ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2023

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Adams County Regional Water District
9203 State Route 136
West Union, Ohio 45693

We have reviewed the *Independent Auditor's Report* of the Adams County Regional Water District, Adams County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Adams County Regional Water District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

June 11, 2024

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Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Trustees
Adams County Regional Water District
9203 State Route 136
West Union, Ohio 45693

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Adams County Regional Water District, Adams County (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 of the Adams County Regional Water District, Adams County, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the net pension and OPEB liabilities/assets and employer contributions schedules 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Millhuff-Stang CPA/Inc.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

May 10, 2024

The following discussion provides a summary overview of the financial activities of the Adams County Regional Water District (the District) for the year ended December 31, 2023. The information should be read in conjunction with the basic financial statements included in this report.

The Management's Discussion and Analysis (MD&A) is an element of reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

- Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $13,698,559 as of December 31, 2023.
- Net position increased by $1,395,899 in 2023.
- Operating revenues increased by $403,134 and operating expenses increased by $738,117 in 2023.
- Retirement of debt principal totaled $971,124 and there were no additions to debt principal in 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, the statements of cash flows, and the accompanying notes to the financial statements. These statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities), deferred inflows and outflows of resources, and District net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows or resources). It provides a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses and changes in net position present a summary of how the District's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

The statement of cash flows provides information about the District's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

Financial Analysis of the District's Financial Position and Results of Operations

The tables below provide a summary of the District's financial position as of December 31, 2023 and 2022, respectively.

Table 1
Net Position

	2023	2022
Assets		
Current and Other Assets	$9,708,784	$10,060,102
Capital Assets, Net	9,450,048	8,751,190
Total Assets	19,158,832	18,811,292
Deferred Outflows of Resources	980,047	283,593
Liabilities		
Current and Other Liabilities	1,711,058	2,245,107
Noncurrent Liabilities	4,714,850	3,652,048
Total Liabilities	6,425,908	5,897,155
Deferred Inflows of Resources	14,412	895,070
Net Position		
Net Investment in Capital Assets	5,798,000	4,128,018
Restricted	31,102	31,121
Unrestricted	7,869,457	8,143,521
Total Net Position	$13,698,559	$12,302,660

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $13,698,559 as of December 31, 2023 compared to $12,302,660 as of December 31, 2022. The net investment in capital assets as of December 31, 2023 was $5,798,000 in comparison to $4,128,018 as of December 31, 2022.

The largest portion of the District's net position is reflected in its cash and certificates of deposit, as well as its capital assets, less accumulated depreciation and related debt outstanding. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirements.

Total assets of the District increased by $347,540 due mainly to an increase in inventories and capital assets, net. Total liabilities increased by $528,753 due mainly to an increase for net pension and OPEB liabilities, which was partially offset by retirement of debt.

Deferred inflows and outflows of resources changed as a result of activity determined by actuaries of the retirement system.

The following table summarizes the changes in revenues and expenses for the District between 2023 and 2022:

Table 2
Changes in Net Position

	2023	2022
Operating Revenues		
Sales to Customers	$3,641,463	$3,253,546
Sales to Public Authorities	885,602	863,900
Other Revenues	224,012	230,497
Total Operating Revenues	4,751,077	4,347,943
Operating Expenses		
Operations and Maintenance	2,895,881	2,184,847
Depreciation	838,651	811,568
Total Operating Expenses	3,734,532	2,996,415
Operating Income	1,016,545	1,351,528
Nonoperating Revenues (Expenses)		
Grants	62,000	0
Interest Income	281,249	85,273
Interest Expense	(137,038)	(137,355)
Insurance Proceeds	37,977	2,695
Gain on Disposal of Assets	14,266	0
Total Nonoperating Revenues (Expenses)	258,454	(49,387)
Income Before Contributions	1,274,999	1,302,141
Capital Contributions		
Tap Fee Revenues	120,900	106,900
Change in Net Position	1,395,899	1,409,041
Beginning Net Position	12,302,660	10,893,619
Ending Net Position	$13,698,559	$12,302,660

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2023:

- Operating revenue increased $403,134 due to the increase in sales to customers.
- Nonoperating revenues increased by $307,524 due to an increase in interest income, in addition to the receipt of $62,000 in grant funds.
- Operating expenses increased by $738,117 due to an increase in pension and OPEB expenses.
- Nonoperating expenses remained relatively consistent between years.
- Capital contributions increased by $14,000. These contributions consist of customer contributions, grants from various agencies used to help cover the costs of line extensions, and tap fees.

Capital Assets

As of December 31, 2023, the District had $9,450,048 invested in capital assets (net of depreciation). This amount represents a net increase of $698,858 in 2023.

