

Allen Water District
Allen County, Ohio
Basic Financial Statements
For the Years Ended December 31, 2024 and 2023



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

**Allen Water District
Allen County, Ohio**

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For the Years Ended December 31, 2024 and 2023**

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bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

May 12, 2025

The Board of Trustees
Allen Water District
3230 North Cole Street
Lima, Ohio 45807

ACCOUNTANT'S COMPILATION REPORT

Management is responsible for the accompanying basic financial statements of Allen Water District, Allen County, Ohio, which collectively comprise the District's basic financial statements as listed in the table of contents as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management, and we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management's Discussion and Analysis on pages 3 through 7 and the Required Supplementary Information on pages 46 thru 51 are not a required part of the basic financial statements but are required supplementary information in accordance with accounting principles generally accepted in the United States of America. The required supplementary information on pages 3 through 7 and pages 46 thru 51 has been compiled by us, without audit or review and we do not express an opinion, a conclusion, nor provide any assurance on this information.

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BHM CPA Group, Inc.
Portsmouth, Ohio

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**Allen Water District
Allen County, Ohio**

**Management's Discussion and Analysis
For the Years Ended December 31, 2024 and 2023
(Unaudited)**

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2024 by \$33,337,817 and on December 31, 2023 by \$33,098,867. The District's net position increased by \$238,950 (.7%) in 2024 and increased by \$2,789,054 (9.2%) in 2023.

The District's operating revenues increased by \$139,123 (7.4%) in 2024 and by \$151,778 (8.8%) in 2023. Operating expenses increased by \$87,875 (3.7%) in 2024 and increased by \$302,919 (14.8%) in 2023.

During 2024, the District paid \$552,040 in principal on outstanding debt. The District also had \$1,283,593 in capital asset additions before depreciation and \$1,108,428 in depreciation expense during 2024.

During 2023, the District paid \$827,692 in principal on outstanding debt. The District also had \$2,314,829 in capital asset additions before depreciation and \$1,044,080 in depreciation expense during 2023.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

The **Statements of Net Position** include all of the District's Assets, Liabilities, and Deferred Outflows/Inflows of Resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, obligations owed by the District (liabilities), and deferred outflows/inflows of resources 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.

**Allen Water District
Allen County, Ohio**

**Management's Discussion and Analysis
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(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

	2024	2023	Difference	2022	Difference
Current and Other Assets	\$ 6,281,216	\$ 6,893,617	\$ (612,401)	\$ 4,658,144	\$ 2,235,473
Capital Assets, Net	35,157,260	34,982,095	175,165	33,711,346	1,270,749
Total Assets	41,438,476	41,875,712	(437,236)	38,369,490	3,506,222
Pensions	71,146	114,834	(43,688)	32,218	82,616
OPEB	11,098	27,287	(16,189)	807	26,480
Total Deferred Outflows of Resources	82,244	142,121	(59,877)	33,025	109,096
Long Term Liabilities	7,067,359	6,695,401	371,958	6,012,919	682,482
Current and Other Liabilities	661,830	1,778,394	(1,116,564)	1,518,360	260,034
Total Liabilities	7,729,189	8,473,795	(744,606)	7,531,279	942,516
Pensions	4,440	-	4,440	85,945	(85,945)
OPEB	7,064	2,961	4,103	25,532	(22,571)
Unearned Special Assessments	442,210	442,210	-	449,946	(7,736)
Total Deferred Inflows of Resources	453,714	445,171	8,543	561,423	(116,252)
Net Investment in Capital Assets	27,847,953	26,984,554	863,399	26,505,894	478,660
Unrestricted	5,489,864	6,114,313	(624,449)	3,803,919	2,310,394
Total Net Position	\$ 33,337,817	\$ 33,098,867	\$ 238,950	\$ 30,309,813	\$ 2,789,054

The net pension liability (NPL) is a liability reported by the District at December 31, 2024 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment liability (asset) (OPEB) is a liability (asset) reported by the District at December 31, 2024 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 net OPEB liability to the reported net position and subtracting the deferred outflows related to pension and OPEB and the net OPEB asset.

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 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. When a net OPEB asset is identified, it is separately identified within 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.

The District’s net position increased by \$238,950 (.7%) in 2024 and increased by \$2,789,054 (9.2%) in 2023. The increase in 2024 is primarily due to increased capital assets primarily for the Indianbrook water line project and the Diller Road water line project in 2024 which were partially offset by depreciation expense of \$1,108,428. This increase was partially offset by a decrease in cash used for projects in 2024 and a decrease in assessments receivable due to payments received. Current and other liabilities decreased primarily due to decreases in contracts payable and retainage payable. Long-term liabilities increased primarily due to OWDA loan draws for the Indianbrook and Diller Road projects which was partially offset by payments for retirement of debt during 2024.

The District’s net position increased by \$2,789,054 (9.2%) in 2023 and increased by \$4,194,472 (16.1%) in 2022. The increase in 2023 is primarily due to increased cash from intergovernmental contributions and increased capital assets for the East Regional Water Tank project and the Rudolph Tank project in 2023 which were partially offset by depreciation expense of \$1,044,080. This increase was partially offset by a decrease in intergovernmental receivables due to less grant monies due to the District for the East Regional project in 2023. Current and other liabilities increased primarily due to an increase in contracts payable due to timing on ongoing construction projects as well as an increase in the current portion of loans payable. Long-term liabilities increased primarily due to OWDA loan draws for the Indianbrook project which was partially offset by payments for retirement of debt during 2023. There was also an increase in net pension liabilities due to actuarial calculations for the Public Employees Retirement System.

Unrestricted net position decreased by \$624,449 from 2023 to 2024 and increased by \$2,310,394 from 2022 to 2023.

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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

	2024	2023	Difference	2022	Difference
Operating Revenues	\$ 2,012,346	\$ 1,873,223	\$ 139,123	\$ 1,721,445	\$ 151,778
Operating Expenses (Excluding Depreciation)	1,327,477	1,303,950	23,527	1,188,013	115,937
Depreciation	1,108,428	1,044,080	64,348	857,098	186,982
Total Operating Expenses	2,435,905	2,348,030	87,875	2,045,111	302,919
Operating (Loss)	(423,559)	(474,807)	51,248	(323,666)	(151,141)
Non-Operating Revenues	140,438	138,550	1,888	128,890	9,660
Non-Operating Expenses	(176,873)	(163,308)	(13,565)	(136,398)	(26,910)
Capital Contributions	698,944	3,288,619	(2,589,675)	4,525,646	(1,237,027)
Changes in Net Position	238,950	2,789,054	(2,550,104)	4,194,472	(1,405,418)
Net Position at Beginning of Year	33,098,867	30,309,813	2,789,054	26,115,341	4,194,472
Net Position at End of Year	\$ 33,337,817	\$ 33,098,867	\$ 238,950	\$ 30,309,813	\$ 2,789,054

Operating revenues increased \$139,123 from 2023 to 2024 partially due to an increase in district fee revenues which partially due to an increase in 2024 in the fees charged to the water customers added from Allen County as well as an increased number of customers. There was also an increase in contract fees charged to water customers by the City and remitted back to the City. Operating expenses, exclusive of depreciation, increased \$23,527 primarily due to an increase in contract fees expense which was partially offset by a decrease in license fees. Pension expenses increased primarily due to changes in actuarial calculations. Interest income decreased due to less interest from decreasing special assessment receivable balances with higher interest rates. Interest expense increased slightly. Capital contributions decreased primarily because of less intergovernmental contributions in 2024 and less capital contributions from customers for the East Regional project during 2024.

