



OHIO AUDITOR OF STATE
KEITH FABER



**EARNHART HILL REGIONAL WATER AND SEWER DISTRICT
PICKAWAY COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2020 and 2019, and the changes in its 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.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

July 26, 2021

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Earnhart Hill Regional Water and Sewer District

Management's Discussion and Analysis For the Years Ended December 31, 2020 and 2019 (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, 2020 and 2019 by \$20,364,250 and \$19,680,772, respectively. The District's net position increased by \$683,478 or 3% in 2020 and \$925,033 or 5% in 2019.
- The District's operating revenues increased by \$328,393 or 7% in 2020 and \$453,937 or 11% in 2019. Operating expenses decreased \$17,981 or less than 1% in 2020 and increased \$948,038 or 23% in 2019.
- 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 in the amount of \$369,000 will also be 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 in the amount of \$675,000 will also be received in relation to this issuance. In 2020, the District drew \$2,590,981 on its bonds and \$638,593 on its grant. In 2019, the District drew \$3,191,520 on its bonds and \$405,407 on its grant.

Overview of the Basic Financial Statements

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

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

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

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

Net Position

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

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
(Unaudited)

Table 1

	2020	2019	Change	%	2018	Change	%
Current & Other Assets	\$5,076,865	\$4,678,706	\$398,159	9%	\$5,335,680	(\$656,974)	(12%)
Capital Assets, Net	32,920,717	30,150,234	2,770,483	9%	24,906,844	5,243,390	21%
Total Assets	37,997,582	34,828,940	3,168,642	9%	30,242,524	4,586,416	15%
Deferred Outflows	804,743	1,020,301	(215,558)	(21%)	526,654	493,647	94%
Current & Other Liabilities	530,639	810,741	(280,102)	(35%)	599,448	211,293	35%
Long-Term Liabilities	16,446,436	14,467,130	1,979,306	14%	10,179,400	4,287,730	42%
Total Liabilities	16,977,075	15,277,871	1,699,204	11%	10,778,848	4,499,023	42%
Deferred Inflows	1,461,000	890,598	570,402	64%	1,234,591	(343,993)	(28%)
Net Position							
Net Investment in Capital Assets	20,284,768	19,626,724	658,044	3%	17,449,979	2,176,745	12%
Restricted	585,454	305,298	280,156	92%	305,298	0	0%
Unrestricted (Deficit)	(505,972)	(251,250)	(254,722)	(101%)	1,000,462	(1,251,712)	(125%)
Total Net Position	\$20,364,250	\$19,680,772	\$683,478	3%	\$18,755,739	\$925,033	5%

The District's total net position increased \$683,478 or 3% in 2020 and \$925,033 or 5% in 2019. These increases were a result of excess revenues over expenses. Restricted net position increased \$280,156 in 2020 and did not change in 2019. 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 \$658,044 or 3% in 2020 due primarily to additions of capital assets and repayments of debt principal that were only partially offset by depreciation expense and disposals. Net investment in capital assets increased by \$2,176,745 or 12% in 2019 due primarily to additions of capital assets and repayments of debt principal that were only partially offset by depreciation expense. Unrestricted net position decreased \$254,722 or 101% in 2020 due to increases in net pension and OPEB liabilities. Unrestricted net position decreased \$1,251,712 or 125% in 2019 due to increases in net pension and OPEB liabilities.

The net pension liability (NPL) and net OPEB liability (OPEB) are significant liabilities reported by the District at December 31, 2020 and 2019 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 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 and the net OPEB liability to equal the District's

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
(Unaudited)

proportionate share of the plan's collective:

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 since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. 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 and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
(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

	2020	2019	Change	%	2018	Change	%
Operating Revenues	\$4,974,718	\$4,646,325	\$328,393	7%	\$4,192,388	\$453,937	11%
Total Operating Revenues	4,974,718	4,646,325	\$328,393	7%	4,192,388	453,937	11%
Treatment Expenses	432,313	326,768	105,545	32%	294,091	32,677	11%
Power	309,494	269,096	40,398	15%	285,856	(16,760)	(6%)
Distribution	1,345,011	1,393,385	(48,374)	(3%)	970,953	422,432	44%
Customer Accounting	415,856	388,540	27,316	7%	343,788	44,752	13%
Transportation	76,552	81,517	(4,965)	(6%)	65,223	16,294	25%
Fringe Benefits	939,260	1,096,538	(157,278)	(14%)	712,130	384,408	54%
Depreciation & Amortization	1,137,772	1,058,670	79,102	7%	1,010,390	48,280	5%
Administration & General	374,590	434,315	(59,725)	(14%)	418,360	15,955	4%
Total Operating Expenses	5,030,848	5,048,829	(17,981)	0%	4,100,791	948,038	23%
Operating Income (Loss)	(56,130)	(402,504)	346,374	86%	91,597	(494,101)	(539%)
Non-Operating Revenues	452,051	332,005	120,046	36%	721,489	(389,484)	(54%)
Non-Operating Expenses	351,036	240,554	110,482	46%	202,950	37,604	19%
Capital Contributions	638,593	1,236,086	(597,493)	(48%)	589,489	646,597	110%
Changes in Net Position	683,478	925,033	(241,555)	(27%)	1,199,625	(274,592)	(23%)
Net Position at Beginning of Year	19,680,772	18,755,739	925,033	5%	17,556,114	1,199,625	7%
Net Position at End of Year	\$20,364,250	\$19,680,772	\$683,478	3%	\$18,755,739	\$925,033	5%

