



OHIO AUDITOR OF STATE
KEITH FABER



**LAKENGREN WATER AUTHORITY
PREBLE COUNTY
DECEMBER 31, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lakengren Water Authority
Preble County
24 Lakengren Drive
Eaton, Ohio 45320

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and each major fund of the Lakengren Water Authority, Preble County, Ohio (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Lakengren Water Authority, Preble County, Ohio as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. Our opinion is not modified with respect to 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 Authority'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 Authority'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 Authority'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 November 4, 2022, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

November 4, 2022

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**Lakengren Water Authority
Preble County, Ohio**

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

The management's discussion and analysis of the Lakengren Water Authority's (the "Water Authority") financial performance provides an overall review of the Water Authority's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Water Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Water Authority's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- In total, net position was \$5,890,762 at December 31, 2021 which represents a 6.68% increase from December 31, 2020. Water fund net position was \$3,378,691 and sewer fund net position was \$2,512,071 at December 31, 2021.
- The Water Authority had operating revenues of \$1,298,854 operating expenses of \$907,839 and nonoperating expenses of \$22,292 for 2021. Total change in net position for the year was an increase of \$368,723.
- During the year, the Water Authority continued to draw down \$1,371,117 on an OWDA loan with a 0.85 percent interest rate.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Water Authority's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Water Authority, including all short-term and long-term financial resources and obligations.

Reporting the Water Authority's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

These documents look at all financial transactions and ask the question, "How did we do financially during 2021?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, deferred outflows of resources, and deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Lakengren Water Authority
Preble County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

These two statements report the Water Authority's net position and changes in those positions. This change in net position is important because it tells the reader that, for the Water Authority as a whole, the financial position of the Water Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 12 and 13 of this report.

The Statement of Cash Flows provides information about how the Water Authority finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 14 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 15-39 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Water Authority's net pension and net OPEB liabilities. The required supplementary information can be found on pages 41-50 of this report.

The table below provides a summary of the Water Authority's net position at December 31, 2021 and December 31, 2020.

**Lakengren Water Authority
Preble County, Ohio**

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Net Position

	<u>2021</u>	<u>2020</u>
<u>Assets:</u>		
Current and other assets	\$ 1,743,826	\$ 1,747,991
Noncurrent assets:		
Net OPEB asset	50,187	-
Nondepreciable capital assets	7,928,519	6,557,402
Capital assets, net of depreciation	<u>4,705,290</u>	<u>4,750,642</u>
Total assets	<u>14,427,822</u>	<u>13,056,035</u>
<u>Deferred outflows of resources:</u>		
Pension	62,447	93,079
OPEB	<u>29,023</u>	<u>62,276</u>
Total deferred outflows of resources	<u>91,470</u>	<u>155,355</u>
<u>Liabilities:</u>		
Current and other liabilities	59,752	46,882
Long-term liabilities:		
Due within one year	139,781	117,346
Due in more than one year:		
Net pension liability	441,569	587,041
Net OPEB liability	-	382,056
Other amounts	<u>7,640,713</u>	<u>6,369,659</u>
Total liabilities	<u>8,281,815</u>	<u>7,502,984</u>
<u>Deferred inflows of resources:</u>		
Pension	192,324	129,399
OPEB	<u>154,391</u>	<u>56,968</u>
Total deferred inflows of resources	<u>346,715</u>	<u>186,367</u>
<u>Net Position:</u>		
Net investment in capital assets	4,920,467	4,872,719
Unrestricted	<u>970,295</u>	<u>649,320</u>
Total net position	<u>\$ 5,890,762</u>	<u>\$ 5,522,039</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the Water Authority's net position totaled \$5,890,762. Total net position increased 6.68% from December 31, 2020. This increase was mainly due to conservative spending not related to any one item.

At year-end, capital assets represented 87.6% of total assets. Capital assets consist of land, construction in progress, vehicles, equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2021 were \$4,920,467.

Lakengren Water Authority
Preble County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

The table below shows the changes in net position for 2021 and 2020.

	Change in Net Position	
	<u>2021</u>	<u>2020</u>
<u>Operating revenues:</u>		
Charges for services	\$ 1,288,355	\$ 1,192,120
Other revenues	10,499	25,914
Total operating revenues	<u>1,298,854</u>	<u>1,218,034</u>
<u>Operating expenses:</u>		
Personal services	329,126	721,369
Operations and maintenance	210,492	163,334
Contractual services	128,805	90,332
Supplies and materials	24,905	22,921
Utilities	84,689	67,640
Depreciation	102,713	94,406
Other	27,109	12,497
Total operating expenses	<u>907,839</u>	<u>1,172,499</u>
Operating income (loss)	<u>391,015</u>	<u>45,535</u>
<u>Nonoperating revenues (expenses):</u>		
Intergovernmental	-	209,535
Interest income	(7,743)	12,870
Interest and fiscal charges	(14,549)	(17,092)
Total nonoperating revenues (expenses)	<u>(22,292)</u>	<u>205,313</u>
Loss before transfers	<u>368,723</u>	<u>250,848</u>
<u>Other revenues (expenses)</u>		
Transfers in	-	13,112
Transfers out	-	(13,112)
Total other revenues (expenses)	<u>-</u>	<u>-</u>
Increase in net position	<u>368,723</u>	<u>250,848</u>
Net position at beginning of year	<u>5,522,039</u>	<u>5,271,191</u>
Net position at end of year	<u>\$ 5,890,762</u>	<u>\$ 5,522,039</u>

Lakengren Water Authority
Preble County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Operating revenues of the Water Authority increased \$80,820 or 6.6% due mainly to an increase in charges for services. Operating expenses of the Water Authority decreased \$264,660 or 22.6% mainly in the area of personal services related to pension and OPEB expenses.

