

ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2021



Millhuff-Stang, CPA, Inc.
8841 Ohio River Road / Wheelersburg, Ohio 45694 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549

natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Adams County Regional Water District
9203 State Route 136
West Union, Ohio 45693

We have reviewed the *Independent Auditor's Report* of the Adams County Regional Water District, Adams County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Adams County Regional Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 06, 2022

This page intentionally left blank.

Adams County Regional Water District
Table of Contents
For the Year Ended December 31, 2021

Title	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Financial Statements:	
Statement Net Position.....	12
Statement of Revenues, Expenses and Changes in Net Position.....	14
Statement of Cash Flows	16
Notes to Financial Statements.....	18
Required Supplementary Information:	
Schedule of District's Proportionate Share of the Net Pension Liability-Last Eight Years.....	45
Schedule of District's Proportionate Share of the Net OPEB Liability/(Asset) -Last Four Years	46
Schedule of the District Pension Contributions – Last Ten Years.....	47
Schedule of the District Health Care Contributions – Last Ten Years.....	48
Notes to Required Supplementary Information	49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	51

Independent Auditor's Report

Board of Trustees
Adams County Regional Water District
9203 State Route 136
West Union, Ohio 45693

Report on the Audit of Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

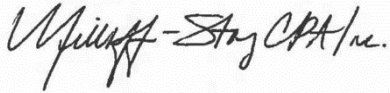
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the net pension and OPEB liabilities/assets and employer contributions schedules on pages 45 through 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

May 23, 2022

Adams County Regional Water District

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

The following discussion provides a summary overview of the financial activities of the Adams County Regional Water District ("the District") for the year ended December 31, 2021. The information should be read in conjunction with the basic financial statements included in this report.

The Management's Discussion and Analysis (MD&A) is an element of reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

- Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$10,893,619 as of December 31, 2021.
- Net position increased by \$991,933 in 2021.
- Operating revenues increased by \$34,968 in 2021 and operating and maintenance expenses decreased by \$556,491 in 2021.
- Retirement of debt principal totaled \$889,358 for 2021 but there were no additions to debt principal for 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the accompanying notes to the financial statements. These statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities), deferred inflows and outflows of resources, and District net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows or resources). It provides a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Adams County Regional Water District

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

The Statement of Revenues, Expenses and Changes in Net Position present a summary of how the District's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

The Statement of Cash Flows provides information about the District's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

Financial Analysis of the District's Financial Position and Results of Operations

The tables below provide a summary of the District's financial position and operations for 2021 and 2020 respectively.

Table 1

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current & other assets	\$ 9,678,072	\$ 9,151,741
Capital assets, net	8,836,696	9,690,127
Deferred Outflows	197,400	338,364
Total assets/outflows	18,712,168	19,180,232
<u>Liabilities</u>		
Current & other liabilities	2,323,179	3,326,369
Long-term debt	4,623,171	5,556,115
Deferred Inflows	872,199	396,062
Total liabilities/inflows	7,818,549	9,278,546
<u>Net Position</u>		
Invested in capital assets, net of related debt	3,285,202	3,249,273
Restricted for debt service	31,172	31,104
Unrestricted	7,577,245	6,621,309
Total net position	\$ 10,893,619	\$ 9,901,686

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$10,893,619 as of December 31, 2021 compared to \$9,901,686 as of December 31, 2020. The net investment in capital assets as of December 31, 2021 was \$3,285,202 in comparison to \$3,249,273 as of December 31, 2020.

Adams County Regional Water District

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

The largest portion of the District's net position is reflected in its cash and certificates of deposit, and its capital assets, less accumulated depreciation and related debt outstanding. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirements.

For the year ended December 31, 2021, total assets of the District decreased by \$327,100 due mainly to an increase in accumulated depreciation. Total liabilities as of December 31, 2021 decreased by \$1,936,134 due mainly to retirement of debt and a significant decrease in net pension and OPEB liabilities. Deferred inflows and outflows of resources changed as a result of activity determined by actuaries of the retirement system.

The following table summarizes the changes in revenues and expenses for the District between 2021 and 2020:

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31,

	<u>2021</u>	<u>2020</u>
<u>Operating revenue</u>		
Sales to customers	\$ 3,177,384	\$ 3,093,552
Sales to public authorities	806,948	825,566
Other revenues	114,271	144,517
Total operating revenue	<u>4,098,603</u>	<u>4,063,635</u>
<u>Non-operating revenue</u>		
Interest income	39,175	66,774
Insurance Proceeds	-	5,720
Gain on disposal of assets	-	25,407
Total non-operating revenue	<u>39,175</u>	<u>97,901</u>
Total revenue	<u>4,137,778</u>	<u>4,161,536</u>
<u>Operating expense</u>		
Operations	1,437,509	2,051,877
Maintenance	355,381	297,504
Depreciation	1,283,407	1,249,657
Total operating expense	<u>3,076,297</u>	<u>3,599,038</u>

Adams County Regional Water District

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

Table 2 (Continued)
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31,

	2021	2020
Non-operating expense		
Interest expense	\$ 173,148	\$ 204,896
Total non-operating expense	<u>173,148</u>	<u>204,896</u>
Total expense	3,249,445	3,803,934
Income (Loss) before contributions	888,333	357,602
Capital contributions		
Tap fee revenue	103,600	114,348
Total capital contributions	<u>103,600</u>	<u>114,348</u>
Change in net position	<u>\$ 991,933</u>	<u>\$ 471,950</u>

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2021:

- Operating revenue increased \$34,968 in 2021.
- Non-operating revenues decreased by \$58,726 due to decrease in interest income from 2020 to 2021.
- Operating expenses decreased by \$522,741 due to a decrease in pension expense in 2021. Total expenses decreased by \$554,489 in 2021.
- Non-operating expenses decreased by 31,748 due to decrease in interest expense in 2021.