Table 3
Capital Assets

	2023	2022
Land	$793,396	$793,396
Construction in Progress	1,068,760	444,683
Land Improvements	102,027	92,753
Buildings	748,581	741,081
Wells and Wellfield Improvements	2,243,744	1,999,237
Mains, Lines and Meters	32,331,722	32,099,098
Storage Tanks	3,369,130	3,358,944
Water Treatment and Plant Equipment	592,131	587,619
Trucks, Tractors and Radio Equipment	1,817,627	1,514,750
Office Furniture and Equipment	231,145	231,145
Accumulated Depreciation	(33,848,215)	(33,111,518)
Total Capital Assets, Net	$9,450,048	$8,751,190

Changes in capital assets between years are the result of additions, which were partially offset by disposals and depreciation expense.

Additional information on the District's capital assets can be found in note 4 to the financial statements.

Debt Administration

The District finances its construction primarily through the issuance of revenue bonds or through low interest loan programs with the State of Ohio. At December 31, 2023, the District had total debt outstanding of $3,652,048 compared to $4,623,172 at December 31, 2022. This represents a net decrease in 2023 of $971,124 due to principal payments on debt.

Additional information on the District's long-term debt can be found in note 5 to the financial statements.

Economic Factors for 2023 and Budget for 2024

The District continued to operate as an essential entity throughout the year to provide safe potable water to its customers.

Due to rising inflationary costs, a rate increase was enacted for retail customers effective February 1, 2023. The minimum was increased to $22.00 for the first thousand gallons and $8.25 per each thousand thereafter. Larger-sized taps increased proportionately.

The District's customers are now able to purchase an optional leak insurance plan for a nominal cost of $2.00 per month to help pay for excessive water bills due to a leak in their own systems. Many took advantage of this benefit.

The District sold sixty-nine water taps in 2023 and anticipates selling approximately seventy taps in 2024. More could be sold depending upon the installation of proposed miscellaneous water line projects.

The District made several improvements during 2023. We repaired creek crossings at Mineral Springs and Cherry Fork Creek where water lines were exposed. We also upgraded lines at Rigdon Road, Logans Lane, State Route 247, Dunkinsville, and Lawshe. The District had the following water line extensions in 2023: East Fork Road, Long Lick Road, State Route 73, State Route 41, Tracy Run Road, Foster Road, and Poole Road. There were various pumps and motors repaired and/or installed in the district's wells along with redevelopment of a monitoring well and a new bowl assembly installed in one well. Equipment purchases included three new trucks, trench boxes, fusion machine, Kubota skid steer, leak detector, broom for skid steer, GIS Equipment, a valve maintenance trailer, and a new radio system. Improvements made to the District's grounds and buildings included painting the office, installation of a mini split system in the office, and installation of culvert pipe to help with drainage. The District continued working on the geographical information system (GIS) with Phase VI completed in 2023. Phase VI of the asset management program was also completed in 2023.

The operating budget for 2024 is $5,447,732. Capital improvements scheduled for 2024 include a building to house the Mineral Springs Booster, additional cameras purchased for security, epoxy coating floors at the water treatment plant, a well field road upgrade, the purchase of a dump truck, a generator, a trailer, a zero-turn mower, a tank mixer, an office copier/printer, miscellaneous water treatment plant equipment, miscellaneous distribution equipment, and the purchase of computers and accessories. The painting and maintenance of at least two of the District's water storage tanks is also scheduled for 2024. Additional funds are allocated for Phase VII of both the GIS and asset management systems.

A One Call System was implemented in 2023. This allowed the District to inform customers of scheduled maintenance outages, emergency outages to repair leaks, boil advisories, disconnection notifications, etc.

The District replaced water lines in the Rigdon Road/Logans Lane area and utilized general funds to construct these lines. This project allows the District to serve these areas without having to utilize the Village of West Union's water lines to pass through.

The Winchester Industrial Park Water Line engineering has started. A booster, water storage tank, and a water line will be constructed to upgrade water pressures in the State Route 136 area south of Winchester and to serve the proposed Winchester Industrial Park just west of Winchester. The land for the booster site has been purchased. The funding for the total project will be grant and loan combinations.

The District is planning to utilize American Rescue Plan Act funds as a sub-grantee of local townships for monies received through the Coronavirus Local Fiscal Recovery funds to be used specifically for the upgrade or new installation of materials to assure a much-needed potable water supply to the residents of these townships. These lines are scheduled to begin construction in 2024.

Contacting the District's Financial Management

This report is designed to provide the District's customers, bondholders, creditors, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the General Manager, Adams County Regional Water District, 9203 State Route 136, PO Box 427, West Union, OH 45693.

