u>40,484,809</u>	<u>98,211</u>	<u>40,583,020</u>
Deferred inflows of resources			
Pension	836,381	106,976	943,357
Total liabilities and deferred inflows of resources	<u>41,321,190</u>	<u>205,187</u>	<u>41,526,377</u>
<b>Net position</b>			
Net investment in capital assets	55,107,963	8,930,960	64,038,923
Restricted for:			
Debt service	2,542,566	-	2,542,566
Capital outlay	2,865,488	3,182,940	6,048,428
Total restricted	<u>5,408,054</u>	<u>3,182,940</u>	<u>8,590,994</u>
Unrestricted	<u>4,497,960</u>	<u>370,413</u>	<u>4,868,372</u>
Total net position	<u>\$ 65,013,977</u>	<u>\$ 12,484,312</u>	<u>\$ 77,498,289</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2020

Assets	Water	Wastewater	Total Business Type Activities
Current assets:			
Unrestricted:			
Operating cash and cash equivalents	\$ 1,122,278	\$ 87,107	\$ 1,209,385
Accounts receivable - customers	743,443	91,380	834,823
Accounts receivable - other	9,440	-	9,440
Inventories	939,022	96,568	1,035,590
Prepaid items	5,097	695	5,792
Land held for resale	17,996	53,435	71,431
Total unrestricted current assets	<u>2,837,276</u>	<u>329,185</u>	<u>3,166,461</u>
Noncurrent assets:			
Restricted:			
Restricted cash, cash equivalents and investments:			
Bond and interest cash and cash equivalents	197,100	-	197,100
Debt service reserve investments	2,952,529	-	2,952,529
Improvement investments	2,588,527	2,892,101	5,480,628
Interest receivable	6,928	1,483	8,411
Total restricted noncurrent assets	<u>5,745,084</u>	<u>2,893,584</u>	<u>8,638,668</u>
Capital assets:			
Land, improvements to land and construction in progress	1,594,650	314,688	1,909,338
Other capital assets (net of accumulated depreciation)	89,046,105	8,828,136	97,874,241
Total capital assets	<u>90,640,755</u>	<u>9,142,824</u>	<u>99,783,579</u>
Total noncurrent assets	<u>96,385,839</u>	<u>12,036,408</u>	<u>108,422,247</u>
Total assets	<u>99,223,115</u>	<u>12,365,593</u>	<u>111,588,708</u>
Deferred outflows of resources:			
Deferred charge on refunding of debt	2,847,598	-	2,847,598
Bond issuance costs	461,664	-	461,664
Unamortized tank painting costs	1,880,747	212,803	2,093,550
Pension	277,417	35,483	312,900
Total deferred outflows of resources	<u>5,467,426</u>	<u>248,286</u>	<u>5,715,712</u>
Total assets and deferred outflows of resources	<u>104,690,541</u>	<u>12,613,879</u>	<u>117,304,420</u>

See accompanying notes to financial statements.  
(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2020