The Water Authority's statement of revenues, expenses and changes in fund net position prepared on an accrual basis of accounting includes an annual pension/OPEB expense for their proportionate share of each plan's change in net pension/OPEB liability or asset not accounted for as deferred inflows/outflows. The Water Authority is also reporting a net pension/OPEB liability or asset and deferred inflows/outflows of resources related to pension/OPEB on the accrual basis of accounting in the statement of net position.

As a result of implementing the accounting standard for pension and OPEB, the Water Authority is reporting a significant net pension liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the Authority is reporting a net OPEB asset, deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The change in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the Water Authority's net position, additional information is presented below.

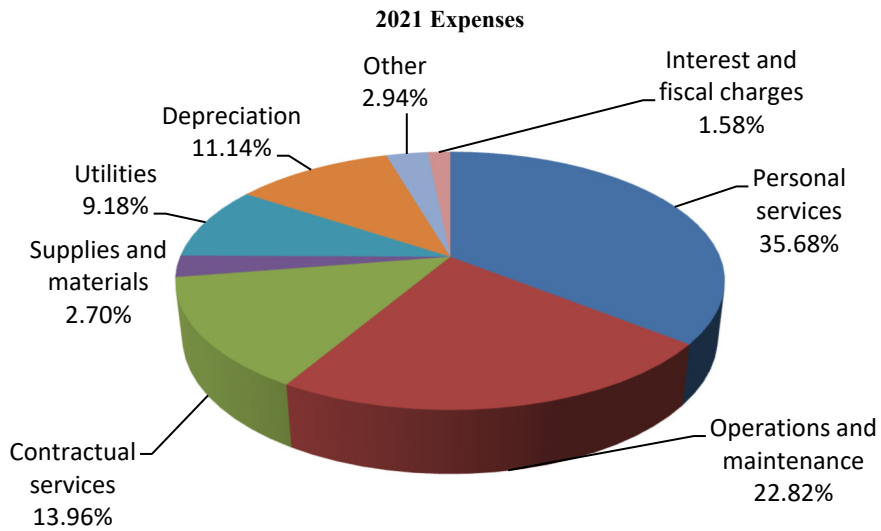
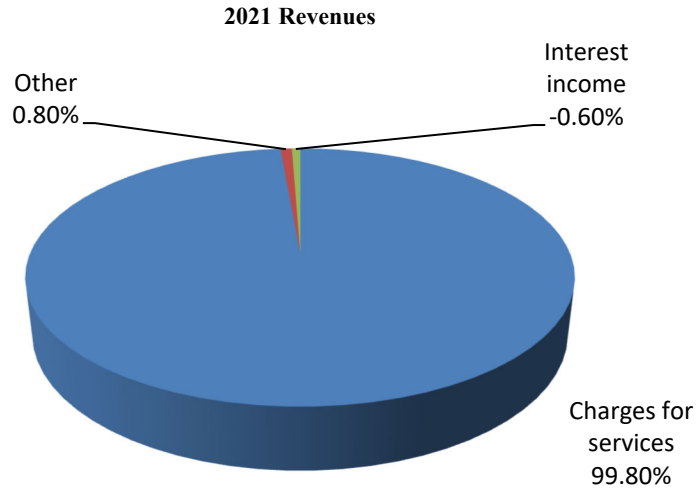
	<u>2021</u>	<u>2020</u>
Deferred outflows - pension	\$ 62,447	\$ 93,079
Deferred outflows - OPEB	29,023	62,276
Deferred inflows - pension	(192,324)	(129,399)
Deferred inflows - OPEB	(154,391)	(56,968)
Net pension liability	(441,569)	(587,041)
Net OPEB (liability) asset	<u>50,187</u>	<u>(382,056)</u>
Impact of GASB 68 and GASB 75 on net position	<u>\$ (646,627)</u>	<u>\$ (1,000,109)</u>
 Net expense impact	 \$ 353,482	 \$ (84,259)

For 2021, the net expense impact of GASB 68 and 75 was \$353,482. This was from reporting the decrease in the Water Authority's proportionate share of the pension and other post-employment benefit liability of the Ohio Public Employment Retirement board. This adjustment was a negative expense which decreased expenses.

The charts below illustrate the revenues and expenses for the Water Authority during 2021 and 2020.

**Lakengren Water Authority
Preble County, Ohio**

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)



Capital Assets

At December 31, 2021, the Water Authority has \$12,633,809 invested in capital assets consisting of land, construction in progress, buildings, vehicles, equipment and infrastructure.

