



**EARNHART HILL REGIONAL WATER AND SEWER DISTRICT  
PICKAWAY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**



**EARNHART HILL REGIONAL WATER AND SEWER DISTRICT  
PICKAWAY COUNTY  
DECEMBER 31, 2021 AND 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Earnhart Hill Regional Water and Sewer District  
Pickaway County  
2300 Stoneridge Drive  
Circleville, Ohio 43113

To the Board of Trustees:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio as of December 31, 2021 and 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

#### **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.

***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 schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 July 25, 2022, on our consideration of the District's internal control over financial reporting and 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 25, 2022

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**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2021 and 2020*  
*(Unaudited)*

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This discussion and analysis, along with the accompanying financial report, of Earnhart Hill Regional Water and Sewer District (the District) is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

**Financial Highlights**

- The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2021 and 2020 by \$22,114,114 and \$20,364,250, respectively. The District's net position increased by \$1,749,864 or 9% in 2021 and \$683,478 or 3% in 2020.
- The District's operating revenues increased by \$440,330 or 9% in 2021 and \$328,393 or 7% in 2020. Operating expenses decreased \$1,372,999 or 27% in 2021 and \$17,981 or less than 1% in 2020.
- In November 2018, the District entered into an obligation with the USDA Rural Development to issue three series of revenue bonds for the purpose of acquiring and constructing improvements to the District's River Drive Wastewater Treatment Plant with related equipment and appurtenances thereto. The Series 2018A bonds were issued in the amount of \$4,959,000, with an interest rate of 2.75% for 40 years. The Series 2018B bonds were issued in the amount of \$214,000, with an interest rate of 2.625% for 40 years. A grant was also received in relation to this issuance. The Series 2018C bonds were issued in the amount of \$1,000,000, with an interest rate of 3.125% for 40 years. A grant was also received in relation to this issuance. In 2020, the District drew \$2,590,981 on its bonds and \$638,593 on its grant. These were the final draws on this funding.

**Overview of the Basic Financial Statements**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The basic financial statements are presented using the accrual basis of accounting.

The statement of net position includes all of the District's assets, liabilities and deferred inflows/outflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position (equity) is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The statement of revenues, expenses and changes in net position provides information on the District's operations over the past year and the success of recovering all its costs through service charges, capacity charges and tap fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

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

**Net Position**

Table 1 summarizes the net position of the District. Capital assets are reported less accumulated depreciation. "Net investment in capital assets" are capital assets less outstanding debt that was used to acquire those assets.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2021 and 2020  
(Unaudited)

Table 1

	2021	2020*	Change	%	2019	Change	%
Current & Other Assets	\$4,805,448	\$5,076,865	(\$271,417)	(5%)	\$4,678,706	\$398,159	9%
Capital Assets, Net	33,733,287	32,920,717	812,570	3%	30,150,234	2,770,483	9%
Total Assets	38,538,735	37,997,582	541,153	1%	34,828,940	3,168,642	9%
Deferred Outflows	387,878	804,743	(416,865)	(52%)	1,020,301	(215,558)	(21%)
Current & Other Liabilities	573,091	530,639	42,452	8%	810,741	(280,102)	(35%)
Long-Term Liabilities	14,105,420	16,446,436	(2,341,016)	(14%)	14,467,130	1,979,306	14%
Total Liabilities	14,678,511	16,977,075	(2,298,564)	(14%)	15,277,871	1,699,204	11%
Deferred Inflows	2,133,988	1,461,000	672,988	46%	890,598	570,402	64%
Net Position							
Net Investment in Capital Assets	21,406,274	20,284,768	1,121,506	6%	19,626,724	658,044	3%
Restricted	773,589	773,589	0	0%	305,298	468,291	153%
Unrestricted (Deficit)	(65,749)	(694,107)	628,358	91%	(251,250)	(442,857)	176%
Total Net Position	\$22,114,114	\$20,364,250	\$1,749,864	9%	\$19,680,772	\$683,478	3%

\*Certain reclassifications were made for consistency of reporting between years.

The District's total net position increased \$1,749,864 or 9% in 2021 and \$683,478 or 3% in 2020. These increases were a result of excess revenues over expenses. Restricted net position did not change in 2021 and increased \$468,291 in 2020. Restricted net position is cash which is limited in use as part of the District's loan covenants. Net investment in capital assets increased by \$1,121,506 or 6% in 2021 and \$658,044 or 3% in 2020 due primarily to additions of capital assets and repayments of debt principal that were only partially offset by depreciation expense and disposals. Unrestricted net position increased \$628,358 or 124% in 2021 due to decreases in net pension and OPEB liabilities. Unrestricted net position decreased \$442,857 or 176% in 2020 due to increases in net pension and OPEB liabilities.

The net pension liability (NPL) and net OPEB liability (OPEB) are significant liabilities reported by the District at December 31, 2021 and 2020 are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension." For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability (asset) and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund the plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability (asset) to equal the District's proportionate share of the plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service,

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
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2 Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability (asset) since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities (assets). In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of the plan’s *change* in net pension liability (asset) and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
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(Unaudited)

**Statement of Revenues, Expenses and Changes in Net Position**

Table 2 summarizes the changes in revenues and expenses and the resulting changes in net position.

Table 2

	2021	2020	Change	%	2019	Change	%
Operating Revenues	\$5,415,048	\$4,974,718	\$440,330	9%	\$4,646,325	\$328,393	7%
Total Operating Revenues	5,415,048	4,974,718	440,330	9%	4,646,325	328,393	7%
Treatment Expenses	407,203	432,313	(25,110)	(6%)	326,768	105,545	32%
Power	333,556	309,494	24,062	8%	269,096	40,398	15%
Distribution	1,351,019	1,345,011	6,008	0%	1,393,385	(48,374)	(3%)
Customer Accounting	458,622	415,856	42,766	10%	388,540	27,316	7%
Transportation	94,700	76,552	18,148	24%	81,517	(4,965)	(6%)
Fringe Benefits	(698,719)	939,260	(1,637,979)	(174%)	1,096,538	(157,278)	(14%)
Depreciation & Amortization	1,356,650	1,137,772	218,878	19%	1,058,670	79,102	7%
Administration & General	354,818	374,590	(19,772)	(5%)	434,315	(59,725)	(14%)
Total Operating Expenses	3,657,849	5,030,848	(1,372,999)	(27%)	5,048,829	(17,981)	0%
Operating Income (Loss)	1,757,199	(56,130)	1,813,329	(3231%)	(402,504)	346,374	86%
Non-Operating Revenues	358,640	452,051	(93,411)	(21%)	332,005	120,046	36%
Non-Operating Expenses	365,975	351,036	14,939	4%	240,554	110,482	46%
Capital Contributions	0	638,593	(638,593)	(100%)	1,236,086	(597,493)	(48%)
Changes in Net Position	1,749,864	683,478	1,066,386	156%	925,033	(241,555)	(27%)
Net Position at Beginning of Year	20,364,250	19,680,772	683,478	3%	18,755,739	925,033	5%
Net Position at End of Year	\$22,114,114	\$20,364,250	1,749,864	9%	\$19,680,772	\$683,478	3%