Operating revenues increased \$151,778 from 2022 to 2023 partially due to an increase in district fee revenues which partially due to an increase in 2023 in the fees charged to the water customers added from Allen County as well as an increased number of customers. There was also an increase in contract fees charged to water customers by the City and remitted back to the City. Operating expenses, exclusive of depreciation, increased \$115,937 primarily due to increases in pension expenses and contract fees expense which was partially offset by a decrease in audit fees. Pension expenses increased primarily due to changes in actuarial calculations. Interest income decreased due to less interest from decreasing special assessment receivable balances with higher interest rates. Interest expense increased due to several OWDA loans starting to be repaid in 2023 with higher interest amounts which was partially offset by decreasing balances of OWDA loans payable with lower interest payments. Capital contributions decreased primarily because of less intergovernmental contributions in 2023 which was partially offset by capital contributions from customers for the East Regional project during 2023.

CAPITAL ASSETS

The District had \$46,593,997 invested in capital assets (before depreciation) at the end of 2024. This amount increased from 2023 by \$1,283,593 primarily due to costs for the Indianbrook Waterline project and costs for the Diller Road Waterline project. The District had \$35,157,260 invested in net capital assets (after depreciation) at the end of 2024. This amount is an increase of \$175,165 from the previous year and is primarily due to additions which were partially offset by depreciation expense.

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The District had \$45,310,404 invested in capital assets (before depreciation) at the end of 2023. This amount increased from 2022 by \$2,314,829 primarily due to costs for the Indianbrook Waterline project, additional costs for the water storage tank for the East Regional Water Line project and additional costs for the Rudolph Water Storage Tank project. The District had \$34,982,095 invested in net capital assets (after depreciation) at the end of 2023. This amount is an increase of \$1,270,749 from the previous year and is primarily due to additions which were partially offset by depreciation expense.

**(Table 3)
Capital Assets at December 31**

	2024	2023	2022
Land Easements	\$ 7,186	\$ 7,186	\$ 7,186
Construction in Progress	137,397	1,793,945	1,591,240
Water Lines	42,470,789	39,530,648	39,407,741
Water Storage Tanks	3,967,201	3,967,201	1,977,984
Office Furniture & Equipment	11,424	11,424	11,424
Totals Before Accumulated Depreciation	46,593,997	45,310,404	42,995,575
Accumulated Depreciation	(11,436,737)	(10,328,309)	(9,284,229)
Net Capital Assets	\$ 35,157,260	\$ 34,982,095	\$ 33,711,346

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

DEBT

The District issues long term debt to finance much of its construction. The District typically levies special assessments on the benefiting property owners and then generally obtains Ohio Water Development Authority Loans (OWDA) to finance these water line projects. The special assessment collections are generally received over a twenty-five year period (with some exceptions) and such collections are used to assist in paying the debt service on the OWDA Loans and the Local Government Innovation Fund (LGIF) Loan. Additional information regarding debt can be found in Note I to the basic financial statements.

**(Table 4)
Outstanding Debt, at December 31**

	2024	2023	2022
OWDA Loans	\$ 3,242,714	\$ 2,802,289	\$ 1,809,913
USDA Loans	3,457,613	3,530,900	3,902,600
O.P.W.C.	306,825	295,325	295,325
LGIF Loan	37,844	77,844	117,844
Rotary Commission Loans	264,311	264,311	268,115
Total Long Term Debt	7,309,307	6,970,669	6,393,797
Less			
Current Maturities	465,529	547,744	451,786
Net Long Term Debt	\$ 6,843,778	\$ 6,422,925	\$ 5,942,011

CASH

Cash and cash equivalents and equity in county treasury were \$4,518,966 at December 31, 2024 and \$4,766,989 at December 31, 2023.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Kurt Neeper, Treasurer, Allen Water District, 3230 North Cole Street, Lima, Ohio 45801 or (419) 996-4679.

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Allen Water District
Allen County, Ohio

Statements of Net Position
As of December 31, 2024 and 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9	\$ 9
Equity in County Treasury	4,518,957	4,766,980
Accounts receivable	209,236	184,801
Prepaid insurance	6,493	6,198
Total current assets	<u>4,734,695</u>	<u>4,957,988</u>
NONCURRENT ASSETS:		
Capital Assets:		
Land easements	7,186	7,186
Construction in Progress	137,397	1,793,945
Water lines	42,470,789	39,530,648
Water tanks	3,967,201	3,967,201
Office furniture and equipment	11,424	11,424
	<u>46,593,997</u>	<u>45,310,404</u>
Less: Accumulated depreciation	(11,436,737)	(10,328,309)
Net capital assets	<u>35,157,260</u>	<u>34,982,095</u>
Other Assets:		
Assessments receivable	1,534,174	1,935,629
Net OPEB asset	12,347	-
Total other assets	<u>1,546,521</u>	<u>1,935,629</u>
TOTAL ASSETS	<u>\$ 41,438,476</u>	<u>\$ 41,875,712</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions	71,146	114,834
OPEB	11,098	27,287
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>82,244</u>	<u>142,121</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 41,520,720</u>	<u>\$ 42,017,833</u>

(Continued)

Allen Water District
Allen County, Ohio

Statements of Net Position - Continued
As of December 31, 2024 and 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 170,255	\$ 178,213
Contracts payable	-	861,831
Accrued payroll and related liabilities	1,818	5,117
Vacation and personal leave accrual	24,228	20,448
Retainage payable	-	165,041
Loans payable - current portion	465,529	547,744
Total current liabilities	<u>661,830</u>	<u>1,778,394</u>
LONG-TERM LIABILITIES:		
Net pension liabilities	223,581	263,497
Net OPEB liabilities	-	8,979
Loans payable	6,843,778	6,422,925
Total long-term liabilities	<u>7,067,359</u>	<u>6,695,401</u>
TOTAL LIABILITIES	<u>7,729,189</u>	<u>8,473,795</u>
DEFERRED INFLOWS OF RESOURCES:		
Pensions	4,440	-
OPEB	7,064	2,961
Unearned special assessments	442,210	442,210
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>453,714</u>	<u>445,171</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>8,182,903</u>	<u>8,918,966</u>
NET POSITION:		
Net investment in capital assets	27,847,953	26,984,554
Unrestricted	5,489,864	6,114,313
TOTAL NET POSITION	<u>33,337,817</u>	<u>33,098,867</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 41,520,720</u></u>	<u><u>\$ 42,017,833</u></u>

See accompanying notes to the basic financial statements.
See accountant's compilation report.