The following table shows December 31, 2021's balances compared to December 31, 2020 (see note 6 to the basic financial statements):

**Lakengren Water Authority
Preble County, Ohio**

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Capital Assets, at Year End
(Net of Depreciation)

	<u>2021</u>	<u>2020</u>
Land	\$ 189,054	\$ 189,054
Construction in progress	7,739,465	6,368,348
Buildings	711,538	724,243
Vehicles	54,574	21,514
Equipment	237,475	235,335
Infrastructure	<u>3,701,703</u>	<u>3,769,550</u>
Total capital assets	<u>\$ 12,633,809</u>	<u>\$ 11,308,044</u>

Debt

The Water Authority has OWDA loans outstanding at December 31, 2021. The total amount of the 2007 outstanding loan is \$505,624 and bears an interest rate of 2.75% with a final maturity of July 1, 2026, \$95,677 of this loan is due in one year. The loan was issued for the construction of a new water treatment plant. The debt payments for the 2007 loan will be paid from the water fund. The 2019 loan carrying a 0.85 interest rate was issued for the waste water treatment plant upgrade project. This loan is not yet finalized and a repayment schedule has not been established. The debt payments for the 2019 loan will be paid from the sewer fund.

See Note 5 of the notes to the basic financial statements for more information.

Current Financial Related Activities

The Water Authority's net position increased \$368,723 from 2020 to 2021 due to the conservative spending. Sound financial management from the board of trustees and fiscal officer has provided stability during 2021.

Contacting the Water Authority's Financial Management

This financial report is designed to provide the citizens of the Lakengren community and the Water Authority's creditors with a general overview of the Water Authority's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information contact Kellie Rickard, Fiscal Officer, 24 Lakengren Drive West, Eaton, Ohio 45320-2858, 937-456-4455 or email to krickard@lakengrenh2o.org.

Lakengren Water Authority
Preble County, Ohio
Statement of Net Position
December 31, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>Assets:</u>			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 235,293	\$ 514,241	\$ 749,534
Cash and cash equivalents:			
In segregated accounts	571,843	91,132	662,975
Receivables:			
Accounts	143,191	99,506	242,697
Special assessments	15,635	4,586	20,221
Due from other governments	-	8,864	8,864
Materials and supplies inventory	15,642	9,319	24,961
Prepaid items	19,004	15,570	34,574
Total current assets	1,000,608	743,218	1,743,826
Noncurrent assets:			
Net OPEB asset	23,588	26,599	50,187
Capital assets:			
Nondepreciable capital assets	96,270	7,832,249	7,928,519
Depreciable capital assets, net	3,154,247	1,551,043	4,705,290
Total noncurrent assets	3,274,105	9,409,891	12,683,996
Total assets	4,274,713	10,153,109	14,427,822
<u>Deferred outflows of resources:</u>			
Pension	29,350	33,097	62,447
OPEB	13,640	15,383	29,023
Total deferred outflows of resources	42,990	48,480	91,470
<u>Liabilities:</u>			
Current liabilities:			
Accounts payable	7,604	7,604	15,208
Accrued wages and benefits	9,254	10,284	19,538
Compensated absences payable	22,094	22,010	44,104
Intergovernmental payable	8,521	9,533	18,054
Accrued interest payable	6,952	-	6,952
OWDA loans payable	95,677	-	95,677
Total current liabilities	150,102	49,431	199,533
Long-term liabilities:			
Compensated absences payable	8,471	14,577	23,048
OWDA loans payable, net of current portion	409,947	7,207,718	7,617,665
Net pension liability	207,537	234,032	441,569
Total long-term liabilities	625,955	7,456,327	8,082,282
Total liabilities	776,057	7,505,758	8,281,815
<u>Deferred inflows of resources:</u>			
Pension	90,392	101,932	192,324
OPEB	72,563	81,828	154,391
Total deferred inflows of resources	162,955	183,760	346,715
<u>Net position:</u>			
Net investment in capital assets	2,744,893	2,175,574	4,920,467
Unrestricted	633,798	336,497	970,295
Total net position	\$ 3,378,691	\$ 2,512,071	\$ 5,890,762

See accompanying notes to the basic financial statements.

Lakengren Water Authority
Preble County, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>Operating revenues:</u>			
Charges for services	\$ 648,225	\$ 640,130	\$ 1,288,355
Other	3,470	7,029	10,499
Total operating revenue	651,695	647,159	1,298,854
<u>Operating expenses:</u>			
Personal services	184,284	144,842	329,126
Operations and maintenance	54,235	156,257	210,492
Contractual services	59,623	69,182	128,805
Supplies and materials	16,542	8,363	24,905
Utilities	31,811	52,878	84,689
Depreciation	59,125	43,588	102,713
Other	9,833	17,276	27,109
Total operating expenses	415,453	492,386	907,839
Operating income	236,242	154,773	391,015
<u>Nonoperating revenues (expenses):</u>			
Interest	(3,850)	(3,893)	(7,743)
Interest and fiscal charges	(14,549)	-	(14,549)
Total nonoperating revenues (expenses)	(18,399)	(3,893)	(22,292)
Change in net position	217,843	150,880	368,723
Net position at beginning of year	3,160,848	2,361,191	5,522,039
Net position at end of year	\$ 3,378,691	\$ 2,512,071	\$ 5,890,762

See accompanying notes to the basic financial statements.

