

Allen Water District
Allen County, Ohio
Basic Financial Statements
For the Years Ended December 31, 2022 and 2021



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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**Allen Water District
Allen County, Ohio**

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For the Years Ended December 31, 2022 and 2021**

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CERTIFIED PUBLIC ACCOUNTANTS

May 9, 2023

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, 2022 and 2021, 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 45 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 45 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

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**Allen Water District
Allen County, Ohio**

**Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(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, 2022 by \$30,309,813 and on December 31, 2021 by \$26,115,341. The District's net position increased by \$4,194,472 (16.1%) in 2022 and increased by \$12,311,512 (89.2%) in 2021.

The District's operating revenues increased by \$155,561 (24.8%) in 2022 and by \$233,997 (17.6%) in 2021. Operating expenses increased by \$216,655 (11.9%) in 2022 and increased by \$210,746 (13.0%) in 2021.

During 2022, the District paid \$410,985 in principal on outstanding debt. The District also had \$7,691,367 in capital asset additions during 2022.

During 2021, the District paid \$387,463 in principal on outstanding debt. The District also had \$14,541,187 in capital asset additions during 2021.

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.

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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

	2022	2021	Difference	2020	Difference
Current and Other Assets	\$ 4,658,144	\$ 5,893,385	\$ (1,235,241)	\$ 4,044,577	\$ 1,848,808
Capital Assets, Net	33,711,346	26,877,077	6,834,269	13,054,858	13,822,219
Total Assets	38,369,490	32,770,462	5,599,028	17,099,435	15,671,027
Pensions	32,218	26,415	5,803	57,611	(31,196)
OPEB	807	12,298	(11,491)	35,033	(22,735)
Total Deferred Outflows of Resources	33,025	38,713	(5,688)	92,644	(53,931)
Long Term Liabilities	6,012,919	2,823,740	3,189,179	2,283,937	539,803
Current and Other Liabilities	1,518,360	3,326,935	(1,808,575)	604,523	2,722,412
Total Liabilities	7,531,279	6,150,675	1,380,604	2,888,460	3,262,215
Pensions	85,945	50,948	34,997	33,374	17,574
OPEB	25,532	40,367	(14,835)	14,572	25,795
Unearned Special Assessments	449,946	451,844	(1,898)	451,844	-
Total Deferred Inflows of Resources	561,423	543,159	18,264	499,790	43,369
Net Investment in Capital Assets	26,505,894	21,021,260	5,484,634	10,602,458	10,418,802
Unrestricted	3,803,919	5,094,081	(1,290,162)	3,201,371	1,892,710
Total Net Position	\$ 30,309,813	\$ 26,115,341	\$ 4,194,472	\$ 13,803,829	\$ 12,311,512

The net pension liability (NPL) is a liability reported by the District at December 31, 2022 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment liability (OPEB) is a liability reported by the District at December 31, 2021 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For fiscal year 2022, the District reported a net OPEB asset based upon actuarial calculations. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. 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 \$4,194,472 (16.1%) in 2022 and increased by \$12,311,512 (89.2%) in 2021. The increase in 2022 is primarily due to increased capital assets for the East Regional project and the Brentlinger Road Water Storage Tank project in 2022. 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 2022 and decreased special assessments receivable due to payments received in 2022. Current and other liabilities decreased primarily due to a decrease in contracts payable due to timing on ongoing construction projects. Long-term liabilities increased primarily due to additional USDA loan draws, a new OWDA loan, and two OPWC loans which were partially offset by payments for the retirement of debt during 2022.

The increase in 2021 is primarily due to the assignment of capital assets (water lines) from Allen County to the District in 2021 which were recorded at estimated acquisition value for \$10,629,010. The District also received developer donated lines for \$164,500 in 2021. The District also had intergovernmental receivables of \$1,395,270 in 2021 which did not exist in 2020. The District also had additional cash and cash equivalents received in 2021.