Operating revenues increased \$328,393 or 7% in 2020 and \$453,937 or 11% in 2019. 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 \$638,593 and \$1,236,086 in capital contributions in 2020 and 2019, respectively. In 2020, the District received the remainder of the USDA grant partially received in 2019. In 2019, the District received 2 main water line extensions from developers. The District also received a grant from the USDA, related to a River Drive Wastewater Treatment Plant project, and cash contributions from PPG Industries. Operating expenses, excluding depreciation, decreased by \$97,083 or 2% in 2020 and \$899,758 or 29% in 2019. A decrease of \$157,278 in fringe benefits accounted for most of the decrease in 2020. Increases of \$422,432 in distribution expenses and \$384,408 in fringe benefit expenses accounted for most of the increase in 2019.

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
(Unaudited)

Capital Assets

Table 3 summarizes the changes in capital assets.

Table 3

	2020	2019	Change	%	2018	Change	%
Land	\$1,855,259	\$1,855,259	\$0	0%	\$841,797	\$1,013,462	120%
Buildings	2,003,507	1,979,632	23,875	1%	1,877,086	102,546	5%
Treatment Facilities	13,424,610	6,680,349	6,744,261	101%	6,646,750	33,599	1%
Transmission, Storage & Collection	28,433,794	27,361,412	1,072,382	4%	26,191,024	1,170,388	4%
Vehicles	714,199	693,903	20,296	3%	524,818	169,085	32%
Furniture & Equipment	863,841	765,537	98,304	13%	713,867	51,670	7%
Construction in Progress	568,341	4,725,142	(4,156,801)	(88%)	1,016,670	3,708,472	365%
Total Before Depreciation Accumulated	47,863,551	44,061,234	3,802,317	9%	37,812,012	6,249,222	17%
Depreciation	(14,942,834)	(13,911,000)	(1,031,834)	8%	(12,905,168)	(1,005,832)	8%
Total Capital Assets, Net	\$32,920,717	\$30,150,234	\$2,770,483	10%	\$24,906,844	\$5,243,390	21%

Capital assets (before depreciation) increased \$3,802,317 or 9% in 2020 and increased \$6,249,222 or 17% in 2019. Total capital assets, net increased \$2,770,483 or 10% in 2020 and increased \$5,243,390 or 21% in 2019. The increases in both 2020 and 2019 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

	2020	2019	Change	%	2018	Change	%
Rural Development Bonds	\$10,850,720	\$8,461,696	\$2,389,024	28%	\$5,465,786	\$2,995,910	55%
OWDA Loans	1,597,729	1,681,980	(84,251)	(5%)	1,766,079	(84,099)	(5%)
OPWC Loan	187,500	200,000	(12,500)	(6%)	225,000	(25,000)	(11%)
Rotary Commission Loan	821,966	821,966	0	0%	821,966	0	0%
Total Long-Term Debt	13,457,915	11,165,642	2,292,273	21%	8,278,831	2,886,811	35%
Less							
Current Maturities	331,119	311,430	19,689	7%	304,518	6,912	2%
Net Total Long-Term Debt	\$13,126,796	\$10,854,212	\$2,272,584	21%	\$7,974,313	\$2,879,899	36%

Net long-term debt increased by \$2,272,584 or 21% in 2020 due to draws on its 2018 USDA bonds during the year, which was partially offset by scheduled principal payments. Net long-term debt increased by \$2,879,899 or 36% in 2019 due to draws on its 2018 USDA bonds during the year, which was partially offset by scheduled principal payments. For additional information regarding debt, please see note 6 of the notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
(Unaudited)

Cash

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

Table 5

	2020	2019	Change	%	2018	Change	%
Unrestricted Cash and Cash Equivalents	\$2,941,849	\$2,780,534	\$161,315	6%	\$3,460,476	(\$679,942)	(20%)
Cash Restricted for Debt Service	585,454	305,298	280,156	92%	305,298	0	0%
Total Cash	\$3,527,303	\$3,085,832	\$441,471	15%	\$3,765,774	(\$679,942)	(18%)

Unrestricted cash and cash equivalents increased \$161,315 or 6% in 2020. Unrestricted cash and cash equivalents increased \$679,942 or 20% in 2019, due mainly to an increase in payments to suppliers and a decrease in capacity charges, in addition to a land purchase for which \$500,000 in cash was paid out. These were partially offset by an increase in water and sewer charges and capital contributions. Cash restricted for debt service remained the same between 2018 and 2019. In 2020, cash restricted for debt service increased \$280,156 due to the deposit of unspent federal funds required to be set aside for future debt service payments.

Current Financial Related Activities

In 2020, the District implemented a Sewer Facility Charge increase of \$1.00 for the Circleville/Pickaway service area and \$2.36 for the Stoutsville/Tarlton service area. The District implemented a Water Facility Charge increase of \$1.00 for the Circleville/Pickaway and Stoutsville/Tarlton service areas. The District also implemented a Water Usage Charge increase of 5% and Sewer Usage Charge increases of 5% for the Circleville/Pickaway service area and 3% for the Stoutsville/Tarlton service area.