Lakengren Water Authority
Preble County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 649,162	\$ 650,479	\$ 1,299,641
Cash payments for employee services and benefits	(341,306)	(317,576)	(658,882)
Cash payments to suppliers for goods and services	(157,241)	(244,338)	(401,579)
Net cash provided by operating activities	<u>150,615</u>	<u>88,565</u>	<u>239,180</u>
Cash flows from capital and related financing activities:			
Proceeds of loans	-	1,371,117	1,371,117
Interest paid on debt	(15,829)	-	(15,829)
Principal payment on bonds and loans	(93,100)	-	(93,100)
Acquisition of capital assets	-	(1,428,478)	(1,428,478)
Net cash provided by (used for) capital and related financing activities	<u>(108,929)</u>	<u>(57,361)</u>	<u>(166,290)</u>
Cash flows from investing activities:			
Investment income	714	671	1,385
Sale of investments	256,290	256,290	512,580
Net cash provided by (used for) investing activities	<u>257,004</u>	<u>256,961</u>	<u>513,965</u>
Net increase in cash and cash equivalents	298,690	288,165	586,855
Cash and cash equivalents at beginning of year	508,446	317,208	825,654
Cash and cash equivalents at end of year	<u>\$ 807,136</u>	<u>\$ 605,373</u>	<u>\$ 1,412,509</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	\$ 236,242	\$ 154,773	\$ 391,015
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	59,125	43,588	102,713
Change in assets and liabilities:			
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable	(4,094)	1,219	(2,875)
Special assessment receivable	1,561	116	1,677
Materials and supplies inventory	8,441	53,861	62,302
Prepaid items	3,141	3,082	6,223
Due from other governments	-	1,985	1,985
Net OPEB asset	(23,588)	(26,599)	(50,187)
Deferred outflows of resources - pension	14,397	16,235	30,632
Deferred outflows of resources - OPEB	15,630	17,623	33,253
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	2,133	1,718	3,851
Accrued wages and benefits	1,413	2,608	4,021
Compensated absences	6,200	9,272	15,472
Intergovernmental payable	2,588	3,690	6,278
Net pension liability	(68,372)	(77,100)	(145,472)
Net OPEB liability	(179,566)	(202,490)	(382,056)
Deferred inflows of resources - pension	29,575	33,350	62,925
Deferred inflows of resources - OPEB	45,789	51,634	97,423
Net cash provided by operating activities	<u>\$ 150,615</u>	<u>\$ 88,565</u>	<u>\$ 239,180</u>

See accompanying notes to the basic financial statements.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - REPORTING ENTITY

The Lakengren Water Authority (the “Water Authority”) was organized in 1989 under the provisions of Chapter 6119 of the Ohio Revised Code (ORC) by the Common Pleas Court of Preble County, Ohio, for the purpose of operating a potable water production and distribution system for the Lakengren community. In 1998, the Water Authority assumed operation of a wastewater collection and treatment system, previously operated by Preble County. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the Water Authority.

The Water Authority operates under a three member Board of Trustees who are appointed by the Lakengren Property Owners Association for three year terms. All members are full-time resident property owners in the Lakengren community. The Water Authority is a body politic and corporate established with the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of the Water Authority are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from the Water Authority.

Component units are legally separate organizations for which the Water Authority is financially accountable. The Water Authority is financially accountable for an organization if the Water Authority appoints a voting majority of the organization's Governing Board and (1) the Water Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Water Authority is legally entitled to or can otherwise access the organization's resources; or (3) the Water Authority is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (4) the Water Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Water Authority in that the Water Authority approves their budget, the issuance of their debt or the levying of their taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the Water Authority has no component units. The basic financial statements of the reporting entity include only those of the Water Authority (the primary government).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Water Authority have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Water Authority’s accounting policies are described below.

Lakengren Water Authority
Preble County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

A. Basis of Presentation

The Water Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

The following are the major enterprise funds of the Water Authority:

Water fund - This fund is used to account for the provision of water treatment and distribution to residential users in the community.

Sewer fund - This fund is used to account for the provision of sanitary sewer service to residential users in the community.

B. Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activities are accounted for using a flow of economic resources measurement focus. All assets, all liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the Water Authority are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Water Authority finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Water Authority's financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Water Authority, deferred outflows of resources are reported on the statement of net position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Note 9 and Note 10.

Lakengren Water Authority
Preble County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position. (See Note 9 and Note 10)

D. Cash and Cash Equivalents

To improve cash management, cash received by the Water Authority is pooled. Monies for both funds are maintained in this pool. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

The Water Authority has segregated bank accounts for monies held separate from the Water Authority’s central bank account. These interest-bearing deposit accounts are presented on the statement of net position as “cash and cash equivalents in segregated accounts”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Water Authority are presented on the financial statements as equity and pooled cash and cash equivalents. Investments with an initial maturity of more than three months are presented as investments.

E. Budgetary Process

The Ohio Revised Code requires the Water Authority to budget annually. The Water Authority budgets on a cash basis for revenues and expenses.

Appropriations

Budgetary expenses may not exceed appropriations at the legal level of control, which has been established by the Board at the object level within each fund and department and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission is not required to approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of revenue to be earned and restricted and unrestricted net position as of January 1. The County Budget Commission is not required to approve estimated resources.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

F. Inventory

Inventories, which consist primarily of chemicals for treatment and repair parts, are presented at lower of cost or market, on a first-in, first-out basis and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Authority had no restricted assets for year ended December 31, 2021.

