

BURR OAK REGIONAL WATER DISTRICT

ATHENS COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2023 and 2022





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Board of Trustees
Burr Oak Regional Water District
23554 Jenkins Dam Road
Glouster, Ohio 45732

We have reviewed the *Independent Auditor's Report* of the Burr Oak Regional Water District, Athens County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2023. 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 Burr Oak Regional Water District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 21, 2024

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**BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

To the Board of Trustees:

Report on the Financial Statements

Unmodified Opinion

We have audited the accompanying financial statements of the Burr Oak Regional Water District, Athens County, Ohio (the District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023 and 2022, and the change in financial position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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.

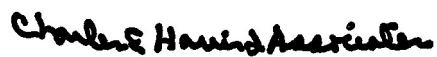
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include management's discussion and analysis, and schedules of net pension and other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions listed in the table of contents, 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 June 24, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and do not 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.



Charles E. Harris & Associates, Inc.
June 24, 2024

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022
(Unaudited)

The following discussion provides a summary overview of the financial activities of the Burr Oak Regional Water District ("the District") for the years ended December 31, 2023 and 2022. The information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$28,535,125 and \$27,478,425 as of December 31, 2023 and 2022, respectively.
- Net position increased by \$1,056,700 in 2023 and increased by \$907,029 in 2022.
- Operating revenues increased by \$283,921 (7.62%) and increased by \$399,029 (11.99%) and operating expenses increased by \$305,473 (10.36%) and increased by \$460,646 (18.51%) in 2023 and 2022, respectively.

OVERVIEW OF BASIC 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 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 Statements of Net Position include all of the District's Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The Statements of Revenues, Expenses and Changes in Net Position provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special assessments and other income. Revenues are reported when earned and expenses are reported when incurred.

The Statements of Cash Flows provide information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022
(Unaudited)

STATEMENTS OF NET POSITION

Table 1 summarizes the Statements of Net Position of the District. Capital assets are reported less accumulated depreciation. "Net Investment in Capital Assets," represents capital assets less outstanding debt that was used to acquire those assets.

(Table 1)
Net Position

	2023	2022	Difference	2021	Difference
Current and Other Assets	\$ 16,116,459	\$ 15,823,296	\$ 293,163	\$ 15,768,171	\$ 55,125
Capital Assets, Net	19,899,112	19,576,550	322,562	19,370,122	206,428
Total Assets	36,015,571	35,399,846	615,725	35,138,293	261,553
Deferred Outflows of Resources	727,651	303,373	424,278	268,921	34,452
Long Term Liabilities	7,516,174	6,864,095	652,079	7,784,895	(920,800)
Current and Other Liabilities	682,267	714,168	(31,901)	575,301	138,867
Total Liabilities	8,198,441	7,578,263	620,178	8,360,196	(781,933)
Deferred Inflows of Resources	9,656	646,531	(636,875)	475,622	170,909
Net Position					
Net Investment in Capital Assets	13,581,420	12,792,151	789,269	11,956,801	835,350
Unrestricted	14,953,705	14,686,274	267,431	14,614,595	71,679
Total Net Position	\$ 28,535,125	\$ 27,478,425	\$ 1,056,700	\$ 26,571,396	\$ 907,029

The net pension liability (NPL) is a significant liability reported by the District at December 31, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District has another liability (asset) reported at December 31, 2023 pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

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

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, it is reported separately in the other assets section of the statement of net position. In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,535,125 as of December 31, 2023, of which \$13,581,420 is for net investment in capital assets. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,478,425 as of December 31, 2022, of which \$12,792,151 is for net investment in capital assets.

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 requirement.

For the years ended December 31, 2023, and 2022, total assets of the District increased by \$615,725 and \$261,553, respectively, primarily due to an increase in capital assets and in cash for 2023 and a decrease in cash and a increase in capital assets, net for 2022. The changes in cash are primarily due to an increase in cash receipts which exceeded the increase in cash expenditures for 2023 and 2022 respectively. The increase in capital assets, net is primarily due to capital asset additions which was partially offset by depreciation expense for 2023 and 2022. For 2023, deferred outflows of resources increased due to changes in actuarial calculations for an increase in pension and OPEB deferred outflows. For 2022, deferred outflows of resources increased due to changes in actuarial calculations for an increase in pension deferred outflows which was partially offset by a decrease for OPEB deferred outflows. Total liabilities as of December 31, 2023, increased for the District by \$620,178 and as of December 31, 2022, decreased by \$781,933. For 2023 the change was primarily due to increases in the net pension and net OPEB liabilities. For 2022 the change was primarily due to decreases in long term liabilities due to principal payments.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
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(Unaudited)

STATEMENTS OF CHANGES IN NET POSITION

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

(Table 2)
Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Difference</u>	<u>2021</u>	<u>Difference</u>
Operating Revenues	\$ 4,011,726	\$ 3,727,805	\$ 283,921	\$ 3,328,776	\$ 399,029
Operating Expenses (Excluding Depreciation)	2,214,837	1,913,893	300,944	1,487,220	426,673
Depreciation	1,040,569	1,036,040	4,529	1,002,067	33,973
Total Operating Expenses	<u>3,255,406</u>	<u>2,949,933</u>	<u>305,473</u>	<u>2,489,287</u>	<u>460,646</u>
Operating Income	756,320	777,872	(21,552)	839,489	(61,617)
Non-Operating Revenues	355,545	167,422	188,123	206,724	(39,302)
Non-Operating Expenses	(55,165)	(38,265)	(16,900)	(23,491)	(14,774)
Changes in Net Position	<u>1,056,700</u>	<u>907,029</u>	<u>149,671</u>	<u>1,022,722</u>	<u>(115,693)</u>
Net Position at Beginning of Year	<u>27,478,425</u>	<u>26,571,396</u>	<u>907,029</u>	<u>25,548,674</u> *	<u>1,022,722</u>
Net Position at End of Year	<u>\$ 28,535,125</u>	<u>\$ 27,478,425</u>	<u>\$ 1,056,700</u>	<u>\$ 26,571,396</u>	<u>\$ 907,029</u>

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the years ended December 31, 2023, and 2022:

- Operating revenue increased \$283,921 (7.62%) and increased \$399,029 (11.99%) in 2023 and 2022, respectively. The increases in 2023 and 2022 were primarily due to increases in water sales for the District as a whole.
- Operating expenses increased by \$305,473 (10.36%) in 2023 primarily due to increases in personnel expenses. The increase in personnel expenses are primarily due to changes in pension and OPEB expenses which are primarily due to actuarial calculations. Depreciation expenses increased slightly due to additional District assets put into service in 2023.
- Operating expenses increased by \$460,646 (18.51%) in 2022 primarily due to increases in personnel expenses, and maintenance expenses. The increase in personnel expenses are primarily due to changes in pension and OPEB expenses which are primarily due to actuarial calculations. The increase in maintenance expenses is due to an increase in repair an maintenance of assets Depreciation expenses increased due to additional District assets put into service in 2022.

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Athens County, Ohio
Management's Discussion and Analysis
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(Unaudited)

CAPITAL ASSETS

The District had \$47,754,362 invested in capital assets (before depreciation) at the end of 2023. This amount increased from 2022 by \$1,352,091 (2.91%) for construction in progress, building additions, and several other items. The District had \$19,899,112 invested in net capital assets (after depreciation) at the end of 2023. This amount is an increase of \$322,562 (1.65%) from the previous year and is primarily due to additions which were partially offset by depreciation expense.

The District had \$46,402,271 invested in capital assets (before depreciation) at the end of 2022. This amount increased from 2021 by \$1,242,468 (2.75%) for construction in progress and several other items. The District had \$19,576,550 invested in net capital assets (after depreciation) at the end of 2022. This amount is an increase of \$206,428 (1.07%) from the previous year and is primarily due to additions which were partially offset by depreciation expense.

(Table 3)
Capital Assets at December 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 312,466	\$ 312,466	\$ 312,466
Construction in Progress	437,479	961,876	100,043
Land Improvements	90,695	53,695	40,520
Water Systems	11,362,320	11,362,320	11,356,363
Buildings	12,087,421	10,393,978	10,352,938
Groundwater Plant	12,843,169	12,843,169	12,843,169
Wellfield	2,296,027	2,296,027	2,159,939
Perry County Expansion	2,487,696	2,487,696	2,487,696
Crooksville Line Expansion	1,560,815	1,560,815	1,560,815
Bishopville Merger	2,477,578	2,477,578	2,477,578
Transportation Equipment	818,928	760,700	609,940
SCADA System	195,669	195,669	195,669
Machinery, Equipment, and Tools	697,049	647,142	616,789
Furniture and Fixtures	87,050	49,140	45,878
Totals Before Accumulated Depreciation	<u>47,754,362</u>	<u>46,402,271</u>	<u>45,159,803</u>
Accumulated Depreciation	<u>(27,855,250)</u>	<u>(26,825,721)</u>	<u>(25,789,681)</u>
Net Capital Assets	<u>\$19,899,112</u>	<u>\$19,576,550</u>	<u>\$19,370,122</u>

Additional information regarding capital assets can be found in Note 6 to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022
(Unaudited)

DEBT

The District finances its construction primarily through the issuance of Ohio Water Development Authority (OWDA) loans and Ohio Public Works Commission (OPWC) loans. At December 31, 2023, the District had total debt outstanding of \$6,317,692 compared to \$6,784,399 at December 31, 2022 and \$7,392,225 at December 31, 2021. This represents a decrease of \$466,707 and a decrease of \$607,826 in 2023 and 2022, respectively. Additional information regarding debt can be found in Note 7 to the basic financial statements.

(Table 4)
Outstanding Debt, at December 31

	2023	2022	2021
OWDA Loans	\$ 5,864,938	\$ 6,293,919	\$ 6,882,686
OPWC Loan	452,754	490,480	509,539
Total Long Term Debt	6,317,692	6,784,399	7,392,225
Less			
Current Maturities	457,332	453,564	445,594
Net Long Term Debt	\$ 5,860,360	\$ 6,330,835	\$ 6,946,631

CASH

Cash and cash equivalents on December 31, 2023 were \$15,729,736 and on December 31, 2022 were \$15,318,691.

CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Wendy Aichele, accountant of the Burr Oak Regional Water District, 9860 Monserat Ridge Road, Millfield, Ohio 45761. The e-mail address is wendyborwd@gmail.com

Burr Oak Regional Water District
Athens County, Ohio
Statements of Net Position
As of December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 15,729,736	\$ 15,318,691
Accounts receivable, net of allowance for doubtful accounts	334,341	361,064
Prepaid Items	52,382	4,473
Total current assets	16,116,459	15,684,228
CAPITAL ASSETS		
Non-Depreciable Capital Assets	749,945	1,274,342
Depreciable Capital Assets, net of Depreciation	19,149,167	18,302,208
Total Capital Assets	19,899,112	19,576,550
OTHER ASSETS		
Net OPEB Asset	-	139,068
TOTAL ASSETS	36,015,571	35,399,846
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	637,457	277,430
OPEB	90,194	25,943
Total Deferred Outflows of Resources	727,651	303,373
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 36,743,222	\$ 35,703,219
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 106,780	\$ 103,639
Accrued wages	44,955	44,347
Current portion, compensated absences	73,200	112,618
Current portion, OWDA Loans	419,270	415,670
Current portion, OPWC Loans	38,062	37,894
Total current liabilities	682,267	714,168
LONG-TERM LIABILITIES		
Compensated absences	153,968	118,164
Net pension liabilities	1,472,571	415,096
Net OPEB Liability	29,275	0
OWDA loans	5,445,668	5,878,249
OPWC loans	414,692	452,586
Net Long-Term Liabilities	7,516,174	6,864,095
TOTAL LIABILITIES	8,198,441	7,578,263
DEFERRED INFLOWS OF RESOURCES		
Pensions	-	502,846
OPEB	9,656	143,685
Total Deferred Inflows of Resources	9,656	646,531
NET POSITION		
Net Investment in Capital Assets	13,581,420	12,792,151
Unrestricted	14,953,705	14,686,274
Total Net Position	28,535,125	27,478,425
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 36,743,222	\$ 35,703,219

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Statements of Revenues, Expenses and Changes in Net Position
As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water sales	\$ 3,966,127	\$ 3,677,129
Tap, application, and reconnect fees	16,475	7,038
Late penalty charges	18,241	15,278
Miscellaneous revenues	10,883	28,360
Total Operating Revenues	<u>4,011,726</u>	<u>3,727,805</u>
OPERATING EXPENSES		
Personnel expenses	1,277,129	934,431
Utilities and telecommunications expense	298,579	288,470
Maintenance and operations	609,804	653,370
Office expenses and operation	13,158	15,730
Professional fees	16,167	21,892
Depreciation	1,040,569	1,036,040
Total Operating Expenses	<u>3,255,406</u>	<u>2,949,933</u>
OPERATING INCOME	<u>756,320</u>	<u>777,872</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	332,305	167,422
Interest expense	(55,165)	(38,265)
Gain (loss) on disposal of capital assets	23,240	-
Total Nonoperating Revenues (Expenses)	<u>300,380</u>	<u>129,157</u>
Change in Net Position	1,056,700	907,029
NET POSITION - Beginning of Year	<u>27,478,425</u>	<u>26,571,396</u>
NET POSITION - End of Year	<u>\$ 28,535,125</u>	<u>\$ 27,478,425</u>

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Statements of Cash Flows
As of December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATIONS		
Cash received from customers	\$ 4,038,449	\$ 3,633,171
Cash payments to suppliers for goods and services	(934,567)	(930,888)
Cash payments to employees for services	(1,163,379)	(1,072,063)
Net Cash Provided By Operations	1,940,503	1,630,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	332,305	167,422
Net Cash Provided By Investing Activities	332,305	167,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,363,131)	(1,242,468)
Proceeds from disposal of capital assets	23,240	-
Principal payments on OWDA loans	(428,981)	(588,767)
Principal payments on OPWC loan	(37,726)	(29,610)
Interest paid on OWDA and OPWC loans	(55,165)	(38,265)
Net Cash Used In Capital and Related Financing Activities	(1,861,763)	(1,899,110)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	411,045	(101,468)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,318,691	15,420,159
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,729,736	\$ 15,318,691
CASH FLOWS FROM OPERATIONS		
Operating Income	\$ 756,320	\$ 777,872
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	1,040,569	1,036,040
Pension/OPEB Expense Adjustments Not Affecting Cash	164,665	(133,179)
(Increase) decrease in:		
Accounts receivable	26,723	(94,634)
Prepaid items	(47,909)	8,251
Increase (decrease) in:		
Accounts payable	3,141	48,574
Compensated absences payable	(3,614)	(35,909)
Accrued payroll and benefits	608	23,205
Net Cash Provided by Operating Activities	\$ 1,940,503	\$ 1,630,220

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION

The Burr Oak Regional Water District, Athens County (the District), is a regional water district organized under the provision of the Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Athens County on September 27, 1999, after the Ohio Department of Natural Resources no longer wanted to operate the Burr Oak Water System. The State of Ohio formally transferred ownership, as well as all assets, of the Burr Oak Water System on October 21, 2000. The District operates under the direction of an eight-member Board of Trustees, from Athens, Hocking, Perry and Morgan Counties. The administrative staff consists of a District Manager and an Administrative Assistant, who are responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District took over the Bishopville Water District during 2023. The District now sells water to seventeen satellite water systems, consisting of nine area villages, four water districts, three private associations, and the Ohio Department of Natural Resources Division of Parks and Recreation. The District also has approximately eight hundred private tap customers.

The District's management believes the financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control. The District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. **Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, to report on its financial position and the results of its operations, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows of resources, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:

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

Enterprise Fund - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. **Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting policies of the District conform to accounting policies generally accepted in the United States of America.

For financial statement presentation purposes, the District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. **Budgetary Process**

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

Appropriations – For fiscal years ended December 31, 2023 and 2022, budgetary expenditures may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

4. **Cash and Investments**

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

5. **Accounts Receivable**

Customer accounts receivables 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 as a reduction in revenue. Doubtful accounts are charged against the allowance when management believes the collectability of the account is unlikely.

6. **Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized on construction projects until they are substantially completed. Interest incurred on debt as a result of obtaining capital assets is not capitalized. Donated assets are recorded at their estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

<u>Asset Class</u>	<u>Number of Years</u>
Buildings and Water Systems	40-50
Furniture and Fixtures	10
Office Equipment	5
Laboratory Equipment	10
Machinery & Equipment	6-10
Park System, Tanks and Booster Stations	20
Tools and Equipment	10
Transportation Equipment	5
Land Improvements	10

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. **Capital Contributions**

Capital contributions are recorded by the District for receipts of capital grants or contributions from developers and customers. No capital contributions have been recognized in 2023 and 2022.

8. **Compensated Absences**

District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave is payable when used, or upon death or retirement. Vacation hours are accrued at different rates depending on the number of years of service of the respective employee. The annual vacation accruals range from 80 hours to 200 hours per year. The total maximum amount of vacation hours that an employee can accumulate ranges from 240 hours to 600 hours which is determined by his/her years of service. As for sick leave, this is accrued at a rate of 3.1 hours per pay with a maximum accrual amount of 1,040 hours. Accrued sick leave is paid out at 50% of the employee's regular rate of pay. Any employee discharged for cause receives none of their accumulated sick leave.

9. **Prepaid Expenses**

Prepaid expenses are those payments made to vendors for services that will benefit periods beyond the balance sheet date. These items are reported using the consumption method. A current asset is recorded at the time of payment, and an expense is recorded at the time the services are consumed.

10. **Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District had no restrictions on net position as of December 31, 2023 and 2022.

11. **Estimates**

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

12. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are water sales, tap, application, and reconnection fees, late penalty charges and miscellaneous revenues for water services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

13. **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the financial statements when the liability is incurred.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

14. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note 8 and Note 9. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and postemployment benefits. (See Note 8 and Note 9).

15. Pensions and Other Postemployment Benefits (OPEB)

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

NOTE 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS – Continued

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

Deposits – Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2023 and 2022, respectively, none of the District's bank balances of \$15,202,957 and \$15,331,520 were exposed to custodial credit risk because those deposits were insured or collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

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

Investments – The District had no investments as of December 31, 2023 and 2022.

NOTE 4 - COMPENSATED ABSENCES

The District uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability as employees receive 50% of their accrued sick leave upon termination or retirement. The vacation, personal and sick leave accruals as of December 31, 2023 and 2022 were \$227,168 and \$230,782, respectively.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. The District has not had any significant reduction in insurance coverage from the prior year.

The District pays the State Workers' Compensation System a premium based on a rate of approximately \$.78 per every \$100 of salaries. The rate is calculated based on accident history and administrative costs. The District also provides health-care insurance coverage for its full-time employees and the full-time employees pay a share of the cost for this insurance.

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Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 was as follows:

	Ending Balance 12/31/22	Additions	Deletions	Ending Balance 12/31/23
Capital Assets, Not Being Depreciated				
Land	\$ 312,466	\$ -	\$ -	\$ 312,466
Construction in Progress	961,876	1,114,615	(1,639,012)	437,479
Total Capital Assets, Not Being Depreciated	1,274,342	1,114,615	(1,639,012)	749,945
Capital Assets Being Depreciated				
Land Improvements	53,695	37,000	-	90,695
Water Systems	11,362,320	-	-	11,362,320
Buildings	10,393,978	1,693,443	-	12,087,421
Groundwater Plant	12,843,169	-	-	12,843,169
Wellfield	2,296,027	-	-	2,296,027
Perry County Expansion	2,487,696	-	-	2,487,696
Crooksville Line Expansion	1,560,815	-	-	1,560,815
Bishopville Merger Capital Assets	2,477,578	-	-	2,477,578
Transportation Equipment	760,700	72,028	(13,800)	818,928
SCADA System	195,669	-	-	195,669
Machinery, Equipment, & Tools	647,142	49,907	-	697,049
Furniture & Fixtures	49,140	37,910	-	87,050
Total Capital Assets, Being Depreciated	45,127,929	1,890,288	(13,800)	47,004,417
Less Accumulated Depreciation:				
Land Improvements	(29,056)	(6,579)	-	(35,635)
Water Systems	(8,866,745)	(194,743)	-	(9,061,488)
Buildings	(10,164,268)	(66,376)	-	(10,230,644)
Groundwater Plant	(3,764,970)	(321,132)	-	(4,086,102)
Wellfield	(601,196)	(75,224)	-	(676,420)
Perry County Expansion	(1,312,542)	(91,373)	-	(1,403,915)
Crooksville Line Expansion	(653,691)	(56,180)	-	(709,871)
Bishopville Merger Capital Assets	(295,783)	(118,313)	-	(414,096)
Transportation Equipment	(467,446)	(80,932)	11,040	(537,338)
SCADA System	(57,959)	(6,316)	-	(64,275)
Machinery, Equipment, & Tools	(578,357)	(15,846)	-	(594,203)
Furniture & Fixtures	(33,708)	(7,555)	-	(41,263)
Total Accumulated Depreciation	(26,825,721)	(1,040,569)	11,040	(27,855,250)
Total Capital Assets Being Depreciated, Net	18,302,208	849,719	(2,760)	19,149,167
Total Capital Assets, Net	\$ 19,576,550	\$ 1,964,334	\$ (1,641,772)	\$ 19,899,112

