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CERTIFIED PUBLIC ACCOUNTANTS

EARNHART HILL REGIONAL WATER AND SEWER DISTRICT
PICKAWAY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Earnhart Hill Regional Water and Sewer District
Pickaway County
For the Years Ended December, 2023 and 2022
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INDEPENDENT AUDITOR'S REPORT

Earnhart Hill Regional Water and Sewer District
Pickaway County
2030 Stoneridge Drive
Circleville, Ohio 43113

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio (the District), as of and for the years ended December 31, 2023 and 2022, 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 Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years 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.

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 May 28, 2024, 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and slightly slanted to the right.

BHM CPA Group, Inc.
Piketon, Ohio
May 28, 2024

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022
(Unaudited)

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

Financial Highlights

- The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2023 and 2022 by \$27,779,028 and \$25,318,895, respectively. The District's net position increased by \$2,460,133 or 10% in 2023 and \$3,204,781 or 14% in 2022.
- The District's operating revenues increased by \$335,981 or 6% in 2023 and \$66,359 or 1% in 2022. Operating expenses increased \$697,631 or 15% in 2023 and \$860,624 or 24% in 2022.

Overview of the Basic Financial Statements

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

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

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

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

Net Position

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

Earnhart Hill Regional Water and Sewer District
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For the Years Ended December 31, 2023 and 2022
(Unaudited)

Table 1

	2023	2022	Change	%	2021	Change	%
Current & Other Assets	\$7,280,555	\$6,578,126	\$702,429	11%	\$4,805,448	\$1,772,678	37%
Capital Assets, Net	35,556,341	34,344,667	1,211,674	4%	33,733,287	611,380	2%
Total Assets	42,836,896	40,922,793	1,914,103	5%	38,538,735	2,384,058	6%
Deferred Outflows	1,279,012	357,494	921,518	258%	387,878	(30,384)	(8%)
Current & Other Liabilities	615,306	435,400	179,906	41%	573,091	(137,691)	(24%)
Long-Term Liabilities	14,808,330	13,320,540	1,487,790	11%	14,105,420	(784,880)	(6%)
Total Liabilities	15,423,636	13,755,940	1,667,696	12%	14,678,511	(922,571)	(6%)
Deferred Inflows	913,244	2,205,452	(1,292,208)	(59%)	2,133,988	71,464	3%
Net Investment in Capital Assets	23,814,399	22,329,816	1,484,583	7%	21,406,274	923,542	4%
Restricted	565,412	773,586	(208,174)	(27%)	773,589	(3)	0%
Unrestricted (Deficit)	3,399,217	2,215,493	1,183,724	53%	(65,749)	2,281,242	3,470%
Total Net Position	\$27,779,028	\$25,318,895	\$2,460,133	10%	\$22,114,114	\$3,204,781	14%

The District's total net position increased \$2,460,133 or 10% in 2023 and \$3,204,781 or 14% in 2022. These increases were a result of excess revenues over expenses. Restricted net position decreased \$208,174 or 27% in 2023, due to expiration of certain reserve requirements, and did not significantly change in 2022. Restricted net position is cash which is limited in use as part of the District's loan covenants. Net investment in capital assets increased by \$1,484,583 or 7% in 2023 and \$923,542 or 4% in 2022 due primarily to additions of capital assets and repayments of debt principal that were only partially offset by depreciation expense and disposals. Unrestricted net position increased \$1,183,724 or 53% in 2023 due to significant contributions from developers, which was partially offset by an increase in net pension liability. Unrestricted net position increased \$2,281,242 or 3,470% in 2022 due to a decrease in the net pension liability and an increase in the net OPEB asset and for significant contributions from developers and others.

The net pension liability (NPL) and net OPEB liability (OPEB) are significant liabilities reported by the District at December 31, 2023 and 2022 are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension." For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset, net OPEB asset, and deferred outflows related to pension and OPEB.

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

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

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1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service,
- 2 Minus plan assets available to pay these benefits.

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

Table 2

	2023	2022	Change	%	2021	Change	%
Operating Revenues	\$5,817,388	\$5,481,407	\$335,981	6%	\$5,415,048	\$66,359	1%
Total Operating Revenues	5,817,388	5,481,407	335,981	6%	5,415,048	66,359	1%
Treatment Expenses	437,677	455,911	(18,234)	(4%)	407,203	48,708	12%
Power	359,764	312,327	47,437	16%	333,556	(21,229)	(6%)
Distribution	1,366,432	1,430,568	(64,136)	(4%)	1,351,019	79,549	6%
Customer Accounting	539,477	509,234	30,243	6%	458,622	50,612	11%
Transportation	117,190	122,090	(4,900)	(4%)	94,700	27,390	29%
Fringe Benefits	550,018	(109,671)	659,689	602%	(698,719)	589,048	84%
Depreciation & Amortization	1,459,023	1,395,680	63,343	5%	1,356,650	39,030	3%
Administration & General	386,523	402,334	(15,811)	(4%)	354,818	47,516	13%
Total Operating Expenses	5,216,104	4,518,473	697,631	15%	3,657,849	860,624	24%
Operating Income (Loss)	601,284	962,934	(361,650)	(38%)	1,757,199	(794,265)	(45%)
Non-Operating Revenues	743,989	916,130	(172,141)	(19%)	358,640	557,490	155%
Non-Operating Expenses	326,010	311,174	14,836	5%	365,975	(54,801)	(15%)
Capital Contributions	1,440,870	1,636,891	(196,021)	(12%)	0	1,636,891	100%
Changes in Net Position	2,460,133	3,204,781	(744,648)	(23%)	1,749,864	1,454,917	83%
Net Position at Beginning of Year	25,318,895	22,114,114	3,204,781	14%	20,364,250	1,749,864	9%
Net Position at End of Year	\$27,779,028	\$25,318,895	\$2,460,133	10%	\$22,114,114	\$3,204,781	14%

Operating revenues increased \$335,981 or 6% in 2023 and \$66,359 or 1% in 2022. These increases were due to an increase in rates. Capital contributions will fluctuate from year to year depending on construction activity and improvement projects that may qualify for special assessment and/or grant monies. The District recorded \$1,440,870 and \$1,636,891 in capital contributions in 2023 and 2022, respectively. Operating expenses, excluding depreciation, increased by \$634,288 or 20% in 2023 and \$821,594 or 36% in 2022. Increases of \$659,689 and \$589,048 in fringe benefits accounted for most of the increase in 2023 and 2022, respectively. Nonoperating revenues decreased in 2023 due to changes regarding the Northern Pickaway County Joint Economic Development District's facility and tap charges. These decreases were partially offset by an increase in interest income. Nonoperating revenues increased in 2022 due to changes regarding the Northern Pickaway County Joint Economic Development District's facility and tap charges. The District also recognized capital contributions in 2023 and 2022 due to various funds received from developers and others.

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

Capital Assets

Table 3 summarizes the changes in capital assets.

Table 3

	2023	2022	Change	%	2021	Change	%
Land	\$1,855,260	\$1,855,260	\$0	0%	\$1,855,260	\$0	0%
Buildings & Bond Issue Costs	2,062,799	2,045,604	17,195	1%	2,003,507	42,097	2%
Treatment Facilities	14,837,345	14,828,191	9,154	0%	13,443,224	1,384,967	10%
Transmission, Storage & Collection	32,887,128	30,981,965	1,905,163	6%	28,850,769	2,131,196	7%
Vehicles	790,394	714,199	76,195	11%	714,199	0	0%
Furniture & Equipment	1,051,269	991,899	59,370	6%	893,374	98,525	11%
Construction in Progress	1,208,078	622,713	585,365	94%	2,272,438	(1,649,725)	(73%)
Total Before Depreciation	54,692,273	52,039,831	2,652,442	5%	50,032,771	2,007,060	4%
Accumulated Depreciation	(19,135,932)	(17,695,164)	1,440,768	8%	(16,299,484)	1,395,680	9%
Total Capital Assets, Net	\$35,556,341	\$34,344,667	\$1,211,674	4%	\$33,733,287	\$611,380	2%

Capital assets (before depreciation) increased \$2,652,442 or 5% in 2023 and \$2,007,060 or 4% in 2022. Total capital assets, net increased \$1,211,674 or 4% in 2023 and \$611,380 or 2% in 2022. The increases in both 2023 and 2022 are due to additions exceeding depreciation and disposals for the year. For additional information regarding capital assets, please see note 7 of the notes to the basic financial statements.

Debt

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

Table 4 summarizes the changes in long-term debt.

Table 4

	2023	2022	Change	%	2021	Change	%
Rural Development Bonds	\$7,729,400	\$7,873,000	(\$143,600)	(2%)	\$10,634,875	(\$2,761,875)	(26%)
OWDA Loans	3,912,542	4,016,851	(104,309)	(3%)	1,513,322	2,503,529	165%
OPWC Loan	100,000	125,000	(25,000)	(20%)	150,000	(25,000)	(17%)
Rotary Commission Loan	821,966	821,966	0	0%	821,966	0	0%
Total Long-Term Debt	12,563,908	12,836,817	(272,909)	(2%)	13,120,163	(283,346)	(2%)
Less							
Current Maturities	360,115	272,690	87,425	32%	319,608	(46,918)	(15%)
Net Total Long-Term Debt	\$12,203,793	\$12,564,127	(\$360,334)	(3%)	\$12,800,555	(\$236,428)	(2%)

Total long-term debt decreased by \$272,909 or 2% in 2023 and \$283,346 or 2% in 2022 due to scheduled principal payments. For additional information regarding debt, please see note 6 of the notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022
(Unaudited)

Cash

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

Table 5

	2023	2022	Change	%	2021	Change	%
Unrestricted Cash and Cash Equivalents	\$5,022,512	\$3,805,605	\$1,216,907	32%	\$2,211,188	\$1,594,417	72%
Cash Restricted for Debt Service	376,549	585,454	(208,905)	(36%)	585,454	0	0%
Cash Restricted for Sewer Plant	188,863	188,132	731	0%	188,135	(3)	0%
Total Cash	\$5,587,924	\$4,579,191	\$1,008,733	22%	\$2,984,777	\$1,594,414	53%

Unrestricted cash and cash equivalents increased \$1,216,907 or 32% in 2023 and \$1,594,417 or 72% in 2022 due to the receipt of contributions from developers and others. Cash restricted for debt service decreased \$208,905 in 2023, due to the expiration of certain reserve requirements, and remained unchanged in 2022. Cash restricted for sewer plant increased \$731 in 2023 and decreased by \$3 in 2022.

Current Financial Related Activities

In 2023, the District implemented a Sewer Facility Charge increase of \$1.00 for the Circleville/Pickaway service area and \$3.10 for the Stoutsville/Tarlton service area. The District implemented a Water Facility Charge increase of \$1.00 for the Circleville/Pickaway and Stoutsville/Tarlton service areas. The District also implemented a Water Usage Charge increase of 6% and Sewer Usage Charge increases of 6% for the Circleville/Pickaway service area and 6% for the Stoutsville/Tarlton service area.

Contact Information

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

Earnhart Hill Regional Water and Sewer District

Statements of Net Position

As of December 31, 2023 and 2022

	2023	2022
Current assets		
Cash and cash equivalents	\$5,022,512	\$3,805,605
Accounts receivable	507,708	492,075
Assessments receivable	851,715	851,715
Inventories	228,027	192,333
Prepaid expenses	20,707	17,154
<i>Total current assets</i>	6,630,669	5,358,882
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents-debt service reserve	376,549	585,454
Cash and cash equivalents-sewer plant reserve	188,863	188,132
Net Pension Asset	84,474	133,946
Net OPEB Asset	0	311,712
<i>Total noncurrent assets</i>	649,886	1,219,244
Capital assets		
Land and land easements	1,855,260	1,855,260
Buildings	2,062,799	2,045,604
Treatment facilities	14,837,345	14,828,191
Transmission, storage and collection	32,887,128	30,981,965
Vehicles	790,394	714,199
Furniture and equipment	1,051,269	991,899
Construction in progress	1,208,078	622,713
<i>Total capital assets</i>	54,692,273	52,039,831
Less: accumulated depreciation	(19,135,932)	(17,695,164)
<i>Capital assets, net</i>	35,556,341	34,344,667
<i>Total assets</i>	42,836,896	40,922,793
Deferred outflows of resources		
Pension	1,093,975	356,342
OPEB	185,037	1,152
<i>Total deferred outflows of resources</i>	\$1,279,012	\$357,494

(continued)

Earnhart Hill Regional Water and Sewer District*Statements of Net Position (Continued)**As of December 31, 2023 and 2022*

	2023	2022
Current liabilities		
Accounts payable	\$92,029	\$19,735
Prepaid taps and main line extensions	42,164	42,164
Customer deposits	25,385	26,205
Current portion of USDA revenue bonds payable	147,594	143,381
Current portion of OWDA loans payable	187,521	104,309
Current portion of OPWC loans payable	25,000	25,000
Accrued payroll	21,208	20,834
Intergovernmental payable	3,292	4,469
Accrued interest payable	71,113	49,303
<i>Total current liabilities</i>	615,306	435,400
Long-term liabilities		
Revenue bonds payable USDA (net of current portion)	7,581,806	7,729,619
Loans payable OWDA (net of current portion)	3,725,021	3,912,542
Loans payable OPWC (net of current portion)	75,000	100,000
Notes payable Rotary Loan	821,966	821,966
Net pension liability	2,542,216	756,413
Net OPEB liability	62,321	0
<i>Total long-term liabilities</i>	14,808,330	13,320,540
<i>Total liabilities</i>	15,423,636	13,755,940
Deferred inflows of resources		
Assessments-construction-agricultural	851,715	851,715
Pension	39,111	1,021,441
OPEB	22,418	332,296
<i>Total deferred inflows of resources</i>	913,244	2,205,452
Net position		
Net investment in capital assets	23,814,399	22,329,816
Restricted for debt service	376,549	585,454
Restricted for sewer plant	188,863	188,132
Unrestricted	3,399,217	2,215,493
<i>Total net position</i>	\$27,779,028	\$25,318,895

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues		
Service charges	\$5,694,198	\$5,258,660
Other	123,190	222,747
<i>Total operating revenues</i>	5,817,388	5,481,407
Operating expenses		
Treatment expense	437,677	455,911
Power	359,764	312,327
Distribution	1,366,432	1,430,568
Customer accounting	539,477	509,234
Transportation	117,190	122,090
Fringe benefits	550,018	(109,671)
Depreciation and amortization	1,459,023	1,395,680
Administrative and general	386,523	402,334
<i>Total operating expenses</i>	5,216,104	4,518,473
<i>Operating income</i>	601,284	962,934
Nonoperating revenues (expenses)		
Capacity charges	559,400	762,762
Tap fee revenue	94,227	132,196
Interest income	64,948	2,030
Gain on sale of assets	5,911	22
Interest expense	(326,010)	(311,174)
Rental income	19,503	19,120
<i>Net nonoperating revenues (expenses)</i>	417,979	604,956
<i>Changes in net position before capital contributions</i>	1,019,263	1,567,890
Capital Contributions-intergovernmental	40,000	0
Capital Contributions-cash	0	590,378
Capital Contributions-developer	1,400,870	1,046,513
<i>Total capital contributions</i>	1,440,870	1,636,891
<i>Changes in net position</i>	2,460,133	3,204,781
<i>Net position, beginning of year</i>	25,318,895	22,114,114
<i>Net position, end of year</i>	<u>\$27,779,028</u>	<u>\$25,318,895</u>

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash received from customers	\$5,678,565	\$5,279,494
Cash paid for employee salaries and benefits	(2,238,462)	(2,188,502)
Cash payments to suppliers for goods and services	(1,490,793)	(1,584,922)
Cash received from other receipts	123,190	222,747
<i>Net cash provided by operating activities</i>	2,072,500	1,728,817
Cash flows from noncapital and related financial activities		
Refundable line extensions	0	(69,348)
Deposits received (returned)	(820)	2,350
<i>Net cash used by noncapital and related financing activities</i>	(820)	(66,998)
Cash flows from capital and related financing activities		
Tap fees	94,227	132,196
Capacity charges	559,400	762,762
Rental income	19,503	19,120
Proceeds from loans	0	2,588,092
Revenue bond principal payments	(143,600)	(2,761,875)
Revenue bond interest payments	(301,300)	(302,165)
Loan principal payments	(129,309)	(109,563)
Loan interest payments	(2,900)	(3,059)
Special assessments received	0	4,020
Cash received for sale of assets	5,911	454
Proceeds from capital cash contributions	1,440,870	1,636,891
Capital outlay	(2,670,697)	(2,036,308)
<i>Net cash used for capital and related financing activities</i>	(1,127,895)	(69,435)
Cash flows from investing activities		
Interest on cash and cash equivalents	64,948	2,030
<i>Net increase in cash and cash equivalents</i>	1,008,733	1,594,414
<i>Cash and cash equivalents, beginning of year</i>	4,579,191	2,984,777
<i>Cash and cash equivalents, end of year</i>	\$5,587,924	\$4,579,191

(continued)

Earnhart Hill Regional Water and Sewer District
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$601,284	\$962,934
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,459,023	1,395,680
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(15,633)	20,834
Decrease (increase) in inventories	(35,694)	(19,554)
Decrease (increase) in prepaid expenses	(3,553)	(706)
Increase (decrease) in accounts payable (trade only)	72,294	(2,768)
Increase (decrease) in accrued payroll	374	492
Increase (decrease) in intergovernmental payable	(1,177)	1,367
Decrease (increase) in deferred outflows of resources-pension	(737,633)	(92,378)
Decrease (increase) in deferred outflows of resources-OPEB	(183,885)	122,762
Increase (decrease) in deferred inflows of resources-pension	(982,330)	299,206
Increase (decrease) in deferred inflows of resources-OPEB	(309,878)	(227,742)
Increase (decrease) in net pension liability	1,785,803	(548,452)
Decrease (increase) in net pension asset	49,472	(45,598)
Increase (decrease) in net OPEB liability	62,321	0
Decrease (increase) in net OPEB asset	311,712	(137,260)
<i>Total adjustments</i>	1,471,216	765,883
<i>Net cash provided by operating activities</i>	<u>\$2,072,500</u>	<u>\$1,728,817</u>

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 1 – Nature of Organization and Reporting Entity

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

Reporting Entity

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

Component Units

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation - Fund Accounting

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

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

The fund type that the District uses is described below:

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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Basis of Accounting

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

Process

The Ohio Revised Code requires that each fund be budgeted annually. The District adopted budgets and adopted and passed annual appropriations for the years ended December 31, 2023 and 2022.

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

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

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

Revenue Recognition

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

Accounts Receivable

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

Restricted Assets

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

Capital Assets

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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

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

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

Cash and Cash Equivalents

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

Interest Expense

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

Interest Income

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

Inventory of Supplies

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2023 and 2022 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The amount of vacation leave liability was insignificant as of December 31, 2023 and 2022 and is not recorded in the accompanying basic financial statements. Sick leave benefits are not accrued as a liability as employees receive no payment for accrued sick leave upon termination or retirement.

Intergovernmental Payable

During 2023 and 2022, the District billed and collected sewer fees and penalties for the City of Circleville Sewer. Intergovernmental payable represents those amounts collected on behalf of the City of Circleville Sewer but not yet paid as of December 31, 2023 and 2022.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted for debt service reserves as required by the Rural Development Loan requirements. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the District's restricted net position as of December 31, 2023 and 2022 was restricted by enabling legislation.

Operating Revenues and Expenses

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

Capital Contributions

The District records capital contributions of capital assets or grants and other outside contributions restricted to capital acquisition and construction. During 2023 and 2022, the following capital contributions were received:

	2023	2022
BWC Grant for Portable Traffic Safety System	\$40,000	\$0
CT Realty	1,400,870	0
Rickenbacker Industrial Pkwy	0	1,046,513
PPG Well Field	0	500,000
EET Noecker Line Extension	0	82,723
Refundable Line Extension	0	7,655
Totals	<u>\$1,440,870</u>	<u>\$1,636,891</u>

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 9 and 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to special assessments, pensions, and other postemployment benefits. The \$851,715 balance of the deferred inflow of resources for assessments at December 31, 2023 and 2022 will be recognized as revenue and increase unrestricted net position only when those properties assessed no longer qualify for agricultural status, as defined in Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame for collection is therefore undeterminable. Deferred inflows related to pensions and other postemployment benefits will be further discussed in notes 9 and 10.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

Pensions/Other Postemployment Benefits (OPEB)

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

Comparative Information

Comparative data for the prior year has been presented in the basic financial statements in order to provide an understanding of the changes in the District's financial position and operations. Such information includes sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's basic financial statements for the year ended December 31, 2022, from which the comparative data was derived.

Estimates

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

Note 3 – Deposits With Financial Institutions – Legal Requirements

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

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

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

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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

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

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

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

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

Deposits Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2023 and 2022, respectively, \$250,000 and \$250,000 of the District's bank balances of \$5,756,835 and \$4,631,272 were covered by federal depository insurance. The remaining balances were collateralized as discussed below. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

Note 4 – Accounts Receivable

The following are accounts receivable balances presented by aging classifications as of December 31, 2023 and 2022:

	2023	2022
Current receivables (0-30 days)	\$437,206	\$391,723
Delinquent receivables (31-60 days)	24,244	11,917
Delinquent receivables (over 60 days)	11,538	11,393
Total accounts receivable	<u>\$472,988</u>	<u>\$415,033</u>

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

As of December 31, 2023 and 2022, the District also had miscellaneous receivables totaling \$34,720 and \$77,042, respectively.

Note 5 – Assessments Receivable

The details for the years ended December 31, 2023 and 2022 are as follows:

Construction Assessments	Total Assessment	Principal Collected From Prepays and Auditor	Ending Receivable Balance	Percent Collected
2023	\$2,102,001	\$1,250,286	\$851,715	59.5%
2022	2,102,001	1,250,286	851,715	59.5%

The assessment receivable balance at December 31, 2023 and 2022 includes deferred agricultural property construction assessments of \$851,715. This amount is recorded as a deferred inflow of resource in the accompanying financial statements and will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame for collection is undeterminable.

Note 6 – Current and Long-Term Debt

Current and long term debts at December 31, 2023 are as follows:

Payable To	Interest Rate	First Payment	Principal Term
Rural Development	4.250%	10/1/2003	39 yrs.
Rural Development	3.375%	12/1/2010	40 yrs.
Rural Development	2.750%	11/1/2019	40 yrs.
Rural Development	2.625%	11/1/2019	40 yrs.
Rural Development	3.125%	11/1/2019	40 yrs.
OWDA	0.000%	6/1/2009	30 yrs.
OWDA	1.000%	1/1/2010	30 yrs.
OWDA	2.900%	7/1/2023	20 yrs.
OPWC	0.000%	1/1/2010	20 yrs.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

Loan #	Obligation	Interest Rate	Outstanding 12/31/22	Additions	Deletions	Outstanding 12/31/23	Due in One Year
9210S	Rural Development	3.375%	\$2,057,000	\$0	\$48,000	\$2,009,000	\$49,394
9212S	Rural Development	2.750%	4,668,900	0	77,600	4,591,300	79,700
9213S	Rural Development	2.625%	201,100	0	3,400	197,700	3,500
9215S	Rural Development	3.125%	946,000	0	14,600	931,400	15,000
4996	OWDA	0.000%	1,134,747	0	68,773	1,065,974	68,773
4839	OWDA	1.000%	294,012	0	15,949	278,063	16,109
9818	OWDA	2.940%	2,588,092	0	19,587	2,568,505	102,639
CQ30H	OPWC	0.000%	125,000	0	25,000	100,000	25,000
	Rotary Loan	0.000%	821,966	0	0	821,966	0
	Net Pension Liability		756,413	1,785,803	0	2,542,216	0
	Net OPEB Liability		0	62,321	0	62,321	0
			<u>\$13,593,230</u>	<u>\$1,848,124</u>	<u>\$272,909</u>	<u>\$15,168,445</u>	<u>\$360,115</u>

Loan #	Obligation	Interest Rate	Outstanding 12/31/21	Additions	Deletions	Outstanding 12/31/22	Due in One Year
9406W	Rural Development	4.250%	\$2,622,975	\$0	\$2,622,975	\$0	\$0
9210S	Rural Development	3.375%	2,103,000	0	46,000	2,057,000	47,781
9212S	Rural Development	2.750%	4,744,400	0	75,500	4,668,900	77,600
9213S	Rural Development	2.625%	204,400	0	3,300	201,100	3,400
9215S	Rural Development	3.125%	960,100	0	14,100	946,000	14,600
4996	OWDA	0.000%	1,203,519	0	68,772	1,134,747	68,773
4839	OWDA	1.000%	309,803	0	15,791	294,012	15,949
CQ30H	OPWC	0.000%	0	2,588,092	0	2,588,092	19,587
	Rotary Loan	0.000%	150,000	0	25,000	125,000	25,000
	Net Pension Liability		821,966	0	0	821,966	0
	Net OPEB Liability		1,304,865	0	548,452	756,413	0
			<u>\$14,425,028</u>	<u>\$2,588,092</u>	<u>\$3,419,890</u>	<u>\$13,593,230</u>	<u>\$272,690</u>

The debt listed with the United States Department of Agriculture, Rural Development is water system revenue bonds. The District is required to maintain a cash balance reserve to meet revenue bond requirements. The District also maintains a cash balance reserve that may be used for future bond obligations, emergency maintenance for the sewer plant, or other specific uses with prior approval of the USDA. These cash balances are reported as restricted assets in the accompanying basic financial statements. The debt listed above with OWDA and OPWC are long-term loans. Principal and interest payments for Rural Development 9406W debt are due on the first day of each month. However, this bond was paid in full during the year. Principal and interest payments for Rural Development 9210S are due on December 1 of each year. Principal and interest payments for Rural Development 9212S, 9213S, and 9215S debt are due on November 1 of each year. Principal payments for OWDA 4996 and principal and interest payments for OWDA 4839 are due on January 1 and July 1 of each year. Principal payments for OPWC CQ30H are due on January 31 and July 1 of each year.

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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Year	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$187,521	\$77,506	\$265,027	\$25,000	\$0	\$25,000
2025	190,722	74,304	265,026	25,000	0	25,000
2026	194,015	71,011	265,026	25,000	0	25,000
2027	197,403	67,624	265,027	25,000	0	25,000
2028	200,887	64,140	265,027	0	0	0
2029-2033	1,060,301	264,832	1,325,133	0	0	0
2034-2038	1,163,710	161,423	1,325,133	0	0	0
2039-2042	717,983	44,871	762,854	0	0	0
Totals	<u>\$3,912,542</u>	<u>\$825,711</u>	<u>\$4,738,253</u>	<u>\$100,000</u>	<u>\$0</u>	<u>\$100,000</u>

Water System Revenue Bond			
Year	Principal	Interest	Total
2024	\$147,594	\$228,361	\$375,955
2025	152,061	223,941	376,002
2026	156,584	219,386	375,970
2027	161,266	214,695	375,961
2028	166,107	209,862	375,969
2029-2033	908,310	971,529	1,879,839
2034-2038	1,053,419	826,746	1,880,165
2039-2043	1,221,495	658,609	1,880,104
2044-2048	1,416,571	463,360	1,879,931
2049-2053	1,154,394	257,117	1,411,511
2054-2058	1,191,599	102,288	1,293,887
Totals	<u>\$7,729,400</u>	<u>\$4,375,894</u>	<u>\$12,105,294</u>

In connection with the Rural Development Bonds, OPWC, and OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these bonds and loans is \$16,943,547. For the current year, net revenue available, principal and interest paid and the coverage ratio are as follows: \$2,060,308; \$577,109; and 0.28.

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

An \$821,966 long-term note is payable to the Water and Sewer Rotary Commission with no annual interest rate. The loan was obtained to enable the District to make debt service payments on OWDA loans while these properties

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remain in agricultural status. The term is in effect as long as the properties listed as agricultural status pertaining to this loan do not change. If such properties do not qualify as agricultural status, their assessment is collected by the District and payable to the Water and Sewer Rotary Commission within ten days after the status has changed. The agreement was originally entered into on June 6, 1995 by SCIPPO Sewer District but was absorbed by Earnhart Hill Regional Water and Sewer District when it purchased SCIPPO in June 2009. No amortization schedule is provided for this note. There were no payments due to the Water and Sewer Rotary Commission for the years ended December 31, 2023 and 2022.

Note 7 – Capital Assets

Capital assets activity for the years ended December 31, 2023 and 2022 was as follows:

	Balance 12/31/22	Additions	Deletions	Balance 12/31/23
<i>Capital Assets, Not Being Depreciated</i>				
Land & Land Easements	\$1,855,260	\$0	\$0	\$1,855,260
Construction in Progress	622,713	1,047,976	(462,611)	1,208,078
<i>Total Capital Assets, Not Being Depreciated</i>	2,477,973	1,047,976	(462,611)	3,063,338
<i>Capital Assets Being Depreciated</i>				
Buildings & Bond Issue Costs	2,045,604	17,195	0	2,062,799
Treatment Facilities	14,828,191	9,154	0	14,837,345
Transmission, Storage & Collection	30,981,965	1,905,163	0	32,887,128
Vehicles	714,199	94,450	(18,255)	790,394
Furniture & Equipment	991,899	59,370	0	1,051,269
<i>Total Capital Assets, Being Depreciated</i>	49,561,858	2,085,332	(18,255)	51,628,935
<i>Less Accumulated Depreciation:</i>				
Buildings & Bond Issue Costs	(1,038,062)	(67,331)	0	(1,105,393)
Treatment Facilities	(4,468,036)	(460,717)	0	(4,928,753)
Transmission, Storage & Collection	(11,030,862)	(793,303)	0	(11,824,165)
Vehicles	(515,211)	(72,984)	18,255	(569,940)
Furniture & Equipment	(642,993)	(64,688)	0	(707,681)
<i>Total Capital Assets Being Depreciated, Net</i>	(17,695,164)	(1,459,023)	18,255	(19,135,932)
<i>Total Capital Assets, Net</i>	\$34,344,667	\$1,674,285	(\$462,611)	\$35,556,341

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	Balance 12/31/21	Additions	Deletions	Balance 12/31/22
<i>Capital Assets, Not Being Depreciated</i>				
Land & Land Easements	\$1,855,260	\$0	\$0	\$1,855,260
Construction in Progress	2,272,438	818,043	(2,467,768)	622,713
<i>Total Capital Assets, Not Being Depreciated</i>	4,127,698	818,043	(2,467,768)	2,477,973
<i>Capital Assets Being Depreciated</i>				
Buildings & Bond Issue Costs	2,003,507	42,097	0	2,045,604
Treatment Facilities	13,443,224	1,384,967	0	14,828,191
Transmission, Storage & Collection	28,850,769	2,131,196	0	30,981,965
Vehicles	714,199	0	0	714,199
Furniture & Equipment	893,374	98,525	0	991,899
<i>Total Capital Assets, Being Depreciated</i>	45,905,073	3,656,785	0	49,561,858
<i>Less Accumulated Depreciation:</i>				
Buildings & Bond Issue Costs	(970,272)	(67,790)	0	(1,038,062)
Treatment Facilities	(4,042,110)	(425,926)	0	(4,468,036)
Transmission, Storage & Collection	(10,248,476)	(782,386)	0	(11,030,862)
Vehicles	(448,101)	(67,110)	0	(515,211)
Furniture & Equipment	(590,525)	(52,468)	0	(642,993)
<i>Total Capital Assets Being Depreciated, Net</i>	(16,299,484)	(1,395,680)	0	(17,695,164)
<i>Total Capital Assets, Net</i>	\$33,733,287	\$3,079,148	(\$2,467,768)	\$34,344,667

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2023 and 2022, the District contracted with Rinehart, Walters, Danner Insurance and the Ohio Plan for liability, property, and related insurance. Coverages provided by the program as of December 31 are as follows:

	2023	2022
General Liability	\$8,000,000 per occurrence \$10,000,000 aggregate	\$6,000,000 per occurrence \$8,000,000 aggregate
Public Officials Liability	\$8,000,000 per occurrence \$10,000,000 aggregate	\$6,000,000 per occurrence \$8,000,000 aggregate
Automobile Liability	\$8,000,000	\$6,000,000
Property, Boiler & Machinery	\$19,534,594	\$18,604,370
Inland Marine	\$546,608	\$637,436
Electronic Media	\$187,737	\$178,797
Faithful Performance & Employee Bond	\$713,000	\$713,000

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

Medical Mutual of Ohio provided health insurance during 2023 and 2022. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

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Note 9 – Defined Benefit Pension Plan

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

Net Pension/OPEB Liability (Asset)

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

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

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

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

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

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

Ohio Public Employees Retirement System

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

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local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

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

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the

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

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

	2023	2022
	State and Local	State and Local
<i>Statutory Maximum Contribution Rates</i>		
Employer	14.0 %	14.0 %
Employee*	10.0 %	10.0 %
<i>Actual Contribution Rates</i>		
Employer:		
Pension**	14.0 %	14.0 %
Post-Employment Health Care Benefits**	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>
Employee	<u>10.0 %</u>	<u>10.0 %</u>

*Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

The District's contractually required contributions were \$194,033 for the traditional plan and \$22,461 for the combined plan for 2023 and \$192,041 for the traditional plan and \$23,588 for the combined plan for 2022.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2022 and 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of the respective measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense (gain):

	2023		
	Traditional	Combined	Total
Proportion of the Net Pension Liability (Asset):			
Current Measurement Date	0.0086060%	0.0358410%	
Prior Measurement Date	0.0086940%	0.0339960%	
Change in Proportionate Share	-0.0000880%	0.0018450%	
Proportionate Share of the:			
Net Pension Liability	\$2,542,216	\$0	\$2,542,216
Net Pension Asset	\$0	(\$84,474)	(\$84,474)
Pension Expense	\$324,296	\$7,510	\$331,806
	2022		
	Traditional	Combined	Total
Proportion of the Net Pension Liability (Asset):			
Current Measurement Date	0.0086940%	0.0339960%	
Prior Measurement Date	0.0088120%	0.0306060%	
Change in Proportionate Share	-0.0001180%	0.0033900%	
Proportionate Share of the:			
Net Pension Liability	\$756,413	\$0	\$756,413
Net Pension Asset	\$0	(\$133,946)	(\$133,946)
Pension Expense (Gain)	(\$163,850)	(\$7,743)	(\$171,593)

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At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		
	Traditional	Combined	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$84,442	\$5,193	\$89,635
Net difference between projected and actual earnings on pension plan investments	724,611	30,786	755,397
Changes of assumptions	26,856	5,593	32,449
District contributions subsequent to the measurement date	194,033	22,461	216,494
Total Deferred Outflows of Resources	<u>\$1,029,942</u>	<u>\$64,033</u>	<u>\$1,093,975</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$3	\$12,070	\$12,073
Changes in proportion and differences between District contributions and proportionate share of contributions	7,114	19,924	27,038
Total Deferred Inflows of Resources	<u>\$7,117</u>	<u>\$31,994</u>	<u>\$39,111</u>
	2022		
	Traditional	Combined	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$38,561	\$831	\$39,392
Changes of assumptions	94,589	6,732	101,321
District contributions subsequent to the measurement date	192,041	23,588	215,629
Total Deferred Outflows of Resources	<u>\$325,191</u>	<u>\$31,151</u>	<u>\$356,342</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$16,593	\$14,981	\$31,574
Net difference between projected and actual earnings on pension plan investments	899,726	28,716	928,442
Changes in proportion and differences between District contributions and proportionate share of contributions	41,587	19,838	61,425
Total Deferred Inflows of Resources	<u>\$957,906</u>	<u>\$63,535</u>	<u>\$1,021,441</u>

\$216,494 and \$215,629 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2023 and 2022, respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2024 and 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension for the year ended December 31, 2023 will be recognized in pension expense (gain) as follows:

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	Traditional	Combined	Total
Year Ending December 31:			
2024	\$93,316	(\$2,068)	\$91,248
2025	167,226	2,341	169,567
2026	213,289	4,538	217,827
2027	354,961	9,937	364,898
2028	0	(3,358)	(3,358)
Thereafter	0	(1,812)	(1,812)
Total	\$828,792	\$9,578	\$838,370

Actuarial Assumptions

Actuarial Assumptions – OPERS

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

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

	2022	
	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	2021	
	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

During 2022 and 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022 and 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022 and 2021, these best estimates are summarized below:

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Asset Class	2022		2021		2022	2021
	Target	Allocation	Target	Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	22.00	%	24.00	%	2.62	1.03
Domestic Equities	22.00		21.00		4.60	3.78
Real Estate	13.00		11.00		3.27	3.66
Private Equity	15.00		12.00		7.53	7.43
International Equities	21.00		23.00		5.51	4.88
Risk Parity	2.00		5.00		4.37	2.92
Other investments	5.00		4.00		3.27	2.85
Total	100.00	%	100.00	%		4.21

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

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

For the year ended December 31, 2023:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability (asset)			
Traditional	\$3,808,155	\$2,542,216	\$1,489,182
Combined	(44,084)	(84,474)	(116,483)

For the year ended December 31, 2022:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability (asset)			
Traditional	\$1,994,317	\$756,413	(\$273,687)
Combined	(99,948)	(133,946)	(160,461)

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Note 10 – Postemployment Benefits

See note 9 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$0 for 2023 and 2022.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021 and 2020, rolled forward to the measurement dates of December 31, 2022 and 2021, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense (gain):

	<u>2023</u>	<u>2022</u>
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.009884%	0.009952%
Prior Measurement Date	<u>0.009952%</u>	<u>0.009792%</u>
Change in Proportionate Share	<u>-0.000068%</u>	<u>0.000160%</u>
Proportionate Share of the:		
Net OPEB Liability (Asset)	\$62,321	(\$311,712)
OPEB Expense (Gain)	(\$119,730)	(\$242,240)

At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>	<u>2022</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$123,770	\$0
Changes of assumptions	60,870	0
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>397</u>	<u>1,152</u>
Total Deferred Outflows of Resources	<u>\$185,037</u>	<u>\$1,152</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	\$15,546	\$47,283
Net difference between projected and actual earnings on OPEB plan investments	0	148,602
Changes of assumptions	5,008	126,177
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>1,864</u>	<u>10,234</u>
Total Deferred Inflows of Resources	<u>\$22,418</u>	<u>\$332,296</u>

\$0 and \$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement dates as of December 31, 2023 and 2022, respectively, will be recognized as a reduction of the net OPEB liability in 2024 and 2023. Other amounts reported as deferred outflows of resources and

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deferred inflows of resources related to OPEB for the year ended December 31, 2023 will be recognized in OPEB expense as follows:

Year Ending December 31:	
2024	\$19,671
2025	44,559
2026	38,596
2027	<u>59,793</u>
Total	<u>\$162,619</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021 and 2020, respectively, rolled forward to the measurement dates of December 31, 2022 and 2021, respectively. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	5.22 percent	6.00 percent
Prior Measurement date	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate:		
Current measurement date	4.05 percent	1.84 percent
Prior Measurement date	1.84 percent	2.00 percent
Health Care Cost Trend Rate:		
Current measurement date	5.5 percent, initial 3.5 percent, ultimate in 2036	5.5 percent, initial 3.5 percent, ultimate in 2034
Prior Measurement date	5.5 percent, initial 3.5 percent, ultimate in 2034	8.5 percent, initial 3.5 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

During 2022 and 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022 and 14.3 percent for 2021.

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

Asset Class	2022		2021		2022	2021
	Target	Allocation	Target	Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00	%	34.00		2.56 %	0.91 %
Domestic Equities	26.00		25.00		4.60	3.78
Real Estate Investment Trust	7.00		7.00		4.70	3.71
International Equities	25.00		25.00		5.51	4.88
Risk Parity	2.00		2.00		4.37	2.92
Other investments	6.00		7.00		1.84	1.93
Total	100.00	%	100.00			3.45 %

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index") for the year ended December 31, 2022. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index") for the year ended December 31, 2021. The

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projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (4.22%)	Discount Rate (5.22%)	1% Increase (6.22%)
District's proportionate share of the net OPEB liability (asset)	\$212,111	\$62,321	(\$61,281)

The following table presents the County's proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2021 using the single discount rate of 6.00 percent, as well as what the County's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB asset	(\$183,316)	(\$311,712)	(\$418,283)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

For the fiscal year ended December 31, 2023:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$58,414	\$62,321	\$66,717

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For the fiscal year ended December 31, 2022:

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	(\$315,080)	(\$311,712)	(\$307,716)

Note 11 – Information by Division

The District maintains two divisions which provide water and sewer services. Information by division for the year ended December 31, 2023 and 2022 follows:

<u>2023</u>			
	<u>Division</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$4,296,482	\$1,520,906	\$5,817,388
Operating expenses, before depreciation	2,874,581	882,499	3,757,080
Depreciation	864,902	594,122	1,459,024
Operating income (loss)	556,999	44,285	601,284
Nonoperating revenues	2,171,220	13,639	2,184,859
Nonoperating expenses	89,219	236,791	326,010
Net income	<u>\$2,639,000</u>	<u>(\$178,867)</u>	<u>\$2,460,133</u>

<u>2022</u>			
	<u>Division</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$3,984,674	\$1,496,733	\$5,481,407
Operating expenses, before depreciation	2,390,967	731,826	3,122,793
Depreciation	805,425	590,255	1,395,680
Operating income	788,282	174,652	962,934
Nonoperating revenues	2,451,794	101,227	2,553,021
Nonoperating expenses	82,628	228,546	311,174
Net income	<u>\$3,157,448</u>	<u>\$47,333</u>	<u>\$3,204,781</u>

Note 12 – Budget

Budgetary activity for the years ended December 31, 2023 and 2022 follows:

Budgeted vs. Actual Receipts

	<u>2023</u>	<u>2022</u>
Budgeted Receipts	\$5,485,750	\$6,455,174
Actual Receipts	<u>7,986,614</u>	<u>10,580,808</u>
Variance	<u>\$2,500,864</u>	<u>\$4,125,634</u>

Earnhart Hill Regional Water and Sewer District
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For the Years Ended December 31, 2023 and 2022

Budgeted vs. Actual Budgetary Basis Expenditures

	<u>2023</u>	<u>2022</u>
Appropriation Authority	\$7,682,066	\$7,058,602
Budgetary Expenditures	<u>8,455,299</u>	<u>10,429,847</u>
Variance	<u>(\$773,233)</u>	<u>(\$3,371,245)</u>

Note 13 – Pending Litigation

The District's general legal counsel is The Cullimore Law Firm, Powell, Ohio.

There was no material litigation pending or outstanding as of December 31, 2023 that management believes might have a significant effect on the accompanying financial statements.

Note 14 – Federal Financial Assistance

The District received \$0 and \$0 in financial assistance in 2023 and 2022, respectively.

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

	2014	2015	2016
<i>Ohio Public Employees Retirement System - Traditional Plan</i>			
District's proportion of the net pension liability	0.0065013%	0.0065013%	0.0072700%
District's proportionate share of the net pension liability	\$766,419	\$784,130	\$1,259,256
District's covered payroll	\$741,432	\$797,417	\$905,517
District's proportionate share of the net pension liability as a percentage of its covered payroll	103.37%	98.33%	139.06%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%
<i>Ohio Public Employees Retirement System - Combined Plan</i>			
District's proportion of the net pension asset	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension asset	\$0	\$0	\$0
District's covered payroll	\$0	\$0	\$0
District's proportionate share of the net pension asset as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	104.56%	114.83%	116.90%

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

2017	2018	2019	2020	2021	2022	2023
0.0077610%	0.0085390%	0.0089630%	0.0097460%	0.0088120%	0.0086940%	0.0086060%
\$1,762,391	\$1,339,604	\$2,454,784	\$1,926,363	\$1,304,865	\$756,413	\$2,542,216
\$1,004,942	\$1,093,223	\$1,280,864	\$1,516,957	\$1,398,421	\$1,410,293	\$1,371,721
175.37%	122.54%	191.65%	126.99%	93.31%	53.64%	185.33%
77.25%	84.66%	74.70%	82.17%	86.88%	92.62%	75.74%
0.000000%	0.000000%	0.000000%	0.000000%	0.030606%	0.033996%	0.035841%
\$0	\$0	\$0	\$0	(\$88,348)	(\$133,946)	(\$84,474)
\$0	\$0	\$0	\$0	\$134,879	\$141,593	\$168,486
0.00%	0.00%	0.00%	0.00%	-65.50%	-94.60%	-50.14%
116.55%	137.28%	126.64%	145.28%	157.67%	169.88%	137.14%

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

	2017	2018
<i>Ohio Public Employees Retirement System</i>		
District's proportion of the net OPEB liability (asset)	0.0077610%	0.0079700%
District's proportionate share of the net OPEB liability (asset)	\$783,887	\$865,483
District's covered payroll	\$1,004,942	\$1,093,223
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	78.00%	79.17%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%

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

(1) Information not available prior to 2017.

See accompanying notes to the required supplementary information.

2019	2020	2021	2022	2023
0.0088830%	0.0100870%	0.0097920%	0.0099520%	0.0098840%
\$1,158,134	\$1,393,277	(\$174,452)	(\$311,712)	\$62,321
\$1,280,864	\$1,516,957	\$1,533,300	\$1,551,886	\$1,540,207
90.42%	91.85%	-11.38%	-20.09%	4.05%
46.33%	47.80%	115.57%	128.23%	94.79%

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

	2014	2015	2016
<i>Ohio Public Employees Retirement System</i>			
Contractually required contribution - pension - Traditional Plan	\$95,690	\$108,662	\$120,593
Contractually required contribution - pension - Combined Plan	0	0	0
Contractually required contribution - OPEB	15,948	18,110	20,099
Contractually required contribution - total	111,638	126,772	140,692
Contributions in relation to the contractually required contribution	111,638	126,772	140,692
Contribution deficiency (excess)	\$0	\$0	\$0
District's covered-employee payroll	\$797,417	\$905,517	\$1,004,942
Contributions as a percentage of covered payroll - pension	12.00%	12.00%	12.00%
Contributions as a percentage of covered payroll - OPEB	2.00%	2.00%	2.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2017	2018	2019	2020	2021	2022	2023
\$142,119	\$179,321	\$212,374	\$195,779	\$197,441	\$192,041	\$194,033
0	0	0	18,883	19,823	23,588	22,461
10,933	0	0	0	0	0	0
153,052	179,321	212,374	214,662	217,264	215,629	216,494
153,052	179,321	212,374	214,662	217,264	215,629	216,494
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$1,093,223	\$1,280,864	\$1,516,957	\$1,533,300	\$1,551,886	\$1,540,207	\$1,546,386
13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Earnhart Hill Regional Water and Sewer District
Notes to the Required Supplementary Information
For the Year Ended December 31, 2023

Ohio Public Employees Retirement System

Pension

Changes in benefit terms

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

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

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

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

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

There were no significant changes in benefit terms for 2023.

Changes in assumptions

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

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

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

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

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

There were no significant changes in assumptions for 2023.

OPEB

Changes in benefit terms

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

Changes in assumptions

Changes in assumptions for 2018 were as follows:

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

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

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

Earnhart Hill Regional Water and Sewer District
Notes to the Required Supplementary Information
For the Year Ended December 31, 2023

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

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

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

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

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

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

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

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

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



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

Earnhart Hill Regional Water and Sewer District
Pickaway County
2030 Stoneridge Drive
Circleville, Ohio 43113

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Earnhart Hill Regional Water and Sewer District, Pickaway County (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 28, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and slightly slanted to the right.

BHM CPA Group, Inc.
Piketon, Ohio
May 28, 2024