Adams County Regional Water District
Statement of Net Position
As of December 31, 2023

Assets	
Current assets:	
Cash and cash equivalents	$5,050,939
Certificates of deposit	2,900,056
Accounts receivable:	
Customers, net	666,545
Accrued interest receivable	6,595
Inventories	979,518
Prepaid expenses	74,029
Total current assets	9,677,682
Noncurrent assets:	
Restricted cash and certificates of deposit	31,102
Capital assets (at cost):	
Nondepreciable capital assets:	
Land	793,396
Construction in progress	1,068,760
Total nondepreciable capital assets	1,862,156
Depreciable capital assets	
Land improvements	102,027
Buildings	748,581
Wells and wellfield improvements	2,243,744
Mains, lines and meters	32,331,722
Storage tanks	3,369,130
Water treatment and plant equipment	592,131
Trucks, tractors and radio equipment	1,817,627
Office furniture and equipment	231,145
Less: accumulated depreciation	(33,848,215)
Total depreciable capital assets (net of depreciation)	7,587,892
Total capital assets (net of depreciation)	9,450,048
Total noncurrent assets	9,481,150
Total Assets	**19,158,832**
Deferred Outflows of Resources	
Deferred outflows - Pension	859,498
Deferred outflows - OPEB	120,549
Total Deferred Outflows of Resources	**980,047**

(continued)

Adams County Regional Water District
Statement of Net Position
As of December 31, 2023
(Continued)

Liabilities	
Current liabilities:	
Accounts payable	$201,451
Accrued expenses	272,507
Accrued interest	68,379
Current portion of long-term debt	1,018,216
Customer deposits	23,250
Unearned Revenue	127,255
Total current liabilities	1,711,058
Noncurrent liabilities:	
Net pension liability	2,040,331
Net OPEB liability	40,687
Long-term debt, less current portion	2,633,832
Total noncurrent liabilities	4,714,850
Total Liabilities	**6,425,908**
Deferred Inflows of Resources	
Deferred inflows - OPEB	14,412
Total Deferred Inflows of Resources	**14,412**
Net Position	
Net investment in capital assets	5,798,000
Restricted for debt service	31,102
Unrestricted	7,869,457
Total Net Position	**$13,698,559**

See the accompanying notes to the basic financial statements.

Adams County Regional Water District

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2023

Operating Revenues	
Sales to customers	$3,641,463
Sales to public authorities	885,602
Other revenues	224,012
Total Operating Revenues	**4,751,077**
Operating Expenses	
Salaries	1,052,998
Utilities	327,712
Depreciation expense	838,651
Repairs	356,626
Truck expense	53,848
Supplies	63,687
Pension and OPEB expense	305,335
Payroll taxes	22,446
Insurance - other than health	61,009
Insurance - health and life	467,714
Office supplies and postage	40,782
Legal and engineering fees	3,218
Accounting fees	21,194
Director fees	39,600
Advertising	1,792
Bank charges	6,433
Bad debt expense	403
Other expenses	71,084
Total Operating Expenses	**3,734,532**
Operating Income	**1,016,545**
Nonoperating Revenues (Expenses)	
Grant revenue	62,000
Interest income	281,249
Interest expense	(137,038)
Insurance proceeds	37,977
Gain on disposal of assets	14,266
Total Nonoperating Revenues (Expenses)	**258,454**
Income Before Capital Contributions	**1,274,999**
Capital Contributions	
Tap fees	120,900
Total Capital Contributions	**120,900**
Change in Net Position	**1,395,899**
Net Position, Beginning of Year	**12,302,660**
Net Position, End of Year	**$13,698,559**

See the accompanying notes to the basic financial statements.

Adams County Regional Water District
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows from Operating Activities	
Cash receipts from customers and public authorities	$4,578,032
Cash receipts from other sources	224,012
Cash payments to employees for services	(1,726,716)
Cash payments to suppliers for goods and services	(1,238,538)
Net Cash Provided by Operating Activities	**1,836,790**
Cash Flows from Investing Activities	
Proceeds from sale of capital assets	16,399
Interest income on investments	278,779
Net Cash Provided by Investing Activities	**295,178**
Cash Flows from Capital and Related Financing Activities	
Acquisition of operating facilities, including construction in progress and capitalized interest	(1,539,642)
Members' tap fees	120,900
Insurance proceeds	37,977
Grant revenue	62,000
Payments on long term debt obligations	(971,124)
Interest paid on long term debt obligations	(132,709)
Net Cash Used in Capital and Related Financing Activities	**(2,422,598)**
Net Decrease in Cash and Cash Equivalents	**(290,630)**
Cash and Cash Equivalents, Beginning of Year	**8,272,727**
Cash and Cash Equivalents, End of Year	**$7,982,097**

Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities	
Operating Income	$1,016,545
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	838,651
Changes in assets, liabilities and deferred resources:	
Accounts receivable, customers and other	50,714
Inventories	(170,159)
Prepaid expenses	(9,930)
Net OPEB asset	192,533
Deferred outflows of resources	(696,454)
Accounts payable and other accrued expenses	(11,061)
Unearned revenue	253
Net pension liability	1,465,669
Net OPEB liability	40,687
Deferred inflows of resources	(880,658)
Net Cash Provided by Operating Activities	**$1,836,790**

See the accompanying notes to the basic financial statements.