Unrestricted net position decreased by \$1,290,162 from 2021 to 2022 and increased by \$1,892,710 from 2020 to 2021.

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(Unaudited)**

STATEMENTS OF CHANGES IN NET POSITION

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

(Table 2)
Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>2020</u>	<u>Difference</u>
Operating Revenues	\$ 1,721,445	\$ 1,565,884	\$ 155,561	\$ 1,331,887	\$ 233,997
Operating Expenses (Excluding Depreciation)	1,188,013	1,109,488	78,525	1,218,023	(108,535)
Depreciation	857,098	718,968	138,130	399,687	319,281
Total Operating Expenses	<u>2,045,111</u>	<u>1,828,456</u>	<u>216,655</u>	<u>1,617,710</u>	<u>210,746</u>
Operating (Loss)	(323,666)	(262,572)	(61,094)	(285,823)	23,251
Non-Operating Revenues	128,890	139,481	(10,591)	165,887	(26,406)
Non-Operating Expenses	(136,398)	(155,322)	18,924	(108,445)	(46,877)
Capital Contributions	4,525,646	12,589,925	(8,064,279)	400,000	12,189,925
Changes in Net Position	<u>4,194,472</u>	<u>12,311,512</u>	<u>(8,117,040)</u>	<u>171,619</u>	<u>12,139,893</u>
Net Position at Beginning of Year	<u>26,115,341</u>	<u>13,803,829</u>	<u>12,311,512</u>	<u>13,632,210</u>	<u>171,619</u>
Net Position at End of Year	<u>\$ 30,309,813</u>	<u>\$ 26,115,341</u>	<u>\$ 4,194,472</u>	<u>\$ 13,803,829</u>	<u>\$ 12,311,512</u>

Operating revenues increased \$155,561 from 2021 to 2022 primarily due to an increase in district fee revenues which is due to an increase in 2022 in the fees charged to the water customers added from Allen County in 2021. Operating expenses, exclusive of depreciation, increased \$78,525 primarily due to increases in pension/OPEB expenses, and audit fees. Pension and OPEB expenses increased primarily due to a less significant change in the net OPEB asset from the prior year due to changes in actuarial calculations. Audit fees increased as audits are only performed every other year. Interest income decreased due to less interest from decreasing special assessment receivable balances. Interest expense increased due to the USDA loans starting to be repaid in 2022 which was partially offset by decreasing balances of OWDA loans payable. Capital contributions decreased primarily because the large assignment of Allen County's water lines to the District occurred in 2021. This decrease was partially offset by capital contributions from governments for the East Regional project during 2022.

Operating revenues increased \$233,997 from 2020 to 2021 primarily due to an increase in district fee revenues which is due to the addition of the Allen County water customers in 2021. Operating expenses, exclusive of depreciation, decreased \$108,545 primarily due to decreases in pension/OPEB expenses, and audit fees from the previous year. Pension and OPEB expenses decreased primarily due to a significant reduction in the net OPEB liability from the prior year due to changes in actuarial calculations. Audit fees increased as audits are only performed every other year. Interest income decreased due to less interest from decreasing special assessment receivable balances. Interest expense decreased due to decreasing balances of OWDA loans payable. Capital contributions increased due to the assignment of Allen County's water lines to the District in 2021 and capital contributions from governments for the East Regional project during 2021.

CAPITAL ASSETS

The District had \$42,995,575 invested in capital assets (before depreciation) at the end of 2022. This amount increased from 2021 by \$7,691,367 primarily due to the addition of water lines and a water storage tank for the East Regional Water Line project and construction in progress for the Brentlinger Road Water Storage Tank project. The District had \$33,711,346 invested in net capital assets (after depreciation) at the end of 2022. This amount is an increase of \$6,834,269 from the previous year and is primarily due to additions which were partially offset by depreciation expense.

The District had \$35,304,208 invested in capital assets (before depreciation) at the end of 2021. This amount increased from 2020 by \$14,541,187 primarily due to the assignment of Allen County's water lines to the District and an increase in construction in progress, primarily for the East Regional Water Line project. The District had \$26,877,077 invested in net

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capital assets (after depreciation) at the end of 2021. This amount is an increase of \$6,834,269 from the previous year and is primarily due to additions which were partially offset by depreciation expense.

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

	2022	2021	2020
Land Easements	\$ 7,186	\$ 7,186	\$ 7,186
Construction in Progress	1,591,240	4,549,760	802,083
Water Lines	39,407,741	30,735,838	19,942,328
Water Storage Tanks	1,977,984	-	-
Office Furniture & Equipment	11,424	11,424	11,424
Totals Before Accumulated Depreciation	42,995,575	35,304,208	20,763,021
Accumulated Depreciation	(9,284,229)	(8,427,131)	(7,708,163)
Net Capital Assets	\$ 33,711,346	\$ 26,877,077	\$13,054,858

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. During 2022, the District in conjunction with the Villages of Harrod and Lafayette, entered into several loan agreements with the Ohio Public Works Commission (OPWC) to assist in funding the East Regional Water Line project. The District also entered into a loan agreement during 2022 with OWDA to provide funding for a water storage tank. Additional information regarding debt can be found in Note I to the basic financial statements.

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

	2022	2021	2020
OWDA Loans	\$ 1,809,913	\$ 1,596,387	\$ 1,943,856
USDA Loans	3,902,600	1,057,360	-
O.P.W.C.	295,325	-	-
LGIF Loan	117,844	157,844	197,844
Rotary Commission Loans	268,115	270,013	270,013
Total Long Term Debt	6,393,797	3,081,604	2,411,713
Less			
Current Maturities	451,786	375,586	387,462
Net Long Term Debt	\$ 5,942,011	\$ 2,706,018	\$ 2,024,251

CASH

Cash and cash equivalents were \$2,240,974 at December 31, 2022 and \$1,387,007 at December 31, 2021.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Merle Miller, 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, 2022 and 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9	\$ 9
Equity in County Treasury	2,182,092	2,240,965
Accounts receivable	124,253	113,564
Intergovernmental receivable	521,283	1,395,270
Prepaid insurance	2,928	2,893
Total current assets	2,830,565	3,752,701
 NONCURRENT ASSETS:		
Capital Assets:		
Land easements	7,186	7,186
Construction in Progress	1,591,240	4,549,760
Water lines	39,407,741	30,735,838
Water tanks	1,977,984	
Office furniture and equipment	11,424	11,424
	42,995,575	35,304,208
Less: Accumulated depreciation	(9,284,229)	(8,427,131)
Net capital assets	33,711,346	26,877,077
 Other Assets:		
Assessments receivable	1,802,898	2,127,500
Net OPEB asset	24,681	13,184
Total other assets	1,827,579	2,140,684
 TOTAL ASSETS	 \$ 38,369,490	 \$ 32,770,462
 DEFERRED OUTFLOWS OF RESOURCES:		
Pensions	32,218	26,415
OPEB	807	12,298
TOTAL DEFERRED OUTFLOWS OF RESOURCES	33,025	38,713
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 38,402,515	 \$ 32,809,175

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Allen Water District
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Statements of Net Position - Continued
As of December 31, 2022 and 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 232,348	\$ 160,321
Contracts payable	665,408	2,637,919
Accrued payroll and related liabilities	3,512	2,378
Vacation and personal leave accrual	19,059	14,437
Retainage payable	146,247	136,294
Loans payable - current portion	451,786	375,586
Total current liabilities	<u>1,518,360</u>	<u>3,326,935</u>
LONG-TERM LIABILITIES:		
Net pension liabilities	70,908	117,722
Loans payable	5,942,011	2,706,018
Total long-term liabilities	<u>6,012,919</u>	<u>2,823,740</u>
TOTAL LIABILITIES	<u>7,531,279</u>	<u>6,150,675</u>
DEFERRED INFLOWS OF RESOURCES:		
Pensions	85,945	50,948
OPEB	25,532	40,367
Unearned special assessments	449,946	451,844
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>561,423</u>	<u>543,159</u>
NET POSITION:		
Net investment in capital assets	26,505,894	21,021,260
Unrestricted	3,803,919	5,094,081
TOTAL NET POSITION	<u>30,309,813</u>	<u>26,115,341</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 38,402,515</u></u>	<u><u>\$ 32,809,175</u></u>