I. Capital Assets

Capital assets utilized by the Water Authority are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and are updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Water Authority maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

<u>Description</u>	<u>Estimated Lives</u>
Buildings	10-60 years
Vehicles	10-50 years
Equipment	10-50 years
Infrastructure	20-100 years

J. Net pension liability/Other postemployment benefits (OPEB) liability

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

The current accounting standard requires the Water Authority to report their proportionate share of the net pension/OPEB liability using the earning approach to pension/OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the Water Authority's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the Water Authority. However, the Water Authority is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension/OPEB system is responsible for the administration of the plan.

There is no repayment schedule for the net pension/OPEB liability or asset. The Water Authority has no control over the changes in the pension/OPEB benefits, contributions rate, and return on investments affecting the balance of the net pension/OPEB liability or asset. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension/OPEB payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension/OPEB liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

K. 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 Water Authority will compensate the employee for the benefits through paid time off or some other means. The Water Authority records a liability for all accumulated unused vacation leave when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method, and all employees are considered vested, as all employees are compensated for sick leave upon termination. Payment for sick leave at termination is limited to one fourth of the employee's accrued sick leave up to a maximum of thirty days. These amounts are recorded as "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Water Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Water Authority, these revenues are charges for services and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Water Authority. Nonoperating revenues are those revenues that are not generated directly from primary activities. For the Water Authority, this revenue is interest income.

Nonoperating expenses are costs other than those necessary costs incurred to provide the goods or services that are the primary activity of the Water Authority. For the Water Authority, these expenses are interest and fiscal charges expense.

N. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction. During 2021, there were no capital contributions.

Lakengren Water Authority
Preble County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

O. Estimates

The preparation of the 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 AND INVESTMENTS

The investments and deposits of the Water Authority's monies are governed by the Water Authority's investment policy. In accordance with these provisions, the Water Authority investments will conform to all applicable laws and regulations governing the investment of public monies, including Chapter 135 of the Ohio Revised Code. These State statutes classify monies held by the Water Authority into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit, maturing within in five years from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies may be deposited or invested in notes, bonds or other obligations of the United State or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Water Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2021, the carrying amount of the Water Authority deposits was \$1,412,509, the Water Authority total bank balance of \$1,413,934 was not exposed to custodial credit risk.

The Water Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with Water Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be one hundred two percent or lower if permitted by the Treasurer of State.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable represent monies due from residents for water usage and sewage treatment. No allowance for doubtful accounts has been recorded as all amounts are considered collectible. All receivables are expected to be collected within one year.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during the year ended December 31, 2021 were as follows:

	Balance <u>12/31/2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/2021</u>	Amount Due in <u>One Year</u>
<u>Bonds and loans</u>					
OWDA loan, 2.75%	\$ 598,724	\$ -	\$ (93,100)	\$ 505,624	\$ 95,677
OWDA loan, .085%	<u>5,836,601</u>	<u>1,371,117</u>	<u>-</u>	<u>7,207,718</u>	<u>-</u>
Total bonds and loans	<u>6,435,325</u>	<u>1,371,117</u>	<u>(93,100)</u>	<u>7,713,342</u>	<u>95,677</u>
<u>Other obligations</u>					
Compensated absences	51,680	39,718	(24,246)	67,152	44,104
Net pension liability:					
Water	275,909	-	(68,372)	207,537	-
Sewer	<u>311,132</u>	<u>-</u>	<u>(77,100)</u>	<u>234,032</u>	<u>-</u>
Total net pension liability	<u>587,041</u>	<u>-</u>	<u>(145,472)</u>	<u>441,569</u>	<u>-</u>
Net OPEB liability:					
Water	179,566	-	(179,566)	-	-
Sewer	<u>202,490</u>	<u>-</u>	<u>(202,490)</u>	<u>-</u>	<u>-</u>
Total net OPEB liability	<u>382,056</u>	<u>-</u>	<u>(382,056)</u>	<u>-</u>	<u>-</u>
Total long-term obligations	<u>\$ 7,456,102</u>	<u>\$ 1,410,835</u>	<u>\$ (644,874)</u>	<u>\$ 8,222,063</u>	<u>\$ 139,781</u>

The Water Authority has an Ohio Water Development Authority (OWDA) Loan outstanding at December 31, 2021. The total amount of the loan issued was \$1,667,151 and bears an interest rate of 2.75% with final maturity on July 1, 2026. The loan was issued for the construction of a new water treatment plant. The debt payments will be paid from the water fund.

The 2019 OWDA loan carrying a 0.85 interest rate was issued for the waste water treatment plant upgrade project. The expected principal amount of the original loan is to be \$7,299,000 including capitalized interest. This loan is not yet finalized and a repayment schedule has not been established. Current operations are expected to provide cash flows for the repayment of this loan.

Lakengren Water Authority
Preble County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Principal and interest requirements to retire the bonds and loan outstanding at December 31, 2021 are:

<u>Year</u>	<u>OWDA loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 95,678	\$ 13,251	\$ 108,929
2023	98,327	10,602	108,929
2024	101,049	7,880	108,929
2025	103,847	5,082	108,929
2026	106,723	2,206	108,929
Total	<u>\$ 505,624</u>	<u>\$ 39,021</u>	<u>\$ 544,645</u>

The Water Authority pays net pension/OPEB liability obligations from the fund benefitting from employee services.