Note 1 – Description of Entity

Description of Operations

Adams County Regional Water District (the District), was organized under the provisions of Section 6119 of the Ohio Revised Code on January 1, 1997. Prior to that date, the District was operated as an Ohio not-for-profit corporation known as Adams County Water Co., Inc. The District provides water service to its customers in Adams County and a portion of Brown County. The accounting policies used by the District reflect practices common to the industry.

Reporting Entity

The financial reporting entity consists of the Adams County Regional Water District (the primary government). No component units have been separately organized.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows of resources net of total liabilities plus deferred inflows of resources) is segregated into invested in capital assets; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets, liabilities, deferred inflows and outflows of resources, revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 7 and 8.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to pensions and other postemployment benefits. Deferred inflows related to pensions and other postemployment benefits will be further discussed in notes 7 and 8.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Unearned Revenue

Unearned revenue is money received in advance for products or services that are to be performed in the future.

Included in current liabilities for 2023 is unearned revenue of $127,255. This is ARPA (American Rescue Plan Act) grant funding received by one township to extend water lines to residents. The job is planned to be completed in 2026.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the District considers cash in operating bank accounts and certificates of deposit with an original maturity of three months or less as cash.

Inventories

Inventories are stated at the net realizable value using the first-in, first-out method.

Capital Assets

Capital assets are stated at cost. Construction period interest is capitalized as part of construction costs. During the year ended December 31, 2023, the District did not capitalize any interest. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred; major renewals and betterments, over a $1,000 threshold, are capitalized.

Depreciation

Provision for depreciation has been made on the basis of estimated lives of assets, using the straight-line method. Depreciable lives for the various assets are as follows:

Land improvements	0-20 Years
Building	45 Years
Wells and wellfield improvements	10-20 Years
Mains, lines and meters	20-50 Years
Storage tanks	10-50 Years
Equipment	5-10 Years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Customer Accounts Receivable

Customer accounts receivable are stated at face value, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. Doubtful accounts are charged against the allowance when management believes the collectability of the account is unlikely.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. Revenues are recognized when earned and expenses when incurred. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Of the District's $31,102 in restricted net position, none were restricted by enabling legislation.

Unrestricted net position – This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Investments and Investment Policy

The District has adopted an investment and depository policy, which states that the District will invest in the following instruments, as provided by Section 135.35 of the Ohio Revised Code.

- Securities of the United States Government
- Federal agency obligations
- Repurchase agreements
- State of Ohio bonds and other obligations
- No-load money market mutual funds
- State Treasurer's investment pool (STAROhio)
- Certain bankers' acceptances and commercial paper notes

Restricted Cash and Certificates of Deposit

Restricted cash and certificates of deposit consist of savings accounts that represent amounts designated as reserved to comply with loan agreements with the U.S. Department of Agriculture Rural Development described more fully in

Note 5.

Note 3 – Equity in Pooled Cash and Cash Equivalents

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but will be needed before the end of the current period of designation of depositories.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to: Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio)
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed ten percent of the District's total average portfolio; and
10. Bankers acceptances of banks that are insured by the Federal Deposit Insurance Corporation and that mature not later than 180 days after purchase.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At December 31, 2023, the District had $140 in undeposited cash on hand which is included on the statement of net position of the District as part of "cash and cash equivalents".

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the District's bank balance of $8,173,546 was either covered by Federal Deposit Insurance or collateralized by the Ohio Pooled Collateral System, as described below.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be a least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

All of the District's financial institutions are enrolled in the OPCS.

Note 4 – Capital Assets

The balance of capital assets at December 31, 2023 consists of the following:

	Balance 12/31/22	Additions	Disposals	Balance 12/31/23
Capital Assets Not Being Depreciated:				
Land	$793,396	$0	$0	$793,396
Construction in Progress	444,685	624,075	0	1,068,760
Total Capital Assets Not Being Depreciated	1,238,081	624,075	0	1,862,156
Capital Assets Being Depreciated:				
Land Improvements	92,753	9,274	0	102,027
Buildings	741,081	7,500	0	748,581
Wells and Wellfield Improvements	1,999,237	244,507	0	2,243,744
Mains, Lines and Meters	32,099,098	237,114	(4,490)	32,331,722
Storage Tanks	3,358,944	10,186	0	3,369,130
Water Treatment and Plant Equipment	587,619	4,512	0	592,131
Trucks, Tractors and Radio Equipment	1,514,750	402,474	(99,597)	1,817,627
Office Furniture and Equipment	231,145	0	0	231,145
Total Capital Assets Being Depreciated	40,624,627	915,567	(104,087)	41,436,107