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

**Allen Water District
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**Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
District fees	\$ 785,218	\$ 629,013
Contract fees revenue	936,227	936,871
Total operating revenues	<u>1,721,445</u>	<u>1,565,884</u>
OPERATING EXPENSES:		
Office wages	99,693	90,275
Contract fees expense	936,227	936,871
Trustee fees	35,364	36,000
Payroll taxes/Health Insurance/Workers compensation	25,274	23,429
OPERS/Pension/OPEB expense	(14,581)	(40,750)
Engineering fees	6,680	5,000
Legal fees	6,620	5,623
Accounting fees	13,200	13,200
Audit fees	20,172	-
Insurance	6,563	5,451
Office supplies	685	4,385
License fees	23,022	-
Office rent	18,000	18,000
Public relations	6,110	5,515
Easement rent	592	554
Depreciation	857,098	718,968
Transportation	444	-
Miscellaneous	3,948	5,935
Total operating expenses	<u>2,045,111</u>	<u>1,828,456</u>
Operating loss	<u>\$ (323,666)</u>	<u>\$ (262,572)</u>

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**Allen Water District
Allen County, Ohio**

**Statements of Revenues, Expenses and Changes in Net Position - Continued
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Operating loss	\$ (323,666)	\$ (262,572)
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental	11,277	15,219
Interest income	66,640	73,400
Capital permit fees and supplemental charges	48,421	48,444
Terminated project expense	-	(63,034)
Interest expense	(136,398)	(92,288)
Miscellaneous revenue	2,552	2,418
Net nonoperating revenues (expenses)	<u>(7,508)</u>	<u>(15,841)</u>
Changes in net position before capital contributions	(331,174)	(278,413)
Capital contributions - donated and assigned lines	-	10,793,510
Capital contributions - intergovernmental	4,508,242	1,795,270
Capital contributions - special assessments	17,404	1,145
Total Capital Contributions	<u>4,525,646</u>	<u>12,589,925</u>
Changes in net position	4,194,472	12,311,512
Net position, beginning of year	<u>26,115,341</u>	<u>13,803,829</u>
Net position, end of year	<u><u>\$ 30,309,813</u></u>	<u><u>\$ 26,115,341</u></u>

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

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**Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 759,299	\$ 625,469
Cash received from contract fee revenues	951,458	933,141
Cash payments to suppliers for goods and services	(970,272)	(1,003,819)
Cash payments for employee services and benefits	(172,455)	(164,005)
Net cash provided by operating activities	<u>568,030</u>	<u>390,786</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other income	2,552	2,418
Net cash provided by noncapital financing activities	<u>2,552</u>	<u>2,418</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital permit fees	48,421	48,444
Intergovernmental contributions on projects	5,382,229	400,000
OWDA principal payments	(335,585)	(347,463)
OWDA interest payments	(64,599)	(74,070)
USDA principal payments	(35,400)	
USDA interest payments	(60,522)	(2,999)
LGIF loan principal payment	(40,000)	(40,000)
Rotary loan payment	(1,898)	-
Special assessments collections	340,108	360,242
Special assessment interest income	66,640	73,400
Proceeds from USDA loan	2,880,640	1,057,360
Proceeds from OWDA loan	549,111	-
Proceeds from OPWC loans	295,325	-
Capital outlay	(9,653,925)	(1,014,151)
Net cash provided by capital and related financing activities	<u>(629,455)</u>	<u>460,763</u>
Net increase (decrease) in cash and cash equivalents	(58,873)	853,967
Cash and cash equivalents at beginning of year	2,240,974	1,387,007
Cash and cash equivalents at end of year	<u><u>\$ 2,182,101</u></u>	<u><u>\$ 2,240,974</u></u>

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**Allen Water District
Allen County, Ohio**

**Statements of Cash Flows - Continued
For the Years Ended December 31, 2022 and 2021**

	2022	2021
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (323,666)	\$ (262,572)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	857,098	718,968
Pension expense adjustments not affecting cash	(17,620)	9,157
OPEB expense adjustments not affecting cash	(14,841)	(67,005)
Changes in Assets and Liabilities:		
Decrease in accounts receivable	(10,689)	(7,273)
(Increase) decrease in prepaid insurance	(35)	(1,251)
Increase (decrease) in accounts payable (operating)	72,027	(2,035)
Increase (decrease) in accrued payroll and related liabilities	1,134	(1,350)
Increase in vacation and personal leave accrual	4,622	4,147
Total adjustments	891,696	653,358
Net cash provided by operating activities	\$ 568,030	\$ 390,786
NON-CASH TRANSACTIONS:		
Intergovernmental revenue - interest subsidy	\$ 11,277	\$ 15,219
Interest expense - interest subsidy	\$ (11,277)	\$ (15,219)
Donated and assigned water lines	\$ -	\$ 10,793,510
Terminated project expenses	\$ -	\$ 63,034

**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, 2022 and 2021**

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, 2022 and 2021, and has adopted and passed annual appropriations resolutions.

Appropriations – For the years ended December 31, 2022 and 2021, 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, 2022 and 2021**

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.

7. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2022 and 2021 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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

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, 2022 and 2021.

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, 2022 and 2021**

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 \$2,182,092 at December 31, 2022. These deposits were valued at the Treasurer's reported carrying amount of \$2,240,965 at December 31, 2021.

In addition, \$9 was carried in a petty cash fund as of December 31, 2022 and 2021, respectively.

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

NOTE D – ACCOUNTS RECEIVABLE/SPECIAL ASSESSMENTS RECEIVABLE

The accounts receivable balance of \$124,253 at December 31, 2022 (\$113,564 at December 31, 2021) is current (due 0-30 days). Assessment receivables of \$1,802,898 at December 31, 2022 (\$2,127,500 at December 31, 2021) 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 uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are not accrued as a liability as employees receive no payment for accrued sick leave upon termination or retirement. The vacation and personal leave accrual as of December 31, 2022 and 2021 was \$19,059 and \$14,437, respectively. At December 31, 2022, 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, 2022 and 2021**

NOTE G – RISK MANAGEMENT

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program 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, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. 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 remain unchanged effective November 1, 2021 and November 1, 2020 OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</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, 2022 and 2021**

NOTE H – CAPITAL ASSETS

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

	Ending Balance 12/31/21	Additions	Deletions	Ending Balance 12/31/2022
Capital Assets, Not Being Depreciated				
Land Easements	\$ 7,186	\$ -	\$ -	\$ 7,186
Construction in Progress	4,549,760	7,691,367	(10,649,887)	1,591,240
Total Capital Assets, Not Being Depreciated	<u>4,556,946</u>	<u>7,691,367</u>	<u>(10,649,887)</u>	<u>1,598,426</u>
Capital Assets Being Depreciated				
Water Lines	30,735,838	8,671,903	-	39,407,741
Water Tanks	-	1,977,984	-	1,977,984
Office Furniture and Equipment	11,424	-	-	11,424
Total Capital Assets, Being Depreciated	<u>30,747,262</u>	<u>10,649,887</u>	<u>-</u>	<u>41,397,149</u>
Less Accumulated Depreciation:				
Water Lines	(8,417,223)	(816,697)	-	(9,233,920)
Water Tanks	-	(39,560)	-	(39,560)
Office Furniture and Equipment	(9,908)	(841)	-	(10,749)
Total Accumulated Depreciation	<u>(8,427,131)</u>	<u>(857,098)</u>	<u>-</u>	<u>(9,284,229)</u>
Total Capital Assets Being Depreciated, Net	<u>22,320,131</u>	<u>9,792,789</u>	<u>-</u>	<u>32,112,920</u>
Total Capital Assets, Net	<u>\$ 26,877,077</u>	<u>\$ 17,484,156</u>	<u>\$ (10,649,887)</u>	<u>\$ 33,711,346</u>