**Allen Water District
Allen County, Ohio**

**Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES:		
District fees	\$ 976,379	\$ 872,947
Contract fees revenue	<u>1,035,967</u>	<u>1,000,276</u>
Total operating revenues	<u>2,012,346</u>	<u>1,873,223</u>
OPERATING EXPENSES:		
Office wages	108,350	101,933
Contract fees expense	1,035,967	1,000,276
Trustee fees	39,488	38,951
Payroll taxes/Health Insurance/Workers compensation	28,700	23,814
OPERS/Pension/OPEB expense	27,136	27,832
Engineering fees	560	5,660
Legal fees	10,382	10,608
Accounting fees	14,000	14,000
Audit fees	14,711	9,930
Utilities	5,403	620
Insurance	8,886	7,935
Office supplies	318	1,345
License fees	3,095	24,574
Office rent	18,000	18,000
Public relations	6,451	5,652
Easement rent	658	637
Depreciation	1,108,428	1,044,080
Transportation	726	674
Miscellaneous	<u>4,646</u>	<u>11,509</u>
Total operating expenses	<u>2,435,905</u>	<u>2,348,030</u>
Operating loss	<u><u>\$ (423,559)</u></u>	<u><u>\$ (474,807)</u></u>

(Continued)

**Allen Water District
Allen County, Ohio**

**Statements of Revenues, Expenses and Changes in Net Position - Continued
For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating loss	\$ (423,559)	\$ (474,807)
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental	4,562	7,899
Interest income	39,414	51,444
Capital permit fees and supplemental charges	93,117	70,236
Plan and review/inspection revenue	-	4,938
Interest expense	(176,873)	(163,308)
Miscellaneous revenue	3,345	4,033
Net nonoperating revenues (expenses)	<u>(36,435)</u>	<u>(24,758)</u>
Changes in net position before capital contributions	(459,994)	(499,565)
Capital contributions - donated lines	48,521	116,100
Capital contributions - customers	132,490	475,876
Capital contributions - intergovernmental	508,560	2,155,207
Capital contributions - special assessments	9,373	541,436
Total Capital Contributions	<u>698,944</u>	<u>3,288,619</u>
Changes in net position	238,950	2,789,054
Net position, beginning of year	<u>33,098,867</u>	<u>30,309,813</u>
Net position, end of year	<u><u>\$ 33,337,817</u></u>	<u><u>\$ 33,098,867</u></u>

See accompanying notes to the basic financial statements.

See accountant's compilation report.

**Allen Water District
Allen County, Ohio**

**Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 962,754	\$ 863,019
Cash received from contract fee revenues	1,027,525	979,761
Cash payments to suppliers for goods and services	(1,132,056)	(1,168,825)
Cash payments for employee services and benefits	(196,015)	(180,899)
Net cash provided by operating activities	<u>662,208</u>	<u>493,056</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other income	3,345	4,033
Net cash provided by noncapital financing activities	<u>3,345</u>	<u>4,033</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital permit fees	93,117	70,236
Plan and review/inspection receipts	-	4,938
Intergovernmental contributions on projects	508,560	2,676,490
OWDA principal payments	(433,553)	(412,188)
OWDA interest payments	(108,843)	(87,426)
USDA principal payments	(73,287)	(371,700)
USDA interest payments	(63,468)	(67,983)
LGIF loan principal payment	(40,000)	(40,000)
OPWC loan principal payment	(5,200)	-
Rotary loan payment	-	(3,804)
Customer capital contributions	130,122	445,771
Special assessments collections	410,828	400,969
Special assessment interest income	39,414	51,444
Proceeds from OWDA loan	873,978	1,404,564
Proceeds from OPWC loans	16,700	-
Capital outlay	(2,261,944)	(1,983,512)
Net cash provided by capital and related financing activities	<u>(913,576)</u>	<u>2,087,799</u>
Net increase (decrease) in cash and cash equivalents	(248,023)	2,584,888
Cash and cash equivalents at beginning of year	<u>4,766,989</u>	<u>2,182,101</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,518,966</u></u>	<u><u>\$ 4,766,989</u></u>

(Continued)

**Allen Water District
Allen County, Ohio**

**Statements of Cash Flows - Continued
For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (423,559)	\$ (474,807)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	1,108,428	1,044,080
Pension expense adjustments not affecting cash	8,212	24,028
OPEB expense adjustments not affecting cash	(1,034)	(15,391)
Changes in Assets and Liabilities:		
(Increase) in accounts receivable (operating)	(22,067)	(30,443)
(Increase) in prepaid insurance	(295)	(3,270)
Increase (decrease) in accounts payable (operating)	(7,958)	(54,135)
Increase in accrued payroll and related liabilities	(3,299)	1,605
Increase in vacation and personal leave accrual	3,780	1,389
Total adjustments	<u>1,085,767</u>	<u>967,863</u>
Net cash provided by operating activities	<u><u>\$ 662,208</u></u>	<u><u>\$ 493,056</u></u>
NON-CASH TRANSACTIONS:		
Special assessments	\$ 9,373	\$ 42,034
Intergovernmental revenue - interest subsidy	\$ 4,562	\$ 7,899
Interest expense - interest subsidy	\$ (4,562)	\$ (7,899)
Donated and assigned water lines	\$ 48,521	\$ 116,100

**See accompanying notes to the basic financial statements.
See accountant's compilation report.**

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE A – NATURE OF ORGANIZATION

The Allen Water District, hereafter referred to as “the District,” was created by the Court of Common Pleas of Allen County in accordance with the provisions of Section 6119.01 of the Ohio Revised Code to provide water services to the residents of Bath, American, Perry, Shawnee, Monroe, Auglaize, Jackson, and Amanda Townships. A nine (9) member appointed Board of Trustees manage the Allen Water District. The District’s management believes these financial statements present all activities for which the District is financially accountable.

NOTE B – 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 government units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

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, deferred outflows of resources, liabilities, deferred inflows 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.

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, 2024 and 2023, and has adopted and passed annual appropriations resolutions.

Appropriations – For the years ended December 31, 2024 and 2023, budgetary expenditures could not exceed appropriations at the levels of operating expenditures, direct project expenditures, debt payments, capital expenditures, contract expense, and private development expense and, within each, the amount appropriated for personal service. The District must annually approve appropriation measures and subsequent amendments. For both years, appropriations may not exceed estimated resources.

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

4. Cash and Investments

The Allen County Treasurer is the custodian for the District's cash and investments. The County's cash and investment pool holds the District's cash and investments, which are reported at the County Treasurer's carrying amount. Deposit and investment disclosures for Allen County as a whole may be obtained from the Allen County Treasurer, Krista Bohn, 301 N Main St., Suite 203, Lima, OH 45801 or (419) 223-8515.

5. Accounts Receivable

Accounts receivable consist of District fees charged to customers and are shown at their net realizable value.