Operating revenues increased \$440,330 or 9% in 2021 and \$328,393 or 7% in 2020. These increases were due to an increase in rates. Capital contributions will fluctuate from year to year depending on construction activity and improvement projects that may qualify for special assessment and/or grant monies. The District recorded \$0 and \$638,593 in capital contributions in 2021 and 2020, respectively. In 2020, the District received the remainder of the USDA grant partially received in 2019. Operating expenses, excluding depreciation, decreased by \$1,591,874 or 41% in 2021 and \$97,083 or 2% in 2020. A decrease of \$1,637,979 in fringe benefits accounted for most of the decrease in 2021. Decreases of \$48,374 in distribution expenses and \$157,278 in fringe benefit expenses accounted for most of the decrease in 2020.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
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(Unaudited)

**Capital Assets**

Table 3 summarizes the changes in capital assets.

Table 3

	2021	2020	Change	%	2019	Change	%
Land	\$1,855,260	\$1,855,260	\$0	0%	\$1,855,260	\$0	0%
Buildings & Bond Issue Costs	2,003,507	2,003,507	0	0%	1,979,632	23,875	1%
Treatment Facilities	13,443,224	13,424,610	18,614	0%	6,680,349	6,744,261	101%
Transmission, Storage & Collection	28,850,769	28,433,794	416,975	1%	27,361,412	1,072,382	4%
Vehicles	714,199	714,199	0	0%	693,903	20,296	3%
Furniture & Equipment	893,374	863,841	29,533	3%	765,537	98,304	13%
Construction in Progress	2,272,438	568,340	1,704,098	300%	4,725,141	(4,156,801)	(88%)
Total Before Depreciation	50,032,771	47,863,551	2,169,220	5%	44,061,234	3,802,317	9%
Accumulated Depreciation	(16,299,484)	(14,942,834)	(1,356,650)	9%	(13,911,000)	(1,031,834)	8%
Total Capital Assets, Net	\$33,733,287	\$32,920,717	\$812,570	2%	\$30,150,234	\$2,770,483	10%

Capital assets (before depreciation) increased \$2,169,220 or 5% in 2021 and \$3,802,317 or 9% in 2020. Total capital assets, net increased \$812,570 or 2% in 2021 and \$2,770,483 or 10% in 2020. The increases in both 2021 and 2020 are due to additions exceeding depreciation and disposals for the year. For additional information regarding capital assets, please see note 7 of the notes to the basic financial statements.

**Debt**

The District issues long term debt to finance much of its construction. Bonds from USDA Rural Development and loans from Ohio Water Development Authority and Ohio Public Works Commission were used to finance most general improvement projects.

Table 4 summarizes the changes in long-term debt.

Table 4

	2021	2020	Change	%	2019	Change	%
Rural Development Bonds	\$10,634,875	\$10,850,720	(\$215,845)	(2%)	\$8,461,696	\$2,389,024	28%
OWDA Loans	1,513,322	1,597,729	(84,407)	(5%)	1,681,980	(84,251)	(5%)
OPWC Loan	150,000	187,500	(37,500)	(20%)	200,000	(12,500)	(6%)
Rotary Commission Loan	821,966	821,966	0	0%	821,966	0	0%
Total Long-Term Debt	13,120,163	13,457,915	(337,752)	3%	11,165,642	2,292,273	21%
Less							
Current Maturities	319,608	331,119	(11,511)	4%	311,430	19,689	7%
Net Total Long-Term Debt	\$12,800,555	\$13,126,796	(\$326,241)	(2%)	\$10,854,212	\$2,272,584	21%

Net long-term debt decreased by \$337,752 or 3% in 2021 due to scheduled principal payments. Net long-term debt increased by \$2,272,584 or 21% in 2020 due to draws on its 2018 USDA bonds during the year, which was partially offset by scheduled principal payments. For additional information regarding debt, please see note 6 of the notes to the basic financial statements.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
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(Unaudited)

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**Cash**

Table 5 summarizes the changes in unrestricted and restricted cash and cash equivalents.

Table 5

	2021	2020*	Change	%	2019	Change	%
Unrestricted Cash and Cash Equivalents	\$2,211,188	\$2,753,714	(\$542,526)	(20%)	\$2,780,534	(\$26,820)	(1%)
Cash Restricted for Debt Service	585,454	585,454	0	0%	305,298	280,156	92%
Cash Restricted for Sewer Plant	188,135	188,135	0	0%	0	188,135	100%
<b>Total Cash</b>	<b>\$2,984,777</b>	<b>\$3,527,303</b>	<b>(\$542,526)</b>	<b>(15%)</b>	<b>\$3,085,832</b>	<b>\$441,471</b>	<b>15%</b>

\*Certain reclassifications were made for consistency of reporting between years.

Unrestricted cash and cash equivalents decreased \$542,562 or 20% in 2021 due to expenses for capital outlay. Unrestricted cash and cash equivalents decreased \$26,820 or 1% in 2020. Cash restricted for debt service and sewer plant remained the same between 2020 and 2021. Between 2019 and 2020 cash restricted for debt service increased \$280,156 or 92% due to the deposit of unspent federal funds required to be set aside for future debt service payments. Between 2019 and 2020 cash restricted for sewer plant increased \$188,135 or 100% as the District had unspent bond proceeds that USDA allowed them to keep with the stipulation that it must be used for the sewer plant.

**Current Financial Related Activities**

In 2021, the District implemented a Sewer Facility Charge increase of \$1.00 for the Circleville/Pickaway service area and \$2.36 for the Stoutsville/Tarlton service area. The District implemented a Water Facility Charge increase of \$1.00 for the Circleville/Pickaway and Stoutsville/Tarlton service areas. The District also implemented a Water Usage Charge increase of 5% and Sewer Usage Charge increases of 5% for the Circleville/Pickaway service area and 3% for the Stoutsville/Tarlton service area.

**Contact Information**

Questions regarding this report and requests for additional information should be forwarded to Louis McFarland, General Manager, Earnhart Hill Regional Water and Sewer District, PO Box 151, Circleville, Ohio 43113-0151 or (740) 474-3114.