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
<b>Liabilities</b>			
Current liabilities:			
Unrestricted:			
Accounts payable	\$ 202,429	\$ 17,948	\$ 220,377
Accrued payroll and withholdings payable	48,649	4,642	53,291
Taxes payable	13,906	-	13,906
Advances for construction	3,000	4,987	7,987
Total unrestricted current liabilities	<u>267,984</u>	<u>27,577</u>	<u>295,561</u>
Payable from restricted assets:			
Accrued interest payable	128,100	-	128,100
Loans payable (USDA)	69,000	-	69,000
Contract liability	778,777	-	778,777
Total restricted current liabilities	<u>975,877</u>	<u>-</u>	<u>975,877</u>
Total current liabilities	<u>1,243,861</u>	<u>27,577</u>	<u>1,271,438</u>
Noncurrent liabilities:			
Net pension liability	1,236,913	158,207	1,395,120
Revenue bonds payable (net of unamortized discounts/premiums)	27,850,000	-	27,850,000
Loans payable (USDA)	7,814,048	-	7,814,048
Contract liability	1,621,479	-	1,621,479
Total noncurrent liabilities	<u>38,522,440</u>	<u>158,207</u>	<u>38,680,647</u>
Total liabilities	<u>39,766,301</u>	<u>185,784</u>	<u>39,952,085</u>
Deferred inflows of resources			
Pension	<u>275,693</u>	<u>35,263</u>	<u>310,956</u>
Total liabilities and deferred inflows of resources	<u>40,041,994</u>	<u>221,047</u>	<u>40,263,041</u>
<b>Net position</b>			
Net investment in capital assets	55,355,049	9,142,824	64,497,873
Restricted for:			
Debt service	3,021,529	-	3,021,529
Capital outlay	2,595,456	2,893,584	5,489,040
Total restricted	<u>5,616,985</u>	<u>2,893,584</u>	<u>8,510,569</u>
Unrestricted	<u>3,676,514</u>	<u>356,424</u>	<u>4,032,938</u>
Total net position	<u>\$ 64,648,547</u>	<u>\$ 12,392,832</u>	<u>\$ 77,041,379</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, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
<b>Operating revenues:</b>			
Metered water revenue			
Residential	\$ 3,164,412	\$ -	\$ 3,164,412
Wholesale	6,671,997	-	6,671,997
Measured revenue			
Residential/commercial	-	833,714	833,714
Industrial	-	305,144	305,144
Other	50,639	7,479	58,118
Total operating revenues	<u>9,887,048</u>	<u>1,146,337</u>	<u>11,033,385</u>
<b>Operating expenses:</b>			
Source of supply and expense/collection system expense:			
Operations and Maintenance	375,970	95,163	471,133
Transmission and Distribution	2,015,138	-	2,015,138
Treatment and Disposal - Operations and Maintenance	1,614,576	353,886	1,968,462
Customer Accounts	69,701	8,338	78,039
Administration and General	1,318,272	206,678	1,524,950
Depreciation and Amortization	3,181,862	486,829	3,668,691
Total Operating Expenses	<u>8,575,519</u>	<u>1,150,894</u>	<u>9,726,413</u>
<b>Operating income (loss)</b>	<u>1,311,529</u>	<u>(4,557)</u>	<u>1,306,972</u>
<b>Nonoperating revenues (expenses):</b>			
Interest and investment revenue	58,405	18,890	77,295
Net gain (loss) on disposal/sale of asset	(114,995)	52,834	(62,161)
Miscellaneous revenue	49,296	-	49,296
Amortization of bond issue costs	(31,777)	-	(31,777)
Interest expense	(1,079,735)	-	(1,079,735)
Total nonoperating revenues (expenses)	<u>(1,118,806)</u>	<u>71,724</u>	<u>(1,047,082)</u>
<b>Change in net position before capital contributions</b>	192,723	67,167	259,890
Capital contributions	<u>172,707</u>	<u>24,313</u>	<u>197,020</u>
<b>Change in net position</b>	365,430	91,480	456,910
<b>Net position, beginning of year</b>	<u>64,648,547</u>	<u>12,392,832</u>	<u>77,041,379</u>
<b>Net position, end of year</b>	<u>\$ 65,013,977</u>	<u>\$ 12,484,312</u>	<u>\$ 77,498,289</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, 2020

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business Type Activities</u>
<b>Operating revenues:</b>			
Metered water revenue			
Residential	\$ 3,072,759	\$ -	\$ 3,072,759
Wholesale	6,213,159	-	6,213,159
Measured revenue			
Residential/commercial	-	894,021	894,021
Industrial	-	303,477	303,477
Other	36,551	5,831	42,382
Total operating revenues	<u>9,322,469</u>	<u>1,203,329</u>	<u>10,525,798</u>
<b>Operating expenses:</b>			
Source of supply and expense/collection system expense:			
Operations and Maintenance	379,734	106,208	485,942
Transmission and Distribution	1,907,188	-	1,907,188
Treatment and Disposal - Operations and Maintenance	1,638,273	369,093	2,007,366
Customer Accounts	64,286	8,239	72,525
Administration and General	1,347,033	283,831	1,630,864
Depreciation and Amortization	3,057,107	528,117	3,585,224
Total Operating Expenses	<u>8,393,621</u>	<u>1,295,488</u>	<u>9,689,109</u>
<b>Operating income (loss)</b>	<u>928,848</u>	<u>(92,159)</u>	<u>836,689</u>
<b>Nonoperating revenues (expenses):</b>			
Interest and investment revenue	125,946	53,772	179,718
Net gain (loss) on disposal/sale of asset	(48,852)	32,664	(16,188)
Miscellaneous revenue	51,426	-	51,426
Amortization of bond issue costs	(31,777)	-	(31,777)
Interest expense	(1,112,216)	(8,000)	(1,120,216)
Total nonoperating revenues (expenses)	<u>(1,015,473)</u>	<u>78,436</u>	<u>(937,037)</u>
<b>Change in net position before capital contributions</b>	(86,625)	(13,723)	(100,348)
Capital contributions	<u>352,720</u>	<u>9,657</u>	<u>362,377</u>
<b>Change in net position</b>	266,095	(4,066)	262,029
<b>Net position, beginning of year</b>	<u>64,382,452</u>	<u>12,396,898</u>	<u>76,779,350</u>
<b>Net position, end of year</b>	<u>\$ 64,648,547</u>	<u>\$ 12,392,832</u>	<u>\$ 77,041,379</u>