Capital contributions decreased by \$10,748 in 2021. These contributions consist of customer contributions, grants from various agencies used to help cover the costs of line extensions and tap fees.

Capital Assets

As of December 31, 2021, the District had \$8,836,696 invested in capital assets (net of depreciation). This amount represents a net decrease of \$853,431 in 2021.

Adams County Regional Water District

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

**Table 3
Capital Assets**

	2021	2020
Land and improvements	\$ 881,149	\$ 881,149
Construction in progress	235,879	105,434
Buildings	711,115	706,320
Wells and wellfield improvements	1,916,582	1,897,431
Mains, lines, and meters	31,834,152	31,687,834
Storage tanks	3,358,944	3,356,144
Water treatment & other equipment	2,198,825	2,072,357
Less: Accumulated depreciation	<u>(32,299,950)</u>	<u>(31,016,542)</u>
Totals	<u>\$ 8,836,696</u>	<u>\$ 9,690,127</u>

Major additions in 2021 and 2020
at cost included:

2020 Dodge Ram 1500 Trucks (3)	-	79,325
Rebuild Byron Jackson Motor	-	29,114
Decatur Tank Rehab	-	262,051
GIS - Phase III	-	30,031
Electric Pedestals Upgrade	-	94,631
Relocate 1200' line on SR 41	22,198	-
GIS - Phase IV	30,245	-
Cat 308 Mini excavator	113,612	-
	<u>\$ 166,055</u>	<u>\$ 495,152</u>

Additional information on the District's capital assets can be found in Note 11 to the financial statements.

Debt Administration

The District finances its construction primarily through the issuance of revenue bonds or through low interest loan programs with the State of Ohio. At December 31, 2021, the District had total debt outstanding of \$5,551,494 compared to \$6,440,852 at December 31, 2020. This represents a net decrease in 2021 of \$889,358 due to principal payments on debt.

Additional information on the District's long-term debt can be found in Note 5 to the financial statements.

Adams County Regional Water District

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

Economic Factors for 2021 and Budget for 2022

Adams County Regional Water District continued to operate as an essential entity throughout the year to provide safe potable water to its customers despite the COVID-19 pandemic.

ACRWD increased water rates in January of 2021 based on the rate study performed in 2020.

The minimum stayed the same at \$21.00 for the first one thousand gallons but increased from \$7.00 per thousand to \$7.25 per thousand, after the minimum charge, based on a 5/8" tap. Larger-sized taps increased proportionately. Wholesale rates increased to \$3.55 per thousand to \$3.60 in July of 2021.

ACRWD sold seventy-five water taps in 2021 and anticipates selling approximately seventy taps in 2022. More could be sold depending upon the installation of proposed miscellaneous water line projects.

Improvements made in the District during 2021 included relocating a water line on State Route 41 and the construction of a line extension on Mack Road. Major expenditures during 2021 included the purchase of a CAT 308 mini excavator, a potassium permanganate pump for the water treatment plant, a pump for the Cherry Fork Booster, liner screens for Well #2 and the cleaning of this well. Improvements made to the District's grounds and buildings included new flooring for a portion of the water treatment plant. The District continued working on the geographical information system (GIS) with Phase IV completed in 2021. Phase IV of the asset management program was also completed in 2021.

The operating budget for 2022 is \$4,617,520. Capital improvements scheduled for 2022 include additional cameras purchased for security, epoxy coating floors at the water treatment plant, the purchase of a mini loader and a sweeper broom for the skid steer, the purchase of miscellaneous water treatment plant equipment and the purchase of computers and accessories. The painting and maintenance of at least one of the District's water storage tanks is scheduled for 2022. If funding is received, two tanks will be painted. Additional funds are allocated for Phase V of both the GIS and asset management systems.

The District is still in the process of replacing water lines in the Rigdon Road/Logans Lane areas and is utilizing general funds to construct these lines. This project allows the District to serve these areas without having to utilize the Village of West Union's water lines to pass through.

The Winchester Industrial Park Water Line engineering has started. A booster, water storage tank, and a water line will be constructed to upgrade water pressures in the

Adams County Regional Water District

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

State Route 136 area south of Winchester and to serve the proposed Winchester Industrial Park just west of Winchester. The funding for this project is still being finalized.

The District is planning to utilize American Rescue Plan Act funds as a sub-grantee of local townships for monies received through the Coronavirus Local Fiscal Recovery funds to be used specifically for the upgrade or new installation of materials to assure a much-needed potable water supply to the residents of these townships.

Contacting the District's Financial Management

This report is designed to provide the District's customers, bondholders, creditors, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the General Manager, Adams County Regional Water District, 9203 State Route 136, PO Box 427, West Union, OH 45693.

**This Page
Intentionally Left Blank**

ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$	5,572,353
Certificates of deposit		2,798,142
Accounts receivable		
Customers, net of allowance for doubtful accounts of \$0		572,453
Other receivables		1,438
Accrued interest receivable		1,224
Inventories		534,005
Prepaid expenses		58,822
Total current assets		9,538,437

Non current assets:

Restricted cash and certificates of deposit		31,172
Net OPEB asset		108,463

Capital assets (at cost):

Non depreciable capital assets		
Land		788,396
Construction in progress		235,879
Total non depreciable assets		1,024,275

Depreciable capital assets

Land improvements		92,753
Buildings		711,115
Wells and wellfield improvements		1,916,582
Mains, lines and meters		31,834,152
Storage tanks		3,358,944
Water treatment and plant equipment		583,639
Trucks, tractors and radio equipment		1,384,041
Office furniture and equipment		231,145
Less: accumulated depreciation		(32,299,950)
Total depreciable capital assets		7,812,421
Total capital assets (net of depreciation)		8,836,696
Total non current assets		8,976,331

Total assets

\$ 18,514,768

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - OPEB		59,835
Deferred outflows - Pension		137,565
Total deferred outflows of resources		197,400

See the notes to the financial statements

ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

LIABILITIES

Current liabilities:

Accounts payable	\$ 77,367
Accrued expenses	249,862
Accrued interest	76,093
Current portion of long-term debt	928,323
Customer deposits	<u>23,250</u>
Total current liabilities	1,354,895

Non current liabilities:

Net pension liability	968,284
Long-term debt, less current portion	<u>4,623,171</u>
Total non current liabilities	5,591,455

Total liabilities

6,946,350

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - OPEB	378,370
Deferred inflows - Pension	<u>493,829</u>
Total deferred inflows of resources	872,199

NET POSITION

Net investment in capital assets	3,285,202
Restricted for debt service	31,172
Unrestricted net position	<u>7,577,245</u>

Total net position

\$ 10,893,619

ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES

Sales to customers	\$ 3,177,384
Sales to public authorities	806,948
Other revenues	114,271
Total operating revenues	4,098,603

OPERATING EXPENSES

Salaries	921,549
Utilities	300,430
Depreciation expense	1,283,407
Repairs	307,679
Truck expense	47,702
Supplies	38,557
Pension expense	(393,250)
Payroll taxes	15,052
Insurance - other than health	50,795
Insurance - health & life	318,092
Office supplies and postage	42,409
Legal and engineering fees	2,706
Accounting fees	26,433
Director fees	39,600
Advertising	967
Bank charges	2,824
Bad debt expense	11,155
Other expenses	60,190
Total operating expenses	3,076,297

OPERATING INCOME (LOSS) 1,022,306

NON OPERATING REVENUES (EXPENSES)

Interest income	39,175
Interest expense	(173,148)
Total non operating revenues (expenses)	(133,973)

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS 888,333

CAPITAL CONTRIBUTIONS

Tap fees	103,600
Total capital contributions	103,600

**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021**

INCREASE (DECREASE) IN NET POSITION	991,933
--	---------

NET POSITION

Beginning of year	9,901,686
End of Year	<u>\$ 10,893,619</u>

ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 4,109,425
Cash payments to employees for services	(921,546)
Cash payments to suppliers for goods and services	<u>(1,529,349)</u>
Net Cash provided by Operating Activities	1,658,530
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments	<u>39,844</u>
Net Cash Provided by Investing Activities	39,844
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of operating facilities, including construction in progress and capitalized interest	(429,979)
Members' tap fees	103,600
Payments on long term debt obligations	(889,358)
Interest paid on long term debt obligations	<u>(188,483)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,404,220)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	294,154
CASH AND CASH EQUIVALENTS - Beginning of period	<u>8,107,513</u>
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 8,401,667</u>

See the notes to the financial statements

**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
FLOWS PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	\$ 1,022,306
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,283,407
Changes in assets, liabilities and deferred resources:	
Accounts receivable, customers and other	10,822
Inventories	(126,918)
Prepaid expenses	(8,287)
Deferred outflows of resources	140,964
Net pension liability	(261,339)
Net OPEB liability	(800,164)
Net OPEB asset	(108,463)
Accounts payable and other accrued expenses	30,062
Deferred inflows of resources	<u>476,140</u>
Net Cash Provided by Operating Activities	<u>\$ 1,658,530</u>

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 1. DESCRIPTION OF ENTITY

(a) Description of Operations

Adams County Regional Water District (the "District"), was organized under the provisions of Section 6119 of the Ohio Revised Code on January 1, 1997. Prior to that date, the District was operated as an Ohio not-for-profit corporation known as Adams County Water Co., Inc. The District provides water service to its customers in Adams County and a portion of Brown County. The accounting policies used by the District reflect practices common to the industry.

(b) Reporting Entity

The financial reporting entity consists of the Adams County Regional Water District (the primary government). No component units have been separately organized.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Accounting

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows of resources net of total liabilities plus deferred inflows of resources) is segregated into invested in capital assets; restricted for debt service; and unrestricted components.

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Management of the District has made certain estimates and assumptions relating to the reporting of assets, liabilities, deferred inflows and outflows of resources, revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

(b) Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the District's net position of the pension plans and additions to/deductions from the District's net position have been determined on the same basis as they are reported by the pension systems. For this purpose, deductions are recorded when the liability is incurred and revenues are recognized when earned. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Refunds, for any member who makes a written application to withdraw his/her contributions, are payable two months after termination of the member's OPERS-covered employment. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Additions to the pension plans consist of contributions (member and employer), other contracts and receipts, interplan activities, net investment income, and other miscellaneous income measurable pursuant to formal commitments, statutory and contractual requirements. Accordingly, both member and employer contributions for the year ended December 31, 2021 include year-end accruals based upon estimates derived from subsequent payment activity and historical payment patterns. Member and employer contributions are due 30 days after the month in which the salaries are earned and based on pay period end date. Plan changes, settlement activity and other interplan activity are recorded as an addition or deduction based on the nature of the transaction, when the transaction occurs. Investment purchases and sales are recorded as the trade date and generally reported at fair value.

(c) Other Postemployment Benefits

For purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to health care, and employer OPEB expense, information about the District's net position of health care plans and additions to/deductions from the District's net position have been determined on the same basis as they are reported by the health care systems. For this purpose, deductions are recorded when the liability is incurred and revenues are recognized when earned. Health care payments are considered a liability and recognized in the District's Statement of Net Position when present obligation exists and a condition that requires that the event creating the liability has taken place. Therefore, OPEB plan liabilities are recognized when the payments are currently due and payable in accordance with the health care terms, as clarified in GASB 74. GASB 74 also requires health care expenses be reported

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

net of certain health care receipts.

Note 3. ASSETS, LIABILITIES AND NET POSITION

(a) Cash and Cash Equivalents

For the purposes of the statement of cash flows, the District considers cash in operating bank accounts, money market accounts, and certificates of deposit with an original maturity of three months or less as cash.

(b) Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method.

(c) Capital Assets

Capital assets are stated at cost. Construction period interest is capitalized as part of construction costs. During the year ended December 31, 2021, the District capitalized \$5,171 of interest. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred; major renewals and betterments, over a \$1,000 threshold, are capitalized.

(d) Depreciation

Provision for depreciation has been made on the basis of estimated lives of assets, using the straight-line method. Depreciable lives for the various assets are as follows:

Land improvements	0-20 Years
Building	45 Years
Wells and wellfield improvements	10-20 Years
Mains, lines and meters	20-50 Years
Storage tanks	10-50 Years
Equipment	5-10 Years

(e) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

(f) Customer Accounts Receivable

Customer accounts receivable are stated at face value, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. Doubtful accounts are charged against the allowance when management believes the collectability of the account is unlikely.

(g) Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. Revenues are recognized when earned and expenses when incurred. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

(h) Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Of the District's \$31,172 in restricted net position, none were restricted by enabling legislation.

Unrestricted net position – This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

(i) Investments and Investment Policy

The District has adopted an investment and depository policy, which states that the District will invest in the following instruments, as provided by Section 135.35 of the Ohio Revised Code.

- Securities of the United States Government
- Federal agency obligations
- Repurchase agreements
- State of Ohio bonds and other obligations
- No-load money market mutual funds
- State Treasurer's investment pool (STAROhio)
- Certain bankers' acceptances and commercial paper notes

Note 4. RESTRICTED CASH AND CERTIFICATES OF DEPOSIT

Restricted cash and certificates of deposit consist of savings accounts that represent amounts designated as reserved to comply with loan agreements with the U.S. Department of Agriculture Rural Development described more fully in Note 5.

Note 5. LONG-TERM DEBT

During 2011, the District entered into two long term debt arrangements related to the Lawshe Road Waterline Extension. The District borrowed \$173,713 from the Ohio Public Works Commission. The loan has a 0% interest rate and a final maturity in 2041. The District also obtained a Water Resource Revenue Bond from the United States of America Department of Agriculture for \$736,000 at a rate of 2.38% with a maturity of 2050.

During 2013, District entered into one long term debt arrangement related to the Sunshine Ridge Waterline Extension. The District borrowed \$427,718 from the Environmental Protection Agency's Drinking Water Assistance Fund through the Ohio Water Development Authority. Of this amount, \$126,982 of the principal has been forgiven, leaving the loan balance at \$300,736. This loan has a 1.88% interest rate and a final maturity in 2043.

During 2015, the District obtained a loan through the Ohio Water Development Authority's Drinking Water Fund for the Bettys Creek/Peach Mountain Waterline Extension. The amount of loan proceeds disbursed was \$239,820. Of this amount, \$47,320 of the principal has been forgiven, leaving the loan at \$192,500. There will be 40 payments over 20 years beginning July 1, 2016 with an interest rate of 1.39% and a final maturity in January 1, 2036.

On February 18, 2016, The Ohio Water Development Authority (OWDA) implemented an

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

interest rate buy-down program to assist local borrowers with interest rates higher than 4.00%. The buy-down, which reduced rates to 4.00%, commenced retroactively with the payment due on January 1, 2016 and will carry through to the maturity date of the affected loans. The total amount of estimated savings the District will realize over the remaining life of these loans is \$922,557.

The construction of a water storage tank in the Louisville Road area was completed in 2017. Funding for this project included an Ohio Public Works Commission loan in the amount of \$103,564, and a loan through the Water Supply Revolving Loan Account from the Ohio EPA for \$10,698. The semi-annual payments for the OPWC Loan began July 1, 2018 (interest-free) for 30 years, while Water Supply Revolving Loan began January 1, 2018 with an interest rate of 1.08% for 20 years.

Two major projects were constructed in 2018. The US 52 Water Line Replacement Project and the Miscellaneous Water Line Extensions, which were finalized in 2019. Both projects were funded by EPA loans and ARC grants. Funding for the US Water Line Replacement Project consists of an OWDA Loan in the amount of \$54,940, amortized over 20 years at 1.31% interest rate, semi-annual payments of \$3,132, with final payment due in 2038. The District also obtained a \$283,473 OWDA loan for the Miscellaneous Lines Project in 2018. This terms of this loan includes 0% interest, 20-year, semi-annual payments of \$7,087, which began July 1, 2019, with final payment due in 2039.

During 2002, the District obtained a loan through the Ohio Water Development Authority for the eastern loop waterline project. This loan was in the amount of \$8,211,201, amortized over 25 years at a 6.39% interest rate, with semi-annual payments of \$342,839. The final loan payment due in 2026.

During 2000, the District obtained a loan through the Ohio Water Development Authority for the water treatment plant improvements. This was in the amount of \$2,555,516, amortized over 25 years at a 2.0% interest rate, with semi-annual payments of \$66,981. The final loan payment is due in 2024. The District obtained a second loan for water treatment plant improvements in 2000. This was in the amount of \$1,351,270, amortized over 25 years at a 5.86% interest rate, with semi-annual payments of \$54,013. The final loan payment is due in 2024.

During 2000, the District obtained a loan through the Ohio Water Development Authority for Green Township water line and tank upgrades. This was in the amount of \$668,695, amortized over 25 years at a 5.56% interest rate, with semi-annual payments of \$25,260. The final loan payment is due in 2025.

During 2000, the District obtained a loan through the Ohio Water Development Authority for water distribution improvements. This was in the amount of \$2,019,914, amortized over 25 years at a 2.0% interest rate, with semi-annual payments of \$53,061. The final

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

loan payment is due in 2025.

During 2003, the District obtained a loan through the Ohio Water Development Authority for a Dutch Thomas Road waterline extension. This was in the amount of \$38,808, amortized over 20 years at a 5.15% interest rate, payable in semi-annual payments of \$1,591. The final loan payment is due in 2022.

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	928,322	163,997	1,092,319
2023	971,124	132,708	1,103,832
2024	1,018,216	101,253	1,119,469
2025	750,810	64,977	815,787
2026	714,692	37,810	752,502
2027-2031	313,963	79,461	393,424
2032-2036	328,182	59,761	387,943
2037-2041	250,554	40,282	290,836
2042-2046	162,153	22,234	184,387
2047-2050	<u>113,478</u>	<u>6,511</u>	<u>119,989</u>
Total	<u>\$ 5,551,494</u>	<u>\$ 708,994</u>	<u>\$6,260,488</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2021:

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Long Term Debt					
	Balance		Principal	Balance	Due Within
	12/31/2020	Additions	Payments	12/31/2021	One Year
2011 water resource revenue bond R-91-10	611,000	-	14,200	596,800	14,600
N/P OWDA, semiannual installments of \$342,839, #3287	3,373,237	-	477,639	2,895,598	508,647
N/P OWDA, semiannual installments of \$66,981, #2598	510,124	-	123,759	386,365	126,235
N/P OWDA, semiannual installments of \$54,013, #3127	374,334	-	86,090	288,244	91,135
N/P OWDA, semiannual installments of \$25,260, #2138	198,710	-	40,020	158,690	42,276
N/P OWDA, semiannual installments of \$53,061, #2599	452,172	-	97,079	355,093	99,021
N/P OWDA, semiannual installments of \$1,591, #3600	5,974	-	2,911	3,063	3,063
N/P OPW, semiannual installments of \$2,895, #91-04	124,495	-	8,686	115,809	5,790
N/P OWDA, semiannual installments of \$6,581, #6405	218,915	-	7,688	211,227	7,833
N/P OWDA, semiannual installments of \$5,529, #6950	153,714	-	8,952	144,762	9,077
N/P OWDA, semiannual installments of \$298.10, #7402 1/1/18 1st pmt	9,237	-	498	8,739	503
N/P OPW, semiannual installments of \$1726.06, #CO03S	96,660	-	5,178	91,482	3,452
N/P OWDA, semiannual installments of \$1565.76, #7949 1/1/19 1st pmt	50,068	-	2,484	47,584	2,516
N/P OWDA, semiannual installments of \$7086.83, #7976 7/1/19 1st pmt	262,212	-	14,174	248,038	14,174
	6,440,852	-	889,358	5,551,494	928,322

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Capital assets, together with all revenue and service charges which may arise from the operations of the District, are pledged for the payment of revenue bond debt.

The notes payable OWDA and OPWC are secured by operating facilities.

Bond indentures contain significant requirements for debt reserve and flow of funds through restricted accounts. The District is required to accumulate over a ten year period a reserve balance equal to one annual installment including principal and interest. The reserve balance at December 31, 2021 was \$31,172. This amount equaled the required reserve.

The OWDA loans are subject to default stipulations. According to OWDA loan agreements, if the District fails to make a payment, the amount of such default shall bear interest at the Default Rate from the date of the default until the date of the payment thereof. All costs incurred by the State in curing such default including, but not limited to, court costs and attorney's fees shall be paid by the District upon demand and shall not be eligible for financing from the Drinking Water Assistance Fund.

In the event that the District fails to make a *full* payment, the amount of any such *partial* payment first shall be applied as interest on the loan, with the remainder being applied toward the payment of the outstanding principal.

Neither the general resources nor the general credit of the District shall be required, or pledged, for the performance of any duty. The agreements do not represent or constitute debts or a pledge of faith and credit of the District. However, if otherwise lawful, nothing shall be deemed to prohibit the District from using, of its own volition, any of its general resources for the fulfillment of any of the terms and conditions of the OWDA loan agreements.

Note 6. CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction consist of contributions from customers and grants from USDA Rural Development and various government agencies for the construction of water mains to serve customers.

Note 7. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

(NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but will be needed before the end of the current period of designation of depositories.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or securities 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

7. The State Treasurer's investment pool (STAROhio)
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed ten percent of the District's total average portfolio; and
10. Bankers acceptances of banks that are insured by the Federal Deposit Insurance Corporation and that mature not later than 180 days after purchase.

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

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. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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.

Cash on Hand: At December 31, 2021, the District had \$78 in undeposited cash on hand which is included on the statement of net position of the District as part of "cash and cash equivalents".

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the District's bank balance of \$8,401,588 was either covered by Federal Deposit Insurance or collateralized by the Ohio Pooled Collateral System, as described below.

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

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

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 a 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.

All of the District's financial institutions are enrolled in the OPCS.

Note 8. PENSION BENEFITS

Statement No. 68 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* which requires public employers to provide detailed disclosure of pension information in financial statements and accompanying information.

(a) Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan-a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan-a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan-a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

(b) OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

(c) Authority to establish and amend benefits is provided in Chapter 145 of the Ohio

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Revised Code.

- (d) OPERS issues a stand-alone 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, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.
- (e) The Ohio Revised Code provides statutory authority for member and employer contributions. For 2021, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.
- (f) The 2021 member contribution rates were 10.00% of earnable salary for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00% respectively.
- (g) The 2021 employer contribution rate for state and local employers was 14.00% of earnable salary. The law enforcement and public safety division, employer contribution rate was 18.10% of earnable salary.
- (h) The District contributed \$134,208 to the traditional plan for 2021.

Within the Traditional Pension Plan, OPERS classifies employees into four divisions: State, Local, Law Enforcement and Public Safety. The Public Safety and Law Enforcement divisions have different contribution rates, benefit formulas, and retirement eligibility requirements than those of the State and Local members. The member and employer contribution rates are set in statute. Both the member and employer contribution rates for Public Safety and Law Enforcement members are higher than those of the State and Local members to recognize the higher cost of these benefits. Accordingly, for the Traditional Pension Plan both member and employer contributions are used to calculate the proportionate share for employers in OPERS Schedule of Employer Allocations.

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

At December 31, 2021, the District reported a liability of \$968,284 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts,

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

actuarially determined. At December 31, 2020, the District's proportion was .006539%. The pensions expense reported by the District at December 31, 2021, was \$19,759.

Net Pension Liability	Traditional Plan (in millions)
Total Pension Liability	\$112,833
Plan Fiduciary Net Position	<u>98,025</u>
Employer's Net Pension Liability	<u>\$14,808</u>
Plan Fiduciary Net Position as a Percentage of The Total Pension Liability	86.88%

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key Methods and assumptions used in the latest actuarial valuation reflecting experience study results, prepared as of December 31, 2020 are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Valuation Date	December 31, 2020
Experience Study	5-Yr Pd - Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: .50% Simple through 2021, then 2.15% Simple

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013, retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple. Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

improvement back to the observation period base year of 2006. The base period 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 period 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 particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above describe tables.

The discount rate used to measure the OPERS total pension liability was 7.2% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the District’s proportionate share of the net pension liability or asset calculated using the discount rate of 7.2%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Sensitivity of Net Pension Liability/(Asset) to Changes in the Discount Rate			
District’s Proportionate Share of The Net Pension Liability/(Asset) As of December 31, 2020	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
Traditional Pension Plan	\$1,847,006	\$ 968,284	\$ 237,627

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board 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 following table displays the OPERS Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Asset Class	Target Allocation For 2020	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	25.00%	1.32%
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	9.00	4.75
TOTAL	100.00%	5.43%

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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Average Remaining Service Life: GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2020, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 2.5076 years, for the Combined Plan was 8.85461 years, and for the Member-Directed Plan was 10.2935 years. Employers should use these amounts when calculating elements of pension expense subject to amortization requirements as defined in GASB 68 and reported in the Schedule of Collective Pension Amounts.

Deferred Inflows and Deferred Outflows: As noted in OPERS Schedule of Collective Pension Amounts, the deferred inflows and outflows do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2020. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries and then applying the District's proportionate share percentage, and the current year amortization on those amounts included in pension as of and for the year ended December 31, 2020.

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

	OPERS
Deferred Outflows	
Change in Proportion and Differences	3,357
Subsequent Contributions	134,208
Total Deferred Outflows	137,565
Deferred Inflows	
Difference Between Expected and Actual Experience	40,504
Difference Between Projected and Actual Investment Earnings	377,409
Change in Proportion and Differences	75,916
Total Deferred Inflows	493,829

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be calculated by employers and recognized as a reduction of the net pension liability in the employer's financial statements, as applicable. Other cumulative amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the following table.

Cumulative Deferred Outflows/(Inflows) by Resources by Year to be recognized in Future Pension Expenses

Year Ending December 31	Traditional Pension Plan Net Deferred (Inflows)/Outflows of Resources
2021	\$(186,982)
2022	\$(62,525)
2023	\$(180,555)
2024	\$(60,410)
2025	-
Total	\$(490,472)

Additional Financial and Actuarial Information: Additional information supporting the preparation of OPERS Schedules of Collective Pension Amounts and Employer Allocations (including the disclosure of the net pension liability/(asset), required supplementary information on the net pension liability/(asset), and the unmodified audit opinion on the combined financial statements) is located in OPERS 2020 CAFR. This CAFR is available at www.opers.org or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 9. POST-EMPLOYMENT BENEFITS

Statement 75 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial requirements for OPEB plans.

(a) Plan Description

OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Pension Plan, a cost sharing, multiple-employer defined benefit pension plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a defined contribution plan. All state and local governmental employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the member's employment. Contributions made prior to the member's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, vendor selected OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

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

(b) Funding Policy

The OPERS funding policy provides for periodic member and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the System's actuary. All contribution rates were within the limits authorized by the ORC.

Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2020. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefit when due.

The following table displays the member and employer contribution rates as a percent of covered payroll for each division for 2020. With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for funding of post-employment health care coverage. The portion of Traditional Pension

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Plan and Combined Plan employer contributions allocated to health care was zero for 2020. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts in 2020 was 4.0%.

Board of Trustees – Approved Contribution Rates All Plans		
	2020 Employee Rate	2020 Employer Rate
State Division	10.0%	14.0%
Local Division	10.0	14.0
Law Enforcement Division	13.0	18.1
Public Safety Division	12.0	18.1

The member and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10% and 14%, respectively. The Public Safety and Law Enforcement employer rates are also set at the maximum authorized rate of 18.1%. The member rate for Public Safety is determined by the Board and has no maximum rate established by the ORC. The member rate for Law Enforcement is also determined by the Board, but is limited by the ORC to not more than 2% greater than the Public Safety rate.

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

At December 31, 2021, the District reported an asset of \$108,463 for its proportionate share of the net OPEB asset. The net OPEB asset and total OPEB asset were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans. The District’s proportion of the net OPEB asset was based on the Employer’s share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At December 31, 2020, the District’s proportion was .006090%. The OPEB expense reported by the District at December 31, 2021, was \$(438,412).

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Net OPEB Liability/(Asset)	Traditional Plan (in millions)
Total OPEB Liability	\$11,446
Plan Fiduciary Net Position	<u>13,227</u>
Employer's Net OPEB Liability/(Asset)	<u>\$ (1,781)</u>
Plan Fiduciary Net Position as a Percentage Of Total OPEB Liability	115.57%

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

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

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Valuation Date	December 31, 2019
Rolled-Forward Measurement Date	December 31, 2020
Experience Study	5-Yr Pd - Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.00%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	8.5% initial, 3.5% ultimate in 2035

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

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

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.

A single discount rate of 6.00% was used to measure the OPEB asset/liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) 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% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB fiduciary net position and future contributions were sufficient to finance the health care costs through the year 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

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

Sensitivity of Net OPEB Liability/(Asset) to Changes in the Discount Rate			
	1% Decrease	Single Discount Rate	1% Increase
As of December 31, 2020	5.00%	6.00%	7.00%
Employers' Net OPEB Liability	\$(26,979)	\$(108,463)	\$(175,514)

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% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

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% in the most recent valuation.

Sensitivity of Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rate			
		Current Health Care Cost Trend Rate Assumption	
As of December 31, 2020	1% Decrease		1% Increase
Employers' Net OPEB Liability	\$(111,143)	\$(108,463)	\$(105,540)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2020	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00	5.64
REITs	7.00	6.48
International Equities	25.00	7.36
Other Investments	9.00	4.02
TOTAL	100.00%	4.43%

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 rates of return by the target asset allocation percentage, adjusted for inflation.

1. Average Remaining Service Life

GASB 75 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in OPEB expense over the average remaining service life of all employees provided with coverage through

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

the health care plans (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2020, the average of the expected remaining service lives of all employees calculated by our external actuaries was 2.6345 years. Employers should use this amount when calculating elements of OPEB expense subject to amortization requirements as defined in GASB 75 and reported in the Schedule of Collective OPEB Amounts.

As noted in the Schedule of Collective OPEB Amounts, the deferred inflows and outflows do not include the layer of amortization that is recognized in current year OPEB expense and represents the balances of cumulative deferred amounts as of December 31, 2020. The following table discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in OPEB expense as of and for the year ended December 31, 2020. This information is included to assist employers with tracking the amortization tiers for each year to be recognized in future OPEB expense.

	OPERS
Deferred Outflows	
Change in Assumptions	53,339
Change In Proportion and Differences	6,496
Total Deferred Outflows	59,835
Deferred Inflows	
Difference Between Expected and Actual Experience	97,919
Change in Assumptions	175,800
Difference Between Projected and Actual Investment Earnings	57,788
Change in Proportion and Differences	46,863
Total Deferred Inflows	378,370

Amounts reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be calculated by employers and recognized as a reduction of the net OPEB liability in the employer's financial statements, as applicable. Other cumulative amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as disclosed in the following table:

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Cumulative Deferred (Inflows)/Outflows by Resources by Year to be recognized in Future OPEB Expenses	
Year Ending December 31	OPEB Net Deferred (Inflow)/Outflows of Resources
2021	\$(166,445)
2022	(112,802)
2023	(30,907)
2024	(8,381)
2025	-
Thereafter	-
Total	\$(318,535)

2. Additional Financial and Actuarial Information

Additional information supporting the preparation of the Schedules of Collective OPEB Amounts and Employer Allocations (including the disclosure of the net OPEB liability, required supplementary information on the net OPEB liability, and the unmodified audit opinion on the combined financial statements) is located in OPERS 2020 CAFR. This CAFR is available at www.opers.org or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Note 10. TERMINATION BENEFITS

The District's liabilities for benefits upon termination of employment are not estimable and, therefore, have not been recognized in the financial statements.

Note 11. CAPITAL ASSETS

The balance of capital assets at December 31, 2021 consists of the following:

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/2021</u>
Land and land improvements	\$ 881,149	\$ -	\$ -	\$ 881,149
Accumulated depreciation	(63,660)	(4,206)	-	\$ (67,866)
Buildings	706,320	4,795	-	\$ 711,115
Accumulated depreciation	(518,742)	(25,601)	-	\$ (544,343)
Wells and wellfield improvements	1,897,431	19,151	-	\$ 1,916,582
Accumulated depreciation	(1,583,332)	(43,593)	-	\$ (1,626,925)
Mains, lines and meters	31,687,834	146,318	-	\$ 31,834,152
Accumulated depreciation	(25,237,922)	(1,000,945)	-	\$ (26,238,867)
Storage tanks	3,356,144	2,800	-	\$ 3,358,944
Accumulated depreciation	(1,965,364)	(91,098)	-	\$ (2,056,462)
Water treatment and plant equipment	578,965	4,674	-	\$ 583,639
Accumulated depreciation	(438,402)	(28,239)	-	\$ (466,641)
Trucks, tractors and radio equipment	1,270,429	113,612	-	\$ 1,384,041
Accumulated depreciation	(1,061,171)	(77,782)	-	\$ (1,138,953)
Office furniture and equipment	222,963	8,182	-	\$ 231,145
Accumulated depreciation	(147,949)	(11,941)	-	\$ (159,890)
Construction in progress	105,434	164,190	(33,745)	\$ 235,879
Total	<u>\$ 9,690,127</u>	<u>\$ (819,683)</u>	<u>\$ (33,745)</u>	<u>\$ 8,836,699</u>

Note 12. COMPENSATED ABSENCES

Full-time, permanent employees of the District are granted vacation benefits in varying amounts based on specified maximums depending on tenure with the District. Sick leave accrues to all employees to specified maximums. Upon termination, employees are entitled to one-half of unused sick hours up to 75 days and all accrued vacation leave. Accrued compensated absences, included in accrued expenses, as of December 31, 2021 was \$229,011.

Note 13. ECONOMIC DEPENDENCY

Adams County Regional Water District's customer base consists of villages and individuals in Adams County, Ohio and a small portion of Brown County, Ohio.

Note 14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, inquiries to employees and natural disasters. Significant risk of losses is covered by commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not exceeded this coverage in the past three years.

Adams County Regional Water District
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 15. ADVERTISING COSTS

The District expenses advertising costs as incurred. Advertising expenses amounted to \$967 in 2021.

Note 16. 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 fluctuates with market conditions, and due to the market volatility, the amounts of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact of the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 17. Contract Commitments

As a result of projects that were in progress at December 31, 2021, the District had the following significant outstanding contractual commitments at fiscal year-end.