**Earnhart Hill Regional Water and Sewer District**

*Statements of Net Position*

*As of December 31, 2021 and 2020*

	2021	2020
<b>Current assets</b>		
Cash and cash equivalents	\$2,211,188	\$2,753,714
Accounts receivable	512,909	474,508
Assessments receivable	855,735	904,892
Inventories	172,779	153,677
Prepaid expenses	16,448	16,485
<i>Total current assets</i>	3,769,059	4,303,276
<b>Noncurrent assets</b>		
Restricted assets:		
Cash and cash equivalents-debt service reserve	585,454	585,454
Cash and cash equivalents-sewer plant reserve	188,135	188,135
Net Pension Asset	88,348	0
Net OPEB Asset	174,452	0
<i>Total restricted assets</i>	1,036,389	773,589
<b>Capital assets</b>		
Land and land easements	1,855,260	1,855,259
Buildings	2,003,507	2,003,507
Treatment facilities	13,443,224	13,424,610
Transmission, storage and collection	28,850,769	28,433,794
Vehicles	714,199	714,199
Furniture and equipment	893,374	863,841
Construction in progress	2,272,438	568,341
<i>Total capital assets</i>	50,032,771	47,863,551
Less: accumulated depreciation	(16,299,484)	(14,942,834)
<i>Capital assets, net</i>	33,733,287	32,920,717
<i>Total assets</i>	38,538,735	37,997,582
<b>Deferred outflows of resources</b>		
Pension	263,964	458,674
OPEB	123,914	346,069
<i>Total deferred outflows of resources</i>	\$387,878	\$804,743

(continued)

**Earnhart Hill Regional Water and Sewer District**  
*Statements of Net Position (Continued)*  
*As of December 31, 2021 and 2020*

	2021	2020
<b>Current liabilities</b>		
Accounts payable	\$22,503	\$23,241
Prepaid taps and main line extensions	111,512	90,378
Customer deposits	23,855	23,935
Current portion of USDA revenue bonds payable	210,044	209,212
Current portion of OWDA loans payable	84,564	84,407
Current portion of OPWC loans payable	25,000	37,500
Accrued payroll	20,342	15,410
Intergovernmental payable	3,102	2,324
Retainage payable	28,816	0
Accrued interest payable	43,353	44,232
<i>Total current liabilities</i>	573,091	530,639
<b>Long-term liabilities</b>		
Revenue bonds payable USDA (net of current portion)	10,424,831	10,641,508
Loans payable OWDA (net of current portion)	1,428,758	1,513,322
Loans payable OPWC (net of current portion)	125,000	150,000
Notes payable Rotary Loan	821,966	821,966
Net pension liability	1,304,865	1,926,363
Net OPEB liability	0	1,393,277
<i>Total long-term liabilities</i>	14,105,420	16,446,436
<i>Total liabilities</i>	14,678,511	16,977,075
<b>Deferred inflows of resources</b>		
Assessments-construction-agricultural	851,715	851,715
Pension	722,235	408,623
OPEB	560,038	200,662
<i>Total deferred inflows of resources</i>	2,133,988	1,461,000
<b>Net position</b>		
Net investment in capital assets	21,406,274	20,284,768
Restricted for debt service	585,454	585,454
Restricted for sewer plant	188,135	188,135
Unrestricted (deficit)	(65,749)	(694,107)
<i>Total net position</i>	<u>\$22,114,114</u>	<u>\$20,364,250</u>

See accompanying notes to the basic financial statements.



**Earnhart Hill Regional Water and Sewer District**  
*Statements of Revenues, Expenses and Changes in Net Position*  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Operating revenues</b>		
Service charges	\$5,150,879	\$4,761,746
Other	264,169	212,972
<i>Total operating revenues</i>	5,415,048	4,974,718
<b>Operating expenses</b>		
Treatment expense	407,203	432,313
Power	333,556	309,494
Distribution	1,351,019	1,345,011
Customer accounting	458,622	415,856
Transportation	94,700	76,552
Fringe benefits	(698,719)	939,260
Depreciation and amortization	1,356,650	1,137,772
Administrative and general	354,818	374,590
<i>Total operating expenses</i>	3,657,849	5,030,848
<i>Operating income (loss)</i>	1,757,199	(56,130)
<b>Nonoperating revenues (expenses)</b>		
Capacity charges	267,010	280,000
Tap fee revenue	68,557	86,467
Interest income	5,310	27,161
Gain on sale of assets	0	42,235
Interest expense	(365,975)	(338,420)
Loss on disposal of assets	0	(12,616)
Rental income	17,763	16,188
<i>Net nonoperating revenues (expenses)</i>	(7,335)	101,015
<i>Changes in net position before capital contributions</i>	1,749,864	44,885
Capital Contributions—intergovernmental	0	638,593
<i>Total capital contributions</i>	0	638,593
<i>Changes in net position</i>	1,749,864	683,478
<i>Net position, beginning of year</i>	20,364,250	19,680,772
<i>Net position, end of year</i>	<u>\$22,114,114</u>	<u>\$20,364,250</u>

See accompanying notes to the basic financial statements.

**Earnhart Hill Regional Water and Sewer District**  
*Statements of Cash Flows*  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities</b>		
Cash received from customers	\$5,112,478	\$4,752,799
Cash paid for employee salaries and benefits	(2,049,346)	(1,997,305)
Cash payments to suppliers for goods and services	(1,453,668)	(1,538,845)
Cash received from other receipts	264,169	212,972
<i>Net cash provided by operating activities</i>	1,873,633	1,429,621
<b>Cash flows from noncapital and related financial activities</b>		
Refundable line extensions	21,134	0
Deposits received (returned)	(80)	580
<i>Net cash provided by noncapital and related financing activities</i>	21,054	580
<b>Cash flows from capital and related financing activities</b>		
Tap fees	68,557	86,467
Capacity charges	267,010	280,000
Rental income	17,763	16,188
Proceeds from revenue bonds	0	2,590,981
Revenue bond principal payments	(215,845)	(201,957)
Revenue bond interest payments	(363,639)	(322,377)
Loan principal payments	(121,907)	(96,751)
Loan interest payments	(3,215)	(3,371)
Special assessments received	49,157	46,599
Special assessment interest	2,557	5,780
Cash received for sale of assets	432	42,667
Proceeds from capital cash contributions	0	638,593
Capital outlay	(2,140,836)	(4,101,137)
<i>Net cash used for capital and related financing activities</i>	(2,439,966)	(1,018,318)
<b>Cash flows from investing activities</b>		
Interest on cash and cash equivalents	2,753	29,588
<i>Net increase (decrease) in cash and cash equivalents</i>	(542,526)	441,471
<i>Cash and cash equivalents, beginning of year</i>	3,527,303	3,085,832
<i>Cash and cash equivalents, end of year</i>	\$2,984,777	\$3,527,303

(continued)

**Earnhart Hill Regional Water and Sewer District**  
*Statements of Cash Flows (Continued)*  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$1,757,199	(\$56,130)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>		
Depreciation and amortization	1,356,650	1,137,772
<b>Changes in assets and liabilities:</b>		
Decrease (increase) in accounts receivable	(38,401)	(8,947)
Decrease (increase) in inventories	(19,102)	(633)
Decrease (increase) in prepaid expenses	37	(1,914)
Increase (decrease) in accounts payable (trade only)	(738)	(32,484)
Increase (decrease) in accrued payroll	4,932	(100,929)
Increase (decrease) in intergovernmental payable	778	204
Decrease (increase) in deferred outflows of resources-pension	194,710	396,857
Decrease (increase) in deferred outflows of resources-OPEB	222,155	(181,299)
Increase (decrease) in deferred inflows of resources-pension	313,612	374,846
Increase (decrease) in deferred inflows of resources-OPEB	359,376	195,556
Increase (decrease) in net pension liability	(621,498)	(528,421)
Decrease (increase) in net pension asset	(88,348)	0
Increase (decrease) in net OPEB liability	(1,393,277)	235,143
Decrease (increase) in net OPEB asset	(174,452)	0
<i>Total adjustments</i>	116,434	1,485,751
<i>Net cash provided by operating activities</i>	<u>\$1,873,633</u>	<u>\$1,429,621</u>