6. Special Assessments Receivable/Unearned Special Assessments

Assessment accounts receivable are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are guaranteed through property tax billing. Included in the balances are deferred agricultural property assessments. These amounts will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. These receivables are not recorded as revenue, but rather are offset by a deferred inflow of resources account that is called unearned special assessments. The time frame of collection is undeterminable. New special assessments levied on customers are recorded as capital contributions – special assessments in the accompanying financial statements as such assets are used to construct capital assets. However, in the Statement of Cash Flows special assessments are recorded when cash payments of special assessments from customers are collected, rather than when special assessments are levied.

7. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2024 and 2023 are recorded as prepaid items using the consumption method. The current asset of the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed.

8. Capital Assets

Capital assets are stated at cost and are depreciated over the estimated useful lives of the assets from five to fifty years, depending on the type of asset. Equipment is generally depreciated over five to seven years while water lines are generally depreciated over fifty years. Donated assets are reported at their estimated acquisition value on the date donated. In addition, interest costs incurred during the construction of the water system infrastructure are capitalized and included in capital assets. Once construction is complete and a project is operational, depreciation begins. Prior to 2004, the District recorded the purchase of all assets as capital assets. Since 2004, the District has maintained a capital asset threshold of \$500.

Depreciation is computed using the straight-line method for financial reporting purposes.

9. Planning Costs - Proposed Projects

The planning costs for proposed projects are comprised of engineering, legal and administrative planning costs which are not allocated to specific projects currently in construction. If the proposed project begins construction, the respective planning costs will be included in capital assets and depreciated (as Note B8 defines). If the proposed project does not enter construction, respective planning costs will be deemed impaired assets and written-off.

10. Interest Expense

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Revenue Recognition

Revenues for service fees are recorded in the period the service is provided. Revenues for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenue is recognized when earned.

12. Income Tax

The District operates as a public water system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

13. 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, 2024 and 2023.

14. Estimates

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

15. 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 district fees and contract fee revenue 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.

16. 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.

17. 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 J and Note K. 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 these amounts consisted of special assessments which are recognized as a receivable; however, they are not recognized as revenue since these properties are in an agricultural deferred status and the revenue cannot be collected until the properties are converted to a non-agricultural use. The District also 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 J and Note K)

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

18. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liabilities (assets), 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 C – CASH AND INVESTMENTS

Deposits - The Allen County Treasurer is the custodian for the District's deposits. These deposits were valued at the Treasurer's reported carrying amount of \$4,518,957 at December 31, 2024. These deposits were valued at the Treasurer's reported carrying amount of \$4,766,980 at December 31, 2023.

In addition, \$9 was carried in a petty cash fund as of December 31, 2024 and \$9 in 2023.

Investments – The District had no investments as of December 31, 2024 and 2023.

NOTE D – ACCOUNTS RECEIVABLE/SPECIAL ASSESSMENTS RECEIVABLE

The accounts receivable balance of \$209,236 at December 31, 2024 (\$184,801 at December 31, 2023) is current (due 0-30 days). Assessment receivables of \$1,534,174 at December 31, 2024 (\$1,935,629 at December 31, 2023) represent the remaining balance of construction assessments, less prepayments, and principal amounts received from the county auditor.

Once an assessment has been issued for construction costs, and the deadline is final for prepayments, the remaining unpaid balances are certified to the county auditor for semi-annual collection over 5 to 25 years through real estate tax billings. Interest is being charged at the same rate as the respective OWDA loan.

NOTE E – DISTRICT AND CONTRACT FEES

The District's customers, as an outside the city user, pay a service charge for water as well as a contract fee, not to exceed 50 percent of the water service charge, for the right and privilege of receiving water services as defined in the contract between the District and the City of Lima. The City of Lima is responsible for the billing and collection of all fees on behalf of the District.

NOTE F - COMPENSATED ABSENCES

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the financial statements in accordance with GASB Statement No. 101, Compensated Absences. See Note O for more information regarding Statement No. 101. At December 31, 2024, there was one full-time employee and one part-time employee.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE G – RISK MANAGEMENT

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management programs and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 801 members as of December 31, 2023.

The Pool's audited financial statements conform with accounting principles generally accepted in the United States of America, with the exception of a qualified opinion related to recording premiums and membership fees earned in full as of December 31, 2023. Those premiums and fees should be earned pro-rata over the individual coverage and membership periods of each policy. The financial statements reported the following assets, liabilities and equity at December 31, 2023.

Assets	\$ 23,113,696
Liabilities	<u>(16,078,587)</u>
Members' Equity	<u>\$ 7,035,109</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

The District had no significant reductions in insurance coverage from prior years. The District has not had any insurance settlements which exceeded insurance coverage during the past three years.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE H – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 was as follows:

	Ending Balance 12/31/2023	Additions	Deletions	Ending Balance 12/31/2024
Capital Assets, Not Being Depreciated				
Land Easements	\$ 7,186	\$ -	\$ -	\$ 7,186
Construction in Progress	1,793,945	1,192,198	(2,848,746)	137,397
Total Capital Assets, Not Being Depreciated	1,801,131	1,192,198	(2,848,746)	144,583
Capital Assets Being Depreciated				
Water Lines	39,530,648	2,940,141	-	42,470,789
Water Tanks	3,967,201	-	-	3,967,201
Office Furniture and Equipment	11,424	-	-	11,424
Total Capital Assets, Being Depreciated	43,509,273	2,940,141	-	46,449,414
Less Accumulated Depreciation:				
Water Lines	(10,151,998)	(949,740)	-	(11,101,738)
Water Tanks	(165,562)	(158,688)	-	(324,250)
Office Furniture and Equipment	(10,749)	-	-	(10,749)
Total Accumulated Depreciation	(10,328,309)	(1,108,428)	-	(11,436,737)
Total Capital Assets Being Depreciated, Net	33,180,964	1,831,713	-	35,012,677
Total Capital Assets, Net	\$ 34,982,095	\$ 3,023,911	\$ (2,848,746)	\$ 35,157,260

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

	Ending Balance 12/31/2022	Additions	Deletions	Ending Balance 12/31/2023
Capital Assets, Not Being Depreciated				
Land Easements	\$ 7,186	\$ -	\$ -	\$ 7,186
Construction in Progress	1,591,240	1,837,016	(1,634,311)	1,793,945
Total Capital Assets, Not Being Depreciated	1,598,426	1,837,016	(1,634,311)	1,801,131
Capital Assets Being Depreciated				
Water Lines	39,407,741	122,907	-	39,530,648
Water Tanks	1,977,984	1,989,217	-	3,967,201
Office Furniture and Equipment	11,424	-	-	11,424
Total Capital Assets, Being Depreciated	41,397,149	2,112,124	-	43,509,273
Less Accumulated Depreciation:				
Water Lines	(9,233,920)	(918,078)	-	(10,151,998)
Water Tanks	(39,560)	(126,002)	-	(165,562)
Office Furniture and Equipment	(10,749)	-	-	(10,749)
Total Accumulated Depreciation	(9,284,229)	(1,044,080)	-	(10,328,309)
Total Capital Assets Being Depreciated, Net	32,112,920	1,068,044	-	33,180,964
Total Capital Assets, Net	\$ 33,711,346	\$ 2,905,060	\$ (1,634,311)	\$ 34,982,095