Contact Information

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

Earnhart Hill Regional Water and Sewer District
Statements of Net Position
As of December 31, 2020 and 2019

	2020	2019
Current assets		
Cash and cash equivalents	\$2,941,849	\$2,780,534
Accounts receivable	474,508	465,561
Assessments receivable	904,892	951,491
Accrued interest receivable	0	8,207
Inventories	153,677	153,044
Prepaid expenses	16,485	14,571
<i>Total current assets</i>	4,491,411	4,373,408
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents-debt service reserve	585,454	305,298
<i>Total restricted assets</i>	585,454	305,298
Capital assets		
Land and land easements	1,855,259	1,855,259
Buildings	2,003,507	1,979,632
Treatment facilities	13,424,610	6,680,349
Transmission, storage and collection	28,433,794	27,361,412
Vehicles	714,199	693,903
Furniture and equipment	863,841	765,537
Construction in progress	568,341	4,725,142
<i>Total capital assets</i>	47,863,551	44,061,234
Less: accumulated depreciation	(14,942,834)	(13,911,000)
<i>Capital assets, net</i>	32,920,717	30,150,234
<i>Total assets</i>	37,997,582	34,828,940
Deferred outflows of resources		
Pension	458,674	855,531
OPEB	346,069	164,770
<i>Total deferred outflows of resources</i>	\$804,743	\$1,020,301

(continued)

Earnhart Hill Regional Water and Sewer District
Statements of Net Position (Continued)
As of December 31, 2020 and 2019

	2020	2019
Current liabilities		
Accounts payable	\$23,241	\$55,725
Prepaid taps and main line extensions	90,378	90,378
Customer deposits	23,935	23,355
Current portion of USDA revenue bonds payable	209,212	202,178
Current portion of OWDA loans payable	84,407	84,252
Current portion of OPWC loans payable	37,500	25,000
Accrued payroll	15,410	116,339
Intergovernmental payable	2,324	2,120
Retainage payable	0	179,834
Accrued interest payable	44,232	31,560
<i>Total current liabilities</i>	530,639	810,741
Long-term liabilities		
Revenue bonds payable USDA (net of current portion)	10,641,508	8,259,518
Loans payable OWDA (net of current portion)	1,513,322	1,597,728
Loans payable OPWC (net of current portion)	150,000	175,000
Notes payable Rotary Loan	821,966	821,966
Net pension liability	1,926,363	2,454,784
Net OPEB liability	1,393,277	1,158,134
<i>Total long-term liabilities</i>	16,446,436	14,467,130
<i>Total liabilities</i>	16,977,075	15,277,871
Deferred inflows of resources		
Assessments-construction-agricultural	851,715	851,715
Pension	408,623	33,777
OPEB	200,662	5,106
<i>Total deferred inflows of resources</i>	1,461,000	890,598
Net position		
Net investment in capital assets	20,284,768	19,626,724
Restricted for debt service	585,454	305,298
Unrestricted (deficit)	(505,972)	(251,250)
<i>Total net position</i>	<u>\$20,364,250</u>	<u>\$19,680,772</u>

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues		
Service charges	\$4,761,746	\$4,509,279
Other	212,972	137,046
<i>Total operating revenues</i>	4,974,718	4,646,325
Operating expenses		
Treatment expense	432,313	326,768
Power	309,494	269,096
Distribution	1,345,011	1,393,385
Customer accounting	415,856	388,540
Transportation	76,552	81,517
Fringe benefits	939,260	1,096,538
Depreciation and amortization	1,137,772	1,058,670
Administrative and general	374,590	434,315
<i>Total operating expenses</i>	5,030,848	5,048,829
<i>Operating loss</i>	(56,130)	(402,504)
Nonoperating revenues (expenses)		
Capacity charges	280,000	200,150
Tap fee revenue	86,467	54,850
Interest income	27,161	54,588
Gain on sale of assets	42,235	6,349
Interest expense	(338,420)	(240,464)
Loss on disposal of assets	(12,616)	(90)
Rental income	16,188	16,068
<i>Net nonoperating revenues (expenses)</i>	101,015	91,451
<i>Changes in net position before capital contributions</i>	44,885	(311,053)
Capital Contributions-intergovernmental	638,593	405,407
Capital Contributions-cash	0	507,263
Capital Contributions-developer	0	323,416
<i>Total capital contributions</i>	638,593	1,236,086
<i>Changes in net position</i>	683,478	925,033
<i>Net position, beginning of year</i>	19,680,772	18,755,739
<i>Net position, end of year</i>	<u>\$20,364,250</u>	<u>\$19,680,772</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, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Cash received from customers	\$4,752,799	\$4,479,597
Cash paid for employee salaries and benefits	(1,490,248)	(1,472,536)
Cash payments to suppliers for goods and services	(2,045,902)	(1,959,969)
Cash received from other receipts	212,972	137,046
<i>Net cash provided by operating activities</i>	1,429,621	1,184,138
Cash flows from noncapital and related financial activities		
Refundable line extensions	0	(7,263)
Deposits received (returned)	580	(390)
<i>Net cash provided by (used for) noncapital and related financing activities</i>	580	(7,653)
Cash flows from capital and related financing activities		
Tap fees	86,467	54,850
Capacity charges	280,000	200,150
Rental income	16,188	16,068
Proceeds from revenue bonds	2,590,981	3,191,520
Revenue bond principal payments	(201,957)	(195,610)
Revenue bond interest payments	(322,377)	(223,452)
Loan principal payments	(96,751)	(109,099)
Loan interest payments	(3,371)	(3,524)
Special assessments received	46,599	42,319
Special assessment interest	5,780	8,793
Cash received for sale of assets	42,667	6,349
Proceeds from capital cash contributions	638,593	1,236,086
Capital outlay	(4,101,137)	(6,122,316)
<i>Net cash used for capital and related financing activities</i>	(1,018,318)	(1,897,866)
Cash flows from investing activities		
Interest on cash and cash equivalents	29,588	41,439
<i>Net increase (decrease) in cash and cash equivalents</i>	441,471	(679,942)
<i>Cash and cash equivalents, beginning of year</i>	3,085,832	3,765,774
<i>Cash and cash equivalents, end of year</i>	\$3,527,303	\$3,085,832