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2021

	Water	Wastewater	Total Business Type Activities
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 9,793,188	\$ 1,146,778	\$ 10,939,966
Payments to suppliers	(2,550,781)	(308,267)	(2,859,048)
Payments to employees and for benefits	(3,237,036)	(386,590)	(3,623,626)
Other receipts (payments)	59,164	80,969	140,133
Net Cash Provided By Operating Activities	<u>4,064,535</u>	<u>532,890</u>	<u>4,597,425</u>
<b>Cash flows from capital and related financial activities:</b>			
Capital contributions	172,707	24,313	197,020
Acquisition and construction of capital assets	(836,549)	(240,887)	(1,077,436)
Principal paid on capital debt	(1,214,000)	-	(1,214,000)
Interest paid on capital debt	(1,167,652)	-	(1,167,652)
Net proceeds from 2021 refunding of bonds	3,046,204	-	3,046,204
Payments on the contract payable	(778,777)	-	(778,777)
Net cash used by capital and related financing activities	<u>(778,067)</u>	<u>(216,574)</u>	<u>(994,641)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments	5,163,287	253,506	5,416,793
Purchase of investments	(8,562,225)	(543,453)	(9,105,678)
Interest received	62,779	19,481	82,260
Net cash provided (used) by investing activities	<u>(3,336,159)</u>	<u>(270,466)</u>	<u>(3,606,625)</u>
<b>Net increase in cash and cash equivalents</b>	(49,691)	45,850	(3,841)
<b>Cash and cash equivalents, January 1</b>	<u>1,319,378</u>	<u>87,107</u>	<u>1,406,485</u>
<b>Cash and cash equivalents, December 31</b>	<u>\$ 1,269,687</u>	<u>\$ 132,957</u>	<u>\$ 1,402,644</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 1,311,529	\$ (4,557)	\$ 1,306,972
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense and amortization expense	3,181,862	486,829	3,668,691
Deferred pension - inflows and outflows	(300,483)	(38,434)	(338,917)
Bad debt expense	2,037	-	2,037
Land held for resale	9,868	29,874	39,742
Sale of asset	-	52,832	52,832
Nonoperating revenue (expense)	49,296	-	49,296
(Increase) decrease in assets:			
Accounts receivable	(93,860)	(253)	(94,113)
Inventories	(160,656)	4,404	(156,252)
Prepaid items	5,097	695	5,792
Increase (decrease) in liabilities:			
Accounts payable	15,078	1,476	16,554
Advances for construction	30,236	(1,738)	28,498
Accrued payroll and withholdings payable	13,460	1,762	15,222
Taxes payable	1,071	-	1,071
Total adjustments	<u>2,753,006</u>	<u>537,447</u>	<u>3,290,453</u>
Net Cash Provided by Operating Activities	<u>\$ 4,064,535</u>	<u>\$ 532,890</u>	<u>\$ 4,597,425</u>
<b>Noncash investing, capital and financing activities:</b>			
Transfer of construction-in-progress to capital asset	\$ 2,239,439	\$ -	\$ 2,239,439
Amortization of bond issuance costs	31,777	-	31,777
Disposal of capital assets fully depreciated	60,628	57,112	117,740
Deferral of bond issuance costs	364,263	-	364,263
Deferral of loss on refunding	26,640	-	26,640
Refunding of bonds	7,814,048	-	7,814,048