See accompanying notes to the basic financial statements.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2021 and 2020*

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**Note 1 – Nature of Organization and Reporting Entity**

Earnhart Hill Regional Water and Sewer District (the District) was founded for the purpose of providing water and wastewater services to those areas in south central Ohio not served by other water companies. As of February 1, 1997, the previous company (Earnhart Hill Water District, Inc.) was declared by the Court to be duly organized regional water and sewer district, a political subdivision of the state of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Court approved the Plan to the Operation of the District which provided that the District would accept a transfer of the assets, and assumes all of the liabilities of the Company as a part of its organization.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Earnhart Hill Regional Water and Sewer District, there are no other boards and agencies other than the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or levying of taxes. The District has no component units.

**Note 2 – Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

**Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows of resources, net position, revenues, and expenses.

This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type that the District uses is described below:

*Proprietary Fund Type* – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the enterprise fund.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2021 and 2020*

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Enterprise Fund – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District’s enterprise fund provides water and sewer services to its users.

**Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes.

**Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District adopted budgets and adopted and passed annual appropriations for the years ended December 31, 2021 and 2020.

*Appropriations* – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal level of control, and appropriations may not exceed estimated resources. For the District, the legal level of control is at the object level. The District must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

*Estimated Resources* – Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

*Encumbrances* – The Ohio Revised Code requires the District to reserve (encumber) appropriations when certain commitments are made. The District’s policy is to utilize purchase orders for all obligations over \$150.

**Revenue Recognition**

Revenues for service fees are recorded in the period the service is provided. Revenue for tap fees are recorded when cash is received. All other revenue is recognized when earned.

**Accounts Receivable**

Accounts receivable are presented at their net realizable value. Uncollectible account balances are certified to the County Auditor after administrative collection efforts have been exhausted.

**Restricted Assets**

As explained in Note 6, a restricted account was established for the required reserve for the Rural Development Loans and is recorded as a restricted asset in the accompanying basic financial statements. Additionally, the District did not spend the entire amounts received from its 2019 USDA bond/grant proceeds. In lieu of a refund to USDA, USDA permitted the District to retain these balances, requiring the establishment of a reserve account. These funds may be used to repay future bond obligations if insufficient funds are experienced, or with prior written approval, for emergency maintenance, extension to facilities or replacement of short-lived assets.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2021 and 2020*

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**Capital Assets**

Capital assets are presented at cost or estimated historical cost. Contributed capital assets are recorded at their acquisition value as of the date received. These assets are depreciated over the following estimated useful lives:

Buildings & Bond Issue Costs	5-50 years
Treatment Facilities	5-50 years
Transmission, Storage & Collection	10-50 years
Vehicles	3-10 years
Furniture & Equipment	3-20 years

Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions over \$5,000 are capitalized.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District does not have any investments; therefore, all cash balances are included in the statement of cash flows.

**Interest Expense**

Interest expense represents the interest portion of loan payments to the United States Department of Agriculture, Rural Development, and the Ohio Water Development Authority.

**Interest Income**

Interest income represents earnings from all of the District's bank accounts and interest earned on assessments.

**Inventory of Supplies**

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenses when used.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2021 and 2020 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The amount of vacation leave liability was insignificant as of December 31, 2021 and 2020 and is not recorded in the accompanying basic financial statements. Sick leave benefits are not accrued as a liability as employees receive no payment for accrued sick leave upon termination or retirement.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2021 and 2020*

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**Intergovernmental Payable**

During 2021 and 2020, the District billed and collected sewer fees and penalties for the City of Circleville Sewer. Intergovernmental payable represents those amounts collected on behalf of the City of Circleville Sewer but not yet paid as of December 31, 2021 and 2020.

**Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted for debt service reserves as required by the Rural Development Loan requirements. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the District's restricted net position as of December 31, 2021 and 2020 was restricted by enabling legislation.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are fees and contract fee revenue for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are recorded as non-operating revenues and expenses.

**Capital Contributions**

The District records capital contributions of capital assets or grants and other outside contributions restricted to capital acquisition and construction. During 2021 and 2020, the following capital contributions were received:

	<u>2021</u>	<u>2020</u>
USDA Grant	\$0	\$638,593

**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 9 and 10.

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 special assessments, pensions, and other postemployment benefits. The \$851,715 balance of the deferred inflow of resources for assessments at December 31, 2021 and 2020 will be recognized as revenue and increase unrestricted net position only when those properties assessed no longer qualify for agricultural status, as defined in Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame for collection is therefore undeterminable. Deferred inflows related to pensions and other postemployment benefits will be further discussed in notes 9 and 10.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2021 and 2020*

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**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.

**Comparative Information**

Comparative data for the prior year has been presented in the basic financial statements in order to provide an understanding of the changes in the District's financial position and operations. Such information includes sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's basic financial statements for the year ended December 31, 2020, from which the comparative data was derived.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Deposits With Financial Institutions – Legal Requirements**

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 represent interim monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;



**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2021 and 2020

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6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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. Except as noted above, an investment must mature within five years from the date of settlement, 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.

*Deposits* Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2021 and 2020, respectively, \$250,000 and \$250,000 of the District's bank balances of \$3,016,983 and \$3,693,402 were covered by federal depository insurance. The remaining balances were collateralized as discussed below. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

**Note 4 – Accounts Receivable**

The following are accounts receivable balances presented by aging classifications as of December 31, 2021 and 2020:

	2021	2020
Current receivables (0-30 days)	\$406,697	\$392,338
Delinquent receivables (31-60 days)	(17,416)	23,577
Delinquent receivables (over 60 days)	51,816	5,005
Total accounts receivable	\$441,097	\$420,920

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2021 and 2020

As of December 31, 2021 and 2020, the District also had miscellaneous receivables totaling \$71,812 and \$53,588, respectively.

**Note 5 – Assessments Receivable**

The details for the years ended December 31, 2021 and 2020 are as follows:

Construction Assessments	Total Assessment	Principal Collected From Prepays and Auditor	Ending Receivable Balance	Percent Collected
2021	\$2,102,001	\$1,246,266	\$855,735	59.3%
2020	2,102,001	1,197,109	904,892	57.0%

The assessment receivable balance at December 31, 2021 and 2020 includes deferred agricultural property construction assessments of \$851,715. This amount is recorded as a deferred inflow of resource in the accompanying financial statements and will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame for collection is undeterminable.