NOTE 6 – CAPITAL ASSETS

Capital asset activity during 2021 was as follows:

	<u>Balance</u> <u>12/31/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2021</u>
Capital assets, not being depreciated:				
Land	\$ 189,054	\$ -	\$ -	\$ 189,054
Construction in progress	6,368,348	1,371,117	-	7,739,465
Total capital assets, not being depreciated	<u>6,557,402</u>	<u>1,371,117</u>	<u>-</u>	<u>7,928,519</u>
Capital assets, being depreciated:				
Buildings	947,480	-	-	947,480
Vehicles	94,151	40,000	-	134,151
Equipment	391,324	17,361	-	408,685
Infrastructure	6,621,722	-	-	6,621,722
Total capital assets, being depreciated	<u>8,054,677</u>	<u>57,361</u>	<u>-</u>	<u>8,112,038</u>
Less accumulated depreciation:				
Buildings	(223,237)	(12,705)	-	(235,942)
Vehicles	(72,637)	(6,940)	-	(79,577)
Equipment	(155,989)	(15,221)	-	(171,210)
Infrastructure	(2,852,172)	(67,847)	-	(2,920,019)
Total accumulated depreciation	<u>(3,304,035)</u>	<u>(102,713)</u>	<u>-</u>	<u>(3,406,748)</u>
Total capital assets being depreciated, net	<u>4,750,642</u>	<u>(45,352)</u>	<u>-</u>	<u>4,705,290</u>
Business-type activities capital assets, net	<u>\$ 11,308,044</u>	<u>\$ 1,325,765</u>	<u>\$ -</u>	<u>\$ 12,633,809</u>

The Water Authority is reporting construction in progress for a wastewater treatment plant upgrade, the purchase of a dump truck and computer server during 2021.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 7 - RISK MANAGEMENT

The Water Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2021, the Water Authority contracted with independent third parties for various types of insurance as follows:

<u>Coverage</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 7,344,856	\$ 1,000
General liability:		
Per occasion	1,000,000	none
Aggregate	3,000,000	none
Umbrella:		
Per occasion	3,000,000	none
Aggregate	3,000,000	none
Automobile:		
Liability	1,000,000	none
Comprehensive	Actual loss sustained	500
Collision	Actual loss sustained	500

Settled claims have not exceeded coverage in the past three years and there has been no significant reduction in coverages from last year.

The Water Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 8 - OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

The Water Authority employees have health insurance, dental and vision insurance, short term disability, and life insurance through independent third parties.

B. Compensated Absences

Accumulated Unpaid Vacation Leave

The Water Authority's employees earn vacation leave based on length of service. Vacation leave must be used within 12 months of being earned. Water Authority employees are paid for earned, unused vacation leave at the time of termination.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Accumulated Unpaid Sick Leave

The Water Authority's employees earn .0575 hours of sick leave for each hour in active pay status. Employees may accrue and carry over all sick leave earned with no limits. Upon separation or retirement from the Water Authority, employees are paid for one-fourth of their accrued sick leave, up to a maximum payment of 30 days.

Vacation and sick leave are paid from the water and sewer funds.

NOTE 9 - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

Net pension liability

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

The net pension liability represents the Water Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Plan Description - Ohio Public Employees Retirement System (OPERS)

The Water Authority participates 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 cost sharing, multiple employer defined benefit pension plan with defined contribution features. While members may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members 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 plan as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information):

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

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.

**Lakengren Water Authority
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Notes to the Basic Financial Statements
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Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

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

	<u>State and Local</u>
2021 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
 2021 Actual contribution rates	
Employer:	
Pension	14.00 %
Post-employment health care benefits	-
Total employer	<u>14.00 %</u>
 Employee	 <u>10.00 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Water Authority's contractually required contribution was \$60,795 for 2021. Of this amount, \$10,219 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Authority's proportion of the net pension liability was based on the Water Authority'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:

**Lakengren Water Authority
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	<u>OPERS</u>
Proportion of the net pension liability - prior measurement date	0.0029700%
Proportion of the net pension liability - current measurement date	<u>0.0029820%</u>
Change in proportionate share	<u>0.0000120%</u>
Proportionate share of the net pension liability	\$441,569
Pension expense	\$8,880

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

	<u>OPERS</u>
Deferred outflows of resources	
Changes in proportionate share and difference between the Water Authority contributions and proportionate share of contributions	\$ 1,652
The Water Authority's contributions subsequent to the measurement date	<u>60,795</u>
Total deferred outflows of resources	<u>\$ 62,447</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 18,471
Net difference between projected and actual earnings on pension plan investments	172,111
Changes in proportionate share and difference between the Water Authority contributions and proportionate share of contributions	<u>1,742</u>
Total deferred inflows of resources	<u>\$ 192,324</u>

\$60,795 reported as deferred outflows of resources related to pension resulting from the Water Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	<u>OPERS</u>
Year ending December 31:	
2022	\$ (73,302)
2023	(23,739)
2024	(70,158)
2025	<u>(23,473)</u>
Total	<u><u>\$ (190,672)</u></u>

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 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 in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Future salary increases, including inflation - Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	3.25 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 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

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.