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2020

	Water	Wastewater	Total Business Type Activities
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 9,402,186	\$ 1,216,537	\$ 10,618,723
Payments to suppliers	(2,545,284)	(301,667)	(2,846,951)
Payments to employees and for benefits	(3,074,537)	(486,825)	(3,561,362)
Other receipts (payments)	58,334	58,743	117,077
Net Cash Provided By Operating Activities	<u>3,840,699</u>	<u>486,788</u>	<u>4,327,487</u>
<b>Cash flows from capital and related financial activities:</b>			
Capital contributions	352,720	9,657	362,377
Acquisition and construction of capital assets	(1,914,535)	(175,775)	(2,090,310)
Principal paid on capital debt	(1,193,000)	(400,000)	(1,593,000)
Interest paid on capital debt	(1,096,504)	(8,000)	(1,104,504)
Payments on the contract liability	(928,575)	-	(928,575)
Net cash used by capital and related financing activities	<u>(4,779,894)</u>	<u>(574,118)</u>	<u>(5,354,012)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments	4,906,748	1,413,587	6,320,335
Purchase of investments	(3,835,029)	(1,482,152)	(5,317,181)
Interest received	127,116	58,543	185,659
Net cash provided (used) by investing activities	<u>1,198,835</u>	<u>(10,022)</u>	<u>1,188,813</u>
<b>Net increase in cash and cash equivalents</b>	259,640	(97,352)	162,288
<b>Cash and cash equivalents, January 1</b>	<u>1,059,738</u>	<u>184,459</u>	<u>1,244,197</u>
<b>Cash and cash equivalents, December 31</b>	<u>\$ 1,319,378</u>	<u>\$ 87,107</u>	<u>\$ 1,406,485</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 928,848	\$ (92,159)	\$ 836,689
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense and amortization expense	3,057,107	528,117	3,585,224
Deferred pension - inflows and outflows	(148,774)	(19,029)	(167,803)
Bad debt expense	2,365	-	2,365
Land held for resale	6,907	21,089	27,996
Sale of asset	-	32,667	32,667
Nonoperating revenue (expense)	51,427	-	51,427
(Increase) decrease in assets:			
Accounts receivable	79,717	13,903	93,620
Inventories	(31,112)	7,927	(23,185)
Prepaid items	(5,097)	(695)	(5,792)
Increase (decrease) in liabilities:			
Accounts payable	(15,423)	(3,660)	(19,083)
Advances for construction	(59,911)	4,987	(54,924)
Accrued payroll and withholdings payable	(24,220)	(6,359)	(30,579)
Taxes payable	(1,135)	-	(1,135)
Total adjustments	<u>2,911,851</u>	<u>578,947</u>	<u>3,490,798</u>
Net Cash Provided by Operating Activities	<u>\$ 3,840,699</u>	<u>\$ 486,788</u>	<u>\$ 4,327,487</u>
<b>Noncash investing, capital and financing activities:</b>			
Transfer of construction-in-progress to capital asset	\$ 5,321,896	\$ 749,214	\$ 6,071,110
Amortization of bond issuance costs	31,777	-	31,777
Disposal of capital assets fully depreciated	58,737	23,672	82,409

See accompanying notes to financial statements.

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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**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 audit period, the District adopted the following:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- GASB Statement No. 90, *Majority Equity Interests*
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (paragraphs 4-5)*
- GASB Statement No. 98, *The Annual Comprehensive Financial Report.*

There was no impact on the financial statements upon adoption of these pronouncements other than consideration of additional note disclosures for GASB Statement 88.

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021 and 2020

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**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.

*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, 2021 and 2020.

*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

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021 and 2020

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**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:*

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.

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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. Investments are reported at fair value.

*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, 2021 and 2020, the District had total deposit balances including certificates of deposit in the amount of \$13,524,687 and \$9,839,642, respectively.

Certificates of Deposit: Certificates of deposit amounted to \$12,122,042 and \$8,433,157 at December 31, 2021 and 2020, 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.

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

**NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)**

Capital Assets:

	January 1 2020 Balance	Increases	Decreases	December 31 2020 Balance	Increases	Decreases	December 31 2021 Balance
<b>Water Utility:</b>							
Capital assets, not being depreciated:							
Land	\$ 740,118	\$ -	\$ -	\$ 740,118	\$ -	\$ -	\$ 740,118
Construction in progress	3,982,257	2,194,171	(5,321,896)	854,532	1,570,509	(2,239,439)	185,602
Total	<u>4,722,375</u>	<u>2,194,171</u>	<u>(5,321,896)</u>	<u>1,594,650</u>	<u>1,570,509</u>	<u>(2,239,439)</u>	<u>925,720</u>
Capital assets, being depreciated:							
Infrastructure	89,951,326	807,776	(212,450)	90,546,652	1,131,689	(292,938)	91,385,403
Buildings	28,957,975	3,851,867	-	32,809,842	101,791	(58,787)	32,852,846
Improvements other than buildings	104,949	-	-	104,949	-	-	104,949
Machinery and equipment	9,737,886	399,383	(171,744)	9,965,525	229,272	(38,484)	10,156,313
Transportation equipment	1,188,949	101,977	(38,631)	1,252,295	75,895	(22,144)	1,306,046
Organizational costs	96,609	-	-	96,609	-	-	96,609
Total	<u>130,037,694</u>	<u>5,161,003</u>	<u>(422,825)</u>	<u>134,775,872</u>	<u>1,538,647</u>	<u>(412,353)</u>	<u>135,902,166</u>
Less accumulated depreciation for:							
Infrastructure	(30,069,520)	(1,543,667)	133,838	(31,479,349)	(1,605,241)	204,224	(32,880,366)
Buildings	(9,025,059)	(774,090)	-	(9,799,149)	(873,373)	8,818	(10,663,704)
Improvements other than buildings	(9,800)	(7,715)	-	(17,515)	(7,715)	-	(25,230)
Machinery and equipment	(3,235,665)	(443,086)	59,122	(3,619,629)	(441,446)	38,484	(4,022,591)
Transportation equipment	(663,292)	(92,855)	38,631	(717,516)	(87,888)	22,144	(783,260)
Organizational costs	(96,609)	-	-	(96,609)	-	-	(96,609)
Total accumulated depreciation	<u>(43,099,945)</u>	<u>(2,861,413)</u>	<u>231,591</u>	<u>(45,729,767)</u>	<u>(3,015,663)</u>	<u>273,670</u>	<u>(48,471,760)</u>
Capital assets, net	<u>86,937,749</u>	<u>2,299,590</u>	<u>(191,234)</u>	<u>89,046,105</u>	<u>(1,477,016)</u>	<u>(138,683)</u>	<u>87,430,406</u>
Total capital assets, net	<u>\$91,660,124</u>	<u>\$ 4,493,761</u>	<u>\$ (5,513,130)</u>	<u>\$90,640,755</u>	<u>\$ 93,493</u>	<u>\$ (2,378,122)</u>	<u>\$88,356,126</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021 and 2020

**NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)**

	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>
	<u>2020 Balance</u>			<u>2020 Balance</u>			<u>2021 Balance</u>
<b>Wastewater Utility:</b>							
Capital assets, not being depreciated:							
Land	\$ 314,634	\$ -	\$ -	\$ 314,634	\$ -	\$ -	\$ 314,634
Construction in progress	668,010	81,258	(749,214)	54	41,638	-	41,692
Total	<u>982,644</u>	<u>81,258</u>	<u>(749,214)</u>	<u>314,688</u>	<u>41,638</u>	<u>-</u>	<u>356,326</u>
Capital assets, being depreciated:							
Infrastructure	13,927,505	103,440	(13,872)	14,017,073	116,497	(16,091)	14,117,479
Buildings	2,985,995	678,806	-	3,664,801	-	-	3,664,801
Machinery and equipment	590,566	7,980	-	598,546	51,027	-	649,573
Transportation equipment	195,875	63,218	(23,672)	235,421	52,989	(64,646)	223,764
Organizational costs	16,319	-	-	16,319	-	-	16,319
Total	<u>17,716,260</u>	<u>853,444</u>	<u>(37,544)</u>	<u>18,532,160</u>	<u>220,513</u>	<u>(80,737)</u>	<u>18,671,936</u>
Less accumulated depreciation for:							
Infrastructure	(6,710,798)	(385,269)	4,161	(7,091,906)	(344,965)	16,091	(7,420,780)
Buildings	(2,200,060)	(74,392)	-	(2,274,452)	(67,388)	-	(2,341,840)
Machinery and equipment	(134,922)	(28,388)	-	(163,310)	(28,490)	-	(191,800)
Transportation equipment	(176,121)	(5,588)	23,672	(158,037)	(11,909)	43,383	(126,563)
Organizational costs	(15,912)	(407)	-	(16,319)	-	-	(16,319)
Total accumulated depreciation	<u>(9,237,813)</u>	<u>(494,044)</u>	<u>27,833</u>	<u>(9,704,024)</u>	<u>(452,752)</u>	<u>59,474</u>	<u>(10,097,302)</u>
Capital assets, net	<u>8,478,447</u>	<u>359,400</u>	<u>(9,711)</u>	<u>8,828,136</u>	<u>(232,239)</u>	<u>(21,263)</u>	<u>8,574,634</u>
Total capital assets, net	<u>\$ 9,461,091</u>	<u>\$ 440,658</u>	<u>\$ (758,925)</u>	<u>\$ 9,142,824</u>	<u>\$ (190,601)</u>	<u>\$ (21,263)</u>	<u>\$ 8,930,960</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021 and 2020

**NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)**

Construction Commitments: CWIP and remaining project commitments:

<u>Project</u>	<u>2020</u>		<u>2021</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	\$ 13,055	\$ 144,010	\$ 13,055	\$ 1,235,810
Crwford Cty Bridge #42	4,971	-	-	-
Lake Crossing	830,805	6,500	-	-
Ferdinand 14" Replacement	5,701	149,093	-	-
Dubois North Pit	-	-	15,439	6,391
Kyana Rd	-	-	98,454	31,158
Black Barn	-	-	21,428	10,794
St. Anthony 1 to CR 450	-	-	14,804	213,010
Huntingburg Ph 1 Pit Replacement	-	-	12,916	17,813
Southwest Clarifier WP 2	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Water Utility	<u>\$ 854,532</u>	<u>\$ 299,603</u>	<u>\$ 154,668</u>	<u>\$ 1,504,183</u>
<u>Wastewater Utility:</u>				
New Operations Building	\$ -	\$ -	\$ 22,271	\$ -
Sanders Processing Line Ext	-	-	2,974	-
Door Replacement	-	-	5,350	2,750
Clarifier Catwalk	-	-	11,042	15,084
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Wastewater Utility	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,637</u>	<u>\$ 17,834</u>