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE H – CAPITAL ASSETS – Continued

The following is a more detailed schedule of capital assets at December 31:

	<u>2024</u>	<u>2023</u>
Land easement	\$ 7,186	\$ 7,186
Construction in Progress	137,397	1,793,945
Water Lines:		
Elm and Copus	349,046	349,046
Shawnee	1,447,304	1,447,304
McDonel	859,112	859,112
Hawthorne and State Route 309	472,725	472,725
Allentown	1,759,880	1,759,880
Buckeye Road & Shagbark and Snowberry	470,851	470,851
Springbrook	883,148	883,148
East Breese	542,554	542,554
Greely Chapel South	170,267	170,267
Dixie/Blue I & II	782,167	782,167
East Bluelick and Hawthorne Extensions	158,818	158,818
Lee Ann	41,969	41,969
Woodbriar	635,386	635,386
Metzger and Linfield	177,457	177,457
Fetter	216,663	216,663
Stewart	202,941	202,941
Dixie North - King	149,768	149,768
Sweger-Fraunfelter	231,822	231,822
Diller/Eastown/Frank	526,584	526,584
Eastown & Colony Park	450,216	450,216
Dixie North #3 & Zurmehly Road Extension	124,577	124,577
Bath Loop	402,204	402,204
Cotner/Wapak	231,657	231,657
Shawnee Phase II	884,160	884,160
Fort Amanda Loop	180,962	180,962
Cole Street & North Cole St. Extension Loop	168,954	168,954
North West Street	129,588	129,588
Bluelick/Thayer	306,665	306,665
Berryhill & Blue Jacket	277,836	277,836
Southeast Waterline	1,745,094	1,745,094
Airport & Raabe (Delphos) Waterline	128,200	128,200
Diller Road	149,930	149,930
Baty Road Extension	85,760	85,760
East Regional - Village of Harrod	4,289,035	4,272,335
East Regional - Village of Lafayette	4,206,630	4,206,630
Master Plan-Districtwide & Needs Assessment County Lines	225,919	199,745
Indianbrook	2,242,769	-
Diller Road - 2024	605,978	-
Developer and Other Government Donated Lines	<u>15,556,193</u>	<u>15,507,673</u>
Total Water Lines	42,470,789	39,530,648
Water Storage Tanks		
East Regional Water Tank	2,332,890	2,332,890
Rudolph Water Tank	<u>1,634,311</u>	<u>1,634,311</u>
Total Water Storage Tanks	3,967,201	3,967,201
Office furniture and equipment	<u>11,424</u>	<u>11,424</u>
Total Capital Assets	46,593,997	45,310,404
Less accumulated depreciation	<u>(11,436,737)</u>	<u>(10,328,309)</u>
Net Capital Assets	<u>\$ 35,157,260</u>	<u>\$ 34,982,095</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT

Long-term debt obligations and the related transactions for the years ended December 31, 2024 and 2023 are summarized below.

	<u>Balance 12/31/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/24</u>	<u>Due Within One Year</u>
Loan Payable OWDA #2139, payable in 50 semiannual installments of \$5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	18,990	-	9,225	9,765	9,765
Loan Payable OWDA #3129, payable in 50 semiannual installments of \$6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	-	-	-	-	-
Loan Payable OWDA #3130, payable in 50 semiannual installments of \$4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	-	-	-	-	-
Loan Payable OWDA #3131, payable in 50 semiannual installments of \$22,602 starting July 1, 1999, including interest at 5.66%, due January, 2024	-	-	-	-	-
Loan Payable OWDA #3132, payable in 50 semiannual installments of \$16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	15,238	-	15,238	-	-
Loan Payable OWDA #3209, payable in 50 semiannual installments of \$6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	25,555	-	12,392	13,163	13,163

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/24</u>	<u>Due Within One Year</u>
Loan Payable OWDA #3210, payable in 50 semiannual installments of \$6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	24,679	-	11,967	12,712	12,712
Loan Payable OWDA #3230, payable in 50 semiannual installments of \$25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	95,621	-	46,303	49,318	49,318
Loan Payable OWDA #3297, payable in 50 semiannual installments of \$3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	11,486	-	5,562	5,924	5,924
Loan Payable OWDA #3874, payable in 50 semiannual installments of \$7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	63,762	-	13,138	50,624	13,707
Loan Payable OWDA #3910, payable in 50 semiannual installments of \$6,226 starting January 1, 2004, including interest at 4.28%, due July, 2028	50,477	-	10,401	40,076	10,851
Loan Payable OWDA #4056, payable in 50 semiannual installments of \$22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	214,701	-	35,509	179,192	37,002

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/24</u>	<u>Due Within One Year</u>
Loan Payable OWDA #4279, payable in 50 semiannual installments of \$3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	36,114	-	4,969	31,145	5,170
Loan Payable OWDA #4566, payable in 50 semiannual installments of \$16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	211,524	-	24,633	186,891	25,651
Loan Payable OWDA #6589, payable in 20 semiannual installments of \$48,532 starting July 1, 2015, including interest at 3.82% due January, 2025	94,353	-	94,353	-	-
Loan Payable OWDA #8383, payable in 20 semiannual installments of \$2,425 starting Jan 1, 2020 including interest at 2.92% due January, 2039	58,574	-	3,163	55,411	3,256
Loan Payable OWDA #9672, payable in 20 semiannual installments in amounts to be determined once project is complete including interest at 1.60% due July, 2033	707,624	20,210	71,529	656,305	72,678
Loan Payable OWDA #10320, payable in 20 semiannual installments in amounts to be determined once project is complete including interest at 3.28% due July, 2043	1,173,591	853,768	75,171	1,952,188	78,199
LGIF Loan Payable in quarterly installments of \$10,000 starting April 30, 2016 including interest at 0.00% until loan paid off	77,844	-	40,000	37,844	37,844

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/24</u>	<u>Due Within One Year</u>
Ohio Water & Sewer Rotary					
See additional					
documentation below	264,311	-	-	264,311	-
USDA Loans	3,530,900	-	73,287	3,457,613	79,888
OPWC Loans	295,325	16,700	5,200	306,825	10,401
Net Pension Liabilities	263,497	-	39,916	223,581	-
Net OPEB Liabilities	8,979	-	8,979	-	-
Compensated Absences	20,448	3,780	-	24,228	-
Totals	<u>\$ 7,263,593</u>	<u>\$ 894,458</u>	<u>\$ 600,935</u>	<u>\$ 7,557,116</u>	<u>\$ 465,529</u>

Ohio Water and Sewer Rotary Commission (Direct Borrowing) – The District has obtained six loans from the Ohio Water and Sewer Rotary Commission for the construction of water lines. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of underdeveloped property located within an agricultural district are exempted pursuant to Section 929.03 of the Ohio Revised Code, subject to the performance of certain terms and conditions of repayment. As part of the agreement, whenever the use of the agricultural land changes, the full amount of the assessment is to be charged for the portion of the property that was exempted under Section 929.03 of the Ohio Revised Code, and repayment is required to be made to the Ohio Water and Sewer Rotary Commission. No amortization schedule is shown for these loans as there is no set repayment schedule. If the loan is not repaid within one year of the land use change, the interest rate will be the 20-bond index rate, as quoted in the latest edition of “The Bond Buyer” minus 4% per annum or 5% per annum, whichever is greater.

Local Government Innovation Fund Loan (Direct Borrowing) – In 2013, the District was approved to receive a Local Government Innovation Fund (LGIF) loan for up to \$500,000 at an annual interest rate of 0% for the purpose of the Southeast Regional Waterline Improvement Area Phase 1 construction in conjunction with a match by the District and additional funds provided by the Allen County Commissioners, a LGIF grant, and OWDA Loan #6589. Although the District was approved for the loan in 2013, draws from this loan did not occur until fiscal year 2014 with draws totaling \$397,844 at which time the loan was closed. Loan payments began during 2016 with quarterly installments of \$10,000 for a total annual payment of \$40,000. This debt is anticipated to be repaid in 2025.

During 2022, the District entered into intergovernmental agreements with the Villages of Harrod and Lafayette which provided that the District would assume management responsibilities for the repayment of Ohio Public Works Commission (OPWC) Loans that were issued to provide additional resources to finance the East Regional Waterline project. The District has recorded these loans in the accompanying financial statements as the District will be collecting revenues and making payments on these loans over the life of the loans. An amortization schedule for these loans is included in these footnotes.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

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

	<u>Balance 12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>
Loan Payable OWDA #2139, payable in 50 semiannual installments of \$5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	27,700	-	8,710	18,990	9,225
Loan Payable OWDA #3129, payable in 50 semiannual installments of \$6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	-	-	-	-	-
Loan Payable OWDA #3130, payable in 50 semiannual installments of \$4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	8,205	-	8,205	-	-
Loan Payable OWDA #3131, payable in 50 semiannual installments of \$22,602 starting July 1, 1999, including interest at 5.66%, due January, 2024	42,496	-	42,496	-	-
Loan Payable OWDA #3132, payable in 50 semiannual installments of \$16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	44,930	-	29,692	15,238	15,238
Loan Payable OWDA #3209, payable in 50 semiannual installments of \$6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	37,221	-	11,666	25,555	12,392

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>
Loan Payable OWDA #3210, payable in 50 semiannual installments of \$6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	35,945	-	11,266	24,679	11,967
Loan Payable OWDA #3230, payable in 50 semiannual installments of \$25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	139,093	-	43,472	95,621	46,303
Loan Payable OWDA #3297, payable in 50 semiannual installments of \$3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	16,709	-	5,223	11,486	5,562
Loan Payable OWDA #3874, payable in 50 semiannual installments of \$7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	76,355	-	12,593	63,762	13,138
Loan Payable OWDA #3910, payable in 50 semiannual installments of \$6,226 starting January 1, 2004, including interest at 4.28%, due July, 2028	60,447	-	9,970	50,477	10,401
Loan Payable OWDA #4056, payable in 50 semiannual installments of \$22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	248,778	-	34,077	214,701	35,509

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>
Loan Payable OWDA #4279, payable in 50 semiannual installments of \$3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	40,890	-	4,776	36,114	4,969
Loan Payable OWDA #4566, payable in 50 semiannual installments of \$16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	235,179	-	23,655	211,524	24,633
Loan Payable OWDA #6589, payable in 20 semiannual installments of \$48,532 starting July 1, 2015, including interest at 3.82% due January, 2025	185,207	-	90,854	94,353	94,353
Loan Payable OWDA #8383, payable in 20 semiannual installments of \$2,425 starting Jan 1, 2020 including interest at 2.92% due January, 2039	61,647	-	3,073	58,574	3,163
Loan Payable OWDA #9672, payable in 20 semiannual installments in amounts to be determined once project is complete including interest at 1.60% due July, 2033	549,111	193,852	35,339	707,624	71,529
Loan Payable OWDA #10320, payable in 20 semiannual installments in amounts to be determined once project is complete including interest at 3.28% due July, 2043	-	1,210,712	37,121	1,173,591	77,305
LGIF Loan Payable in quarterly installments of \$10,000 starting April 30, 2016 including interest at 0.00% until loan paid off	117,844	-	40,000	77,844	40,000

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>
Ohio Water & Sewer Rotary					
See additional					
documentation below	268,115	-	3,804	264,311	-
USDA Loans	3,902,600	-	371,700	3,530,900	72,057
OPWC Loans	295,325	-	-	295,325	-
Net Pension Liabilities	70,908	192,589	-	263,497	-
Net OPEB Liabilities	-	8,979	-	8,979	-
Compensated Absences	19,059	1,389	-	20,448	20,448
Totals	<u>\$ 6,483,764</u>	<u>\$ 1,607,521</u>	<u>\$ 827,692</u>	<u>\$ 7,263,593</u>	<u>\$ 568,192</u>

During fiscal year 2021, the District entered into two loan agreements with the United States Department of Agriculture-Rural Development to assist in financing the East Regional Waterline project. The first loan agreement provided for a loan of \$2,680,000 at a 1.75% interest rate to be paid back over a 40-year period. Draws on the first loan started during fiscal year 2021. The second loan agreement provided for a loan of \$1,258,000 at a 1.75% interest rate to be paid back over a 40-year period. Draws on the second loan agreement did not start until fiscal year 2022. The amortization schedule for these loans is shown on the following page.

Future principal and interest payments on all OWDA loans, the LGIF loan, and all OPWC loans are as follows:

Year Ending December 30,	OWDA Loans			LGIF Loan	OPWC Loans
	Principal	Interest	Total	Principal	Principal
2025	\$ 337,395	\$ 98,764	\$ 436,159	\$ 37,844	\$ 10,401
2026	254,249	86,740	340,989	-	10,401
2027	262,256	78,734	340,990	-	10,401
2026	256,451	70,447	326,898	-	10,401
2027	227,991	62,780	290,771	-	10,401
2030-2034	843,237	231,839	1,075,076	-	52,005
2035-2039	596,526	130,850	727,376	-	52,005
2040-2044	464,609	\$30,974	-	-	52,005
2045-2049	-	-	-	-	52,005
2050-2052	-	-	-	-	46,800
Total	<u>\$ 3,242,714</u>	<u>\$ 791,128</u>	<u>\$ 3,538,259</u>	<u>\$ 37,844</u>	<u>\$ 306,825</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

Future principal and interest payments on the USDA loans are as follows:

Year Ending December 30,	USDA Loans		
	Principal	Interest	Total
2025	79,888	60,241	140,129
2026	81,405	58,724	140,129
2027	82,780	57,349	140,129
2028	84,157	55,973	140,130
2029	85,693	54,436	140,129
2028-2032	451,731	248,916	700,647
2033-2037	548,288	152,359	700,647
2038-2042	542,738	157,909	700,647
2043-2047	592,205	108,441	700,646
2048-2052	641,195	54,515	695,710
2053-2057	208,628	15,334	223,962
2058-2061	58,905	972	59,877
Total	<u>\$ 3,457,613</u>	<u>\$ 1,025,169</u>	<u>\$ 4,482,782</u>

In connection with the OWDA loans which are all considered direct borrowings, the District has pledged future revenues to repay this debt. The loans are payable through their final maturities solely from operating and certain nonoperating revenues received during the course of business. Revenues available for these loans for 2023 and 2022 were \$1,552,933 and \$914,108, respectively. Principal and interest payments totaled \$499,614 and \$400,184 for the years 2023 and 2022 (includes interest subsidy amounts), respectively. The coverage ratios for these loans were 3.11 and 2.28 for the years ended December 31, 2023 and 2022, respectively. The OWDA loans contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the District shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

On February 18, 2016, the District was notified by the Ohio Water Development District (OWDA) that they had implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest rate to 4.00%. The buy-down was credited to District payments starting with the July 1, 2016 due dates and resulted in an interest subsidy in 2021 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated \$8,026 of additional interest subsidies through 2031 in the following amounts annually:

2025	2,220
2026	519
2027	360
2028	194
2029	128
2030	36
2031	7
Total	<u>\$3,464</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE J – DEFINED BENEFIT PENSION PLANS

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.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement 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 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 K 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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

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' CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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

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 member's original 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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

	<u>Local</u>
2024 and 2023 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2024 and 2023 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>
* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.	
** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.	

The District's contractually required contribution to OPERS was \$19,737 for fiscal year 2024 and \$19,352 for 2023 respectively. Of this amount, \$221 and \$621 were reported as a payroll liability for 2024 and 2023, respectively.

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, 2024 and December 31, 2023 were measured as of December 31, 2023 and December 31, 2022, 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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

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

	2024 OPERS	2023 OPERS
Proportionate Share of the Net Pension Liability - Current Year	0.000854%	0.000892%
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.000892%</u>	<u>0.000815%</u>
Change in Proportionate Share	<u>-0.000038%</u>	<u>0.000077%</u>
Proportion of the Net Pension Liability	\$223,581	\$263,497
Pension Expense	\$27,949	\$43,380

At December 31, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	2024	2023
Differences between projected and actual economic experience	\$ 3,654	\$ 8,752
Changes in assumptions	-	2,784
Differences between projected and actual investment earnings	45,129	75,105
Changes in proportion	2,626	8,841
District contributions subsequent to the measurement date	<u>19,737</u>	<u>19,352</u>
Total	<u>\$ 71,146</u>	<u>\$ 114,834</u>
 Deferred Inflows of Resources		
Changes in proportion	<u>4,440</u>	-
Total	<u>\$ 4,440</u>	<u>\$ -</u>

\$19,737 and \$19,352 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2024 and 2023 respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2025 and 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2025	\$10,810
2026	13,786
2027	28,799
2028	<u>(6,426)</u>
Total	<u>\$46,969</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE J – DEFINED BENEFIT PENSION PLANS -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, 2023 and 2022, 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, 2023 and 2022, are presented below for the OPERS Traditional Plan.

	2023	2022
	5-year period ended December	5-year period ended December
Experience Study	31, 2020	31, 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 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE J – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

portfolio's target asset allocation as of December 31, 2023 and 2022, these best estimates are summarized in the following table:

Asset Class	2023 Target Allocation	2022 Target Allocation	2023	2022
			Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00 %	22.00 %	2.85 %	2.62 %
Domestic Equities	21.00	22.00	4.27	4.60
Real Estate	13.00	13.00	4.46	3.27
Private Equity	15.00	15.00	7.52	7.53
International Equities	20.00	21.00	5.16	5.51
Risk Parity	2.00	2.00	4.38	4.37
Other Investments	5.00	5.00	3.46	3.27
Total	100.00 %	100.00 %		

During 2023, 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 11.2 percent% for 2023.

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, 2023 and 2022. 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, 2023 and 2022 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:

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE J – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

For the year ended December 31, 2024:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension liability	\$351,976	\$223,581	\$116,793

For the year ended December 31, 2023:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension liability	\$394,710	\$263,497	\$154,352

NOTE K - DEFINED BENEFIT OPEB PLANS

See Note J for a description of the net OPEB liability/asset.

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. 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. 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 and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program.

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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

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.

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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

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. For fiscal year 2024, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. 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 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

The District's contractually required contribution was \$0 for 2024 and 2023.

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022 and 2021 rolled forward to the measurement dates of December 31, 2023 and 2022, 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:

	2024	2023
	OPERS	OPERS
Proportionate Share of the Net		
OPEB Liability (Asset) - Current Year	0.001368%	0.001424%
Proportionate Share of the Net		
OPEB Liability (Asset) - Prior Year	0.001424%	0.000788%
Change in Proportionate Share	-0.000056%	0.000636%
Proportion of the Net OPEB		
Liability (Asset)	(\$12,347)	\$8,979
OPEB Expense (Gain)	(\$1,034)	(\$15,391)

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE K - DEFINED BENEFIT OPEB PLANS – 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

At December 31, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024	2023
	OPERS	OPERS
Deferred Outflows of Resources		
Changes of assumptions	\$ 3,179	\$ 8,770
Differences between projected and actual investment earnings	7,414	17,832
Change in proportions	505	685
Total	<u>\$ 11,098</u>	<u>\$ 27,287</u>
Deferred Inflows of Resources	OPERS	OPERS
Differences between expected and actual economic experience	\$ 1,757	\$ (2,239)
Changes of assumptions	5,307	(722)
Total	<u>\$ 7,064</u>	<u>\$ (2,961)</u>

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

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

	OPERS
Fiscal Year Ending December:	
2025	\$ 64
2026	701
2027	5,772
2028	<u>(2,503)</u>
	<u>\$ 4,034</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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – OPERS – Continued

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022 and 2021 rolled forward to the measurement dates of December 31, 2023 and 2022.

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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 at 2.75%
Future Salary Increases, including inflation		
Single Discount Rate:		
Current measurement date	5.22 percent	5.22 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.05 percent	4.05 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 2036
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

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 2023, 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 14.0 percent for 2023.

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE K - DEFINED BENEFIT OPEB PLANS - 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, 2023 and 2022, these best estimates are summarized in the following table:

Asset Class	2023	2022	2023	2022
	Target Allocation	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00 %	34.00 %	2.82 %	2.56 %
Domestic Equities	25.00	26.00	4.27	4.60
Real Estate Investment Trust	5.00	7.00	4.68	4.70
International Equities	25.00	25.00	5.16	5.51
Risk Parity	3.00	2.00	4.38	4.37
Other Investments	5.00	6.00	2.43	1.84
Total	100.00 %	100.00 %		

Discount Rate A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. (Fidelity Index’s “20-Year Municipal GO AA Index”) The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, 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, 2023, using the single discount rate of 5.70 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 (4.70percent) or one-percentage-point higher (6.70 percent) than the current rate.

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
District's proportionate share of the net OPEB asset	\$6,785	(\$12,347)	(\$28,194)

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE K - DEFINED BENEFIT OPEB PLANS – Continued

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 - Continued

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.

	<u>1% Decrease (4.22%)</u>	<u>Current Discount Rate (5.22%)</u>	<u>1% Increase (6.22%)</u>
District's proportionate share of the net OPEB asset	\$30,559	\$8,979	(\$8,929)

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 2024 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, 2024:

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	(\$12,859)	(\$12,347)	(\$11,795)

For the fiscal year ended December 31, 2023:

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$8,416	\$8,979	\$9,612

NOTE L – CONTINGENCIES

The District's general legal counsel is Spitler Huffman, LLP, Rossford, Ohio.

Pending or Threatened Litigation – During the years ended December 31, 2024 and 2023, the District had no pending contingent liabilities of which management is aware.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE L – CONTINGENCIES – Continued

Contractually Assumed Obligations – To Counsel’s knowledge, the District has assumed contractual obligations only with regard to the financing of its planning and construction activities for the construction of water systems. No claim against these contractual obligations has been made or is anticipated that would result in an unfavorable outcome to the District.

Claims and Assessments – To Counsel’s knowledge, there are no unasserted claims and/or assessments which, if asserted, would have a reasonable possibility of an unfavorable outcome with a material effect upon the financial condition of the District.

Grants - The District received financial assistance from a Federal agency in the form of grants and loans. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, the effect of any such disallowed claims on the overall financial position of the District at December 31, 2024, if applicable, cannot be determined at this time.

NOTE M – CONTRACTUAL AGREEMENT WITH ALLEN COUNTY

On September 1, 2020, Allen Water District entered into an assignment and assumption agreement with Allen County to facilitate comprehensive water distribution services to Allen County and the surrounding area, excluding any areas served by incorporated municipalities. The agreement provided that effective for services provided in 2021, Allen Water District receives revenues generated from service charges to customers who were previously served by Allen County and the District provides services to these customers and will manage operations for these water customers. The District is responsible for ongoing maintenance of the infrastructure and places a portion of the revenues generated from these customers into a separate fund to be used for capital improvements to the system. A portion of the revenues generated from these customers are used for ongoing administrative expenses of the District. The District recorded all of the transfer of assets and related transactions in the 2021 financial statements. The District recorded the assignment of the assets (water lines) at estimated acquisition value in the financial statement account entitled capital contributions – donated and assigned lines in the accompanying financial statements. The amount recorded for the assigned lines was \$10,629,010. The County appointed three additional members to the Allen Water District Board as a result of this agreement.

NOTE N – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the District to submit any changes to their water system to the Ohio EPA for approval. Through this review process, the District would be responsible to address any public safety issues associated with their water treatment facilities. Any ARO associated with these public safety issues are no reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

NOTE O – CHANGES IN ACCOUNTING PRINCIPLES

For 2024, the District has implemented certain paragraphs from GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, “Omnibus 2022”, GASB Statement No. 100, “Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62”, Implementation Guide No. 2023-1 and GASB Statement No. 101, “Compensated Absences”.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on balances previously report by the District.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2024 and 2023**

NOTE O – CHANGES IN ACCOUNTING PRINCIPLES - Continued

The purpose of GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

The purpose of GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the District.

The purpose of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of GASB Statement No. 101 did not have an effect on balances previously reported by the District.

REQUIRED SUPPLEMENTARY INFORMATION

Allen 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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.000854%	0.000892%	0.000815%	0.000795%	0.000796%	0.000598%	0.000460%	0.000148%	0.000149%	0.000139%
District's proportionate share of the net pension liability	\$ 223,581	\$ 263,497	\$ 70,908	\$ 117,722	\$ 157,335	\$ 163,780	\$ 72,165	\$ 33,608	\$ 25,809	\$ 16,765
District's covered-employee payroll	\$ 138,229	\$ 123,293	\$ 122,129	\$ 111,929	\$ 98,479	\$ 80,786	\$ 59,346	\$ 19,125	\$ 52,200	\$ 51,225
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	161.75%	213.72%	58.06%	105.18%	159.77%	202.73%	121.60%	175.73%	49.44%	32.73%
Plan fiduciary net position as a percentage of the total pension liability	79.01%	75.74%	86.88%	86.88%	82.17%	74.70%	84.66%	77.25%	81.10%	86.50%

See notes to accompanying required supplementary information.

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

	<u>2024</u>	<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>
Contractually required contribution	\$ 19,737	\$ 19,352	\$ 17,261	\$ 17,098	\$ 15,670	\$ 13,787	\$ 11,310	\$ 7,715	\$ 2,295	\$ 6,264
Contributions in relation to the contractually required contribution	<u>(19,737)</u>	<u>(19,352)</u>	<u>(17,261)</u>	<u>(17,098)</u>	<u>(15,670)</u>	<u>(13,787)</u>	<u>(11,310)</u>	<u>(7,715)</u>	<u>(2,295)</u>	<u>(6,264)</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	\$ 140,979	\$ 138,229	\$ 123,293	\$ 122,129	\$ 111,929	\$ 98,479	\$ 80,786	\$ 59,346	\$ 19,125	\$ 52,200
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

See notes to accompanying required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability (asset)	0.00136800%	0.00142400%	0.00078800%	0.00074000%	0.00074100%	0.00055700%	0.00043000%	0.00036000%
District's proportionate share of the net OPEB liability (asset)	\$ (12,347)	\$ 8,979	\$ (24,681)	\$ (13,184)	\$ 102,351	\$ 72,620	\$ 46,695	\$ 36,361
District's covered-employee payroll	\$ 138,229	\$ 123,293	\$ 122,129	\$ 111,929	\$ 98,479	\$ 80,786	\$ 59,346	\$ 19,125
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-8.93%	7.28%	-20.21%	-11.78%	103.93%	89.89%	78.68%	190.12%
Plan fiduciary net position as a percentage of the total OPEB liability	107.76%	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.
Amounts presented as of the District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

Allen Water District
Required Supplementary Information
Schedule of the District's OPEB Contributions
Ohio Public Employees Retirement System
Last Nine Years

	<u>2024</u>	<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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 593	\$ 1,620
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	(593)	(1,620)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered-employee payroll	\$ 140,979	\$ 138,229	\$ 123,293	\$ 122,129	\$ 111,929	\$ 98,479	\$ 80,786	\$ 59,346	\$ 19,125
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	8.50%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Allen 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 2024-2022. 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:

	2024	2023	2022
Wage Inflation	2.75 percent	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	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	3 percent, simple
Post-January 7, 2013 Retirees	See below	See below	See below
Investment Rate of Return	6.9 percent	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
	2021, 2020 and 2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage 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	3 percent, simple
Post-January 7, 2013 Retirees	See below	See below	See below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

2024	2.3 percent, simple through 2024 then 2.05 percent, simple
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.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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:

2024-2019	6 percent
2018	6.5 percent

Municipal Bond Rate:

2024	3.77 percent
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:

2024	5.70 percent
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:

2024	5.5 percent, initial 3.5 percent, ultimate in 2038
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