Vendor	Contract Amount	Amount Expended as of 12/31/2021	Amount Remaning on Contract
Hull & Associates, LLC, Winchester Industrial Park	\$ 1,341,800	\$ 92,389	\$ 1,249,411
Hull & Associates, LLC, ARPA Waterline	1,523,050	-	1,523,050

**ADAMS COUNTY REGIONAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT YEARS ⁽¹⁾**

	2021	2020	2019	2018	2017	2016	2015	2014 ⁽²⁾	2013	2012
District's Proportion of the Net Pension Liability	0.006539%	0.006221%	0.006372%	0.006403%	0.006960%	0.006822%	0.006785%	0.006785%	N/A	N/A
District's Proportionate Share of the Net Pension Liability	\$ 968,284	\$ 1,229,623	\$ 1,745,162	\$ 1,004,507	\$ 1,580,498	\$ 1,181,656	\$ 818,347	\$ 799,863	N/A	N/A
District's Covered-Employee Payroll	921,043	\$ 875,257	\$ 860,707	\$ 846,143	\$ 899,664	\$ 849,109	\$ 831,824	\$ 817,787	N/A	N/A
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	105.12%	140.49%	202.76%	118.72%	175.68%	139.16%	98.38%	97.81%	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.00%	86.45%	86.36%	N/A	N/A

(1) Amounts presented as of the District's measurement date which is the prior fiscal year end.

(2) Information prior to 2014 is not available.

See accompanying notes to the required supplementary information.

**ADAMS COUNTY REGIONAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS ⁽¹⁾**

	2021	2020	2019	2018 ⁽²⁾	2017	2016	2015	2014	2013	2012
District's Proportion of the Net OPEB Liability	0.006090%	0.005793%	0.005934%	0.005970%	N/A	N/A	N/A	N/A	N/A	N/A
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (108,463)	\$ 800,164	\$ 773,675	\$ 648,698	N/A	N/A	N/A	N/A	N/A	N/A
District's Covered-Employee Payroll	921,043	\$ 875,257	\$ 860,707	\$ 846,143	N/A	N/A	N/A	N/A	N/A	N/A
District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-11.77%	91.42%	89.89%	76.67%	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	115.57%	47.80%	46.33%	54.14%	N/A	N/A	N/A	N/A	N/A	N/A

(1) Amounts presented as of the District's measurement date which is the prior fiscal year end.

(2) Information prior to 2018 is not available.

See accompanying notes to the required supplementary information.

**ADAMS COUNTY REGIONAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	\$ 134,208	\$ 128,946	\$ 122,536	\$ 120,499	\$ 118,460	\$ 125,953	\$ 118,875	\$ 116,455	\$ 114,490	\$ 120,882
Contributions in relation to the Contractually required contributions	134,208	128,946	122,536	120,499	118,460	125,953	118,875	116,455	114,490	120,882
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 958,629	\$ 921,043	\$ 875,257	\$ 860,707	\$ 846,143	\$ 899,664	\$ 849,109	\$ 831,824	\$ 817,787	\$ 863,442
Contributions as a percentage of Covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%

See accompanying notes to the required supplementary information.

**ADAMS COUNTY REGIONAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT HEALTH CARE CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ 8,461	\$ 17,993	\$ 16,975	\$ 16,630	\$ 8,175	\$ 34,536
Contributions in relation to the Contractually required contributions	-	-	-	-	8,461	17,993	16,975	16,630	8,175	34,536
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 958,629	\$ 921,043	\$ 875,257	\$ 860,707	\$ 846,143	\$ 899,664	\$ 849,109	\$ 831,824	\$ 817,787	\$ 863,442
Contributions as a percentage of Covered-employee payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%	4.00%

See accompanying notes to the required supplementary information.

Adams County Regional Water District
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

Ohio Public Employees Retirement System

Pension

Changes in Benefit Terms

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

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

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

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

Changes in assumptions

There were no changes in assumptions for 2018 or 2020.

Amounts reported beginning in 2021 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used from 2020, 2019, 2017-2018, and for 2016 and prior are presented below:

	2021	2020	2019	2017-2018	2016 and before
Wage Inflation	3.25 percent	3.25 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent	3.25 to 10.75 percent	3.25 to 10.75 percent	3.25 to 10.75 percent	4.25 to 10.05 percent
COLA or Ad Hoc COLA:					
Pre-1/7/13 retirees	3 percent , simple	3 percent , simple	3 percent , simple	3 percent , simple	3 percent , simple
Post-1/7/13 retirees	.50 percent, simple through 2021, then 2.15% simple	3 percent, simple through 2020, then 2.15% simple	3 percent, simple through 2018, then 2.15% simple	3 percent, simple through 2018, then 2.15% simple	3 percent, simple through 2018, then 2.8% simple
Investment Rate of Return Actuarial Cost	7.2 percent Individual Entry Age	7.2 percent Individual Entry Age	7.2 percent Individual Entry Age	7.5 percent Individual Entry Age	8 percent Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating

Adams County Regional Water District
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

OPEB

Changes in benefit terms

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

Changes in assumptions

	2021	2020	2019	2018	2017
Wage Inflation	3.25 percent	3.25 percent	3.25 percent	3.25 percent	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	6.00 percent	3.16 percent	3.96 percent	3.85 percent	4.23 percent
Investment Rate of Return	6.00 percent	6.00 percent	6.50 percent	6.50 percent	6.50 percent
Municipal Bond Rate	2.00 percent	2.75 percent	3.71 percent	3.31 percent	3.31 percent
Health Care Cost Trend Rate	8.5 percent, initial 3.5 percent, ultimate in 2035	10.5 percent, initial 3.5 percent, ultimate in 2030	10.0 percent, initial 3.5 percent, ultimate in 2029	7.5 percent, initial 3.25 percent, ultimate in 2028	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Adams County Regional Water District
9203 State Route 136
West Union, Ohio 45693

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Adams County Regional Water District, Adams County (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 23, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

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

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

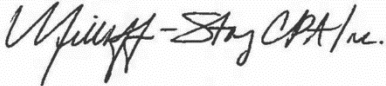
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

May 23, 2022

OHIO AUDITOR OF STATE KEITH FABER



ADAMS COUNTY REGIONAL WATER DISTRICT

ADAMS 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 6/16/2022

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

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