**Note 6- Current and Long-Term Debt**

Current and long term debts at December 31, 2021 are as follows:

Payable To	Interest Rate	First Payment	Principal Term
Rural Development	4.250%	10/1/2003	39 yrs.
Rural Development	3.375%	12/1/2010	40 yrs.
Rural Development	2.750%	11/1/2019	40 yrs.
Rural Development	2.625%	11/1/2019	40 yrs.
Rural Development	3.125%	11/1/2019	40 yrs.
OWDA	0.000%	6/1/2009	30 yrs.
OWDA	1.000%	1/1/2010	30 yrs.
OPWC	0.000%	1/1/2010	20 yrs.

Loan #	Obligation	Interest Rate	Outstanding 12/31/2020	Additions	Deletions	Outstanding 12/31/2021	Due in One Year
9106W	Rural Development	4.250%	\$2,703,320	\$0	\$80,345	\$2,622,975	\$70,923
9210S	Rural Development	3.375%	2,148,000	0	45,000	2,103,000	46,221
9212S	Rural Development	2.750%	4,817,900	0	73,500	4,744,400	75,500
9213S	Rural Development	2.625%	207,700	0	3,300	204,400	3,300
9215S	Rural Development	3.125%	973,800	0	13,700	960,100	14,100
4996	OWDA	0.000%	1,272,291	0	68,772	1,203,519	68,773
4839	OWDA	1.000%	325,438	0	15,635	309,803	15,791
CQ30H	OPWC	0.000%	187,500	0	37,500	150,000	25,000
	Rotary Loan	0.000%	821,966	0	0	821,966	0
	Net Pension Liability		1,926,363	0	621,498	1,304,865	0
	Net OPEB Liability		1,393,277	0	1,393,277	0	0
			<u>\$16,777,555</u>	<u>\$0</u>	<u>\$2,352,527</u>	<u>\$14,425,028</u>	<u>\$319,608</u>

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2021 and 2020

Loan #	Obligation	Interest Rate	Outstanding 12/31/2019	Additions	Deletions	Outstanding 12/31/2020	Due in One Year
9106W	Rural Development	4.250%	\$2,774,277	\$0	\$70,957	\$2,703,320	\$74,027
9210S	Rural Development	3.375%	2,191,000	0	43,000	2,148,000	44,685
9212S	Rural Development	2.750%	2,668,091	2,221,309	71,500	4,817,900	73,500
9213S	Rural Development	2.625%	210,900	0	3,200	207,700	3,300
9215S	Rural Development	3.125%	617,428	369,672	13,300	973,800	13,700
4996	OWDA	0.000%	1,341,064	0	68,773	1,272,291	68,773
4839	OWDA	1.000%	340,916	0	15,478	325,438	15,634
CQ30H	OPWC	0.000%	200,000	0	12,500	187,500	37,500
	Rotary Loan	0.000%	821,966	0	0	821,966	0
	Net Pension Liability		2,454,784	0	528,421	1,926,363	0
	Net OPEB Liability		1,158,134	235,143	0	1,393,277	0
			<u>\$14,778,560</u>	<u>\$2,826,124</u>	<u>\$827,129</u>	<u>\$16,777,555</u>	<u>\$331,119</u>

The debt listed with the United States Department of Agriculture, Rural Development is water system revenue bonds. The District is required to maintain a cash balance reserve to meet revenue bond requirements. The District also maintains a cash balance reserve that may be used for future bond obligations, emergency maintenance for the sewer plant, or other specific uses with prior approval of the USDA. These cash balances are reported as restricted assets in the accompanying basic financial statements. The debt listed above with OWDA and OPWC are long-term loans. Principal and interest payments for Rural Development 9106W debt are due on the first day of each month. Principal and interest payments for Rural Development 9210S are due on December 1 of each year. Principal and interest payments for Rural Development 9212S, 9213S, and 9215S debt are due on November 1 of each year. Principal payments for OWDA 4996 and principal and interest payments for OWDA 4839 are due on January 1 and July 1 of each year. Principal payments for OPWC CQ30H are due on January 31 and July 1 of each year.

In November 2018, the District entered into an obligation with the USDA Rural Development to issue three series of revenue bonds for the purpose of acquiring and constructing improvements to the District's River Drive Wastewater Treatment Plant with related equipment and appurtenances thereto. The Series 2018A bonds were issued in the amount of \$4,959,000, with an interest rate of 2.75% for 40 years. The Series 2018B bonds were issued in the amount of \$214,000, with an interest rate of 2.625% for 40 years. A grant was also received in relation to this issuance. The Series 2018C bonds were issued in the amount of \$1,000,000, with an interest rate of 3.125% for 40 years. A grant was also received in relation to this issuance.

Interest is calculated at the rates reflected above and payable for the terms described above. Future principal and interest payments on all debt are as follows:

Year	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$84,564	\$3,059	\$87,623	\$25,000	\$0	\$25,000
2023	84,722	2,900	87,622	25,000	0	25,000
2024	84,882	2,740	87,622	25,000	0	25,000
2025	85,043	2,579	87,622	25,000	0	25,000
2026	85,206	2,416	87,622	25,000	0	25,000
2027-2031	428,536	9,575	438,111	25,000	0	25,000
2032-2036	432,866	5,245	438,111	0	0	0
2037-2039	227,503	978	228,481	0	0	0
Totals	<u>\$1,513,322</u>	<u>\$29,492</u>	<u>\$1,542,814</u>	<u>\$150,000</u>	<u>\$0</u>	<u>\$150,000</u>

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Year	Water System Revenue Bond		
	Principal	Interest	Total
2022	\$210,044	\$337,757	\$547,801
2023	223,963	339,558	563,521
2024	231,668	331,774	563,442
2025	239,779	323,711	563,490
2026	248,104	315,355	563,459
2027-2031	1,376,918	1,440,454	2,817,372
2032-2036	1,636,440	1,181,039	2,817,479
2037-2041	1,946,946	870,562	2,817,508
2042-2046	1,583,117	552,685	2,135,802
2047-2051	1,314,028	331,883	1,645,911
2052-2056	1,127,300	166,506	1,293,806
2057-2058	496,568	21,055	517,623
Totals	\$10,634,875	\$6,212,339	\$16,847,214

In connection with the Rural Development Bonds, OPWC, and OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these bonds and loans is \$18,540,028. For the current year, net revenue available, principal and interest paid and the coverage ratio are as follows: \$3,113,849; \$704,606; and 0.23.

The Rural Development Bonds and OPWC loans are also subject to default stipulations. According to the Rural Development bond agreements, if any payments of principal or accrued interest on the bonds or the performance of any covenant or agreement contained within the bond agreement, Rural Development, at its option, may a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the case of default, and/or c) take possession of the facility, repair, maintain, and operate or rent it. According to the OPWC loan agreements, if the District fails to make any payment due and is not corrected within thirty days, the amount in default shall bear interest thereafter at the default rate of 8 percent per annum from the date of default until the date of payment. In addition, the entire principal remaining unpaid, together with accrued interest and other charges shall, at OPWC's option, become immediately due and payment.