(continued)

Earnhart Hill Regional Water and Sewer District
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	(\$56,130)	(\$402,504)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,137,772	1,058,670
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(8,947)	(29,682)
Decrease (increase) in inventories	(633)	(31,515)
Decrease (increase) in prepaid expenses	(1,914)	266
Increase (decrease) in accounts payable (trade only)	(32,484)	(54,287)
Increase (decrease) in accrued payroll	(100,929)	72,891
Increase (decrease) in intergovernmental payable	204	108
Decrease (increase) in deferred outflows of resources-pension	396,857	(406,851)
Decrease (increase) in deferred outflows of resources-OPEB	(181,299)	(86,796)
Increase (decrease) in deferred inflows of resources-pension	374,846	(283,535)
Increase (decrease) in deferred inflows of resources-OPEB	195,556	(60,458)
Increase (decrease) in net pension liability	(528,421)	1,115,180
Increase (decrease) in net OPEB liability	235,143	292,651
<i>Total adjustments</i>	<u>1,485,751</u>	<u>1,586,642</u>
<i>Net cash provided by operating activities</i>	<u>\$1,429,621</u>	<u>\$1,184,138</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, 2020 and 2019

Note 1 – Nature of Organization and Reporting Entity

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

Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation - Fund Accounting

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

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

The fund type that the District uses is described below:

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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019.

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.

Capital Assets

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

Buildings and Bond Issue Costs	5-50 years
Treatment Facilities	5-50 years
Transmission & Collections	10-50 years
Vehicles	3-10 years
Furniture & Equipment	3-20 years

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019 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 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019 was restricted by enabling legislation.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

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 2020 and 2019, the following capital contributions were received:

	2020	2019
Heartland Court Line Extension	0	250,000
Shawnee Grove Apartments Line Extension	0	73,416
USDA Grant	638,593	405,407
Cash Contributions from PPG Industries and Others	0	507,263
Totals	\$638,593	\$1,236,086

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, 2020 and 2019 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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

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, 2019, 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;
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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019, respectively, \$250,000 and \$500,000 of the District’s bank balances of \$3,693,402 and \$3,103,341 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, 2020 and 2019:

	2020	2019
Current receivables (0-30 days)	\$392,338	\$368,600
Delinquent receivables (31-60 days)	23,577	32,218
Delinquent receivables (over 60 days)	5,005	14,714
Total accounts receivable	\$420,920	\$415,532

As of December 31, 2020 and 2019, the District also had miscellaneous receivables totaling \$53,588 and \$50,029, respectively.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 5 – Assessments Receivable

The details for the years ended December 31, 2020 and 2019 are as follows:

Construction Assessments	Total Assessment	Principal Collected From Prepays and Auditor	Ending Receivable Balance	Percent Collected
2020	\$2,102,001	\$1,197,109	\$904,892	57.0%
2019	2,102,001	1,150,510	951,491	54.7%

The assessment receivable balance at December 31, 2020 and 2019 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, 2020 are as follows:

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

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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

Loan #	Obligation	Interest Rate	Outstanding 12/31/2018	Additions	Deletions	Outstanding 12/31/2019	Due in One Year
9106W	Rural Development	4.250%	\$2,842,287	\$0	\$68,010	\$2,774,277	\$70,952
9210S	Rural Development	3.375%	2,233,000	0	42,000	2,191,000	43,226
9212S	Rural Development	2.750%	20,000	2,717,691	69,600	2,668,091	71,500
9213S	Rural Development	2.625%	206,821	7,179	3,100	210,900	3,200
9215S	Rural Development	3.125%	163,678	466,650	12,900	617,428	13,300
4996	OWDA	0.000%	1,409,837	0	68,773	1,341,064	68,773
4839	OWDA	1.000%	356,242	0	15,326	340,916	15,479
CQ30H	OPWC	0.000%	225,000	0	25,000	200,000	25,000
	Rotary Loan	0.000%	821,966	0	0	821,966	0
	Net Pension Liability		1,339,604	1,115,180	0	2,454,784	0
	Net OPEB Liability		865,483	292,651	0	1,158,134	0
			<u>\$10,483,918</u>	<u>\$4,599,351</u>	<u>\$304,709</u>	<u>\$14,778,560</u>	<u>\$311,430</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. This cash balance is reported as a restricted asset in the accompanying basic financial statements. The debt listed above with OWDA and OPWC are long-term loans. Principal and interest payments for Rural Development 9106W debt are due on the first day of each month. Principal and interest payments for Rural Development 9210S are due on December 1 of each year. Principal and interest payments for Rural Development 9212S, 9213S, and 9215S debt are due on November 1 of each year. Principal payments for OWDA 4996 and principal and interest payments for OWDA 4839 are due on January 1 and July 1 of each year. Principal payments for OPWC CQ30H are due on January 31 and July 1 of each year.