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

**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, 2021 was as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Water Utility:</u>					
Revenue bonds payable	\$ 27,850,000	\$ 11,290,000	\$ 1,145,000	\$ 37,995,000	\$ -
Loans payable (USDA)	7,883,048	-	7,883,048	-	-
Contract liability	2,400,256	-	778,777	1,621,479	675,980
Net pension liability	1,236,913	-	696,414	540,499	-
Total	<u>\$ 39,370,217</u>	<u>\$ 11,290,000</u>	<u>\$ 10,503,239</u>	<u>\$ 40,156,978</u>	<u>\$ 675,980</u>
<u>Wastewater Utility:</u>					
Net pension liability	<u>\$ 158,207</u>	<u>\$ -</u>	<u>\$ 89,074</u>	<u>\$ 69,133</u>	<u>\$ -</u>

Long-term liability activity for the years ended December 31, 2020 was as follows:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Water Utility:</u>					
Revenue bonds payable	\$ 28,975,000	\$ -	\$ 1,125,000	\$ 27,850,000	\$ 1,145,000
Loans payable (USDA)	7,951,048	-	68,000	7,883,048	69,000
Contract liability	2,199,881	1,128,950	928,575	2,400,256	778,777
Net pension liability	1,337,081	-	100,168	1,236,913	-
Total	<u>\$ 40,463,010</u>	<u>\$ 1,128,950</u>	<u>\$ 2,221,743</u>	<u>\$ 39,370,217</u>	<u>\$ 1,992,777</u>
<u>Wastewater Utility:</u>					
Loans payable	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ -
Net pension liability	171,020	-	12,813	158,207	-
Total	<u>\$ 571,020</u>	<u>\$ -</u>	<u>\$ 412,813</u>	<u>\$ 158,207</u>	<u>\$ -</u>

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

On April 28, 2021, the District issued \$10,745,000 of Taxable Waterworks Revenue and Refunding Bonds of 2021 for the partial advance refunding of \$7,260,048 of outstanding 2010 Junior Taxable Waterworks Revenue Bonds (Loans Payable – USDA) with an interest rate of 3.25%. As a result, this bond had a remaining principal balance of \$554,000. The refunding resulted in the accounting loss of \$23,068 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 \$3,004,619 over the next 20 years and recognized an economic gain (difference between the present values of the old and new debt service payments) of \$1,146,367.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021 and 2020

**NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)**

The Bonds were issued as provided in Ordinance No. 2021-2 adopted by the Board of Trustees on February 24, 2021 (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 Waterworks as more fully described in this Official Statement. 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. The Bonds will rank on parity with the Waterworks Refunding Revenue Bonds of 2012, Series A, dated December 13, 2012 (the "2012A Bonds"), now outstanding in the amount of \$285,000, the Waterworks Refunding Revenue Bonds of 2012, Series B, dated December 13, 2012 (the "2012B Bonds"), now outstanding in the amount of \$1,975,000, the Waterworks Revenue Bonds of 2014, Series A, dated November 19, 2014 (the "2014A Bonds"), now outstanding in the amount of \$1,670,000, the Taxable Waterworks Refunding Revenue Bonds of 2019, dated December 19, 2020 (the "2019 Bonds"), now outstanding in the amount of \$23,920,000 (collectively, the "Outstanding Parity Bonds") and rank senior to the payment of any unrefunded portions of the 2010 Bonds.

On July 22, 2021, the District issued \$565,000 of Taxable Waterworks Refunding Revenue Bonds of 2021 for the final advance refunding of \$554,000 of outstanding 2010 Junior Taxable Waterworks Revenue Bonds (Loans Payable – USDA) with an interest rate of 3.25%. As a result, this bond is considered to be defeased and the liability for those bonds have been removed from the balance sheet. The refunding resulted in the accounting loss of \$3,572 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.

Revenue bonds outstanding at year end 2021 are as follows:

Purpose	Interest Rates	Balance at December 31	Water Utility	
			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	.350 to 2.9%	10,745,000		10,745,000
2021 Waterworks Refunding Revenue Bonds	3.20%	545,000	-	545,000
<b>Total</b>		<u>\$ 37,995,000</u>	<u>\$ -</u>	<u>\$ 37,995,000</u>

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

The related Loans Payable (USDA) was considered a direct placement.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

**NOTE 2 - DETAILED NOTES ON ALL FUNDS** (Continued)

Revenue bonds outstanding at year end 2020 are as follows:

Purpose	Interest Rates	Balance at December 31	Water Utility	
			Plus: Unamortized Premium (Discount)	Amount
2012A Waterworks Refunding Revenue Bonds	1.45%	\$ 285,000	\$ -	\$ 285,000
2012B Waterworks Refunding Revenue Bonds	2.896 to 3.30%	1,975,000	-	1,975,000
2014A Waterworks Refunding Revenue Bonds	2.15%	1,670,000	-	1,670,000
2019 Waterworks Refunding Revenue Bonds	1.932 to 3.338%	<u>23,920,000</u>	-	<u>23,920,000</u>
Total		<u>\$ 27,850,000</u>	<u>\$ -</u>	<u>\$ 27,850,000</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility	
	Principal	Interest
2022	\$ 1,485,000	\$ 1,053,050
2023	1,515,000	1,027,452
2024	1,545,000	997,565
2025	1,575,000	964,931
2026	1,610,000	928,986
2027-2031	8,670,000	4,027,027
2032-2036	9,960,000	2,734,842
2037-2041	<u>11,635,000</u>	<u>1,070,167</u>
Totals	<u>\$ 37,995,000</u>	<u>\$ 12,804,019</u>

The January 1, 2022 and 2021 principal payments were remitted during December 2021 and 2020, respectively. Interest expense incurred by the District during the year ended December 31, 2020 was \$1,112,216 and \$8,000 for water and wastewater, respectively, and during the year ended December 31, 2021 was \$1,079,735 and \$0 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.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021 and 2020

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**NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)**

The remaining annual debt service requirements to maturity of the contract liability as of December 31, 2021 are as follows:

2022		\$ 675,980
2023		509,802
2024		<u>435,697</u>
		<u>\$ 1,621,479</u>

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

	<u>2021</u>	<u>2020</u>
<u>Water Utility:</u>		
Bond and interest	\$ -	\$ 197,100
Debt service reserve	2,542,566	2,952,529
Improvement investments	2,862,934	2,588,527
Investments - 2021 Bonds Project Fund	<u>3,534,494</u>	<u>-</u>
Total restricted assets	<u>\$ 8,939,994</u>	<u>\$ 5,738,156</u>
 <u>Wastewater Utility:</u>		
Improvement	<u>\$ 3,182,048</u>	<u>\$ 2,892,101</u>
Total restricted assets	<u>\$ 3,182,048</u>	<u>\$ 2,892,101</u>

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 as 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 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.

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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**NOTE 2 - DETAILED NOTES ON ALL FUNDS** (Continued)

*Water Utility Revenues Pledged:*

- The District has pledged future water revenues, net of specified operating expenditures, to repay revenues bonds issued in 2012 (2012A and 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.
- 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 29% 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 13% 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.

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(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 funded claims up to \$65,000 per covered member with a maximum liability of \$466,109. 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 November 29, 2018 and became effective March 1, 2019. The current rate structure was approved on March 31, 2021 and became effective June 30, 2021. The Water Utility has 5,693 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 1,146 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.

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2021 and 2020

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**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 (13<sup>th</sup> 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 2021, 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 7.2 percent of covered payroll as of July 1, 2021, which decreased from 7.3 percent as of July 1, 2020. No member contributions are required.

During fiscal year 2020, 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, 2020, which decreased from 7.4 percent as of January 1, 2019.

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>
2021	\$ 292,828	100%
2020	288,153	100%
2019	272,650	100%

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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**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](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://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, 2021
- Liability valuation date – June 30, 2020 – Member census data as of June 30, 2020 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2020 and June 30, 2021. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2020 to the June 30, 2021 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 – Members were granted a 1.00% COLA on January 1, 2022 and no COLA on January 1, 2023. The COLA assumption thereafter will be 0.4% beginning on January 1, 2024, 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 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 forward 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.

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

**NOTE 3 - OTHER INFORMATION** (Continued)

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

	Target		Geometric Basis	
	<u>Asset Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Public Equity	22.0%	22.0%	3.6%	4.4%
Private Equity	14.0%	14.0%	7.3%	7.6%
Fixed Income – Ex Inflation-Linked	20.0%	20.0%	1.5%	1.9%
Fixed Income – Inflation-Linked	7.0%	7.0%	(0.3)%	0.5%
Commodities	8.0%	8.0%	0.8%	1.6%
Real Estate	7.0%	7.0%	4.2%	5.8%
Absolute Return	10.0%	10.0%	2.5%	2.9%
Risk Parity	12.0%	12.0%	4.4%	5.5%
Leverage Offset	N/A	N/A	(1.4)%	N/A

Discount rate: Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.25% and 6.75% for 2021 and 2020, respectively. 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 Port's share of the net pension liability calculated using the discount rate of 6.25% and 6.75% for 2021 and 2020, respectively, 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, or one percentage point higher than the current rate:

	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
<u>2021</u>			
Proportionate share of the Collective Net Pension Liability	\$ 1,594,456	\$ 609,632	\$ (211,841)
<u>2020</u>			
Proportionate share of the Collective Net Pension Liability	\$ 2,274,520	\$ 1,395,120	\$ 658,551

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

**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](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2021 and 2020, the District reported a liability of \$609,632 and \$1,395,120, 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, 2021 measurement date was 0.0004633. This represents a slight increase from the prior measurement date. The proportionate share used at the June 30, 2020 measurement date was 0.0004619. The proportionate share used at the June 30, 2019 measurement date was 0.0004563.