	Balance 12/31/22	Additions	Disposals	Balance 12/31/23
Less Accumulated Depreciation:				
Land Improvements	($71,336)	($3,634)	$0	($74,970)
Buildings	(568,675)	(25,396)	0	(594,071)
Wells and Wellfield Improvements	(1,671,688)	(44,710)	0	(1,716,398)
Mains, Lines and Meters	(26,780,409)	(535,608)	2,357	(27,313,660)
Storage Tanks	(2,144,993)	(89,000)	0	(2,233,993)
Water Treatment and Plant Equipment	(494,500)	(27,244)	0	(521,744)
Trucks, Tractors and Radio Equipment	(1,208,296)	(101,809)	99,597	(1,210,508)
Office Furniture and Equipment	(171,621)	(11,250)	0	(182,871)
Total Accumulated Depreciation:	(33,111,518)	(838,651)	101,954	(33,848,215)
Total Capital Assets Being Depreciated, Net	7,513,109	76,916	(2,133)	7,587,892
Total Capital Assets, Net	$8,751,190	$700,991	($2,133)	$9,450,048

Note 5 – Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2023:

	Balance 12/31/22	Additions	Payments	Balance 12/31/23	Due Within One Year
Water Resource Revenue Bond	$582,200	$0	$14,900	$567,300	$15,200
OPWC Loans:					
Loan CO13M	110,018	0	5,790	104,228	5,790
Loan CO03S	88,029	0	3,452	84,577	3,452
Total OPWC Loans	198,047	0	9,242	188,805	9,242
OWDA Loans:					
Loan #2138	116,413	0	44,659	71,754	47,177
Loan #2598	260,131	0	128,761	131,370	131,371
Loan #2599	256,071	0	101,001	155,070	103,021
Loan #3127	197,109	0	96,475	100,634	100,634
Loan #3287	2,386,951	0	541,669	1,845,282	576,835
Loan #6405	203,394	0	7,981	195,413	8,132
Loan #6950	135,685	0	9,204	126,481	9,333
Loan #7402	8,236	0	509	7,727	514
Loan #7949	45,069	0	2,549	42,520	2,583
Loan #7976	233,866	0	14,174	219,692	14,174
Total OWDA Loans	3,842,925	0	946,982	2,895,943	993,774
Total	$4,623,172	$0	$971,124	$3,652,048	$1,018,216

Water Resource Revenue Bond

During 2011, the District obtained a Water Resource Revenue Bond from the United States of America Department of Agriculture for $736,000 for the purpose of providing funds for the Lawshe Road Waterline Extension project. This bond carries an interest rate of 2.38% and a maturity date of December 1, 2050.

OPWC Loans

In 2010, the District obtained approval for Loan CO13M in the amount of $325,000 to provide funds for the Lawshe Road Waterline Extension. The District drew a total of $103,564 from the loan award. Semi-annual payments of $1,726 began July 1, 2018. The loan carries an interest rate of 0.00% and a maturity date of July 1, 2048.

In 2015, the District obtained approval for Loan CO03S in the amount of $125,000 for the construction of a water storage tank in the Louisville Road area. The District drew a total of $173,713 from the loan award. Semi-annual payments of $2,895 began January 1, 2012. The loan carries an interest rate of 0.00% and a maturity date of July 1, 2041.

OWDA Loans

During 2000, the District obtained Loan #2138 through the Ohio Water Development Authority for Green Township water line and tank upgrades. This was in the amount of $668,695, amortized over 25 years at a 5.56% interest rate, with semi-annual payments of $25,260. The final loan payment is due in 2025.

During 2000, the District obtained Loan #2598 through the Ohio Water Development Authority for the water treatment plant improvements. This was in the amount of $2,555,516, amortized over 25 years at a 2.0% interest rate, with semi-annual payments of $66,981. The final loan payment is due in 2024.

During 2000, the District obtained Loan #2599 through the Ohio Water Development Authority for water distribution improvements. This was in the amount of $2,019,914, amortized over 25 years at a 2.0% interest rate, with semi-annual payments of $53,061. The final loan payment is due in 2025.

During 2000, the District obtained Loan #3127 through the Ohio Water Development Authority for water distributions improvements. This was in the amount of $1,351,270, amortized over 25 years at a 5.86% interest rate, with semi-annual payments of $54,013. The final loan payment is due in 2024.

During 2002, the District obtained Loan #3287 through the Ohio Water Development Authority for the eastern loop waterline project. This loan was in the amount of $8,211,201, amortized over 25 years at a 6.39% interest rate, with semi-annual payments of $342,839. The final loan payment is due in 2026.

During 2013, the District entered into one long term debt arrangement related to the Sunshine Ridge Waterline Extension. The District borrowed $427,718 from the Environmental Protection Agency's Drinking Water Assistance Fund through the Ohio Water Development Authority (Loan #6405). Of this amount, $126,982 of the principal has been forgiven, leaving the loan balance at $300,736. This loan has a 1.88% interest rate and a final maturity in 2043.

During 2015, the District obtained Loan #6950 through the Ohio Water Development Authority's Drinking Water Fund for the Betty's Creek/Peach Mountain Waterline Extension. The amount of loan proceeds disbursed was $239,820. Of this amount, $47,320 of the principal has been forgiven, leaving the loan at $192,500. There will be 40 payments over 20 years beginning July 1, 2016 with an interest rate of 1.39% and a final maturity in 2036.