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 6 – CAPITAL ASSETS – Continued

Capital assets activity for the year ended December 31, 2022 was as follows:

	Ending Balance 12/31/21	Additions	Deletions	Ending Balance 12/31/22
Capital Assets, Not Being Depreciated				
Land	\$ 312,466	\$ -	\$ -	\$ 312,466
Construction in Progress	100,043	861,833	-	961,876
Total Capital Assets, Not Being Depreciated	412,509	861,833	-	1,274,342
Capital Assets Being Depreciated				
Land Improvements	40,520	13,175	-	53,695
Water Systems	11,356,363	5,957	-	11,362,320
Buildings	10,352,938	41,040	-	10,393,978
Groundwater Plant	12,843,169	-	-	12,843,169
Wellfield	2,159,939	136,088	-	2,296,027
Perry County Expansion	2,487,696	-	-	2,487,696
Crooksville Line Expansion	1,560,815	-	-	1,560,815
Bishopville Merger Capital Assets	2,477,578	-	-	2,477,578
Transportation Equipment	609,940	150,760	-	760,700
SCADA System	195,669	-	-	195,669
Machinery, Equipment, & Tools	616,789	30,353	-	647,142
Furniture & Fixtures	45,878	3,262	-	49,140
Total Capital Assets, Being Depreciated	44,747,294	380,635	-	45,127,929
Less Accumulated Depreciation:				
Land Improvements	(23,687)	(5,369)	-	(29,056)
Water Systems	(8,621,341)	(245,404)	-	(8,866,745)
Buildings	(10,149,293)	(14,975)	-	(10,164,268)
Groundwater Plant	(3,443,838)	(321,132)	-	(3,764,970)
Wellfield	(525,972)	(75,224)	-	(601,196)
Perry County Expansion	(1,220,248)	(92,294)	-	(1,312,542)
Crooksville Line Expansion	(597,198)	(56,493)	-	(653,691)
Bishopville Merger Capital Assets	(177,470)	(118,313)	-	(295,783)
Transportation Equipment	(382,016)	(85,430)	-	(467,446)
SCADA System	(51,642)	(6,317)	-	(57,959)
Machinery, Equipment, & Tools	(567,151)	(11,206)	-	(578,357)
Furniture & Fixtures	(29,825)	(3,883)	-	(33,708)
Total Accumulated Depreciation	(25,789,681)	(1,036,040)	-	(26,825,721)
Total Capital Assets Being Depreciated, Net	18,957,613	(655,405)	-	18,302,208
Total Capital Assets, Net	\$ 19,370,122	\$ 206,428	\$ -	\$ 19,576,550

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS

Long-term obligations and the related transactions for the years ended December 31, 2023 and 2022 are summarized below:

	Balance			Balance	Due Within
	12/31/22	Additions	Reductions	12/31/23	One Year
Direct Obligations:					
OWDA 4776 - Paid to Perry County	\$ 599,982	\$ -	\$ 33,620	\$ 566,362	\$ 33,957
OWDA 4915	140,053	-	8,754	131,299	8,754
OWDA 5266	3,929,363	-	212,398	3,716,965	212,398
OWDA 5054 - Paid to Village of Crooksville	409,063	-	31,354	377,709	21,056
OWDA 5069 - Paid to Village of Crooksville	89,055	-	7,421	81,634	4,948
OWDA 5871	627,049	-	64,256	562,793	65,548
OWDA 4371	484,769	-	70,560	414,209	71,978
OWDA 6238	14,585	-	618	13,967	631
OPWC CR22N	351,322	-	18,490	332,832	18,491
OPWC CR19S	63,994	-	2,611	61,383	2,611
OPWC CR25G	75,164	-	16,625	58,539	16,960
Net Pension Liabilities	415,096	1,057,475	-	1,472,571	-
Net OPEB Liabilities	-	29,275	-	29,275	-
Compensated Absences	230,782	69,601	73,215	227,168	73,200
Total	\$ 7,430,277	\$ 1,156,351	\$ 539,922	\$ 8,046,706	\$ 530,532

	Balance			Balance	Due Within
	12/31/2021	Additions	Reductions	12/31/2022	One Year
Direct Obligations:					
OWDA 4776 - Paid to Perry County	\$ 633,268	\$ -	\$ 33,286	\$ 599,982	\$ 33,286
OWDA 4915	153,183	-	13,130	140,053	8,753
OWDA 5266	4,247,960	-	318,597	3,929,363	212,398
OWDA 5054 - Paid to Village of Crooksville	429,705	-	20,642	409,063	20,850
OWDA 5069 - Paid to Village of Crooksville	94,002	-	4,947	89,055	4,948
OWDA 5871	721,067	-	94,018	627,049	64,256
OWDA 4371	588,011	-	103,242	484,769	70,560
OWDA 6238	15,490	-	905	14,585	619
OPWC CR22N	369,812	-	18,490	351,322	2,611
OPWC CR19S	66,606	-	2,612	63,994	16,136
OPWC CR25G	83,672	-	8,508	75,164	18,491
Net Pension Liabilities	614,525	-	199,429	415,096	-
Net OPEB Liabilities (1)	-	-	-	-	-
Compensated Absences	266,691	82,327	118,236	230,782	112,618
Total	\$ 8,283,992	\$ 82,327	\$ 936,042	\$ 7,430,277	\$ 565,526

(1) The District had a net OPEB asset as of December 31, 2022 in the amount of \$139,068, so no liability is reported.

The District has certain direct borrowings with the Ohio Public Works Commission (OPWC). In the event of a default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, (3) as provided by law, OPWC may require that the outstanding amounts shall, at OPWC's option, become immediately due and payable.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS – Continued

In 2007, the District entered into an agreement with Perry County to repay an OWDA Loan 4776 for the Perry County Line Extension. The loan matures July 1, 2039 and has a one percent interest rate.

In 2008, the District received an OWDA Loan 4915 for the Tank #4 Waterline Replacement. The loan matures January 1, 2039 and has a zero percent interest rate.

In 2009, the District received an OWDA Loan 5266 for the Wellfield Project. The loan matures July 1, 2041 and has a zero percent interest rate.

In 2009, the District entered into an agreement with the Village of Crooksville to pay an OWDA Loan 5054 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a one percent interest rate.

In 2009, the District entered into an agreement with the Village of Crooksville to repay an OWDA Loan 5069 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a zero percent interest rate.

In 2011, the District received an OWDA Loan 5871 for the East Water Line and Tank Project. The loan matures January 1, 2032 and has a two percent interest rate.

In 2020, the District assumed OWDA Loan 4371 from Bishopville Water District for a new tank and waterline extension. The loan matures July 1, 2029 and has a two percent interest rate.

In 2020, the District assumed OWDA Loan 6238 from Bishopville Water District for a waterline replacement on State Route 78. The loan matures July 1, 2042 and has a two percent interest rate.

In 2012, the District received an OPWC Loan CR22N for the replacement of Tank #2. The loan matures January 1, 2042 and has a zero percent interest rate.

In 2020, the District assumed OPWC Loan CR19S from Bishopville Water District for a water tank replacement. The loan matures in January 2048 and has a zero percent interest rate.

In 2020, the District assumed OPWC Loan CR25G from Bishopville Water District for a waterline extension. The loan matures in January 2028 and has a two percent interest rate.

Future principal and interest payments on all OWDA loans are as follows:

Year Ending December 30,	OWDA Loans		
	Principal	Interest	Total
2024	419,270	28,544	447,814
2025	422,707	25,106	447,813
2026	426,098	21,715	447,813
2027	429,552	18,151	447,703
2028	433,069	14,920	447,989
2029-2033	1,690,857	35,679	1,726,536
2034-2038	1,445,181	11,968	1,457,149
2039-2043	598,204	1,844	600,048
Total	<u>\$ 5,864,938</u>	<u>\$ 157,927</u>	<u>\$ 6,022,865</u>

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS – Continued

In connection with the OWDA loans, the District has pledged future customer revenues of the Water Fund, net of specified operating expenses, to repay these loans. The loans are payable, through final maturities, from net revenues applicable to the Water Funds. Total principal and interest remaining to be paid on the bonds is \$6,022,865. The net revenue available for these bonds was \$2,129,194, and principal and interest paid was \$447,812. The coverage ratio for these loans was 3.11 for the year ended December 31, 2023.

Future principal payments on the OPWC loan is as follows:

Year Ending December 30,	OPWC Loan		
	Principal	Interest	Total
2024	38,062	1,314	39,376
2025	38,402	973	39,375
2026	38,750	625	39,375
2027	27,733	270	28,003
2028	21,102	-	21,102
2029-2033	105,508	-	105,508
2034-2038	105,508	-	105,508
2039-2043	68,529		68,529
2044-2048	9,160	-	9,160
Total	<u>\$ 452,754</u>	<u>\$ 3,182</u>	<u>\$ 455,936</u>

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State

Burr Oak Regional Water District
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NOTE 8– DEFINED BENEFIT PENSION PLAN - Continued

legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability(asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 9 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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NOTE 8– DEFINED BENEFIT PENSION PLAN - Continued

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

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

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Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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

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

	Local
2023 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2023 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

- * Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- ** These pension and employer health care rates are for the traditional plan. The combined plan is 2%. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

The District's contractually required contribution to OPERS was \$108,622 for fiscal year 2023 and \$102,762 for 2022 respectively, of which the entire amount was paid during 2023.

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

The net pension liability reported as of December 31, 2023 and December 31, 2022 were measured as of December 31, 2022 and December 31, 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	2023 OPERS	2022 OPERS
Proportionate Share of the Net Pension Liability - Current Year	0.004985%	0.004771%
Proportionate Share of the Net Pension Liability - Prior Year	0.004771%	0.004150%
Change in Proportionate Share Proportion of the Net Pension Liability	0.000214%	0.000621%
Pension Expense (Gain)	\$1,472,571	\$415,096
	\$303,224	\$47,959

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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

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

Deferred Outflows of Resources	2023	2022
Differences between projected and actual economic experience	\$ 48,913	\$ 21,161
Changes in assumptions	15,557	51,907
Differences between projected and actual investment earnings	419,728	-
Changes in proportion	44,637	101,600
District contributions subsequent to the measurement date	108,622	102,762
Total	\$ 637,457	\$ 277,430
Deferred Inflows of Resources		
Differences between projected and actual economic experience	\$ -	\$ (9,104)
Differences between projected and actual investment earnings	-	(493,742)
Total	\$ -	\$ (502,846)

\$108,622 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2023, will be recognized as a reduction of the net pension liability in the years ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2024	\$94,327
2025	105,350
2026	123,547
2027	205,611
Total	\$528,835

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 8 – DEFINED BENEFIT PENSION PLAN -Continued

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022 and 2021, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2022 and 2021, are presented below for the OPERS Traditional Plan.

	<u>2022</u>	<u>2021</u>
	5-year period ended December 31,	5-year period ended December 31,
	2020	2020
Experience Study	2020	2020
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2023, then 2.05 percent, simple	3 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

Burr Oak Regional Water District
Athens County, Ohio
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NOTE 8 – DEFINED BENEFIT PENSION PLAN -Continued

Actuarial Assumptions – OPERS - Continued

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2022 and 2021, these best estimates are summarized in the following table:

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

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

Discount Rate The discount rate used to measure the total pension liability was 6.9% and 6.9% for the Traditional Pension Plan for the years ended December 31, 2022 and 2021. 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 the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables presents the District’s proportionate share of the net pension liability calculated as of the measurement dates of December 31, 2022 and 2021 using the current period discount rate assumption of 6.9 and 6.9 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 and 5.9 percent) or one-percentage-point higher (7.9 and 7.9 percent) than the current rate:

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Athens County, Ohio
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NOTE 8 – DEFINED BENEFIT PENSION PLAN -Continued

Actuarial Assumptions – OPERS - Continued

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension liability	\$2,205,863	\$1,472,571	\$862,604
	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension liability	\$1,094,420	\$415,096	(\$150,191)

NOTE 9 – DEFINED BENEFIT OPEB PLAN

See Note 8 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System

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

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

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including OPEB. GASB 75 assumes the liability/asset is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportionate share of each plan’s unfunded benefits is presented as a long-term net OPEB liability (asset) on the accrual basis of accounting.

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

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Ohio Public Employees Retirement System - Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Ohio Public Employees Retirement System – Continued

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

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

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

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. District to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023 and 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0 percent during calendar year 2023 and calendar year 2022. For the calendar year 2022 and for the time period January 1, 2023 through June 30, 2023 OPERS did not allocate any employer contributions to health care for members in the Combined Plan. For the time period July 1, 2023 through December 31, 2023, OPERS allocated 2.0 percent of employer contributions to health care for members in the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2023 and 2022 was 2.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District’s contractually required contribution was \$0 for 2023 and 2022.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 - DEFINED BENEFIT OPEB PLAN - Continued

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability(Asset)

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

	2023 OPERS	2022 OPERS
Proportionate Share of the Net OPEB Liability (Asset)- Current Year	0.004643%	0.004440%
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	0.004440%	0.003865%
Change in Proportionate Share	0.000203%	0.000575%
Proportion of the Net OPEB(Asset) Liability	\$29,275	(\$139,068)
OPEB Expense (Gain)	(\$29,937)	(\$78,379)

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

	2023 OPERS	2022 OPERS
Deferred Outflows of Resources		
Changes of assumptions	\$ 28,594	\$ -
Differences between projected and actual investment earnings	58,141	-
Change in proportions	3,459	25,943
Total	\$ 90,194	\$ 25,943
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 7,303	\$ 21,095
Differences between projected and actual investment earnings	-	66,297
Changes of assumptions	2,353	56,293
Total	\$ 9,656	\$ 143,685

There were no District contributions subsequent to the measurement date for OPEB.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Fiscal Year Ending December:	
2024	\$13,008
2025	21,312
2026	18,131
2027	<u>28,087</u>
	<u>\$80,538</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021 and 2020, rolled forward to the measurement dates of December 31, 2022 and 2021.

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:

	December 31, 2022	December 31, 2021
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation at 2.75%	2.75 to 10.75 percent including wage inflation
Future Salary Increases, including inflation		
Single Discount Rate:		
Current measurement date	5.22 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.05 percent	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent ultimate in 2036	5.5 percent, initial 3.50 percent ultimate in 2034
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Experience Study	5-Year Period Ended December 31, 2020	5-Year Period Ended December 31, 2020

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 9 - DEFINED BENEFIT OPEB PLAN - Continued

Actuarial Assumptions – OPERS - Continued

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

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. 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 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Actuarial Assumptions – OPERS - Continued

For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2022 and 2021, these best estimates are summarized in the following table:

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

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index’s “20-Year Municipal GO AA Index”) for the year ended December 31, 2022. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent for the year ended December 31, 2021. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The following table presents the District’s proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2022, using the single discount rate of 5.22 percent, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate.

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
District's proportionate share of the net OPEB liability (asset)	\$99,639	\$29,275	(\$28,787)

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Actuarial Assumptions – OPERS - Continued

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB liability (asset)	(\$81,785)	(\$139,068)	(\$186,613)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

For the fiscal year ended December 31, 2023:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	\$27,440	\$29,275	\$31,340

For the fiscal year ended December 31, 2022:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	(\$140,570)	(\$139,068)	(\$137,285)

REQUIRED SUPPLEMENTARY INFORMATION

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.004985%	0.004771%	0.004150%	0.003616%	0.003323%	0.003018%	0.003001%	0.003064%	0.003057%	0.003057%
District's proportionate share of the net pension liability	\$ 1,472,571	\$ 415,096	\$ 614,525	\$ 714,727	\$ 910,102	\$ 473,466	\$ 681,476	\$ 530,723	\$ 368,708	\$ 360,380
District's covered-employee payroll	\$ 734,014	\$ 693,757	\$ 586,714	\$ 511,757	\$ 445,471	\$ 411,808	\$ 389,475	\$ 388,992	\$ 376,117	\$ 374,692
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	200.62%	59.83%	104.74%	139.66%	204.30%	114.97%	174.97%	136.44%	98.03%	96.18%
Plan fiduciary net position as a percentage of the total pension liability	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.10%	86.45%	86.36%

Amounts presented as of the District's measurement date which is the prior fiscal year.
See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 108,622	\$ 102,762	\$ 97,126	\$ 82,140	\$ 71,646	\$ 62,366	\$ 53,535	\$ 46,737	\$ 46,679	\$ 45,134
Contributions in relation to the contractually required contribution	<u>(108,622)</u>	<u>(102,762)</u>	<u>(97,126)</u>	<u>(82,140)</u>	<u>(71,646)</u>	<u>(62,366)</u>	<u>(53,535)</u>	<u>(46,737)</u>	<u>(46,679)</u>	<u>(45,134)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 775,871	\$ 734,014	\$ 693,757	\$ 586,714	\$ 511,757	\$ 445,471	\$ 411,808	\$ 389,475	\$ 388,992	\$ 367,117
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.29%

See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System
Last Seven Years (1)

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.00464300%		0.00444000%		0.00386500%		0.00336800%		0.00309500%		0.00283000%		0.00282000%
District's proportionate share of the net OPEB liability (asset)	\$ 29,275	\$	(139,068)	\$	(68,858)	\$	465,208	\$	403,515	\$	307,317	\$	284,830
District's covered-employee payroll	\$ 734,014	\$	693,757	\$	586,714	\$	511,757	\$	445,471	\$	411,808	\$	389,475
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	3.99%		-20.05%		-11.74%		90.90%		90.58%		74.63%		73.13%
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%		128.23%		115.57%		47.80%		46.33%		54.14%		54.05%

(1) Information prior to 2016 is not available.
Amounts presented as of the District's measurement date which is the prior fiscal year.
See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's OPEB Contributions
Ohio Public Employees Retirement System
Last Eight Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,116	\$ 7,792
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	(4,116)	(7,792)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered-employee payroll	\$ 775,871	\$ 734,014	\$ 693,757	\$ 586,714	\$ 511,757	\$ 447,471	\$ 411,808	\$ 389,475
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2015 is not available.

See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in Assumptions – OPERS Pension– Traditional Plan

There was a change in assumptions for 2023 and 2022. There were no changes in assumptions for 2021 and 2020. Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used beginning in 2017 and in 2016 are presented below:

	2023	2022	2021, 2020 and 2019
Wage Inflation	2.75 percent	2.75 percent	3.25 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	See below	See below	See below
Investment Rate of Return	6.9 percent	6.9 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
	2018 and 2017	2016 and prior	
Wage Inflation	3.25 percent	3.75 percent	
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation	
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	
Post-January 7, 2013 Retirees	See below	See below	
Investment Rate of Return	7.5 percent	8 percent	
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Burr Oak Regional Water District
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (CONTINUED)

Changes in Assumptions – OPERS Pension– Traditional Plan (Continued)

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 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.

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:

2023-2019	6 percent
2018	6.5 percent

Municipal Bond Rate:

2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent

Single Discount Rate:

2023	5.22 percent
2022-2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent

Health Care Cost Trend Rate:

2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10 percent, initial 3.5 percent, ultimate in 2030
2019	10 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

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

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Burr Oak Regional Water District, Athens County, (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of 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.



Charles E. Harris & Associates, Inc.

June 24, 2024

BURR OAK REGIONAL WATER DISTRICT

ATHENS COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2022 and 2021



**BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

To the Board of Trustees:

Report on the Financial Statements

Unmodified Opinion

We have audited the accompanying financial statements of the Burr Oak Regional Water District, Athens County, Ohio (the District), as of and for the years ended December 31, 2022 and 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 District as of December 31, 2022 and 2021, and the change in financial position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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.

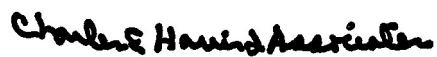
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include management's discussion and analysis, and schedules of net pension and other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions listed in the table of contents, 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 June 24, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and do not 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.