Lakengren Water Authority
Preble County, Ohio

Notes to the Basic Financial Statements
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The long-term 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.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.7% for 2020.

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 table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	25.00%	1.32%
Domestic equities	21.00%	5.64%
Real estate	10.00%	5.39%
Private equity	12.00%	10.42%
International equities	23.00%	7.36%
Other investments	<u>9.00%</u>	<u>4.75%</u>
Total	<u>100.00%</u>	<u>5.43%</u>

Discount Rate The discount rate used to measure the total pension liability was 7.2%. 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 statutorily required rates. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

**Lakengren Water Authority
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Sensitivity of the Water Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Water Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease <u>(6.20%)</u>	Current discount rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
Employer proportionate share of the net pension liability	\$ 842,296	\$ 441,569	\$ 108,366

NOTE 10 - POSTEMPLOYMENT BENEFITS

Net OPEB liability or asset

The net OPEB liability or asset reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability or asset represents the Water Authority’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability or 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 these estimates annually.

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

**Lakengren Water Authority
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Notes to the Basic Financial Statements
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GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability or asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on the accrual bases of accounting.

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, all of which are described in Note 9.

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 to qualifying benefit recipients of both the traditional pension and the combined plans. This 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 refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. 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' ACFR 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.

**Lakengren Water Authority
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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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

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

OPEB Liabilities or asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability or asset and total OPEB liability or asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability or asset was based on the Water Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the net OPEB liability or asset:	
prior measurement date	0.0027660%
current measurement date	<u>0.0028700%</u>
Change in proportionate share	<u>0.0001040%</u>
Proportionate share of the net	
OPEB liability (asset)	\$ (50,187)
OPEB expense	\$ (301,567)

**Lakengren Water Authority
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

	<u>OPERS</u>
Deferred Outflows of Resources	
Changes of assumptions	\$ 24,673
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>4,350</u>
Total Deferred Outflows of Resources	<u>\$ 29,023</u>
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 45,294
Net difference between projected and actual earnings on OPEB plan investments	26,730
Changes of assumptions	81,318
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>1,049</u>
Total Deferred Inflows of Resources	<u>\$ 154,391</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Year ending December 31:	
2022	\$ (65,547)
2023	(45,056)
2024	(11,616)
2025	<u>(3,149)</u>
Total	<u>\$ (125,368)</u>

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.

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Notes to the Basic Financial Statements
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Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. 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:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	6.00 percent
Prior measurement date	3.16 percent
Investment rate of return	6.00 percent
Municipal bond rate	2.75 percent
Health care cost trend rate	8.50 percent, initial 3.50 percent, ultimate in 2035
Actuarial cost method	Individual entry age normal

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 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.

Lakengren Water Authority
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.5 percent for 2020.

The allocation of investment assets with 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 table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	34.00%	1.07%
Domestic equities	25.00%	5.64%
Real estate investment trust	7.00%	6.48%
International equities	25.00%	7.36%
Other investments	<u>9.00%</u>	<u>4.02%</u>
 Total	 <u>100.00%</u>	 <u>4.43%</u>

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. 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 long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Water Authority’s Proportionate Share of the Net OPEB Liability or asset to Changes in the Discount Rate The following table presents the Water Authority’s proportionate share of the net OPEB liability or asset calculated using the single discount rate of 6.00 percent, as well as what the Water Authority’s proportionate share of the net OPEB liability or 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:

	<u>1% Decrease</u> <u>(5.00%)</u>	Current discount rate <u>(6.00%)</u>	<u>1% Increase</u> <u>(7.00%)</u>
Proportionate share of the net OPEB liability/(asset)	\$ (12,479)	\$ (50,187)	\$ (81,186)

Sensitivity of the Water Authority’s Proportionate Share of the Net OPEB Liability or 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 or asset. The following table presents the net OPEB liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or 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.

	<u>1% Decrease</u>	Current health care cost trend rate <u>assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability/(asset)	(\$51,410)	(\$50,187)	(\$48,819)

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 that in the not-too-distant future, 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.

**Lakengren Water Authority
Preble County, Ohio**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - LEASES

The Water Authority entered into an operating lease with a property owner outside the Lakengren Subdivision for real property. The lease of the property allows for extracting water found in or under the leased property. The term of this lease commenced April 1, 2004 and remains in force for a primary term of 99 years, provided the Ohio EPA approves the leased premises as a well site and the well continues to produce clean, useable water in acceptable quantities. The lease payments for the year ended December 31, 2021 were \$778.19 for 3 months then increased to \$787.53 per month. The monthly lease payments shall be adjusted annually to the government’s published rate of inflation.

The estimated future minimum lease payments, at the current rate, as of December 31, 2021 are as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2022	\$ 9,450	2057-2061	\$ 47,250
2023	9,450	2062-2066	47,250
2024	9,450	2067-2071	47,250
2025	9,450	2072-2076	47,250
2026	9,450	2077-2081	47,250
2027-2031	47,250	2082-2086	47,250
2032-2036	47,250	2087-2091	47,250
2037-2041	47,250	2092-2096	47,250
2042-2046	47,250	2097-2101	47,250
2047-2051	47,250	2102	<u>2,363</u>
2052-2056	47,250	Total	<u>\$ 758,363</u>

NOTE 12 – CORONAVIRUS 2019 (COVID-19 Pandemic)

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021, while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. Furthermore, due to the dynamic environment and changes in fiscal policies, the exact impact on the Authority’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

NOTE 13 – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the Authority to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the Authority would be responsible to address any public safety issues associated with their waste water treatment facilities. Any potential asset retirement obligation associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items may need addressed; therefore, a reliable estimated amount cannot be determined.