During 2016, the District entered into a long term debt arrangement to provide funds for the construction of a water storage tank in the Louisville Road area. The District borrowed $10,698 from the Water Supply Revolving Loan Account from the Ohio EPA through the Ohio Water Development Authority (Loan #7402). The semi-annual payments began January 1, 2018 with an interest rate of 1.08% and a final maturity in 2037.

On February 18, 2016, The Ohio Water Development Authority (OWDA) implemented an interest rate buy-down program to assist local borrowers with interest rates higher than 4.00%. The buy-down, which reduced rates to 4.00%, commenced retroactively with the payment due on January 1, 2016 and will carry through to the maturity date of the affected loans. The total amount of estimated savings the District will realize over the remaining life of these loans is $922,557.

Two major projects were constructed in 2018: the US 52 Water Line Replacement Project and the Miscellaneous Water Line Extensions, which were finalized in 2019. Both projects were funded by EPA loans and ARC grants. Funding for the US Water Line Replacement Project consists of OWDA Loan #7949 in the amount of $54,940, amortized over 20 years at 1.31% interest rate, semi-annual payments of $3,132, with final payment due in 2038. The District also obtained a $283,473 OWDA loan (#7976) for the Miscellaneous Lines Project in 2018. The terms of this loan includes 0% interest, 20-year, semi-annual payments of $7,087, which began July 1, 2019, with final payment due in 2039.

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2023 are as follows:

For the Year Ending December 31:	Revenue Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2024	$15,200	$13,510	$9,242	$993,774	$87,743
2025	15,600	13,112	9,243	725,968	51,864
2026	15,900	12,742	9,243	689,550	25,068
2027	16,400	12,364	9,243	35,721	5,007
2028	16,700	12,008	9,243	36,060	4,667
2029-2033	89,800	53,753	46,213	185,582	18,053
2034-2038	101,000	42,564	46,213	166,296	9,098
2039-2043	113,600	29,983	34,632	62,992	2,931
2044-2048	127,700	15,840	15,533	0	0
2049-2050	55,400	1,981	0	0	0
Total	$567,300	$207,857	$188,805	$2,895,943	$204,431

Capital assets, together with all revenue and service charges which may arise from the operations of the District, are pledged for the payment of revenue bond debt.

The notes payable OWDA and OPWC are secured by operating facilities.

Bond indentures contain significant requirements for debt reserve and flow of funds through restricted accounts. The District is required to accumulate over a ten year period a reserve balance equal to one annual installment including principal and interest. The reserve balance at December 31, 2023 was $31,102. This amount equaled the required reserve.

The OWDA loans are subject to default stipulations. According to OWDA loan agreements, if the District fails to make a payment, the amount of such default shall bear interest at the Default Rate from the date of the default until the date of the payment thereof. All costs incurred by the State in curing such default including, but not limited to, court costs and attorney's fees shall be paid by the District upon demand and shall not be eligible for financing from the Drinking Water Assistance Fund.

In the event that the District fails to make a *full* payment, the amount of any such *partia*l payment first shall be applied as interest on the loan, with the remainder being applied toward the payment of the outstanding principal.

Neither the general resources nor the general credit of the District shall be required, or pledged, for the performance of any duty. The agreements do not represent or constitute debts or a pledge of faith and credit of the District. However, if otherwise lawful, nothing shall be deemed to prohibit the District from using, of its own volition, any of its general resources for the fulfillment of any of the terms and conditions of the OWDA loan agreements.

Note 6 – Contributions in Aid of Construction

Contributions in aid of construction consist of contributions from customers and grants from USDA Rural Development and various government agencies for the construction of water mains to serve customers.

Note 7 – Defined Benefit Pension Plan

The Statewide retirement system provides both pension benefits and other postemployment benefits (OPEB).

Net Pension/OPEB Liability (Asset)

The net pension/OPEB liability (asset) reported on the statement of net position represents a liability to (asset for) employees for pensions/OPEB. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represents the District's proportionate share of the pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement system may allocate a portion of the employer contributions to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement system to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, the retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement system to provide health care to eligible benefit recipients.

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* or *net OPEB liability* on the financial statements. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *accrued expenses payable* on the financial statements.

The remainder of this note includes the pension disclosures. See note 8 for the OPEB disclosures.