In November 2018, the District entered into an obligation with the USDA Rural Development to issue three series of revenue bonds for the purpose of acquiring and constructing improvements to the District's River Drive Wastewater Treatment Plant with related equipment and appurtenances thereto. The Series 2018A bonds were issued in the amount of \$4,959,000, with an interest rate of 2.75% for 40 years. The Series 2018B bonds were issued in the amount of \$214,000, with an interest rate of 2.625% for 40 years. A grant in the amount of \$369,000 will also be 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 in the amount of \$675,000 will also be received in relation to this issuance.

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

Year	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$84,407	\$3,215	\$87,622	\$37,500	\$0	\$37,500
2022	84,564	3,059	87,623	25,000	0	25,000
2023	84,722	2,900	87,622	25,000	0	25,000
2024	84,882	2,740	87,622	25,000	0	25,000
2025	85,043	2,579	87,622	25,000	0	25,000
2026-2030	427,696	10,415	438,111	50,000	0	50,000
2031-2035	431,983	6,128	438,111	0	0	0
2036-2039	314,432	1,669	316,101	0	0	0
Totals	<u>\$1,597,729</u>	<u>\$32,705</u>	<u>\$1,630,434</u>	<u>\$187,500</u>	<u>\$0</u>	<u>\$187,500</u>

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

Year	Water System Revenue Bond		
	Principal	Interest	Total
2021	\$209,212	\$354,332	\$563,544
2022	216,346	347,080	563,426
2023	223,953	339,569	563,522
2024	231,657	331,785	563,442
2025	239,768	323,722	563,490
2026-2030	1,330,302	1,487,063	2,817,365
2031-2035	1,580,581	1,236,777	2,817,358
2036-2040	1,880,226	937,297	2,817,523
2041-2045	1,717,074	606,355	2,323,429
2046-2050	1,390,309	376,673	1,766,982
2051-2055	1,096,500	197,302	1,293,802
2056-2058	734,792	41,666	776,458
Totals	\$10,850,720	\$6,579,621	\$17,430,341

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 \$19,248,275. For the current year, net revenue available, principal and interest paid and the coverage ratio are as follows: \$1,081,642; \$624,456; and 0.58.

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

An \$821,966 long-term note is payable to the Water and Sewer Rotary Commission with no annual interest rate. The loan was obtained to enable the District to make debt service payments on OWDA loans while these properties remain in agricultural status. The term is in effect as long as the properties listed as agricultural status pertaining to this loan do not change. If such properties do not qualify as agricultural status, their assessment is collected by the District and payable to the Water and Sewer Rotary Commission within ten days after the status has changed. The agreement was originally entered into on June 6, 1995 by SCIPPO Sewer District but was absorbed by Earnhart Hill Regional Water and Sewer District when it purchased SCIPPO in June 2009. No amortization schedule is provided for this note. There were no payments due to the Water and Sewer Rotary Commission for the years ended December 31, 2020 and 2019.

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Note 7 – Capital Assets

Capital assets activity for the years ended December 31, 2020 and 2019 was as follows:

	Ending Balance 12/31/19	Additions	Deletions	Ending Balance 12/31/20
<i>Capital Assets, Not Being Depreciated</i>				
Land and Land Easements	\$1,855,259	\$0	\$0	\$1,855,259
Construction in Progress	4,725,142	3,637,885	(7,794,686)	568,341
<i>Total Capital Assets, Not Being Depreciated</i>	6,580,401	3,637,885	(7,794,686)	2,423,600
<i>Capital Assets Being Depreciated</i>				
Buildings	1,979,632	23,875	0	2,003,507
Treatment Facilities	6,680,349	6,782,812	(38,551)	13,424,610
Transmission & Storage & Collection	27,361,412	1,072,382	0	28,433,794
Vehicles	693,903	100,731	(80,435)	714,199
Furniture and Equipment	765,537	98,304	0	863,841
<i>Total Capital Assets, Being Depreciated</i>	37,480,833	8,078,104	(118,986)	45,439,951
<i>Less Accumulated Depreciation:</i>				
Buildings	(830,881)	(71,081)	0	(901,962)
Treatment Facilities	(3,429,679)	(222,915)	25,503	(3,627,091)
Transmission & Storage & Collection	(8,788,156)	(716,640)	0	(9,504,796)
Vehicles	(385,164)	(69,110)	80,435	(373,839)
Furniture and Equipment	(477,120)	(58,026)	0	(535,146)
<i>Total Capital Assets Being Depreciated, Net</i>	(13,911,000)	(1,137,772)	105,938	(14,942,834)
<i>Total Capital Assets, Net</i>	\$30,150,234	\$10,578,217	(\$7,807,734)	\$32,920,717