An \$821,966 long-term note is payable to the Water and Sewer Rotary Commission with no annual interest rate. The loan was obtained to enable the District to make debt service payments on OWDA loans while these properties remain in agricultural status. The term is in effect as long as the properties listed as agricultural status pertaining to this loan do not change. If such properties do not qualify as agricultural status, their assessment is collected by the District and payable to the Water and Sewer Rotary Commission within ten days after the status has changed. The agreement was originally entered into on June 6, 1995 by SCIPPO Sewer District but was absorbed by Earnhart Hill Regional Water and Sewer District when it purchased SCIPPO in June 2009. No amortization schedule is provided for this note. There were no payments due to the Water and Sewer Rotary Commission for the years ended December 31, 2021 and 2020.

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**Note 7 – Capital Assets**

Capital assets activity for the years ended December 31, 2021 and 2020 was as follows:

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
<i>Capital Assets, Not Being Depreciated</i>				
Land & Land Easements	\$1,855,260	\$0	\$0	\$1,855,260
Construction in Progress	568,340	2,096,288	(392,190)	2,272,438
<i>Total Capital Assets, Not Being Depreciated</i>	2,423,600	2,096,288	(392,190)	4,127,698
<i>Capital Assets Being Depreciated</i>				
Buildings & Bond Issue Costs	2,003,507	0	0	2,003,507
Treatment Facilities	13,424,610	18,614	0	13,443,224
Transmission, Storage & Collection	28,433,794	416,975	0	28,850,769
Vehicles	714,199	0	0	714,199
Furniture & Equipment	863,841	29,533	0	893,374
<i>Total Capital Assets, Being Depreciated</i>	45,439,951	465,122	0	45,905,073
<i>Less Accumulated Depreciation:</i>				
Buildings & Bond Issue Costs	(901,962)	(68,310)	0	(970,272)
Treatment Facilities	(3,627,091)	(415,019)	0	(4,042,110)
Transmission, Storage & Collection	(9,504,796)	(743,680)	0	(10,248,476)
Vehicles	(373,839)	(74,262)	0	(448,101)
Furniture & Equipment	(535,146)	(55,379)	0	(590,525)
<i>Total Capital Assets Being Depreciated, Net</i>	(14,942,834)	(1,356,650)	0	(16,299,484)
<i>Total Capital Assets, Net</i>	\$32,920,717	\$1,204,760	(\$392,190)	\$33,733,287

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	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
<i>Capital Assets, Not Being Depreciated</i>				
Land & Land Easements	\$1,855,260	\$0	\$0	\$1,855,260
Construction in Progress	4,725,141	3,637,885	(7,794,686)	568,340
<i>Total Capital Assets, Not Being Depreciated</i>	6,580,401	3,637,885	(7,794,686)	2,423,600
<i>Capital Assets Being Depreciated</i>				
Buildings & Bond Issue Costs	1,979,632	23,875	0	2,003,507
Treatment Facilities	6,680,349	6,782,812	(38,551)	13,424,610
Transmission, Storage & Collection	27,361,412	1,072,382	0	28,433,794
Vehicles	693,903	100,731	(80,435)	714,199
Furniture & Equipment	765,537	98,304	0	863,841
<i>Total Capital Assets, Being Depreciated</i>	37,480,833	8,078,104	(118,986)	45,439,951
<i>Less Accumulated Depreciation:</i>				
Buildings & Bond Issue Costs	(830,881)	(71,081)	0	(901,962)
Treatment Facilities	(3,429,679)	(222,915)	25,503	(3,627,091)
Transmission, Storage & Collection	(8,788,156)	(716,640)	0	(9,504,796)
Vehicles	(385,164)	(69,110)	80,435	(373,839)
Furniture & Equipment	(477,120)	(58,026)	0	(535,146)
<i>Total Capital Assets Being Depreciated, Net</i>	(13,911,000)	(1,137,772)	105,938	(14,942,834)
<i>Total Capital Assets, Net</i>	\$30,150,234	\$10,578,217	(\$7,807,734)	\$32,920,717

**Note 8 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2021 and 2020, the District contracted with Rinehart, Walters, Danner Insurance and the Ohio Plan for liability, property, and related insurance. Coverages provided by the program as of December 31 are as follows:

	2021	2020
General Liability	\$6,000,000 per occurrence \$8,000,000 aggregate	\$6,000,000 per occurrence \$8,000,000 aggregate
Public Officials Liability	\$6,000,000 per occurrence \$8,000,000 aggregate	\$6,000,000 per occurrence \$8,000,000 aggregate
Automobile Liability	\$6,000,000	\$6,000,000
Property, Boiler & Machinery	\$17,311,150	\$17,311,150
Inland Marine	\$600,412	\$600,412
Electronic Media	\$170,283	\$170,283
Faithful Performance & Employee Bond	\$713,000	\$713,000

There has been no significant reduction in coverage from the prior year. There have been no claims that exceed commercial insurance coverage during the past three years.

Medical Mutual of Ohio provided health insurance during 2021 and 2020. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

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**Note 9 – 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 and OPEB liabilities (assets) reported on the statement of net position represents liabilities (assets) to employees for pensions and other postemployment benefits. 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 and OPEB 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 *intergovernmental payable* on the financial statements.

The remainder of this note includes the pension disclosures. See note 10 for the OPEB disclosures.

**Ohio Public Employees Retirement System**

*Plan Description* - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS 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.

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,

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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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 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 initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides 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 of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA 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



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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), 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.

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan option will no longer be available for new hires beginning in 2022.

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

	2021	2020
	State and Local	State and Local
<i>Statutory Maximum Contribution Rates</i>		
Employer	14.0 %	14.0 %
Employee*	10.0 %	10.0 %
 <i>Actual Contribution Rates</i>		
Employer:		
Pension**	14.0 %	14.0 %
Post-Employment Health Care Benefits**	0.0	0.0
 Total Employer	14.0 %	14.0 %
 Employee	10.0 %	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 \$197,441 for the traditional plan and \$19,823 for the combined plan for 2021 and \$214,662 for the traditional plan for 2020.