Ohio Public Employees Retirement System

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost–of–living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee*	10.0 %
Actual Contribution Rates	
Employer:	
Pension**	14.0 %
Post-Employment Health Care Benefits**	0.0
Total Employer	14.0 %
Employee	10.0 %

*Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
**These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's contractually required contributions were $154,306 for the traditional plan for 2023.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportion of the Net Pension Liability:	
Current Measurement Date	0.006907%
Prior Measurement Date	0.006605%
Change in Proportionate Shre	0.000302%
Proportionate Share of the:	
Net Pension Liability	$2,040,331
Pension Expense	$338,559

At December 31, 2023, the District reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$67,772
Net difference between projected and actual earnings on pension plan investments	581,560
Changes of assumptions	21,555
Changes in proportion and differences between District contributions and proportionate share of contributions	34,305
District contributions subsequent to the measurement date	154,306
Total Deferred Outflows of Resources	$859,498

$154,306 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date as of December 31, 2023 will be recognized as a reduction of the net pension liability in the years ending December 31, 2024. Other amounts reported as deferred outflows of resources related to pension for the year ended December 31, 2023 will be recognized in pension expense as follows:

Year Ending December 31:	
2024	$102,928
2025	146,193
2026	171,181
2027	284,890
Total	$705,192

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	100.00%	

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$3,056,348	$2,040,331	$1,195,187

<u>Note 8 – Postemployment Benefits</u>

See note 7 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A 30 years of qualifying service credit at any age;

Group B 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The heath care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2023.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liabilities (assets) and total OPEB liabilities for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB gain:

Proportion of the Net OPEB Liability:	
Current Measurement Date	0.006453%
Prior Measurement Date	0.006147%
Change in Proportionate Share	0.0003060%
Proportionate Share of the:	
Net OPEB Liability	$40,687
OPEB Gain	($62,475)

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$80,805
Changes of assumptions	39,741
Changes in proportion and differences between District contributions and proportionate share of contributions	3
Total Deferred Outflows of Resources	$120,549
Deferred Inflows of Resources	
Differences between expected and actual experience	$10,151
Changes of assumptions	3,269
Changes in proportion and differences between District contributions and proportionate share of contributions	992
Total Deferred Inflows of Resources	$14,412

$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement dates as of December 31, 2023, will be recognized as a reduction of the net OPEB liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the year ended December 31, 2023 will be recognized in OPEB expense as follows:

Year Ending December 31:	
2024	$12,726
2025	29,179
2026	25,197
2027	39,035
Total	$106,137

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00%	

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower 4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
District's proportionate share of the net OPEB liability (asset)	$138,481	$40,687	($40,009)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$38,137	$40,687	$43,558

Note 9 – Compensated Absences

Full-time, permanent employees of the District are granted vacation benefits in varying amounts based on specified maximums depending on tenure with the District. Sick leave accrues to all employees to specified maximums. Upon termination, employees are entitled to one-half of unused sick hours up to 75 days and all accrued vacation leave. Accrued compensated absences, included in accrued expenses, as of December 31, 2023 was $248,035.

Note 10 – Termination Benefits

The District's liabilities for benefits upon termination of employment are not estimable and, therefore, have not been recognized in the financial statements.

Note 11 – Economic Dependency

Adams County Regional Water District's customer base consists of villages and individuals in Adams County, Ohio and a small portion of Brown County, Ohio.

Note 12 – 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, injuries to employees and natural disasters. Significant risk of losses is covered by commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not exceeded this coverage in the past three years.

Note 13 – Advertising Costs

The District expenses advertising costs as incurred. Advertising expenses amounted to $1,792 in 2023.

Note 14 – Contract Commitments

As a result of projects that were in progress at December 31, 2023, the District had the following significant outstanding contractual commitments at fiscal year-end.

Contractor	Contract Total	Amount Paid	Contract Remaining
Verdantas	$474,343	$346,275	$128,068
Lloyds Excavating, LLC	173,360	154,440	18,920
Total	$647,703	$500,715	$146,988

Note 15 – New Accounting Pronouncements

For fiscal year 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", Statement No. 96, "Subscription-Based Information Technology Arrangements", and Statement No. 99, "Omnibus 2022".

GASB Statement No. 94 provides guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (commonly referred to as P3s) and availability payment arrangements (APAs). It has guidance for P3 arrangements, including those that are outside of the scope of the GASB's existing literature for those transactions, namely Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, and Statement No. 87, Leases. The Statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for APAs.

GASB Statement No. 96 provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, "Leases". It:

- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction;
- Requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

GASB Statement No. 99 sets out to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

These changes were considered in the preparation of the District's 2023 financial statements; however, there was no effect on beginning net position/fund balance nor was note disclosure presentation required.

Adams County Regional Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

Last Ten Years

	2014	2015	2016
Ohio Public Employees Retirement System - Traditional Plan			
District's proportion of the net pension liability	0.006785%	0.006785%	0.006822%
District's proportionate share of the net pension liability	$799,863	$818,347	$1,181,656
District's covered payroll	$741,432	$797,417	$905,517
District's proportionate share of the net pension liability as a percentage of its covered payroll	107.88%	102.62%	130.50%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

The amounts presented for each year were determined as of December 31 of the previous year, which is the District's measurement date.
See accompanying notes to the required supplementary information.