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Required Supplementary Information

Lakengren Water Authority
Preble County, Ohio
Required Supplementary Information
Schedule of the Water Authority's Proportionate Share of the Net Pension Liability
Last Eight Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees Retirement System (OPERS) - Traditional Plan					
Water Authority's proportion of the net pension liability	0.002982%	0.002970%	0.003007%	0.002953%	0.002900%
Water Authority's proportionate share of the net pension liability	\$ 441,569	\$ 587,041	\$ 823,556	\$ 463,268	\$ 658,541
Water Authority's covered payroll	\$ 420,064	\$ 419,900	\$ 407,736	\$ 390,654	\$ 376,400
Water Authority's proportionate share of the net pension liability as a percentage of its covered payroll	105.12%	139.80%	201.98%	118.59%	174.96%
Plan fiduciary net position as a percentage of total pension liability	86.88%	84.17%	74.70%	84.66%	77.25%

See notes to required supplementary information.

(1) Information prior to 2013 is not available and the amounts presented are as of Water Authority's measurement date which is the prior fiscal year end.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.002917%	0.002965%	0.002965%
\$ 505,261	\$ 357,612	\$ 349,535
\$ 364,267	\$ 365,025	\$ 301,354
138.71%	97.97%	115.99%
81.08%	86.45%	86.36%

Lakengren Water Authority
Preble County, Ohio
Required Supplementary Information
Schedule of Water Authority's Contributions - Pension
Last Nine Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ohio Public Employees Retirement System (OPERS) - Traditional Plan						
Contractually required contribution	\$ 60,795	\$ 58,809	\$ 58,786	\$ 57,083	\$ 50,785	\$ 45,168
Contributions in relation to contractually required contribution	<u>(60,795)</u>	<u>(58,809)</u>	<u>(58,786)</u>	<u>(57,083)</u>	<u>(50,785)</u>	<u>(45,168)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water Authority's covered payroll	\$ 434,250	\$ 420,064	\$ 419,900	\$ 407,736	\$ 390,654	\$ 376,400
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%

See notes to required supplementary information.

(1) Information prior to 2013 is not available.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 43,712	\$ 43,803	\$ 39,176
<u>(43,712)</u>	<u>(43,803)</u>	<u>(39,176)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 364,267	\$ 365,025	\$ 301,354
12.00%	12.00%	13.00%

Lakengren Water Authority
 Preble County, Ohio
 Required Supplementary Information
 Schedule of the Water Authority's Proportionate Share of the Net OPEB Liability or Asset
 Last Five Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ohio Public Employees Retirement System (OPERS)				
Water Authority's proportion of the net OPEB liability or asset	0.002870%	0.002766%	0.002800%	0.002755%
Water Authority's proportionate share of the net OPEB liability (asset)	\$ (50,187)	\$ 382,056	\$ 365,054	\$ 299,173
Water Authority's covered payroll	\$ 420,064	\$ 419,900	\$ 407,736	\$ 390,654
Water Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-11.95%	90.99%	89.53%	76.58%
Plan fiduciary net position as a percentage of total OPEB liability or asset	115.57%	47.80%	43.33%	54.14%

See notes to required supplementary information.

- (1) Information prior to 2017 is not available and the amounts presented are as of Water Authority's measurement date which is the prior fiscal year end.
 (2) Restated during 2018.

2017 (2)

0.002712%

\$ 273,921

\$ 376,400

72.77%

54.05%

Lakengren Water Authority
Preble County, Ohio
Required Supplementary Information
Schedule of Water Authority's Contributions - OPEB
Last Nine Years (1)

	2021	2020	2019	2018	2017	2016
Ohio Public Employees Retirement System (OPERS)						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 3,907	\$ 7,528
Contributions in relation to contractually required contribution	-	-	-	-	(3,907)	(7,528)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water Authority's covered payroll	\$ 434,250	\$ 420,064	\$ 419,900	\$ 407,736	\$ 390,654	\$ 376,400
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

See notes to required supplementary information.

(1) Information prior to 2013 is not available.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 7,285	\$ 7,300	\$ 3,014
<u>(7,285)</u>	<u>(7,300)</u>	<u>(3,014)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 364,267	\$ 365,025	\$ 301,354
2.00%	2.00%	1.00%

Lakengren Water Authority
Preble County, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2021

Pension

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for 2021. See the notes to the basic financials for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2021. See the notes to the basic financials for the methods and assumptions in this calculation.



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

Lakengren Water Authority
Preble County
24 Lakengren Drive
Eaton, Ohio 45320

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 business-type activities and each major fund of the Lakengren Water Authority, Preble County, (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 4, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 4, 2022

OHIO AUDITOR OF STATE KEITH FABER



LAKENGREN WATER AUTHORITY

PREBLE 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 12/20/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov