



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTHWEST REGIONAL WATER DISTRICT  
BUTLER COUNTY  
DECEMBER 31, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Southwest Regional Water District  
Butler County  
3640 Old Oxford Road  
Hamilton, Ohio 45013

To the Board of Trustees:

### Report on the Audit of the Financial Statements

#### **Opinion**

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Regional Water District, Butler County, Ohio as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

As discussed in Note K to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
November 28, 2022

## **Management Discussion and Analysis (Unaudited)**

Southwest Regional Water District (the "District") is providing this discussion and analysis for our customers, creditors and others of interest, as a general overview of the District and its financial activities.

### Financial Highlights

- The total assets and deferred outflows of the District exceeded total liabilities and deferred inflows on December 31, 2021 by \$43.0 million.
- The District's net position increased \$3.7 million in 2021.
- The District's Operating Revenues increased by \$0.42 million and 4.8% in 2021. Operating expenses decreased by \$2.3 million in 2021.

### Overview of Basic Financial Statements

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

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

The Statement of Revenues, Expenses, and Changes in Net Position provides information on the District's operations over the past year and the success of recovering its costs through user fees, charges and assessments, and other income.

The Statement of Cash Flows presents information about the District's cash receipts and disbursements from operating, investing and financing activities. The statement summarizes how the cash was provided, cash uses, and changes in the balances during the year.



**Management Discussion and Analysis (Continued)**  
**(Unaudited)**

Table 1 summarizes, the Net Position of the District. Capital Assets are reported less accumulated depreciation. Invested in Capital, Net of Debt are Capital Assets less outstanding debt that was used to acquire those assets.

	<u>2021</u>	<u>2020</u>	<u>\$ Change amount</u>	<u>% Change</u>
<b>Assets</b>				
Current and other assets	\$ 9,106,107	\$ 9,100,736	\$ 5,371	0.1%
Net capital assets	<u>40,604,404</u>	<u>40,892,550</u>	<u>(288,146)</u>	<u>-0.7%</u>
Total assets	49,710,511	49,993,286	(282,775)	-0.6%
Deferred outflows of resources	<u>759,461</u>	<u>836,946</u>	<u>(77,485)</u>	<u>-9.3%</u>
Total assets and deferred outflows of resources	<u>\$ 50,469,972</u>	<u>\$ 50,830,232</u>	<u>\$ (360,260)</u>	<u>-0.7%</u>
<b>Liabilities</b>				
Current and other liabilities	\$ 680,290	\$ 877,419	\$ (197,129)	-22.5%
Long-term liabilities	<u>4,898,721</u>	<u>9,674,685</u>	<u>(4,775,964)</u>	<u>-49.4%</u>
Total liabilities	5,579,011	10,552,104	(4,973,093)	-47.1%
Deferred inflows of resources	<u>1,814,408</u>	<u>915,582</u>	<u>898,826</u>	<u>98.2%</u>
Total liabilities and deferred inflows of resources	7,393,419	11,467,686	(4,074,267)	-35.5%
<b>Net position</b>				
Invested in capital, net of debt	37,888,692	35,781,935	2,106,757	5.9%
Restricted for debt service	224,500	581,726	(357,226)	-61.4%
Unrestricted	<u>4,963,361</u>	<u>2,998,885</u>	<u>1,964,476</u>	<u>65.5%</u>
Total net position	<u>43,076,553</u>	<u>39,362,546</u>	<u>3,714,007</u>	<u>9.4%</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 50,469,972</u>	<u>\$ 50,830,232</u>	<u>\$ (360,260)</u>	<u>-0.7%</u>

**Management Discussion and Analysis (Continued)**  
**(Unaudited)**

Other key highlights include:

- Current and Other Assets increased by \$5,371.
- The Liquidity Ratio, otherwise known as the Current Ratio, as of the close of 2021 was 12.59.
- The District's Net Position is primarily committed to Investments in Capital Assets, Net of Debt at 88.0%. Net Position is also comprised of Restricted for Debt Service at .5% and Unrestricted at 11.5%.
- Long-term liabilities decreased by \$4,775,964, due in part to the District accelerating debt service payments and improvement in the financial condition of the pension system.

**Management Discussion and Analysis (Continued)**  
**(Unaudited)**

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

**Table 2**

	<u>2021</u>	<u>2020</u>	<u>\$ Change amount</u>	<u>% Change</u>
Operating revenues	\$ 9,187,056	\$ 8,765,508	\$ 421,548	4.8%
Operating expenses	\$ 2,420,751	\$ 4,717,850	\$ (2,297,099)	-48.6%
Maintenance expenses	1,007,328	952,073	55,255	5.6%
Depreciation expense	2,179,523	2,194,229	(14,706)	-0.9%
Total expenses	5,607,602	7,864,152	(2,256,550)	-28.7%
Operating income	3,579,454	901,356	2,678,098	297.1%
Non-operating revenues	578,157	171,410	406,747	237.3%
Non-operating expenses	(443,604)	(233,320)	(210,284)	90.1%
Change in net position	3,714,007	839,446	2,874,561	342.2%
Net position at beginning of year	39,362,546	38,523,100	839,446	2.2%
Net position at end of year	\$ 43,076,553	\$ 39,362,546	\$ 3,714,007	9.4%

Key highlights include:

- Total operating revenues increased \$0.42 million or 4.8% in 2021 as water sales and miscellaneous revenue slightly increased.
- The average customer paid \$43.85 per month based upon 5,187 gallons of water consumption.
- The operating ratio for 2021 was 1.64, as operating revenues exceeded operating expenses by \$3.5 million.
- Non-operating revenues include intergovernmental and interest income.
- Net position increased by \$3.7 million in 2021.

**Management Discussion and Analysis (Continued)**  
**(Unaudited)**

**Capital Assets**

A summary of the District's capital assets is shown in Table 3.

	<u>2021</u>	<u>2020</u>	<u>\$ Change amount</u>	<u>% Change</u>
Water, production, treatments and distribution systems, net	\$ 34,802,438	\$ 35,293,054	\$ (490,616)	-1.4%
Building, office and equipment, net	1,719,211	1,854,921	(135,710)	-7.3%
Land	1,664,110	1,664,110	-	0.0%
Construction in progress	<u>2,418,645</u>	<u>2,080,465</u>	<u>338,180</u>	<u>16.3%</u>
Net capital assets	<u>\$ 40,604,404</u>	<u>\$ 40,892,550</u>	<u>\$ (288,146)</u>	<u>-0.7%</u>

Key highlights include:

- Retirements, disposals and depreciation outweighed capital asset additions during 2021 by \$.28 million.
- There was no land acquired during 2021.
- The District completed \$1.33 million of construction in progress during 2021 and has remaining construction in progress of \$2.41 million as of December 31, 2021.
- Depreciation recorded in 2021 was \$2.18 million.
- Net capital assets are comprised of 85.71% water production, treatment and distribution systems, 5.96% construction in progress, 4.23% building, office and equipment and 4.10% land.

Additional information can be found in Note E to the financial statements.

**Management Discussion and Analysis (Continued)**  
**(Unaudited)**

**Debt**

Table 4 summarizes the District's long-term bonded debt and other obligations. The District has utilized long term debt to finance major capital improvement projects. Revenue bonds are the most common financing instrument for capital improvement projects. In the past, special assessment bonds have been utilized to finance projects which extended water service into new service areas.

**Table 4**

	<u>2021</u>	<u>2020</u>	<u>\$ Change amount</u>	<u>% Change</u>
USDA, rural development bonds	\$ 1,368,799	\$ 1,497,069	\$ (128,270)	-8.8%
Revenue bonds	-	2,460,000	(2,460,000)	-99.9%
Special assessment bonds	107,000	169,000	(62,000)	-36.8%
OPWC loan	<u>1,239,913</u>	<u>976,012</u>	<u>263,901</u>	<u>26.8%</u>
Bonded debt and loan obligations	2,715,712	5,102,081	(2,386,369)	-46.7%
Other long-term obligations				
Bond issuance - premium and refunding	<u>-</u>	<u>8,534</u>	<u>(8,534)</u>	<u>-103.0%</u>
Total long-term obligations	<u>\$ 2,715,712</u>	<u>\$ 5,110,615</u>	<u>\$ (2,394,903)</u>	<u>-46.9%</u>

Key highlights include:

- Bonded debt and loan obligations decreased by 46.7% from 2020 to 2021 as a result of scheduled principal payments and the retirement of the 2011 Revenue Bonds.
- Debt covenants were met in 2021 and 2020.

Additional information can be found in Note F to the financial statements.

**Management Discussion and Analysis (Continued)**  
**(Unaudited)**

**Economic Factors**

The District has budgeted an increase of \$0.57 million in net position for the year ending December 31, 2022. Additional customer revenues, and connection fees, along with continued containment of operating and maintenance expenses will contribute to this increase. Approval has been received from the Ohio Public Works Commission for Issue I grants for continued improvements of the District's water tanks and mains.

**Contact Information**

Questions regarding this report and requests for additional information should be forwarded to the General Manager, Southwest Regional Water District, 3640 Old Oxford Road, Hamilton, OH 45013.

**Southwest Regional Water District**  
**Statement of Net Position**  
**December 31, 2021**

**Assets**

Current assets

Cash, cash equivalents and investments	\$ 7,322,986
Accounts receivable (net of allowance for doubtful accounts of \$28,324)	495,263
Special assessments receivable, current	67,721
Grants and other receivables	135,416
Inventory	440,219
Prepaid expenses	<u>104,665</u>

Total current assets 8,566,270

Capital assets

Non-depreciable capital assets	4,082,754
Depreciable capital assets, net	<u>36,521,650</u>

Net capital assets 40,604,404

Other assets

Net OPEB asset	266,512
Restricted cash, cash equivalents and investments	224,500
Special assessments receivable, long-term	<u>48,825</u>

Total other assets 539,837

Deferred outflows of resources

Pension	507,674
OPEB	<u>251,787</u>

Deferred outflows of resources 759,461

Total assets and deferred outflows \$ 50,469,972

See accompanying notes.

**Southwest Regional Water District**  
**Statement of Net Position (Continued)**  
**December 31, 2021**

**Liabilities**

Current liabilities	
Current maturities of long-term obligations	\$ 269,291
Accounts payable	273,752
Accrued liabilities	29,933
Tenant deposits	63,195
Accrued interest	<u>44,119</u>
Total current liabilities	680,290
Long-term liabilities	
Deferred revenue	145,389
Long-term obligations	2,446,421
Net pension liability	<u>2,306,911</u>
Total long-term liabilities	<u>4,898,721</u>
Total liabilities	5,579,011
Deferred inflows of resources	
Pension	999,999
OPEB	<u>814,409</u>
Deferred inflows of resources	1,814,408
<b>Net position</b>	
Net investment in capital assets	37,888,692
Restricted for debt service	224,500
Unrestricted	<u>4,963,361</u>
Total net position	<u>43,076,553</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 50,469,972</u></u>

See accompanying notes.



**Southwest Regional Water District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2021**

Operating revenue	
Metered water sales to customers	\$ 8,160,577
Sale of new taps	708,981
Penalties	116,930
Miscellaneous	<u>200,568</u>
Total operating revenues	9,187,056
Operating expenses	
Operations	2,420,751
Maintenance	1,007,328
Depreciation	<u>2,179,523</u>
Total operating expenses	<u>5,607,602</u>
Operating income	3,579,454
Non-operating revenue (expense)	
Intergovernmental	565,005
Interest income	13,152
Interest expense and fiscal charges	(457,723)
Other non-operating revenue, net	<u>14,119</u>
Net non-operating revenue	<u>134,553</u>
Change in net position	3,714,007
Net position beginning of year	<u>39,362,546</u>
Net position end of year	<u><u>\$ 43,076,553</u></u>

See accompanying notes.

**Southwest Regional Water District**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

Cash flows from operating activities	
Receipts from customers	\$ 8,964,427
Receipts from others	200,568
Payments to suppliers and vendors	(2,141,747)
Payments to employees	<u>(3,216,959)</u>
Net cash provided by operating activities	3,806,289
Cash flows from capital and related financing activities	
Proceeds from capital grants	429,589
Acquisition and construction of capital assets	(1,895,008)
Payments on borrowings	(2,706,198)
Proceeds from debt issuance	319,829
Collections on special assessments	72,600
Interest paid	<u>(470,611)</u>
Net cash used in capital financing activities	(4,249,799)
Cash flows from noncapital financing activities	
Other non-operating revenue	<u>17,750</u>
Cash provided by noncapital financing activities	17,750
Cash flows from investing activities	
Interest received	<u>268,233</u>
Cash provided by investing activities	<u>268,233</u>
Net decrease in cash and cash equivalents	(157,527)
Cash, cash equivalents and investments January 1, 2021	<u>7,705,013</u>
Cash, cash equivalents and investments, December 31, 2021	<u><u>\$ 7,547,486</u></u>
Reconciliation to the statement of net position	
Restricted cash, cash equivalents and investments	\$ 224,500
Cash, cash equivalents and investments	<u>7,322,986</u>
Cash, cash equivalents and investments, December 31, 2021	<u><u>\$ 7,547,486</u></u>

See accompanying notes.

**Southwest Regional Water District**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2021**

Reconciliation of change in net assets to net cash provided by operating activities	
Operating income	\$ 3,579,454
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation expense	2,179,523
Changes in	
Accounts receivable	(26,265)
Prepaid expenses	(24,115)
Inventory	(38,271)
Deferred charges	47,972
Net OPEB asset	(266,512)
Deferred revenue	8,769
Accounts payable	(14,940)
Accrued liabilities	3,638
Tenant deposits	(4,565)
Deferred outflows - pension	(30,254)
Deferred outflows - OPEB	59,767
Net pension liability	(621,691)
Net OPEB liability	(1,945,047)
Deferred inflows - pension	366,647
Deferred inflows - OPEB	532,179
	<hr/>
Total adjustments	226,835
	<hr/>
Net cash provided by operating activities	<u><u>\$ 3,806,289</u></u>

See accompanying notes.

**Southwest Regional Water District  
Notes to Financial Statements  
Year Ended December 31, 2021**

**Note A - Nature of Organization**

The Southwest Regional Water District was originally organized as the Southwestern Butler County Water Association, a not-for-profit rural water cooperative, in 1968. In 1976, the Southwestern Butler County Water Association merged with the Oxford-Milford Water Association. The Southwestern Butler County Water Association became Southwest Regional Water District (hereafter referred to as the "District") on September 1, 1992, after petitioning and obtaining approval from the Court of Common Pleas of Butler County, Ohio. The District provides water services to the residents of Southwest Ohio in accordance with the provisions of Section 6119.01 of the Ohio Revised Code. The District is managed by a Board consisting of nine (9) trustees.

**Note B - Summary of Significant Accounting Policies**

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

1. **Basis of Presentation - Fund Accounting:** The accounts of the District are organized on the basis of funds, to report on its financial position and the results of its operations, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings/fund balance, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:
  - **Proprietary Fund Type:** This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.
  - **Enterprise Fund:** This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is those costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
2. **Basis of Accounting:** The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to local governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial principles.
3. **Budgetary Process:** Annually, the District adopts an operating budget. The annual budget is adopted and continues in effect until a new or amended budget is adopted. Based on the definitions for a legal adoption of a budget under both the ORC and GASB, a schedule or statement for the budget to actual results is not required to be presented for the District's basic financial statements.
4. **Operating Revenues and Expenses:** Operating revenues are those revenues that are generated directly from charges for metered water sales and other services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District.
5. **Accounts Receivable:** Accounts receivable are shown at their net realizable value. The District has set up an allowance for doubtful accounts for 2021. Amounts determined to potentially be uncollectible are set up as an allowance and a corresponding entry to an expense account is recorded during the year that the accounts are determined to be potentially uncollectible. A percentage of revenues based on the amount of accounts sent to collections is used to determine the allowance.

**Southwest Regional Water District**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**Note B - Summary of Significant Accounting Policies (Continued)**

6. Restricted Assets: Certain resources are set aside for the repayment of loans and as such are classified as restricted assets on the statement of net position because the use is limited by applicable security interests. The restricted assets are used for assuring payment of future principal and interest.
7. Capital Assets: Capital asset costs are stated at their historical cost and are depreciated over the estimated useful lives of the assets up to 40 years depending upon the type of asset. In addition, beginning in 1978, the District adopted the policy of including payroll costs, overhead expenses and interest costs incurred during the construction of the water system in the capital asset balance. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest. Depreciation is computed using the straight-line method over the following useful lives:
- |  |              |
|--|--------------|
| Water, production, treatments and distribution systems | 5 - 40 years |
| Building, office and equipment                         | 3 - 40 years |

8. Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposits are reported at cost.

During fiscal year 2021, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value ("NAV") per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

9. Compensated Absences: The District does not have any significant compensated absences.
10. Net Position: Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when their use is limited either through legislation adopted by the District, or restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted assets are available.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note B - Summary of Significant Accounting Policies (Continued)**

11. Inventories and Prepaid Items: The inventories of the District are valued at the lower of cost or market. Cost, as applied to inventory valuation, represents a moving average method whereby the cost per unit is recomputed after every addition to the inventory. The cost is expensed at the time individual inventory items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and decreased over the useful benefit period.

12. Pension/Other Postemployment Benefits: For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. 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 plans report investments at fair value.

13. Deferred Outflows and Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources include a deferred charge on refunding, pension and OPEB, and are reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in the pension and OPEB footnotes (See Notes G and H).

In addition to liabilities, the statement of net position will sometimes report 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 (revenues) until that time. For the District, deferred inflows of resources include pension and OPEB amounts. The details of those amounts are further explained in the pension and OPEB footnotes (See Notes G and H).

**Note C - Cash, Cash Equivalents and Investments**

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

*Active deposits* are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawn 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 two-year period of designation of depositories. Inactive deposits must be evidenced either 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.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note C - Cash, Cash Equivalents and Investments (Continued)**

*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 monies may be deposited or invested in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days
- Bonds and other obligations for the State of Ohio
- No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
- The State Treasurer's investment pool (STAR Ohio)
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time

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

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

The District follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. GASB Statement No. 40 creates disclosure requirements for deposits and investments related to credit risk, interest rate risk and foreign currency risk.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money have been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation ("FDIC").

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note C - Cash, Cash Equivalents and Investments (Continued)**

Deposits (Continued)

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

The carrying amount of the District deposits as of December 31, 2021 was \$2,995,372 and the bank balance was \$2,990,023. Of the bank balance:

- \$250,000 as of December 31, 2021 was covered by federal depository insurance ("FDIC")
- \$2,740,023 as of December 31, 2021 was collateralized by a third-party trustee in single institution collateral pools, securing all public funds on deposit with specific depository institutions and not subject to custodial credit risk

Investments

The District follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and records all its investments at fair value. The District's recurring fair value measurement of its investment in Federated Treasury Obligations was valued using pricing sources and is considered a Level 1 investment.

As of December 31, 2021, the District had the following investments which mature in less than one year:

STAR Ohio	<u>\$ 4,552,114</u>
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**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note C - Cash, Cash Equivalents and Investments (Continued)**

Investments (Continued)

The following is a reconciliation of cash and investments to the Statement of Net Position as of December 31, 2021.

	<u>Cash and cash equivalents</u>	<u>Restricted assets: cash and cash equivalents</u>	<u>Total</u>
Investments (summarized above)	\$ 4,327,614	\$ 224,500	\$ 4,552,114
Carrying amount of the district's deposits	<u>2,995,372</u>	<u>-</u>	<u>2,995,372</u>
	<u>\$ 7,322,986</u>	<u>\$ 224,500</u>	<u>\$ 7,547,486</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The District's policy requires that, to the extent possible, the General Manager will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions.

The maximum maturity of any eligible instrument is five years from the settlement date, unless the investment is matched to a specific obligation or debt of the District. Any investment made must be purchased with reasonable expectation to be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintains the highest rating provided by at least one of the nationally recognized standard rating services. The District does not have an investment policy that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy does not address concentration of credit risk. The District has invested 100% of its investments in STAR Ohio.

**Southwest Regional Water District**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**Note D - Special Assessments Receivable**

Special Assessment receivables are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are collected through property tax assessments issued by County Auditors. The receivable balance recognized at December 31, 2021 is only for current and active special assessments. The District tracks deferred agricultural property assessments and delinquent special assessments, but does not recognize the value of such due to the uncertain nature and timing of collection.

Deferred agricultural property is not subject to special assessments. A special assessment may only be realized when a property no longer qualifies for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame of collection is undeterminable and therefore the value of deferred agricultural property assessments are not recognized. The balance of deferred assessments at December 31, 2021 is \$554,593.

The District may assess the final balance of any cancelled water account to the County Auditor for collection. During 2021, the District assessed \$3,352 related to the final balance of cancelled water accounts.

The special assessment accounts receivable balance at December 31, 2021 are as follows:

Special assessments receivable - current portion	\$ 67,721
Special assessments receivable - non current	<u>48,825</u>
	<u><u>\$ 116,546</u></u>

	Total assessment	Deferred assessments	Deferred assessments as a % of total assessment	Payments	Payments as a % of total assessment	Assessment receivable
1994 Assessments	\$ 227,778	\$ 73,941	32.5%	\$ 153,837	67.5%	\$ -
1996 Assessments	889,478	62,639	7.0%	826,839	93.0%	-
1997 Assessments	94,579	94,579	100.0%	-	0.0%	-
1999 Assessments	4,322,014	183,984	4.3%	4,138,030	95.7%	-
2000 Assessments	579,383	-	0.0%	579,383	100.0%	-
2002 Assessments	736,635	134,580	18.3%	552,883	75.1%	49,171
2007 Assessments	116,045	4,870	4.2%	49,907	43.0%	61,268
2019 Assessments	4,245	-	0.0%	2,730	64.3%	1,515
2020 Assessments	8,072	-	0.0%	6,832	84.6%	1,240
2021 Assessments	<u>3,352</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>3,352</u>
Total	<u><u>\$ 6,981,581</u></u>	<u><u>\$ 554,593</u></u>	<u><u>7.9%</u></u>	<u><u>\$ 6,310,441</u></u>	<u><u>90.4%</u></u>	<u><u>\$ 116,546</u></u>

**Southwest Regional Water District**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**Note E - Capital Assets**

The following is a schedule of capital assets and related activity for the year-ended December 31, 2021:

	<u>Balance at 12-31-20</u>	<u>Additions</u>	<u>Retirements, transfers and disposals</u>	<u>Balance at 12-31-21</u>
Non-depreciable capital assets				
Land	\$ 1,664,110	\$ -	\$ -	\$ 1,664,110
Construction in progress	<u>2,080,465</u>	<u>1,669,717</u>	<u>(1,331,537)</u>	<u>2,418,645</u>
Total non-depreciable capital assets	3,744,575	1,669,717	(1,331,537)	4,082,755
Depreciable capital assets, net				
Water, production, treatments and distribution systems	72,476,850	111,568	1,331,537	73,919,955
Building, office and equipment	<u>4,612,024</u>	<u>113,723</u>	<u>(36,286)</u>	<u>4,689,461</u>
Total depreciable capital assets	77,088,874	225,291	1,295,251	78,609,416
Less: accumulated depreciation				
Water, production, treatments and distribution systems	(37,183,796)	(1,933,721)	-	(39,117,517)
Building, office and equipment	<u>(2,757,103)</u>	<u>(245,802)</u>	<u>32,655</u>	<u>(2,970,250)</u>
Total accumulated depreciation	<u>(39,940,899)</u>	<u>(2,179,523)</u>	<u>32,655</u>	<u>(42,087,767)</u>
Total depreciable capital assets, net	<u>37,147,975</u>	<u>(1,954,232)</u>	<u>1,327,906</u>	<u>36,521,649</u>
Capital assets, net	<u>\$ 40,892,550</u>	<u>\$ (284,515)</u>	<u>\$ (3,631)</u>	<u>\$ 40,604,404</u>

**Southwest Regional Water District**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**Note F - Long-term Obligations**

Long-term obligations consist of:

Description	12-31-20 Balance	Issued in 2021	Payments 2021	12-31-21 Balance	Due within one year
USDA, Rural Development Bonds Special Assessment Water Line Extension Bonds - Series 2002	\$ 1,497,069	\$ -	\$ 128,270	\$ 1,368,799	\$ 136,448
Special Assessment Water Line Extension Bonds - Series 2007	110,000	-	55,000	55,000	55,000
Revenue Bonds Series 2011	59,000	-	7,000	52,000	8,000
OPWC-Loans	2,460,000	-	2,460,000	-	-
	976,012	319,829	55,928	1,239,913	69,843
Total bonded debt and loan obligations before premium	5,102,081	319,829	2,706,198	2,715,712	269,291
Series 2011 Bond Issue Premium	8,534	-	8,534	-	-
Total long-term debt obligations	\$ 5,110,615	\$ 319,829	\$ 2,714,732	\$ 2,715,712	\$ 269,291

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note F - Long-term Obligations (Continued)**

As of December 31, 2021, the annual debt service requirements to maturity for all long-term debt issuances are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 269,291	\$ 193,074
2023	223,989	172,745
2024	233,242	154,029
2025	244,085	134,101
2026	254,556	112,531
2027-2044	<u>1,490,549</u>	<u>210,969</u>
Total	<u>\$ 2,715,712</u>	<u>\$ 977,449</u>

The majority of the District's debt is paid from revenues, excluding capital contributions. The District is required by bond trust agreements to meet a revenue to debt ratio of 1.2 for its 2011 revenue bonds and 1.0 for Rural Development Bonds and OPWC loans. These covenants were met in 2021.

USDA, Rural Development Bonds

The security agreements on the loans provide for annual payments to the USDA Rural Development with requirements for monthly amounts to a debt service account maintained by the District which is included in cash and cash equivalents. The agreements also provide for a reserve account by an annual appropriation of retained earnings for the estimated cost of the District's normal operations and maintenance expenses for the ensuing year.

The District has pledged future water customer revenues, net of specific operating expenses, to repay \$2,931,000 in water revenue bonds issued in 1994. Proceeds from the bonds refinanced Rural Development mortgage notes. The bonds are payable solely from water customer net revenues and are payable through 2029. Annual principal and interest payments remaining on the bonds are expected to require approximately 3 percent of revenue. The total principal outstanding on the Rural Development bonds is \$1,368,799 as of December 31, 2021.

Special Assessment Water Line Extension Bonds - Series 2002

During 2002, \$765,000 of Water Line Extension Bonds, Special Assessment Series 2002, dated September 1, 2002 were issued. Payment of the bonds will be through property tax assessments of property owners benefiting from the water services provided. Payment of the bonds will be through the year 2022. The bonds mature at varying dates and require interest payments at rates varying between 1.75% and 5.00%. The total principal outstanding was \$55,000 as of December 31, 2021.

Special Assessment Water Line Extension Bonds - Series 2007

During 2007, \$126,000 of Water line Extension, Special Assessment Series 2007, dated September 1, 2007 were issued. Payment on the bonds will be through property tax assessments of property owners benefiting from the water service provided. Payment of the bonds will be through the year 2027. The bonds mature at varying dates and require interest payments at a rate of 6%. The total principal outstanding was \$52,000 as of December 31, 2021.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note F - Long-term Obligations (Continued)**

Revenue Bonds - 2011

During 2011, \$4,075,000 of Waterworks System Revenue Improvement Bonds, Series 2011 were issued. The District has pledged water customer revenues, net of specific operating expenses, to repay the waterworks system revenue improvement bonds. Proceeds from the bonds (a) refunded the 2010 Bond Anticipation Note; (b) made certain improvements to the Waterworks System water tanks (c) funded a reserve, and (d) paid costs of issuance.

In 2021, the District called for full redemption of the Revenue Bonds – 2011, totaling \$2,460,00 in principal, plus premium. Utilizing debt service fund balances along with a final payment of \$2.0 million, the bonds were retired during 2021.

OPWC - Loans

The Ohio Public Works Commission loans are for water main replacements and water tower painting. These loans are 20 years in length and are interest free. Principal payments are made twice a year. The OPWC loans contain maturities extending through 2039. The total principal outstanding was \$1,239,913 as of December 31, 2021.

**Note G - 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 District'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 District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 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 net pension liability would be effective when the changes are legally enforceable.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note G - Defined Benefit Pension Plan (Continued)**

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 on the Statement of Net Position.

Plan Description - Ohio Public Employees Retirement System ("OPERS")

District employees participate in the 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 (e.g., District employees) may elect the Member-Directed Plan and the Combined Plan, all of the employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus 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 ("ORC"). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

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

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.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note G - Defined Benefit Pension Plan (Continued)**

Plan Description - Ohio Public Employees Retirement System ("OPERS") (Continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment ("COLA") is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% 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%.

Funding Policy

The ORC provides statutory authority for member and employer contributions as follows:

	<u>State and local</u>
2021 Statutory maximum contribution rate	
Employer	14.00%
Employee	10.00%
2021 Actual contribution rate	
Employer	
Pension	14.00%
Post-employment health care benefits	<u>0.00%</u>
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 District's contractually required contribution was \$321,709 for 2021. Of this amount, \$0 was recorded as an intergovernmental payable.



**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note G - Defined Benefit Pension Plan (Continued)**

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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate share of the net pension liability	\$ 2,306,911
Proportion of the net pension liability	
Current measurement date	0.015579%
Prior measurement date	<u>0.014817%</u>
Change in proportional share	<u>0.000762%</u>
Pension expense	<u>\$ 36,411</u>

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Net deferred outflows/ (inflows) of resources</u>
Changes in District's proportion and differences between contributions and proportionate share of contributions	\$ 185,965	\$ (4,333)	181,632
Net difference between projected and actual earnings on pension plan investments	-	(899,166)	(899,166)
Contributions subsequent to the measurement date	321,709	-	321,709
Differences between expected and actual experience	<u>-</u>	<u>(96,500)</u>	<u>(96,500)</u>
	<u>\$ 507,674</u>	<u>\$ (999,999)</u>	<u>\$ (492,325)</u>

**Southwest Regional Water District**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**Note G - Defined Benefit Pension Plan (Continued)**

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

The \$321,709 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	
2022	\$ (309,750)
2023	(52,763)
2024	(328,888)
2025	<u>(122,633)</u>
	<u>\$ (814,034)</u>

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 in accordance with the requirements of GASB 67 (*Financial Reporting for Pension Plans*):

Measurement and valuation date	December 31, 2020
Experience study	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age
Actuarial assumptions	
Investment rate of return	7.20%
Wage inflation	3.25%
Projected salary increases	3.25% to 10.75% (including wage inflation at 3.25%)
Cost of living adjustments	Pre 1/7/2013 Retiree: 3.00% simple Post 1/7/2013 Retiree: 3.00% simple through 2021, then 2.15% simple

**Southwest Regional Water District**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**Note G - Defined Benefit Pension Plan (Continued)**

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

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 allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset class	Target allocation	Weighted average long term expected real rate of return (arithmetic)
Fixed income	25%	1.32%
Domestic equities	21%	5.64%
Real estate	10%	5.39%
Private equity	12%	10.42%
International equities	23%	7.36%
Other investments	9%	4.75%
Total	100%	5.43%

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note G - Defined Benefit Pension Plan (Continued)**

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

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate:

	<u>1% decrease (6.20%)</u>	<u>Current discount rate of 7.20%</u>	<u>1% increase (8.20%)</u>
District's proportionate share of the net pension liability	<u>\$ 4,400,444</u>	<u>\$ 2,306,911</u>	<u>\$ 566,141</u>

**Note H - Other Post-employment Benefits**

The net OPEB Asset reported on the Statement of Net Position represents an asset 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 net OPEB Asset represents the District'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 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.

ORC limits the District's obligation, as applicable, for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note H - Other Post-employment Benefits (Continued)**

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 ORC 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 or asset. 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 liability or asset* on the accrual basis of accounting. Any liability or asset for the contractually-required OPEB contribution outstanding at the end of the year is included on the Statement of Net Position.

Plan Description

OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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 OPEB as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The ORC 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 ORC.

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.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note H - Other Post-employment Benefits (Continued)**

Funding Policy

The ORC 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 ORC. 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 District's contractually required contribution was \$0 for 2021.

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

The District's proportion of the net OPEB liability was based on the District'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:

Proportionate share of the net OPEB asset	\$ 266,512
Proportion of the net OPEB liability	
Current measurement date	0.015008%
Prior measurement date	<u>0.014128%</u>
Change in proportional share	<u>0.00088%</u>
OPEB Income	<u><u>\$ 1,619,613</u></u>

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note H - Other Post-employment Benefits (Continued)**

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

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Net deferred outflows/ (inflows) of resources</u>
Changes in District's proportion and differences between contributions and proportionate share of contributions	\$ 120,767	\$ (105)	\$ 120,662
Net difference between projected and actual investment earnings	-	(141,948)	(141,948)
Change in assumptions	131,020	(431,830)	(300,810)
Differences between expected and actual experience	<u>-</u>	<u>(240,526)</u>	<u>(240,526)</u>
	<u>\$ 251,787</u>	<u>\$ (814,409)</u>	<u>\$ (562,622)</u>

In 2021, \$0 will be reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,

2022	\$ (310,090)
2023	(202,850)
2024	(32,956)
2025	<u>(16,726)</u>
	<u>\$ (562,622)</u>

Actuarial Assumptions - OPEB

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.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note H - Other Post-employment Benefits (Continued)**

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

Actuarial Assumptions - OPEB (Continued)

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 asset 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 (*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*):

Actuarial valuation date	December 31, 2019
Rolled-forward measurement date	December 31, 2020
Experience study	5-year period ended December 31, 2015
Wage inflation	3.25%
Projected salary increases	3.25% to 10.75% (including wage inflation at 3.25%)
Single discount rate	6.00%
Investment rate of return	6.00%
Municipal bond rate	2.00%
Health care cost trend rate	8.5% initial 3.50%, ultimate in 2035
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.

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



**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note H - Other Post-employment Benefits (Continued)**

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

Actuarial Assumptions - OPEB (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board 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. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset class	Target allocation	Weighted average long term expected real rate of return (arithmetic)
Fixed income	34%	1.07%
Domestic equities	25%	5.64%
Real estate investment trusts	7%	6.48%
International equities	25%	7.36%
Other investments	9%	4.02%
Total	100%	4.43%

Discount Rate

A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. 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 the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note H - Other Post-employment Benefits (Continued)**

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

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following table presents the net OPEB liability or asset calculated using the single discount rate of 6.00%, and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	<u>1% decrease (5.0%)</u>	<u>Current discount rate of 6.00%</u>	<u>1% increase (7.00%)</u>
District's proportionate share of the net OPEB asset	<u>\$ (66,268)</u>	<u>\$ (266,512)</u>	<u>\$ (431,118)</u>

Sensitivity of the District's Proportionate Share of the Net OPEB 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% lower or 1.0% higher than the current rate.

	<u>1% decrease (2.50%)</u>	<u>Current health care cost trend rate assumption of 3.50%</u>	<u>1% increase (4.50%)</u>
District's proportionate share of the net OPEB asset	<u>\$ (273,002)</u>	<u>\$ (266,512)</u>	<u>\$ (259,239)</u>

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.

**Southwest Regional Water District  
Notes to Financial Statements (Continued)  
Year Ended December 31, 2021**

**Note I - Risk Management**

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year 2021, the District contracted for the following insurance coverage:

- General Liability
- Public Officials
- Inland Marine
- Automobile
- Faithful Performance and Employee Bond
- Health
- Cyber Security

Vehicle policies include liability coverage for bodily injury and property damage.

Worker's compensation benefits are provided through the State Bureau of Worker's Compensation.

The District has not incurred significant reductions to insurance coverage from coverage in the prior years by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Note J - Contingent Liabilities**

Litigation

The District is not involved in any litigation seeking damages.

Federal and State Grants

The District participates in federally assisted programs. These programs are subject to financial and compliance audits by the grantors or their representative. As of December 31, 2021, audits of certain programs have not been completed. Accordingly, the District's compliance with applicable grant requirements will be established at some future date.

**Note K - Risks and Uncertainties**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The District's operations have not been significantly impacted by the outbreak of COVID-19. Since the situation surrounding the pandemic is on-going, the District's operations could ultimately be adversely impacted by the outbreak of COVID-19. The duration, nature, and extent of the ultimate direct or indirect impact on the financial condition, liquidity, and/or future results of operations, if any, cannot be reasonably estimated at this time.

**Southwest Regional Water District**  
**Butler County, OH**  
Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Ohio Public Employees Retirement System - Pension Plan  
Last Eight Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.015579%	0.014817%	0.015032%	0.015074%	0.015431%	0.016420%	0.016531%	0.016531%
District's proportionate share of the net pension liability	\$ 2,306,911	\$ 2,928,602	\$ 4,116,963	\$ 2,364,858	\$ 3,504,161	\$ 2,844,176	\$ 1,993,283	\$ 1,948,790
District's covered payroll	2,275,321	2,139,765	2,031,541	1,993,285	1,996,002	2,044,492	2,026,867	1,855,569
District's proportionate share of the net pension liability as a percentage of its covered payroll	101.39%	136.87%	202.65%	118.64%	175.56%	139.11%	98.34%	105.02%
Plan fiduciary net position as a percentage of the total pension liability	188.21%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

\*Represents employer's calendar year. Information prior to 2014 was not available. The District will continue to present information for years available until a full ten-year trend is compiled.

**Notes to Schedule:**

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes include a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

**Southwest Regional Water District**  
**Butler County, OH**  
 Required Supplementary Information  
 Schedule of the District's Contributions  
 Ohio Public Employees Retirement System - Traditional Pension Plan  
 Last Nine Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 321,709	\$ 318,545	\$ 299,567	\$ 284,415	\$ 253,831	\$ 239,520	\$ 245,339	\$ 243,224	\$ 241,224
Contributions in relation to the contractually contractually required contributions	<u>(321,709)</u>	<u>(318,545)</u>	<u>(299,567)</u>	<u>(284,415)</u>	<u>(253,831)</u>	<u>(239,520)</u>	<u>(245,339)</u>	<u>(243,224)</u>	<u>(241,224)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 2,297,921	\$ 2,275,321	\$ 2,139,765	\$ 2,031,541	\$ 1,993,285	\$ 1,996,002	\$ 2,044,492	\$ 2,026,867	\$ 1,855,569
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	12.73%	12.00%	12.00%	12.00%	13.00%

\*This schedule is intended to show information for 10 years. However, information prior to 2013 is not available. Additional years' information will be displayed as it becomes available.

Amounts are presented as of the District's measurement date, which is the prior year end.

**Southwest Regional Water District  
Butler County, OH**

Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)  
Ohio Public Employees Retirement System  
Last five Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.015008%	0.014128%	0.014006%	0.014072%	0.014443%
District's proportionate share of the net pension liability (asset)	\$ (266,512)	\$ 1,945,047	\$ 1,826,058	\$ 1,528,158	\$ 1,458,817
District's covered payroll	2,275,321	2,139,765	2,031,541	1,993,285	1,996,002
District's proportionate share of the net pension liability as a percentage of its covered payroll	-11.71%	90.90%	89.89%	76.67%	73.09%
Plan fiduciary net position as a percentage of the total pension liability	115.57%	47.80%	46.33%	54.04%	54.14%

\*This schedule is intended to show information for 10 years. However, information prior to 2017 is not available. Additional year's information will be displayed as it becomes available.

Amounts are presented as of the District's measurement date, which is the prior year end.

**Notes to Schedule:**

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

See accompanying notes.

**Southwest Regional Water District  
Butler County, OH**

Required Supplementary Information  
Schedule of the District's Contributions - OPEB  
Ohio Public Employees Retirement System  
Last Six Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ 22,029	\$ 19,960
Contributions in relation to the contractually contractually required contributions	-	-	-	-	(22,029)	(19,960)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 2,297,921	\$ 2,275,321	\$ 2,139,765	\$ 2,031,541	\$ 1,993,285	\$ 1,996,002
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.11%	1.00%

\*This schedule is intended to show information for 10 years. However, information prior to 2016 is not available. Additional year's information will be displayed as it becomes available.

See accompanying notes.

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# OHIO AUDITOR OF STATE KEITH FABER



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

Southwest Regional Water District  
Butler County  
3640 Old Oxford Road  
Hamilton, Ohio 45013

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 Southwest Regional Water District, Butler County, (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Report on Internal Control Over Financial Reporting***

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

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

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

### ***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
November 28, 2022

# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHWEST REGIONAL WATER DISTRICT**

**BUTLER 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 12/13/2022**

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](http://www.ohioauditor.gov)