For the year ended December 31, 2021, the District recognized pension income of \$46,089 and for the year ended December 31, 2020, the District recognized pension expense of \$120,351, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$6,545 and \$7,996, respectively. At December 31, 2021 and 2020, 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	
	3.82 years	3.82 years	3.82 years	3.82 years
Average Remaining Service Life for 2021:	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 18,486	\$ 10,793	\$ 2,365	\$ 1,380
Net difference between projected and actual investment earnings on pension plan investments	-	701,790	-	89,762
Change of assumptions	271,875	121,407	34,774	15,528
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,162	2,391	1,811	306
Subtotal	304,523	836,381	38,950	106,976
Contributions subsequent to the measurement date	137,651	-	17,606	-
Total	<u>\$ 442,174</u>	<u>\$ 836,381</u>	<u>\$ 56,556</u>	<u>\$ 106,976</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2021 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.

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - OTHER INFORMATION (Continued)**

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, 2021</u>	<u>Amount</u>
2022	\$ (159,373)
2023	(131,279)
2024	(82,967)
2025	<u>(226,265)</u>
Total	<u>\$ (599,884)</u>

Information for 2020 is as follows:

	PERF - Water		PERF - Wastewater	
	3.84 years		3.84 years	
Average Remaining Service Life for 2020:	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 21,915	\$ 16,607	\$ 2,803	\$ 2,124
Net difference between projected and actual investment earnings on pension plan investments	105,860	-	13,540	-
Change of assumptions	-	257,721	-	32,964
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>17,983</u>	<u>1,365</u>	<u>2,300</u>	<u>175</u>
Subtotal	145,758	275,693	18,643	35,263
Contributions subsequent to the measurement date	<u>131,659</u>	<u>-</u>	<u>16,840</u>	<u>-</u>
Total	<u>\$ 277,417</u>	<u>\$ 275,693</u>	<u>\$ 35,483</u>	<u>\$ 35,263</u>

**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).

(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - OTHER INFORMATION** (Continued)

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).

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.

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(Continued)

PATOKA LAKE REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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**NOTE 3 - OTHER INFORMATION** (Continued)

***Deferred Compensation Benefits***

At the December 31, 2021, the District has a deferred compensation plan for all its eligible employees under a plan administered by LPL 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, 2020, the District had a similar plan document and terms with Mid Atlantic Capital Corporation.

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 \$2,576,317 and \$2,363,518 at December 31, 2021 and 2020, 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, 2021 and 2020

	<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	0.0004633	0.0004619	0.0004563	0.0004551	0.0004568	0.0004417	0.0003898	0.0003937
District's proportionate share of the net pension liability								
Water	\$ 540,499	\$ 1,236,913	\$ 1,337,081	\$ 1,370,679	\$ 1,806,920	\$ 1,777,306	\$ 1,407,581	\$ 917,292
Wastewater	69,133	158,207	171,020	175,316	23,113	227,325	180,036	117,326
	<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	\$ 2,318,047	\$ 2,281,040	\$ 2,107,604	\$ 2,058,717	\$ 2,009,266	\$ 1,877,009	\$ 1,655,468	\$ 1,704,309
Wastewater	296,488	291,755	269,572	263,319	256,994	240,078	211,742	217,988
	<u>\$ 2,614,535</u>	<u>\$ 2,572,795</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	23.3%	54.2%	63.4%	66.6%	80.8%	94.7%	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	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, 2021
- Liability valuation date – June 30, 2020 – Member census data as of June 30, 2020 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2020 and June 30, 2021. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2020 to the June 30, 2021 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 and no COLA on January 1, 2023. The COLA assumption thereafter will be 0.4% beginning on January 1, 2024, 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. 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, 2021 and 2020

	<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	\$ 259,621	\$ 255,476	\$ 242,014	\$ 230,671	\$ 240,714	\$ 212,617	\$ 200,190	\$ 192,765
Wastewater	33,207	32,677	30,636	32,999	26,563	23,598	20,804	21,263
Contributions in relation to the statutorily required contribution	<u>(292,828)</u>	<u>(288,153)</u>	<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>	<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%
District's covered payroll	2,614,535	2,572,795	2,434,375	2,354,196	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%

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:* 2.00%

*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 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 actuarially determined contribution rate for the State for the fiscal year ended 6/30/20 was 7.26%; 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 6/30/21 was 8.14%; 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  
STATE REPORTING INFORMATION (UNAUDITED)  
December 31, 2021 and 2020

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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*.