Charles E. Harris & Associates, Inc.
June 24, 2024

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(Unaudited)

The following discussion provides a summary overview of the financial activities of the Burr Oak Regional Water District ("the District") for the years ended December 31, 2022 and 2021. The information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$27,478,425 and \$26,571,396 as of December 31, 2022 and 2021, respectively.
- Net position increased by \$907,029 in 2022 and increased by \$1,022,722 in 2021.
- Operating revenues increased by \$399,029 (11.99%) and increased by \$307,789 (10.19%) and operating expenses increased by \$460,646 (18.51%) and decreased by \$449,375 (15.65%) in 2022 and 2021, respectively.

OVERVIEW OF BASIC 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 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 Statements of Net Position include all of the District's Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The Statements of Revenues, Expenses and Changes in Net Position provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special assessments and other income. Revenues are reported when earned and expenses are reported when incurred.

The Statements of Cash Flows provide information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(Unaudited)

STATEMENTS OF NET POSITION

Table 1 summarizes the Statements of Net Position of the District. Capital assets are reported less accumulated depreciation. "Net Investment in Capital Assets," represents capital assets less outstanding debt that was used to acquire those assets.

	Net Position				
	2022	2021	Difference	2020	Difference
Current and Other Assets	\$ 15,823,296	\$ 15,768,171	\$ 55,125	\$ 14,831,725	\$ 936,446
Capital Assets, Net	19,576,550	19,370,122	206,428	20,122,447	(752,325)
Total Assets	35,399,846	35,138,293	261,553	34,954,172	184,121
Deferred Outflows of Resources	303,373	268,921	34,452	279,521	(10,600)
Long Term Liabilities	6,864,095	7,784,895	(920,800)	8,704,374	(919,479)
Current and Other Liabilities	714,168	575,301	138,867	762,802	(187,501)
Total Liabilities	7,578,263	8,360,196	(781,933)	9,467,176	(1,106,980)
Deferred Inflows of Resources	646,531	475,622	170,909	217,843	257,779
Net Position					
Net Investment in Capital Assets	12,792,151	11,967,349	824,802	12,266,527	(299,178)
Unrestricted	14,686,274	14,604,047	82,227	13,282,147	1,321,900
Total Net Position	\$ 27,478,425	\$ 26,571,396	\$ 907,029	\$ 25,548,674	\$ 1,022,722

The net pension liability (NPL) is a significant liability reported by the District at December 31, 2022 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District has another liability (asset) reported at December 31, 2022 reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and assets/liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(Unaudited)

STATEMENTS OF NET POSITION (Continued)

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,478,425 as of December 31, 2022, of which \$12,792,151 is for net investment in capital assets. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,571,396 as of December 31, 2021, of which \$11,967,349 is for net investment in capital assets.

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 requirement.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(Unaudited)

STATEMENTS OF NET POSITION (Continued)

For the years ended December 31, 2022, and 2021, total assets of the District increased by \$261,553 and \$184,121, respectively, primarily due to an increase in capital assets and a decrease in cash for 2022 and an increase in cash and a decrease in capital assets, net for 2021. The changes in cash are primarily due to expenses exceeding revenues and revenues exceeding expenses for 2022 and 2021 respectively. The increase in capital assets, net is primarily due to capital asset additions which was partially offset by depreciation expense for 2022. The decrease in capital assets, net is primarily due to depreciation expense for 2021 which was partially offset by capital asset additions. For 2022, deferred outflows of resources increased due to changes in actuarial calculations for an increase in pension deferred outflows which was partially offset by a decrease for OPEB deferred outflows. For 2021, deferred outflows of resources decreased due to changes in actuarial calculations which increased pensions deferred outflows, but decreased OPEB deferred outflows, total liabilities as of December 31, 2022, decreased for the District by \$781,933 and as of December 31, 2021, decreased by \$1,106,980. For 2022 the change was primarily due to decreases in long term liabilities due to principal payments. For 2021 the change was primarily due to decreases in OPEB liabilities due to actuarial calculations.

STATEMENTS OF CHANGES IN NET POSITION

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

(Table 2)
Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>2020</u>	<u>Difference</u>
Operating Revenues	\$ 3,727,805	\$ 3,328,776	\$ 399,029	\$ 3,020,987	\$ 307,789
Operating Expenses (Excluding Depreciation)	1,913,893	1,487,220	426,673	2,004,536	(517,316)
Depreciation	1,036,040	1,002,067	33,973	934,126	67,941
Total Operating Expenses	<u>2,949,933</u>	<u>2,489,287</u>	<u>460,646</u>	<u>2,938,662</u>	<u>(449,375)</u>
Operating Income	777,872	839,489	(61,617)	82,325	757,164
Non-Operating Revenues	167,422	206,724	(39,302)	269,144	(62,420)
Non-Operating Expenses	<u>(38,265)</u>	<u>(23,491)</u>	<u>(14,774)</u>	<u>(17,331)</u>	<u>(6,160)</u>
Changes in Net Position Prior to Special Item	<u>907,029</u>	<u>1,022,722</u>	<u>(115,693)</u>	<u>334,138</u>	<u>688,584</u>
Special Item-Gain on Merger	-	-	-	1,578,675	(1,578,675)
Changes in Net Position	<u>907,029</u>	<u>1,022,722</u>	<u>(115,693)</u>	<u>1,912,813</u>	<u>(890,091)</u>
Net Position at Beginning of Year	<u>26,571,396</u>	<u>25,548,674</u>	<u>1,022,722</u>	<u>23,635,861</u>	<u>* 1,912,813</u>
Net Position at End of Year	<u>\$ 27,478,425</u>	<u>\$ 26,571,396</u>	<u>\$ 907,029</u>	<u>\$ 25,548,674</u>	<u>\$ 1,022,722</u>

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the years ended December 31, 2022, and 2021:

- Operating revenue increased \$399,029 (11.99%) and increased \$307,789 (10.19%) in 2022 and 2021, respectively. The increases in 2022 and 2021 were primarily due to increases in water sales for the District as a whole with the 2020 merger of Bishopville Water District also being a factor in the increases.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
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(Unaudited)

STATEMENTS OF CHANGES IN NET POSITION (Continued)

- Operating expenses increased by \$460,646 (18.51%) in 2022 primarily due to increases in personnel expenses and maintenance expenses. The increase in personnel expenses are primarily due to changes in pension and OPEB expenses which are primarily due to actuarial calculations. The increase in maintenance expenses is due to an increase in repair and maintenance of assets. Depreciation expenses increased due to additional District assets put into service in 2022.

- Operating expenses decreased by \$449,375 (15.29%) in 2021 primarily due to decreases in personnel expenses, which were partially offset by an increase in depreciation expense. The decreases in personnel expenses are primarily due to decreased OPEB expenses due to actuarial calculations. Depreciation expenses increased due to additional District assets put into service in 2021.

CAPITAL ASSETS

The District had \$46,402,271 invested in capital assets (before depreciation) at the end of 2022. This amount increased from 2021 by \$1,242,468 (2.75%) for construction in progress and several other items. The District had \$19,576,550 invested in net capital assets (after depreciation) at the end of 2022. This amount is an increase of \$206,428 (1.07%) from the previous year and is primarily due to additions which were partially offset by depreciation expense.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(Unaudited)

CAPITAL ASSETS (Continued)

The District had \$45,159,803 invested in capital assets (before depreciation) at the end of 2021. This amount increased from 2020 by \$249,742 (0.56%) for construction in progress, a land purchase, and several other items. The District had \$19,370,122 invested in net capital assets (after depreciation) at the end of 2021. This amount is a decrease of \$752,325 (3.74%) from the

(Table 3)
Capital Assets at December 31

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 312,466	\$ 312,466	\$ 300,689
Construction in Progress	961,876	100,043	14,652
Land Improvements	53,695	40,520	40,520
Water Systems	11,362,320	11,356,363	11,241,567
Buildings	10,393,978	10,352,938	10,339,994
Groundwater Plant	12,843,169	12,843,169	12,843,169
Wellfield	2,296,027	2,159,939	2,159,939
Perry County Expansion	2,487,696	2,487,696	2,487,696
Crooksville Line Expansion	1,560,815	1,560,815	1,560,815
Bishopville Merger	2,477,578	2,477,578	2,477,578
Transportation Equipment	760,700	609,940	609,940
SCADA System	195,669	195,669	195,669
Machinery, Equipment, and Tools	647,142	616,789	609,829
Furniture and Fixtures	49,140	45,878	28,004
Totals Before Accumulated Depreciation	<u>46,402,271</u>	<u>45,159,803</u>	<u>44,910,061</u>
Accumulated Depreciation	<u>(26,825,721)</u>	<u>(25,789,681)</u>	<u>(24,787,614)</u>
Net Capital Assets	<u>\$19,576,550</u>	<u>\$19,370,122</u>	<u>\$20,122,447</u>

previous year and is primarily due to depreciation expense which was partially offset by the additions.

Additional information regarding capital assets can be found in Note 6 to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(Unaudited)

DEBT

The District finances its construction primarily through the issuance of Ohio Water Development Authority (OWDA) loans and Ohio Public Works Commission (OPWC) loans. At December 31, 2022, the District had total debt outstanding of \$6,784,399 compared to \$7,392,225 at December 31, 2021 and \$7,855,920 at December 31, 2020. This represents a decrease of \$607,826 and an decrease of \$463,695 in 2022 and 2021, respectively. Additional information regarding debt can be found in Note 7 to the basic financial statements.

(Table 4)
Outstanding Debt, at December 31

	2022	2021	2020
OWDA Loan	\$ 6,293,919	\$ 6,882,686	\$ 7,291,040
OPWC Loans	490,480	509,539	564,880
Total Long Term Debt	6,784,399	7,392,225	7,855,920
Less			
Current Maturities	453,564	445,594	599,968
Net Long Term Debt	\$ 6,330,835	\$ 6,946,631	\$ 7,255,952

CASH

Cash and cash equivalents on December 31, 2022 were \$15,318,691 and on December 31, 2021 were \$15,420,159.

CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Wendy Aichele, accountant of the Burr Oak Regional Water District, 23554 Jenkins Dam Road, Glouster, Ohio 45732. The e-mail address is wendyborwd@gmail.com

Burr Oak Regional Water District
Athens County, Ohio
Statements of Net Position
As of December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 15,318,691	\$ 15,420,159
Accounts receivable, net of allowance for doubtful accounts	361,064	266,430
Prepaid Items	4,473	12,724
Total current assets	15,684,228	15,699,313
CAPITAL ASSETS		
Non-Depreciable Capital Assets	1,274,342	412,509
Depreciable Capital Assets, net of Depreciation	18,302,208	18,957,613
Total Capital Assets	19,576,550	19,370,122
OTHER ASSETS		
Net OPEB Asset	139,068	68,858
TOTAL ASSETS	35,399,846	35,138,293
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	277,430	184,441
OPEB	25,943	84,480
Total Deferred Outflows of Resources	303,373	268,921
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 35,703,219	\$ 35,407,214
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 103,639	\$ 55,065
Accrued wages	44,347	21,142
Current portion, compensated absences	112,618	53,500
Current portion, OWDA Loans	415,670	408,356
Current portion, OPWC Loans	37,894	37,238
Total current liabilities	714,168	575,301
LONG-TERM LIABILITIES		
Compensated absences	118,164	213,191
Net pension liabilities	415,096	614,525
OWDA loans	5,878,249	6,474,330
OPWC loans	452,586	482,849
Net Long-Term Liabilities	6,864,095	7,784,895
TOTAL LIABILITIES	7,578,263	8,360,196
DEFERRED INFLOWS OF RESOURCES		
Pensions	502,846	265,231
OPEB	143,685	210,391
Total Deferred Inflows of Resources	646,531	475,622
NET POSITION		
Net Investment in Capital Assets	12,792,151	11,967,349
Unrestricted	14,686,274	14,604,047
Total Net Position	27,478,425	26,571,396
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 35,703,219	\$ 35,407,214

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Statements of Revenues, Expenses and Changes in Net Position
As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water sales	\$ 3,677,129	\$ 3,268,704
Tap, application, and reconnect fees	7,038	31,288
Late penalty charges	15,278	7,307
Miscellaneous revenues	28,360	21,477
Total Operating Revenues	<u>3,727,805</u>	<u>3,328,776</u>
OPERATING EXPENSES		
Personnel expenses	934,431	639,164
Utilities and telecommunications expense	288,470	262,279
Maintenance and operations	653,370	554,808
Office expenses and operation	15,730	11,607
Professional fees	21,892	19,362
Depreciation	1,036,040	1,002,067
Total Operating Expenses	<u>2,949,933</u>	<u>2,489,287</u>
OPERATING INCOME	<u>777,872</u>	<u>839,489</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	167,422	206,724
Interest expense	(38,265)	(23,491)
Total Nonoperating Revenues (Expenses)	<u>129,157</u>	<u>183,233</u>
Change in Net Position	907,029	1,022,722
NET POSITION - Beginning of Year	<u>26,571,396</u>	<u>25,548,674</u>
NET POSITION - End of Year	<u>\$ 27,478,425</u>	<u>\$ 26,571,396</u>

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Statements of Cash Flows
As of December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATIONS		
Cash received from customers	\$ 3,633,171	\$ 3,356,658
Cash payments to suppliers for goods and services	(930,888)	(874,883)
Cash payments to employees for services	(1,072,063)	(1,035,651)
Net Cash Provided By Operations	1,630,220	1,446,124
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	167,422	206,724
Net Cash Provided By Investing Activities	167,422	206,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,242,468)	(249,742)
Principal payments on OWDA loans	(588,767)	(408,354)
Principal payments on OPWC loan	(29,610)	(44,793)
Interest paid on OWDA and OPWC loans	(38,265)	(23,491)
Net Cash Used In Capital and Related Financing Activities	(1,899,110)	(726,380)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(101,468)	926,468
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,420,159	14,493,691
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,318,691	\$ 15,420,159
CASH FLOWS FROM OPERATIONS		
Operating Income	\$ 777,872	\$ 839,489
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	1,036,040	1,002,067
Pension/OPEB Expense Adjustments Not Affecting Cash	(133,179)	(365,889)
(Increase) decrease in:		
Accounts receivable	(94,634)	27,882
Prepaid items	8,251	30,998
Increase (decrease) in:		
Accounts payable	48,574	(26,827)
Compensated absenses payable	(35,909)	(42,596)
Accrued payroll and benefits	23,205	(19,000)
Net Cash Provided by Operating Activities	\$ 1,630,220	\$ 1,446,124

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION

The Burr Oak Regional Water District, Athens County (the District), is a regional water district organized under the provision of the Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Athens County on September 27, 1999, after the Ohio Department of Natural Resources no longer wanted to operate the Burr Oak Water System. The State of Ohio formally transferred ownership, as well as all assets, of the Burr Oak Water System on October 21, 2000. The District operates under the direction of an eight-member Board of Trustees, from Athens, Hocking, Perry and Morgan Counties. The administrative staff consists of a District Manager and an Administrative Assistant, who are responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District took over the Bishopville Water District during 2022. The District now sells water to seventeen satellite water systems, consisting of nine area villages, four water districts, three private associations, and the Ohio Department of Natural Resources Division of Parks and Recreation. The District also has approximately eight hundred private tap customers.

The District's management believes the financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control. The District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. **Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, to report on its financial position and the results of its operations, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows of resources, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:

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

Enterprise Fund - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. **Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting policies of the District conform to accounting policies generally accepted in the United States of America.

For financial statement presentation purposes, the District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2022 and 2021, and has adopted and passed annual appropriations resolutions.

Appropriations – For fiscal years ended December 31, 2022 and 2021, budgetary expenditures may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

4. **Cash and Investments**

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

5. **Accounts Receivable**

Customer accounts receivables 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 as a reduction in revenue. Doubtful accounts are charged against the allowance when management believes the collectability of the account is unlikely.

6. **Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized on construction projects until they are substantially completed. Interest incurred on debt as a result of obtaining capital assets is not capitalized. Donated assets are recorded at their estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

<u>Asset Class</u>	<u>Number of Years</u>
Buildings and Water Systems	40-50
Furniture and Fixtures	10
Office Equipment	5
Laboratory Equipment	10
Machinery & Equipment	6-10
Park System, Tanks and Booster Stations	20
Tools and Equipment	10
Transportation Equipment	5
Land Improvements	10

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. **Capital Contributions**

Capital contributions are recorded by the District for receipts of capital grants or contributions from developers and customers. No capital contributions have been recognized in 2022 and 2021.

8. **Compensated Absences**

District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave is payable when used, or upon death or retirement. Vacation hours are accrued at different rates depending on the number of years of service of the respective employee. The annual vacation accruals range from 80 hours to 200 hours per year. The total maximum amount of vacation hours that an employee can accumulate ranges from 240 hours to 600 hours which is determined by his/her years of service. As for sick leave, this is accrued at a rate of 3.1 hours per pay with a maximum accrual amount of 1,040 hours. Accrued sick leave is paid out at 50% of the employee's regular rate of pay. Any employee discharged for cause receives none of their accumulated sick leave.

9. **Prepaid Expenses**

Prepaid expenses are those payments made to vendors for services that will benefit periods beyond the balance sheet date. These items are reported using the consumption method. A current asset is recorded at the time of payment, and an expense is recorded at the time the services are consumed.

10. **Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District had no restrictions on net position as of December 31, 2022 and 2021.

11. **Estimates**

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

12. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are water sales, tap, application, and reconnection fees, late penalty charges and miscellaneous revenues for water services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

13. **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the financial statements when the liability is incurred.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

14. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note 8 and Note 9. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and postemployment benefits. (See Note 8 and Note 9).

15. Pensions and Other Postemployment Benefits (OPEB)

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

NOTE 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS – Continued

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

Deposits – Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2022 and 2021, respectively, none of the District's bank balances of \$15,331,520 and \$13,910,634 were exposed to custodial credit risk because those deposits were insured or collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

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

Investments – The District had no investments as of December 31, 2022 and 2021.

NOTE 4 - COMPENSATED ABSENCES

The District uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability as employees receive 50% of their accrued sick leave upon termination or retirement. The vacation, personal and sick leave accruals as of December 31, 2022 and 2021 were \$230,782 and \$266,691, respectively.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. The District has not had any significant reduction in insurance coverage from the prior year.

The District pays the State Workers' Compensation System a premium based on a rate of approximately \$.78 per every \$100 of salaries. The rate is calculated based on accident history and administrative costs. The District also provides health-care insurance coverage for its full-time employees and the full-time employees pay a share of the cost for this insurance.

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Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022 was as follows:

	Ending Balance 12/31/21	Additions	Deletions	Ending Balance 12/31/22
Capital Assets, Not Being Depreciated				
Land	\$ 312,466	\$ -	\$ -	\$ 312,466
Construction in Progress	100,043	861,833	-	961,876
Total Capital Assets, Not Being Depreciated	<u>412,509</u>	<u>861,833</u>	<u>-</u>	<u>1,274,342</u>
Capital Assets Being Depreciated				
Land Improvements	40,520	13,175	-	53,695
Water Systems	11,356,363	5,957	-	11,362,320
Buildings	10,352,938	41,040	-	10,393,978
Groundwater Plant	12,843,169	-	-	12,843,169
Wellfield	2,159,939	136,088	-	2,296,027
Perry County Expansion	2,487,696	-	-	2,487,696
Crooksville Line Expansion	1,560,815	-	-	1,560,815
Bishopville Merger Capital Assets	2,477,578	-	-	2,477,578
Transportation Equipment	609,940	150,760	-	760,700
SCADA System	195,669	-	-	195,669
Machinery, Equipment, & Tools	616,789	30,353	-	647,142
Furniture & Fixtures	45,878	3,262	-	49,140
Total Capital Assets, Being Depreciated	<u>44,747,294</u>	<u>380,635</u>	<u>-</u>	<u>45,127,929</u>
Less Accumulated Depreciation:				
Land Improvements	(23,687)	(5,369)	-	(29,056)
Water Systems	(8,621,341)	(245,404)	-	(8,866,745)
Buildings	(10,149,293)	(14,975)	-	(10,164,268)
Groundwater Plant	(3,443,838)	(321,132)	-	(3,764,970)
Wellfield	(525,972)	(75,224)	-	(601,196)
Perry County Expansion	(1,220,248)	(92,294)	-	(1,312,542)
Crooksville Line Expansion	(597,198)	(56,493)	-	(653,691)
Bishopville Merger Capital Assets	(177,470)	(118,313)	-	(295,783)
Transportation Equipment	(382,016)	(85,430)	-	(467,446)
SCADA System	(51,642)	(6,317)	-	(57,959)
Machinery, Equipment, & Tools	(567,151)	(11,206)	-	(578,357)
Furniture & Fixtures	(29,825)	(3,883)	-	(33,708)
Total Accumulated Depreciation	<u>(25,789,681)</u>	<u>(1,036,040)</u>	<u>-</u>	<u>(26,825,721)</u>
Total Capital Assets Being Depreciated, Net	<u>18,957,613</u>	<u>(655,405)</u>	<u>-</u>	<u>18,302,208</u>
Total Capital Assets, Net	<u>\$ 19,370,122</u>	<u>\$ 206,428</u>	<u>\$ -</u>	<u>\$ 19,576,550</u>

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 6 – CAPITAL ASSETS – Continued

Capital assets activity for the year ended December 31, 2021 was as follows:

	Ending Balance 12/31/20	Additions	Deletions	Ending Balance 12/31/21
Capital Assets, Not Being Depreciated				
Land	\$ 300,689	\$ 11,777	\$ -	\$ 312,466
Construction in Progress	14,652	85,391	-	100,043
Total Capital Assets, Not Being Depreciated	<u>315,341</u>	<u>97,168</u>	<u>-</u>	<u>412,509</u>
Capital Assets Being Depreciated				
Land Improvements	40,520	-	-	40,520
Water Systems	11,241,567	114,796	-	11,356,363
Buildings	10,339,994	12,944	-	10,352,938
Groundwater Plant	12,843,169	-	-	12,843,169
Wellfield	2,159,939	-	-	2,159,939
Perry County Expansion	2,487,696	-	-	2,487,696
Crooksville Line Expansion	1,560,815	-	-	1,560,815
Bishopville Merger Capital Assets	2,477,578	-	-	2,477,578
Transportation Equipment	609,940	-	-	609,940
SCADA System	195,669	-	-	195,669
Machinery, Equipment, & Tools	609,829	6,960	-	616,789
Furniture & Fixtures	28,004	17,874	-	45,878
Total Capital Assets, Being Depreciated	<u>44,594,720</u>	<u>152,574</u>	<u>-</u>	<u>44,747,294</u>
Less Accumulated Depreciation:				
Land Improvements	(19,635)	(4,052)	-	(23,687)
Water Systems	(8,362,935)	(258,406)	-	(8,621,341)
Buildings	(10,135,959)	(13,334)	-	(10,149,293)
Groundwater Plant	(3,122,706)	(321,132)	-	(3,443,838)
Wellfield	(464,357)	(61,615)	-	(525,972)
Perry County Expansion	(1,127,954)	(92,294)	-	(1,220,248)
Crooksville Line Expansion	(540,706)	(56,492)	-	(597,198)
Bishopville Merger Capital Assets	(59,157)	(118,313)	-	(177,470)
Transportation Equipment	(326,489)	(55,527)	-	(382,016)
SCADA System	(45,326)	(6,316)	-	(51,642)
Machinery, Equipment, & Tools	(558,980)	(8,171)	-	(567,151)
Furniture & Fixtures	(23,410)	(6,415)	-	(29,825)
Total Accumulated Depreciation	<u>(24,787,614)</u>	<u>(1,002,067)</u>	<u>-</u>	<u>(25,789,681)</u>
Total Capital Assets Being Depreciated, Net	<u>19,807,106</u>	<u>(849,493)</u>	<u>-</u>	<u>18,957,613</u>
Total Capital Assets, Net	<u>\$ 20,122,447</u>	<u>\$ (752,325)</u>	<u>\$ -</u>	<u>\$ 19,370,122</u>

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS

Long-term obligations and the related transactions for the years ended December 31, 2022 and 2021 are summarized below:

	Balance			Balance	Due Within
	12/31/21	Additions	Reductions	12/31/22	One Year
Direct Obligations:					
OWDA 4776 - Paid to Perry County	\$ 633,268	\$ -	\$ 33,286	\$ 599,982	\$ 33,286
OWDA 4915	153,183	-	13,130	140,053	8,753
OWDA 5266	4,247,960	-	318,597	3,929,363	212,398
OWDA 5054 - Paid to Village of Crooksville	429,705	-	20,642	409,063	20,850
OWDA 5069 - Paid to Village of Crooksville	94,002	-	4,947	89,055	4,948
OWDA 5871	721,067	-	94,018	627,049	64,256
OWDA 4371	588,011	-	103,242	484,769	70,560
OWDA 6238	15,490	-	905	14,585	619
OPWC CR22N	369,812	-	2,612	367,200	2,611
OPWC CR19S	66,606	-	8,508	58,098	16,136
OPWC CR25G	83,672	-	18,490	65,182	18,491
Net Pension Liabilities	614,525	-	199,429	415,096	-
Net OPEB Liabilities (1)	-	-	-	-	-
Compensated Absences	266,691	82,327	118,236	230,782	112,618
Total	\$ 8,283,992	\$ 82,327	\$ 936,042	\$ 7,430,277	\$ 565,526

	Balance			Balance	Due Within
	12/31/2020	Additions	Reductions	12/31/2021	One Year
Direct Obligations:					
OWDA 4776 - Paid to Perry County	\$ 666,223	-	\$ 32,955	\$ 633,268	\$ 32,956
OWDA 4915	161,936	-	8,753	153,183	8,753
OWDA 5266	4,460,358	-	212,398	4,247,960	212,398
OWDA 5054 - Paid to Village of Crooksville	450,144	-	20,439	429,705	20,439
OWDA 5069 - Paid to Village of Crooksville	98,950	-	4,948	94,002	4,948
OWDA 5871	782,205	-	61,138	721,067	61,138
OWDA 4371	655,146	-	67,135	588,011	67,136
OWDA 6238	16,078	-	588	15,490	588
OPWC CR22N	388,303	-	18,491	369,812	18,491
OPWC CR19S	69,217	-	2,611	66,606	2,611
OPWC CR25G	107,360	-	23,688	83,672	16,136
Net Pension Liabilities	714,727	-	100,202	614,525	-
Net OPEB Liabilities	465,208	-	465,208	-	-
Compensated Absences	309,287	-	42,596	266,691	53,500
Total	\$ 9,345,142	\$ -	\$ 1,061,150	\$ 8,283,992	\$ 499,094

(1) The District had a net OPEB asset as of December 31, 2022 in the amount of \$139,068, so no liability is reported.

The District has certain direct borrowings with the Ohio Public Works Commission (OPWC). In the event of a default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, (3) as provided by law, OPWC may require that the outstanding amounts shall, at OPWC's option, become immediately due and payable.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS – Continued

In 2007, the District entered into an agreement with Perry County to repay an OWDA Loan 4776 for the Perry County Line Extension. The loan matures July 1, 2039 and has a one percent interest rate.

In 2008, the District received an OWDA Loan 4915 for the Tank #4 Waterline Replacement. The loan matures January 1, 2039 and has a zero percent interest rate.

In 2009, the District received an OWDA Loan 5266 for the Wellfield Project. The loan matures July 1, 2041 and has a zero percent interest rate.

In 2009, the District entered into an agreement with the Village of Crooksville to pay an OWDA Loan 5054 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a one percent interest rate.

In 2009, the District entered into an agreement with the Village of Crooksville to repay an OWDA Loan 5069 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a zero percent interest rate.

In 2011, the District received an OWDA Loan 5871 for the East Water Line and Tank Project. The loan matures January 1, 2032 and has a two percent interest rate.

In 2020, the District assumed OWDA Loan 4371 from Bishopville Water District for a new tank and waterline extension. The loan matures July 1, 2029 and has a two percent interest rate.

In 2020, the District assumed OWDA Loan 6238 from Bishopville Water District for a waterline replacement on State Route 78. The loan matures July 1, 2042 and has a two percent interest rate.

In 2012, the District received an OPWC Loan CR22N for the replacement of Tank #2. The loan matures January 1, 2042 and has a zero percent interest rate.

In 2020, the District assumed OPWC Loan CR19S from Bishopville Water District for a water tank replacement. The loan matures in January 2048 and has a zero percent interest rate.

In 2020, the District assumed OPWC Loan CR25G from Bishopville Water District for a waterline extension. The loan matures in January 2028 and has a two percent interest rate.

Future principal and interest payments on all OWDA loans are as follows:

Year Ending December 30,	OWDA Loans		
	Principal	Interest	Total
2023	415,670	32,140	447,810
2024	418,934	28,876	447,810
2025	422,267	25,552	447,819
2026	425,647	22,164	447,811
2027	429,094	18,717	447,811
2028-3032	1,834,428	48,491	1,882,919
2033-2037	1,439,553	17,599	1,457,152
2038-2041	908,326	3,407	911,733
Total	<u>\$ 6,293,919</u>	<u>\$ 196,946</u>	<u>\$ 6,490,865</u>

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS – Continued

In connection with the OWDA loans, the District has pledged future customer revenues of the Water Fund, net of specified operating expenses, to repay these loans. The loans are payable, through final maturities, from net revenues applicable to the Water Funds. Total principal and interest remaining to be paid on the bonds is \$6,490,865. The net revenue available for these bonds was \$1,981,334, and principal and interest paid was \$637,031. The coverage ratio for these loans was 3.11 for the year ended December 31, 2022.

Future principal payments on the OPWC loan is as follows:

Year Ending December 30,	OPWC Loan		
	Principal	Principal	Total
2023	37,894	1,482	39,376
2024	38,231	45	38,276
2025	38,576	800	39,376
2026	38,927	449	39,376
2027	27,046	50	27,096
2028-2032	105,508	-	105,508
2033-2037	105,508	-	105,508
2038-2042	87,019		87,019
2043-2045	11,771	-	11,771
Total	<u>\$ 490,480</u>	<u>\$ 2,826</u>	<u>\$ 493,306</u>

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 8– DEFINED BENEFIT PENSION PLAN - Continued

legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net pension/OPEB asset or long-term net pension/OPEB liability on the accrual basis in the accompanying financial statements. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included as an intergovernmental payable on the accrual basis of accounting.

The remainder of this note includes the pension disclosures. See Note 9 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution 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, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investmenst/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to 01/01/13 or eligible to retire ten years after 01/01/13	Members not in other Groups and members hired on or after 01/01/13
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Burr Oak Regional Water District
Athens County, Ohio
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NOTE 8— DEFINED BENEFIT PENSION PLAN - Continued

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

Beginning in 2022, the Combined Plan was consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option was no longer be available for new hires beginning in 2022.

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Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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

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

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

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

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

The District's contractually required contribution to OPERS was \$102,762 for fiscal year 2022 and \$97,126 for 2021 respectively, of which the entire amount was paid during 2022.

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

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

	<u>2022 OPERS</u>	<u>2021 OPERS</u>
Proportionate Share of the Net Pension Liability - Current Year	0.004771%	0.004150%
Proportionate Share of the Net Pension Liability - Prior Year	0.004150%	0.003616%
Change in Proportionate Share Proportion of the Net Pension Liability	0.000621%	0.000534%
Pension Expense (Gain)	\$415,096	\$614,525
	\$47,959	\$101,491

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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

At December 31, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	2022	2021
Differences between projected and actual economic experience	\$ 21,161	\$ -
Changes in assumptions	51,907	-
Changes in proportion	101,600	87,315
District contributions subsequent to the measurement date	102,762	97,126
Total	\$ 277,430	\$ 184,441
Deferred Inflows of Resources		
Differences between projected and actual economic experience	\$ (9,104)	\$ (25,706)
Differences between projected and actual investment earnings	(493,742)	(239,525)
Total	\$ (502,846)	\$ (265,231)

\$102,762 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>
2023	\$14,255
2024	(147,792)
2025	(116,098)
2026	(78,543)
Total	<u>(\$328,178)</u>

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN -Continued

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021 and 2020, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2021 and 2020, are presented below for the OPERS Traditional Plan.

	<u>2021</u>	<u>2020</u>
	5-year period ended December	5-year period ended December
Experience Study	31, 2020	31, 2015
Wage Inflation	2.75 percent	3.25 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2022, then 2.05 percent, simple	.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	6.9 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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NOTE 8 – DEFINED BENEFIT PENSION PLAN -Continued

Actuarial Assumptions – OPERS - Continued

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2021 and 2020, these best estimates are summarized in the following table:

Asset Class	2021	2020	2021	2020
	Target Allocation	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00 %	25.00 %	1.03 %	1.32 %
Domestic Equities	21.00	21.00	3.78	5.64
Real Estate	11.00	10.00	3.66	5.39
Private Equity	12.00	12.00	7.43	10.42
International Equities	23.00	23.00	4.88	7.36
Risk Parity	5.00	0.00	2.92	0.00
Other Investments	4.00	9.00	2.85	4.75
Total	100.00 %	100.00 %	4.21 %	5.61 %

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

Discount Rate The discount rate used to measure the total pension liability was 6.9% and 7.2% for the Traditional Pension Plan for the years ended December 31, 2021 and 2020. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables presents the District’s proportionate share of the net pension liability calculated as of the measurement dates of December 31, 2021 and 2020 using the current period discount rate assumption of 6.9 and 7.2 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 and 6.2 percent) or one-percentage-point higher (7.9 and 8.2 percent) than the current rate:

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 8 – DEFINED BENEFIT PENSION PLAN -Continued

Actuarial Assumptions – OPERS - Continued

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension liability	\$1,094,420	\$415,096	(\$150,191)
	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
District's proportionate share of the net pension liability	\$1,172,209	\$614,525	\$150,811

NOTE 9 – DEFINED BENEFIT OPEB PLAN

See Note 8 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

Burr Oak Regional Water District
Athens County, Ohio
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NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Ohio Public Employees Retirement System - Continued

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance. Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022 and 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0 percent during calendar year 2022 and calendar year 2021. For the calendar year 2021 and for the time period January 1, 2022 through June 30, 2022, OPERS did not allocate any employer contributions to health care for members in the Combined Plan. For the time period July 1, 2022 through December 31, 2022, OPERS allocated 2.0 percent of employer contributions to health care for members in the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 and 2021 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$0 for 2022 and 2021.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 - DEFINED BENEFIT OPEB PLAN - Continued

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability(Asset)

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020 and 2019 rolled forward to the measurement dates of December 31, 2021 and 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2022	2021
	OPERS	OPERS
Proportionate Share of the Net OPEB Liability (Asset)- Current Year	0.004440%	0.003865%
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	0.003865%	0.003368%
Change in Proportionate Share	0.000575%	0.000497%
Proportion of the Net OPEB(Asset) Liability	(\$139,068)	(\$68,858)
OPEB Expense (Gain)	(\$78,379)	(\$370,254)

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

	2022	2021
	OPERS	OPERS
Deferred Outflows of Resources		
Changes of assumptions	\$ -	\$ 33,851
Change in proportions	25,943	50,629
Total	\$ 25,943	\$ 84,480
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 21,095	\$ 62,145
Differences between projected and actual investment earnings	66,297	36,675
Changes of assumptions	56,293	111,571
Total	\$ 143,685	\$ 210,391

There were no deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date since none were made subsequent to the measurement date.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Fiscal Year Ending December:	
2023	\$(66,246)
2024	(27,488)
2025	(14,486)
2026	<u>(9,522)</u>
	<u>\$(117,742)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020 and 2019, rolled forward to the measurement dates of December 31, 2021 and 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:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Future Salary Increases, including inflation		
Single Discount Rate:		
Current measurement date	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent ultimate in 2034	8.5 percent, initial 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Experience Study	5-Year Period Ended December 31, 2020	5-Year Period Ended December 31, 2015

Burr Oak Regional Water District
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NOTE 9 - DEFINED BENEFIT OPEB PLAN - Continued

Actuarial Assumptions – OPERS - Continued

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

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

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

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. 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 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

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NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Actuarial Assumptions – OPERS - Continued

For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2021 and 2020, these best estimates are summarized in the following table:

Asset Class	2021	2020	2021	2020
	Target Allocation	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	34.00 %	0.91 %	1.07 %
Domestic Equities	25.00	25.00	3.78	5.64
Real Estate Investment Trust	7.00	7.00	3.71	6.48
International Equities	25.00	25.00	4.88	7.36
Risk Parity	2.00	0.00	2.92	0.00
Other Investments	7.00	9.00	1.93	4.02
Total	100.00 %	100.00 %	3.45 %	4.55 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index’s “20-Year Municipal GO AA Index”) for the year ended December 31, 2021. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent for the year ended December 31, 2020. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB liability (asset)	(\$81,785)	(\$139,068)	(\$186,613)

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 9 - DEFINED BENEFIT OPEB PLAN – Continued

Actuarial Assumptions – OPERS - Continued

The following table presents the District’s proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2020, using the single discount rate of 6.00 percent, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB liability (asset)	(\$17,122)	(\$68,858)	(\$111,389)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

For the fiscal year ended December 31, 2022:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	(\$140,570)	(\$139,068)	(\$137,285)

For the fiscal year ended December 31, 2021:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	(\$70,536)	(\$68,858)	(\$66,980)

NOTE 10– COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency ended in April 2023. During 2022, the District did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Nine Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.004771%	0.004150%	0.003616%	0.003323%	0.003018%	0.003001%	0.003064%	0.003057%	0.003057%
District's proportionate share of the net pension liability	\$ 415,096	\$ 614,525	\$ 714,727	\$ 910,102	\$ 473,466	\$ 681,476	\$ 530,723	\$ 368,708	\$ 360,380
District's covered-employee payroll	\$ 693,757	\$ 586,714	\$ 511,757	\$ 445,471	\$ 411,808	\$ 389,475	\$ 388,992	\$ 376,117	\$ 374,692
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.83%	104.74%	139.66%	204.30%	114.97%	174.97%	136.44%	98.30%	96.18%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.10%	86.45%	86.36%

(1) Information prior to 2013 is not available.
Amounts presented as of the District's measurement date which is the prior fiscal year.
See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 102,762	\$ 97,126	\$ 82,140	\$ 71,646	\$ 62,366	\$ 53,535	\$ 46,737	\$ 46,679	\$ 45,134	\$ 48,710
Contributions in relation to the contractually required contribution	<u>(102,762)</u>	<u>(97,126)</u>	<u>(82,140)</u>	<u>(71,646)</u>	<u>(62,366)</u>	<u>(53,535)</u>	<u>(46,737)</u>	<u>(46,679)</u>	<u>(45,134)</u>	<u>(48,710)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 734,014	\$ 693,757	\$ 586,714	\$ 511,757	\$ 445,471	\$ 411,808	\$ 389,475	\$ 388,992	\$ 367,117	\$ 374,692
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.29%	13.00%

See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System
Last Six Years (1)

	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)	0.00444000%	0.00386500%	0.00336800%	0.00309500%	0.00283000%	0.00282000%
District's proportionate share of the net OPEB liability (asset)	\$ (139,068)	\$ (68,858)	\$ 465,208	\$ 403,515	\$ 307,317	\$ 284,830
District's covered-employee payroll	\$ 693,757	\$ 586,714	\$ 511,757	\$ 445,471	\$ 411,808	\$ 389,475
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-20.05%	-11.74%	90.90%	90.58%	74.63%	73.13%
Plan fiduciary net position as a percentage of the total OPEB liability	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Required Supplementary Information
Schedule of the District's OPEB Contributions
Ohio Public Employees Retirement System
Last Seven Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,116	\$ 7,792
Contributions in relation to the contractually required contribution	-	-	-	-	-	(4,116)	(7,792)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered-employee payroll	\$ 734,014	\$ 693,757	\$ 586,714	\$ 511,757	\$ 447,471	\$ 411,808	\$ 389,475
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2015 is not available.
See accompanying notes to the required supplementary information.

Burr Oak Regional Water District
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms:

There were no 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 simple to .5 percent simple through 2021 then 2.15 percent simple.

For 2022, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from .5 percent simple through 2021, then 2.15 simple to 3.0 percent simple through 2022 then 2.05 percent simple.

Changes in assumptions:

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

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

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

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

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

Net OPEB Liability

Changes in benefit terms:

There were no significant changes in benefit terms for 2018-2022.

Changes in assumptions

Changes in assumptions for 2018 were as follows:

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

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

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

Burr Oak Regional Water District
Notes to the Required Supplementary Information

Net OPEB Liability (Continued)

Changes in assumptions (Continued)

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

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

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

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

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

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

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

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Burr Oak Regional Water District, Athens County, (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of 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.



Charles E. Harris & Associates, Inc.

June 24, 2024

OHIO AUDITOR OF STATE KEITH FABER



BURR OAK REGIONAL WATER DISTRICT

ATHENS 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 9/3/2024

65 East State 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