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	Ending Balance 12/31/18	Additions	Deletions	Ending Balance 12/31/19
<i>Capital Assets, Not Being Depreciated</i>				
Land and Land Easements	\$841,797	\$1,013,462	\$0	\$1,855,259
Construction in Progress	1,016,670	4,652,585	(944,113)	4,725,142
<i>Total Capital Assets, Not Being Depreciated</i>	1,858,467	5,666,047	(944,113)	6,580,401
<i>Capital Assets Being Depreciated</i>				
Buildings	1,877,086	102,546	0	1,979,632
Treatment Facilities	6,646,750	33,599	0	6,680,349
Transmission & Storage & Collection	26,191,024	1,170,388	0	27,361,412
Vehicles	524,818	184,368	(15,283)	693,903
Furniture and Equipment	713,867	89,327	(37,657)	765,537
<i>Total Capital Assets, Being Depreciated</i>	35,953,545	1,580,228	(52,940)	37,480,833
<i>Less Accumulated Depreciation:</i>				
Buildings	(763,233)	(67,648)	0	(830,881)
Treatment Facilities	(3,224,899)	(204,780)	0	(3,429,679)
Transmission & Storage & Collection	(8,110,301)	(677,855)	0	(8,788,156)
Vehicles	(346,353)	(54,094)	15,283	(385,164)
Furniture and Equipment	(460,382)	(54,293)	37,555	(477,120)
<i>Total Capital Assets Being Depreciated, Net</i>	(12,905,168)	(1,058,670)	52,838	(13,911,000)
<i>Total Capital Assets, Net</i>	\$24,906,844	\$6,187,605	(\$944,215)	\$30,150,234

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 2020 and 2019, 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:

	2020	2019
General Liability	\$6,000,000 per occurrence \$8,000,000 aggregate	\$6,000,000 per occurrence \$8,000,000 aggregate
Public Officials Liability	\$6,000,000 per occurrence \$8,000,000 aggregate	\$6,000,000 per occurrence \$8,000,000 aggregate
Automobile Liability	\$6,000,000	\$6,000,000
Property, Boiler & Machinery	\$17,311,150	\$14,865,805
Inland Marine	\$600,412	\$540,218
Electronic Media	\$170,283	\$166,944
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 2020 and 2019. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

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Note 9 – Defined Benefit Retirement Plan

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

The net pension liability and the net OPEB liability represent 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 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/OPEB 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. Resulting adjustments to the net pension/OPEB liability 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.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
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.

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members'

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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 purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	2020	2019
	State and Local	State and Local
<i>Statutory Maximum Contribution Rates</i>		
Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %
 <i>Actual Contribution Rates</i>		
Employer:		
Pension	14.0 %	14.0 %
Post-Employment Health Care Benefits	0.0	0.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

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

The District's contractually required contributions were \$214,662 and \$212,374 for 2020 and 2019, respectively.

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

The net pension liabilities for OPERS were measured as of December 31, 2019 and 2018, respectively, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of those dates. The District's proportion of the net pension liabilities were based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. The following is information related to the proportionate share of the District's defined benefit pension plan and pension expense:

	2020	2019
<i>Proportion of the Net Pension Liability:</i>		
Current Measurement Date	0.009746%	0.008963%
Prior Measurement Date	0.008963%	0.008539%
Change in Proportionate Share	0.000783%	0.000424%
 <i>Proportionate Share of the:</i>		
Net Pension Liability	\$1,926,363	\$2,454,784
Pension Expense	\$457,944	\$637,168

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At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	2019
<i>Deferred Outflows of Resources</i>		
Differences between expected and actual experience	\$0	\$113
Changes of assumptions	102,890	213,695
Net difference between projected and actual earnings on pension plan investments	0	333,186
Changes in proportion and differences between District contributions and proportionate share of contributions	141,122	96,163
District contributions subsequent to the measurement date	214,662	212,374
Total Deferred Outflows of Resources	\$458,674	\$855,531
 <i>Deferred Inflows of Resources</i>		
Differences between expected and actual experience	\$24,359	\$32,235
Net difference between projected and actual earnings on pension plan investments	384,264	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	1,542
Total Deferred Inflows of Resources	\$408,623	\$33,777

\$214,662 and \$212,374 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2020 and 2019, respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension for the year ended December 31, 2020 will be recognized in pension expense as follows:

Year Ending December 31:	
2021	\$54,976
2022	(82,920)
2023	15,913
2024	(152,580)
Total	(\$164,611)

Actuarial Assumptions

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

Projections of 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, 2019 and 2018, using the following

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actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019 and 2018 are presented below.

	2019 and 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

The 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.

For the years ended December 31, 2019 and 2018, 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 a gain of 17.2 percent for 2019 and a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and 2018 and the long-term expected real rates of return:

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Asset Class	2019	2018	2019	2018
	Target Allocation	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	23.00 %	1.83 %	2.79 %
Domestic Equities	19.00	19.00	5.75	6.21
Real Estate	10.00	10.00	5.20	4.90
Private Equity	12.00	10.00	10.70	10.81
International Equities	21.00	20.00	7.66	7.83
Other investments	13.00	18.00	4.98	5.50
Total	100.00 %	100.00 %	5.61 %	5.95 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the years ended December 31, 2019 and 2018. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following tables present the District's proportionate share of the net pension liability calculated as of the measurement dates December 31, 2019 and 2018 using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

For the year ended December 31, 2020:

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

For the year ended December 31, 2019

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$3,626,430	\$2,454,784	\$1,481,136

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Note 10 – Defined Postemployment Benefits Plan

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020 and 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. 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 2020 and 2019 was 4.0 percent.