2017	2018	2019	2020	2021	2022	2023
0.006960%	0.006403%	0.006372%	0.006221%	0.006539%	0.006605%	0.006907%
$1,580,498	$1,004,507	$1,745,162	$1,229,623	$968,284	$574,662	$2,040,331
$1,049,608	$911,231	$860,707	$875,257	$921,043	$958,629	$1,074,043
150.58%	110.24%	202.76%	140.49%	105.13%	59.95%	189.97%
77.25%	84.66%	74.70%	82.17%	86.88%	92.62%	75.74%

Adams County Regional Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)

Last Six Years (1)

	2018	2019
Ohio Public Employees Retirement System		
District's proportion of the net OPEB liability (asset)	0.005970%	0.005934%
District's proportionate share of the net OPEB liability (asset)	$648,698	$773,675
District's covered payroll	$911,231	$860,707
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	71.19%	89.89%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	46.33%

The amounts presented for each year were determined as of December 31 of the previous year, which is the District's measurement date.

(1) Information not available prior to 2018.

See accompanying notes to the required supplementary information.

2020	2021	2022	2023
0.005793%	0.006090%	0.006147%	0.006453%
$800,164	($108,463)	($192,533)	$40,687
$875,257	$921,043	$958,629	$1,074,043
91.42%	-11.78%	-20.08%	3.79%
47.80%	115.57%	128.23%	94.79%

Adams County Regional Water District
Required Supplementary Information
Schedule of District Contributions
Last Ten Years

	2014	2015	2016
Ohio Public Employees Retirement System			
Contractually required contribution - pension - Traditional Plan	$116,455	$118,875	$125,953
Contractually required contribution - OPEB	16,630	16,975	17,993
Contractually required contribution - total	133,085	135,850	143,946
Contributions in relation to the contractually required contribution	133,085	135,850	143,946
Contribution deficiency (excess)	$0	$0	$0
District's covered payroll	$797,417	$905,517	$1,049,608
Contributions as a percentage of covered payroll - pension	12.00%	12.00%	12.00%
Contributions as a percentage of covered payroll - OPEB	2.00%	2.00%	2.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2017	2018	2019	2020	2021	2022	2023
$118,460	$120,499	$122,536	$128,946	$134,208	$150,366	$154,306
8,461	0	0	0	0	0	0
126,921	120,499	122,536	128,946	134,208	150,366	154,306
126,921	120,499	122,536	128,946	134,208	150,366	154,306
$0	$0	$0	$0	$0	$0	$0
$911,231	$860,707	$875,257	$921,043	$958,629	$1,074,043	$1,102,186
13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Ohio Public Employees Retirement System

Pension

Changes in benefit terms

There were no significant changes in benefit terms for 2015 through 2017.

For 2018, COLAs provided up to December 31, 2018 will be based upon a simple, 3 percent COLA. COLAs provided after December 31, 2018 continue to be simple, but will be based upon the annual percentage change in the Consumer Price Index (CPI), and not greater than 3 percent.

There were no significant changes in benefit terms for 2019 or 2020.

For 2021, in October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

For 2022, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from .5 percent simple through 2021 then 2.15 percent simple to 3 percent simple through 2022 then 2.05 percent simple.

There were no significant changes in benefit terms for 2023.

Changes in assumptions

There were no significant changes in assumptions for 2015 through 2018.

For 2018, the employer contribution rate allocated to pensions increased from 13.00 percent to 14.00 percent.

For 2019, the investment rate of return decreased from 7.5 percent to 7.2 percent.

There were no significant changes in assumptions for 2020 or 2021.

For 2022, the investment rate of return decreased from 7.2 percent to 6.9 percent.

There were no significant changes in assumptions for 2023.

OPEB

Changes in benefit terms

There were no significant changes in benefit terms for 2018 through 2023.

Changes in assumptions

Changes in assumptions for 2018 were as follows:

- The single discount rate decreased from 4.23 percent to 3.85 percent.
- The employer contribution rate allocated to health care decreased from 1.00 percent to 0.00 percent.

For 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent.

- The investment rate of return decreased from 6.5 percent to 6 percent.
- The municipal bond rate increased from 3.31 percent to 3.71 percent.
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

For 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 3.96 percent to 3.16 percent.
- The municipal bond rate decreased from 3.71 percent to 2.75 percent.

For 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.16 percent to 6.00 percent.
- The municipal bond rate decreased from 2.75 percent to 2.00 percent.
- The initial health care cost trend rate decreased from 10.50 percent to 8.50 percent.

For 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The wage inflation rate decreased from 3.25 percent to 2.75 percent.
- The municipal bond rate decreased from 2.00 percent to 1.84 percent.
- The initial health care cost trend rate decreased from 8.50 percent to 5.50 percent.

For 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 6.00 percent to 5.22 percent.
- The municipal bond rate increased from 1.84 percent to 4.05 percent.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Adams County Regional Water District
9203 State Route 136
West Union, Ohio 45693

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Adams County Regional Water District, Adams County (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 10, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Millhuff-Stang CPA, Inc.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

May 10, 2024

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OHIO AUDITOR OF STATE
KEITH FABER

ADAMS COUNTY REGIONAL WATER DISTRICT

ADAMS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 6/25/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370