**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, 2020 and 2019. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of the respective 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:

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	2021			2020
	Traditional	Combined	Total	Traditional
Proportion of the Net Pension Liability (Asset):				
Current Measurement Date	0.008812%	0.030606%		0.009746%
Prior Measurement Date	0.009746%	0.000000%		0.008963%
Change in Proportionate Share	-0.000934%	0.030606%		0.000783%
Proportionate Share of the:				
Net Pension Liability (Asset)	\$1,304,865	(\$88,348)	\$1,216,517	\$1,926,363
Pension Expense	\$47,265	(\$31,525)	\$15,740	\$457,944

At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021			2020
	Traditional	Combined	Total	Traditional
<i>Deferred Outflows of Resources</i>				
Changes of assumptions	\$0	\$5,518	\$5,518	\$102,890
Changes in proportion and differences between District contributions and proportionate share of contributions	41,182	0	41,182	141,122
District contributions subsequent to the measurement date	197,441	19,823	217,264	214,662
Total Deferred Outflows of Resources	\$238,623	\$25,341	\$263,964	\$458,674
<i>Deferred Inflows of Resources</i>				
Differences between expected and actual experience	\$54,587	\$16,668	\$71,255	\$24,359
Net difference between projected and actual earnings on pension plan investments	508,597	13,139	521,736	384,264
Changes in proportion and differences between District contributions and proportionate share of contributions	115,593	13,651	129,244	0
Total Deferred Inflows of Resources	\$678,777	\$43,458	\$722,235	\$408,623

\$217,264 and \$214,662 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2021 and 2020, respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension for the year ended December 31, 2021 will be recognized in pension expense as follows:

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	Traditional	Combined	Total
Year Ending December 31:			
2022	(\$250,194)	(\$8,134)	(\$258,328)
2023	(110,712)	(5,826)	(116,538)
2024	(207,320)	(8,851)	(216,171)
2025	(69,369)	(5,092)	(74,461)
2026	0	(3,220)	(3,220)
Thereafter	0	(6,817)	(6,817)
Total	(\$637,595)	(\$37,940)	(\$675,535)

**Actuarial Assumptions**

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, 2020 and 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020 and 2019 are presented below.

	2020	
	Traditional	Combined
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	.5 percent, simple through 2021, then 2.15 percent, simple	.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
	2019	
	Traditional	
Wage Inflation	3.25 percent	
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 1.4 percent, simple through 2020, then 2.15 percent, simple	
Investment Rate of Return	7.2 percent	
Actuarial Cost Method	Individual Entry Age	

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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.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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 arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020 and 2019, these best estimates are summarized in the following table:

Asset Class	2020	2019	2020	2019
	Target Allocation	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	25.00 %	1.32 %	1.83 %
Domestic Equities	21.00	19.00	5.64	5.75
Real Estate	10.00	10.00	5.39	5.20
Private Equity	12.00	12.00	10.42	10.70
International Equities	23.00	21.00	7.36	7.66
Other investments	9.00	13.00	4.75	4.98
Total	100.00 %	100.00 %	5.43 %	5.61 %

*Discount Rate* The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and combined plan the years ended December 31, 2020 and 2019. 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 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 tables present the District's proportionate share of the net pension liability (asset) calculated as of the measurement dates December 31, 2020 and 2019 using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated

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using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

For the year ended December 31, 2021:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability (asset)			
Traditional	\$2,489,038	\$1,304,865	\$320,228
Combined	(61,518)	(88,348)	(108,345)

For the year ended December 31, 2020

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability			
Traditional	\$3,177,196	\$1,926,363	\$801,901

*Changes between Measurement Date and Report Date During 2021*, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

**Note 10 – Postemployment Benefits**

See note 9 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, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

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Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health 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.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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 requiring 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 and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021 and 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate 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 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and 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

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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 2021 and 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$0 for 2021 and 2020.

**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, 2019 and 2018, rolled forward to the measurement dates of December 31, 2020 and 2019, 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 expense:

	2021	2020
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.009792%	0.010087%
Prior Measurement Date	0.010087%	0.008883%
Change in Proportionate Share	-0.0002950%	0.0012040%
Proportionate Share of the:		
Net OPEB Liability (Asset)	(\$174,452)	\$1,393,277
OPEB Expense	(\$986,198)	\$249,400

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At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	2020
<b>Deferred Outflows of Resources</b>		
Differences between expected and actual experience	\$0	\$38
Changes of assumptions	85,764	220,541
Changes in proportion and differences between District contributions and proportionate share of contributions	38,150	125,490
Total Deferred Outflows of Resources	\$123,914	\$346,069
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	\$157,442	\$127,421
Net difference between projected and actual earnings on OPEB plan investments	92,916	70,945
Changes of assumptions	282,665	0
Changes in proportion and differences between District contributions and proportionate share of contributions	27,015	2,296
Total Deferred Inflows of Resources	\$560,038	\$200,662

\$0 and \$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement dates as of December 31, 2021 and 2020, respectively, will be recognized as a reduction of the net OPEB liability in 2022 and 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the year ended December 31, 2021 will be recognized in OPEB expense as follows:

Year Ending December 31:	
2022	(\$212,145)
2023	(172,653)
2024	(40,377)
2025	(10,949)
Total	(\$436,124)

**Actuarial Assumptions - OPERS**

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



**Earnhart Hill Regional Water and Sewer District**  
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liabilities were determined by an actuarial valuation as of December 31, 2019 and 2018, rolled forward to the measurement dates of December 31, 2020 and 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	2020	2019
Wage Inflation	3.25 percent	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	6.00 percent	3.16 percent
Prior Measurement date	3.16 percent	3.96 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate:		
Current measurement date	2.00 percent	2.75 percent
Prior Measurement date	2.75 percent	3.71 percent
Health Care Cost Trend Rate:		
Current measurement date	8.5 percent, initial 3.5 percent, ultimate in 2035	10.5 percent, initial 3.5 percent, ultimate in 2030
Prior Measurement date	10.5 percent, initial 3.5 percent, ultimate in 2030	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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 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 arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020 and 2019, these best estimates are summarized in the following table:

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Asset Class	2020		2019	
	2020 Target Allocation	2019 Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	36.00	1.07 %	1.53 %
Domestic Equities	25.00	21.00	5.64	5.75
Real Estate Investment Trust	7.00	6.00	6.48	5.69
International Equities	25.00	23.00	7.36	7.66
Other investments	9.00	14.00	4.02	4.90
<b>Total</b>	<b>100.00 %</b>	<b>100.00</b>	<b>4.43 %</b>	<b>4.55 %</b>

*Discount Rate* A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.00 percent (Fidelity Index’s “20-Year Municipal GO AA Index”) for the year ended December 31, 2020. This single discount rate was based on an expected rate of return on the health care investment portfolio of 3.16 percent and a municipal bond rate of 2.75 percent for the year ended December 31, 2019. 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

*Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate* The following table presents the District’s proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2020 using the single discount rate of 6.00 percent, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB asset	(\$43,379)	(\$174,452)	(\$282,205)

The following table presents the District’s proportionate share of the net OPEB liability calculated as of the measurement date December 31, 2019 using the single discount rate of 3.16 percent, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
District's proportionate share of the net OPEB liability	\$1,823,326	\$1,393,277	\$1,048,947

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) 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 2021 is 8.50 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.

For the fiscal year ended December 31, 2021:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB asset	(\$178,704)	(\$174,452)	(\$169,695)

For the fiscal year ended December 31, 2020:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$1,352,162	\$1,393,277	\$1,433,867

**Note 11 – Budget**

Budgetary activity for the years ended December 31, 2021 and 2020 follows:

<u>Budgeted vs. Actual Receipts</u>		
	2021	2020
Budgeted Receipts	\$5,736,300	\$8,968,974
Actual Receipts	5,806,010	8,702,782
Variance	\$69,710	(\$266,192)

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2021 and 2020

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Budgeted vs. Actual Budgetary Basis Expenditures

	2021	2020
Appropriation Authority	\$8,312,929	\$10,220,171
Budgetary Expenditures	7,733,863	9,414,187
Variance	\$579,066	\$805,984

**Note 12 – Information by Division**

The District maintains two divisions which provide water and sewer services. Information by division for the year ended December 31, 2021 and 2020 follows:

2021			
	Division		
	Water	Sewer	Total
Operating revenues	\$3,948,018	\$1,467,030	\$5,415,048
Operating expenses, before depreciation	1,737,851	563,348	2,301,199
Depreciation	771,043	585,607	1,356,650
Operating income (loss)	1,439,124	318,075	1,757,199
Nonoperating revenues	338,742	19,898	358,640
Nonoperating expenses	122,767	243,208	365,975
Net income	\$1,655,099	\$94,765	\$1,749,864

  

2020			
	Division		
	Water	Sewer	Total
Operating revenues	\$3,627,878	\$1,346,840	\$4,974,718
Operating expenses, before depreciation	3,016,699	876,377	3,893,076
Depreciation	750,886	386,886	1,137,772
Operating income	(139,707)	83,577	(56,130)
Nonoperating revenues	441,166	649,478	1,090,644
Nonoperating expenses	116,530	234,506	351,036
Net income	\$184,929	\$498,549	\$683,478

**Note 13 – Pending Litigation**

The District’s general legal counsel is Bricker & Eckler, LLP, Columbus, Ohio. There was no material litigation pending or outstanding as of December 31, 2021 that management believes might have a significant effect on the accompanying financial statements.

**Note 14 – Federal Financial Assistance**

The District received \$0 and \$3,229,574 in financial assistance in 2021 and 2020, respectively.

**Note 15 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. The

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2021 and 2020*

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financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

During 2021, the District did not receive COVID-19 funding. The District did not subgrant funds to other governments and organization nor were funds returned to any granting agency, and no funds were spent on-behalf of other governments. The District also did not receive on-behalf of grants from another government.

**Note 16 – Subsequent Events**

During 2020, the District entered into an agreement with PPG Industries for \$1 million in funding to assist the District with closing down a well near PPG Industries' plant site and opening a new well at another site. The District received one-half of this funding in 2020 and received the remaining one-half in March of 2022.

On July 15, 2022, the District accepted the terms of the Ohio Water Development Authority to provide funds to refund USDA loans issued in 2003. This loan will be issued in the amount of \$2,619,368 and will carry an interest rate of 2.94% and a term of 19.5 years. Funds are anticipated to be paid to USDA on August 4, 2022.

**Earnhart Hill Regional Water and Sewer District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)*  
*Last Eight Years (1)*

	2014	2015	2016	2017	2018	2019	2020	2021
<i>Ohio Public Employees Retirement System - Traditional Plan</i>								
District's proportion of the net pension liability	0.006501%	0.006501%	0.007270%	0.007761%	0.008539%	0.008963%	0.009746%	0.008812%
District's proportionate share of the net pension liability	\$766,419	\$784,130	\$1,259,256	\$1,762,391	\$1,339,604	\$2,454,784	\$1,926,363	\$1,304,865
District's covered-employee payroll	\$741,432	\$797,417	\$905,517	\$1,004,942	\$1,093,223	\$1,280,864	\$1,516,957	\$1,398,421
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.37%	98.33%	139.06%	175.37%	122.54%	191.65%	126.99%	93.31%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.66%	74.70%	82.17%	86.88%
<i>Ohio Public Employees Retirement System - Combined Plan</i>								
District's proportion of the net pension asset	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.030606%
District's proportionate share of the net pension asset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$88,348)
District's covered-employee payroll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$134,879
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-65.50%
Plan fiduciary net position as a percentage of the total pension liability	104.56%	114.83%	116.90%	116.55%	137.28%	126.64%	145.28%	157.67%

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 2014.

See accompanying notes to the required supplementary information.

**Earnhart Hill Regional Water and Sewer District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)*  
*Last Five Years (1)*

	2017	2018	2019	2020	2021
<i>Ohio Public Employees Retirement System</i>					
District's proportion of the net OPEB liability (asset)	0.007761%	0.007970%	0.008883%	0.010087%	0.009792%
District's proportionate share of the net OPEB liability (asset)	\$783,887	\$865,483	\$1,158,134	\$1,393,277	(\$174,452)
District's covered-employee payroll	\$1,004,942	\$1,093,223	\$1,280,864	\$1,516,957	\$1,533,300
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	78.00%	79.17%	90.42%	91.85%	-11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%	46.33%	47.80%	115.57%

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 2017.

See accompanying notes to the required supplementary information.

**Earnhart Hill Regional Water and Sewer District**  
*Required Supplementary Information*  
*Schedule of District Contributions*  
*Last Ten Years*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Ohio Public Employees Retirement System</i>										
Contractually required contribution - pension - Traditional Plan	\$68,539	\$96,386	\$95,690	\$108,662	\$120,593	\$142,119	\$179,321	\$212,374	\$195,779	\$197,441
Contractually required contribution - pension - Combined Plan	0	0	0	0	0	0	0	0	18,883	19,823
Contractually required contribution - OPEB	27,415	7,414	15,948	18,110	20,099	10,933	0	0	0	0
Contractually required contribution - total	95,954	103,800	111,638	126,772	140,692	153,052	179,321	212,374	214,662	217,264
Contributions in relation to the contractually required contribution	95,954	103,800	111,638	126,772	140,692	153,052	179,321	212,374	214,662	217,264
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$685,387	\$741,432	\$797,417	\$905,517	\$1,004,942	\$1,093,223	\$1,280,864	\$1,516,957	\$1,533,300	\$1,551,886
Contributions as a percentage of covered-employee payroll - pension	10.00%	13.00%	12.00%	12.00%	12.00%	13.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	4.00%	1.00%	2.00%	2.00%	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.



**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2021*

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**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 percent simple to .5 percent simple through 2021 then 2.15 percent simple.

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.

**OPEB**

Changes in benefit terms

There were no significant changes in benefit terms for 2018 through 2021.

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.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2021*

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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.

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Earnhart Hill Regional Water and Sewer District  
Pickaway County  
2300 Stoneridge Drive  
Circleville, Ohio 43113

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Earnhart Hill Regional Water and Sewer District, (the District) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 25, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures, which may affect subsequent periods of the District.

### ***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 purposes 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 District'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 were not 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 25, 2022

# OHIO AUDITOR OF STATE KEITH FABER



**EARNHART HILL REGIONAL WATER AND SEWER DISTRICT  
PICKAWAY 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 7/28/2022**

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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)