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

The District's contractually required contribution was \$0 for 2020 and 2019.

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

The net OPEB liabilities and total OPEB liabilities for OPERS were determined by an actuarial valuation as of December 31, 2018 and 2017, rolled forward to the measurement dates of December 31, 2019 and 2018, 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 liabilities was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2020	2019
Proportion of the Net OPEB Liability:		
Current Measurement Date	0.010087%	0.008883%
Prior Measurement Date	0.008883%	0.007970%
 Change in Proportionate Share	 0.0012040%	 0.0009130%
 Proportionate Share of the:		
Net OPEB Liability	\$1,393,277	\$1,158,134
OPEB Expense	\$249,400	\$145,397

At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	2019
Deferred Outflows of Resources		
Differences between expected and actual experience	\$38	\$393
Changes of assumptions	220,541	37,340
Net difference between projected and actual earnings on OPEB plan investments	0	53,094
Changes in proportion and differences between District contributions and proportionate share of contributions	125,490	73,943
 Total Deferred Outflows of Resources	 \$346,069	 \$164,770
 Deferred Inflows of Resources		
Differences between expected and actual experience	\$127,421	\$3,142
Net difference between projected and actual earnings on OPEB plan investments	70,945	0
Changes in proportion and differences between District contributions and proportionate share of contributions	2,296	1,964
 Total Deferred Inflows of Resources	 \$200,662	 \$5,106

\$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, 2020 and 2019, respectively, will be recognized as a

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Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

reduction of the net OPEB liability in 2021 and 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the year ended December 31, 2020 will be recognized in OPEB expense as follows:

Year Ending December 31:	
2021	\$121,429
2022	54,234
2023	57
2024	<u>(30,313)</u>
Total	<u><u>\$145,407</u></u>

Actuarial Assumptions - OPERS

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

Projections of 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 liabilities were determined by an actuarial valuation as of December 31, 2018 and 2017, rolled forward to the measurement dates of December 31, 2019 and 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	2019	2018
Wage Inflation	3.25 percent	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	3.16 percent	3.96 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	2.75 percent	3.71 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.5 percent, ultimate in 2030	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019 and 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 19.7 percent for 2019 and a loss of 5.6 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and 2018 and the long-term expected real rates of return:

Asset Class	2019		2018		2019		2018	
	Target Allocation	Target Allocation	Target Allocation	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	34.00			1.53 %		2.42 %	
Domestic Equities	21.00	21.00			5.75		6.24	
Real Estate Investment Trust	6.00	6.00			5.69		5.98	
International Equities	23.00	22.00			7.66		7.83	
Other investments	14.00	17.00			4.90		5.57	
Total	100.00 %	100.00			4.55 %		5.16 %	

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent for the year ended December 31, 2019. 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 3.71 percent for the year ended December 31, 2018. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

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

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
District's proportionate share of the net OPEB liability	\$1,823,326	\$1,393,277	\$1,048,947

The following table presents the District's proportionate share of the net OPEB liability calculated as of the measurement date December 31, 2018 using the single discount rate of 3.85 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the net OPEB liability	\$1,481,684	\$1,158,134	\$900,825

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

For the fiscal year ended December 31, 2020:

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

For the fiscal year ended December 31, 2019:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$1,113,218	\$1,158,134	\$1,209,865

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019 follows:

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

2019			
	Division		Total
	Water	Sewer	
Operating revenues	\$3,415,597	\$1,230,728	\$4,646,325
Operating expenses, before depreciation	3,121,479	868,680	3,990,159
Depreciation	705,832	352,838	1,058,670
Operating income	(411,714)	9,210	(402,504)
Nonoperating revenues	1,114,048	454,043	1,568,091
Nonoperating expenses	119,568	120,986	240,554
Net income	\$582,766	\$342,267	\$925,033

Note 12 – Budget

Budgetary activity for the years ended December 31, 2020 and 2019 follows:

<u>Budgeted vs. Actual Receipts</u>		
	2020	2019
Budgeted Receipts	\$8,968,974	\$11,965,700
Actual Receipts	8,702,782	9,414,217
Variance	(\$266,192)	(\$2,551,483)

Earnhart Hill Regional Water and Sewer District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2020 and 2019

Budgeted vs. Actual Budgetary Basis Expenditures

	2020	2019
Appropriation Authority	\$10,220,171	\$14,704,296
Budgetary Expenditures	9,414,187	11,172,662
Variance	\$805,984	\$3,531,634

Note 13 – Pending Litigation

The District’s general legal counsel is Bricker & Eckler, LLP, Columbus, Ohio.

There was no material litigation pending or outstanding as of December 31, 2020 that management believes might have a significant effect on the accompanying financial statements.

Note 14 – Federal Financial Assistance

The District received \$3,229,574 and \$3,596,927 in financial assistance in 2020 and 2019, respectively.

Note 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District’s investment portfolio and investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The District did not receive any COVID-19 related funding during 2020.

Note 16 – New Accounting Pronouncement

For fiscal year 2019, the District was required to implement Governmental Accounting Standard Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” Among other things, Statement 88 clarifies which liabilities governments should include in their note disclosures related to debt. Statement No. 88 requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. Statement No. 88 also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Statement No. 88 also requires governments to disclose additional essential debt-related information for all types of debt, including: a) amounts of unused lines of credit; b) assets pledged as collateral for debt; and c) terms specified in debt agreements related to significant: (a) events of default with finance-related consequences, (b) termination events with finance-related consequences, and (c) subjective acceleration clauses. Statement No. 88 did not have an effect on beginning net position, but changes to note disclosures have been incorporated in accordance with this new pronouncement.

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

	2014	2015	2016	2017	2018	2019	2020
<i>Ohio Public Employees Retirement System</i>							
District's proportion of the net pension liability	0.006501%	0.006501%	0.007270%	0.007761%	0.008539%	0.008963%	0.009746%
District's proportionate share of the net pension liability	\$766,419	\$784,130	\$1,259,256	\$1,762,391	\$1,339,604	\$2,454,784	\$1,926,363
District's covered-employee payroll	\$741,432	\$797,417	\$905,517	\$1,004,942	\$1,093,223	\$1,280,864	\$1,516,957
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.37%	98.33%	139.06%	175.37%	122.54%	191.65%	126.99%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.85%	74.70%	82.17%

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

(1) Information not available prior to 2014.

See accompanying notes to the required supplementary information.

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

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

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

(1) Information not available prior to 2017.

See accompanying notes to the required supplementary information.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Ohio Public Employees Retirement System</i>										
Contractually required contribution - pension	\$67,735	\$68,539	\$96,386	\$95,690	\$108,662	\$120,593	\$142,119	\$179,321	\$212,374	\$214,662
Contractually required contribution - OPEB	27,094	27,415	7,414	15,948	18,110	20,099	10,933	0	0	0
Contractually required contribution - total	94,829	95,954	103,800	111,638	126,772	140,692	153,052	179,321	212,374	214,662
Contributions in relation to the contractually required contribution	94,829	95,954	103,800	111,638	126,772	140,692	153,052	179,321	212,374	214,662
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$677,352	\$685,387	\$741,432	\$797,417	\$905,517	\$1,004,942	\$1,093,223	\$1,280,864	\$1,516,957	\$1,533,300
Contributions as a percentage of covered-employee payroll - pension	10.00%	10.00%	13.00%	12.00%	12.00%	12.00%	13.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	4.00%	4.00%	1.00%	2.00%	2.00%	2.00%	1.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

Earnhart Hill Regional Water and Sewer District
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Ohio Public Employees Retirement System

Pension

Changes in benefit terms

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

COLAs provided up to December 31, 2018 will be based upon a simple, 3% 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%.

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

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.

OPEB

Changes in benefit terms

There were no significant changes in benefit terms for 2018 through 2020.

Changes in assumptions

Changes in assumptions for 2018 were as follows:

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

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

- The single discount rate increased from 3.85 percent to 3.96 percent.
- The investment rate of return decreased from 6.5 percent to 6 percent.
- The municipal bond rate increased from 3.31 percent to 3.71 percent.
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

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

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

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Earnhart Hill Regional Water and Sewer District
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2020

Federal Grantor Pass-Through Grantor Program/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities-Loan 9212S	10.760	N	\$1,985,303
Water and Waste Disposal Systems for Rural Communities-Loan 9215S	10.760	N	369,672
Water and Waste Disposal Systems for Rural Communities-Grant	10.760	N	<u>406,308</u>
<i>Total Water and Waste Disposal Systems for Rural Communities</i>			<u>2,761,283</u>
Total United States Department of Agriculture			<u>2,761,283</u>
Total Federal Awards Expenditures			<u>\$2,761,283</u>

N - direct from the federal government

See the accompanying notes to the schedule of federal awards expenditures.

Earnhart Hill Regional Water and Sewer District
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2020

Note 1 – Basis of Presentation

The accompanying schedule of federal awards expenditures (the schedule) includes the federal grant activity of Earnhart Hill Regional Water and Sewer District (the District) under programs of the federal government for the year ended December 31, 2020. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows, where applicable, of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities Grant

The U.S. Department of Agriculture has approved \$6,173,000 in bonds to the District for the purpose of acquiring and constructing improvements to the District's River Drive wastewater treatment plant with related equipment and appurtenances thereto. These bonds have an interest rate of 2.75 percent and mature on November 1, 2058. As of December 31, 2020, the District has received the full \$6,173,000 of these bonds. Payments of \$88,600 were made on these bonds in 2020. Final expenditures on this program were made in 2020. Expenditures on this program totaled \$2,354,975 in 2020.

The U.S. Department of Agriculture also approved a \$1,044,000 grant for the District for the purpose of acquiring and constructing improvements to the District's River Drive wastewater treatment plant with related equipment and appurtenances thereto. As of December 31, 2020, the District has received the full \$1,044,000 of this grant. Final expenditures on this program were made in 2020. Expenditures on this program totaled \$406,308 in 2020.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 26, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures, which may affect subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 26, 2021

OHIO AUDITOR OF STATE KEITH FABER



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Earnhart Hill Regional Water and Sewer District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Earnhart Hill Regional Water and Sewer District's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Earnhart Hill Regional Water and Sewer District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 26, 2021

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020 and 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities (CFDA #10.760)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



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

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/3/2021

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

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