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

	Ending Balance 12/31/2020	Additions	Deletions	Adjustments	Ending Balance 12/31/2021
Capital Assets, Not Being Depreciated					
Land Easements	\$ 7,186	\$ -	\$ -	\$ -	\$ 7,186
Construction in Progress	802,083	3,747,677	-	-	4,549,760
Total Capital Assets, Not Being Depreciated	<u>809,269</u>	<u>3,747,677</u>	<u>-</u>	<u>-</u>	<u>4,556,946</u>
Capital Assets Being Depreciated					
Water Lines	19,942,328	10,793,510	-	-	30,735,838
Office Furniture and Equipment	11,424	-	-	-	11,424
Total Capital Assets, Being Depreciated	<u>19,953,752</u>	<u>10,793,510</u>	<u>-</u>	<u>-</u>	<u>30,747,262</u>
Less Accumulated Depreciation:					
Water Lines	(7,301,091)	(718,127)	-	(398,005)	(8,417,223)
Office Furniture and Equipment	(407,072)	(841)	-	398,005	(9,908)
Total Accumulated Depreciation	<u>(7,708,163)</u>	<u>(718,968)</u>	<u>-</u>	<u>-</u>	<u>(8,427,131)</u>
Total Capital Assets Being Depreciated, Net	<u>12,245,589</u>	<u>10,074,542</u>	<u>-</u>	<u>-</u>	<u>22,320,131</u>
Total Capital Assets, Net	<u>\$ 13,054,858</u>	<u>\$ 13,822,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,877,077</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE H – CAPITAL ASSETS – Continued

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

	<u>2022</u>	<u>2021</u>
Land easement	\$ 7,186	\$ 7,186
Construction in Progress	1,591,240	4,549,760
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-Fraunfelder	231,822	231,822
Diller/Eastown/Frank	526,584	526,584
Eastown	185,540	185,540
Colony Park	264,676	264,676
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	113,429	113,429
Raabe (Delphos) Waterline	14,771	14,771
Diller Road	149,930	149,930
Baty Road Extension	85,760	85,760
East Regional - Village of Harrod	4,272,335	-
East Regional - Village of Lafayette	4,206,630	-
Master Plan-Districtwide	192,938	-
Developer and Other Government Donated Lines	15,391,573	15,391,573
Total Water Lines	<u>39,407,741</u>	<u>30,735,838</u>
Water Storage Tanks		
East Regional Water Tank	1,977,984	-
Total Water Storage Tanks	1,977,984	-
Office furniture and equipment	11,424	11,424
Total Capital Assets	42,995,575	35,304,208
Less accumulated depreciation	(9,284,229)	(8,427,131)
Net Capital Assets	<u>\$ 33,711,346</u>	<u>\$ 26,877,077</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE I – CURRENT AND LONG-TERM DEBT

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

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/22</u>	<u>Due Within One Year</u>
Note Payable OWDA #2139, payable in 50 semiannual installments of \$5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	35,938	-	8,233	27,705	8,715
Note Payable OWDA #3129, payable in 50 semiannual installments of \$6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	11,530	-	11,530	-	-
Note Payable OWDA #3130, payable in 50 semiannual installments of \$4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	15,983	-	7,778	8,205	8,205
Note Payable OWDA #3131, payable in 50 semiannual installments of \$22,602 starting July 1, 1999, including interest at 5.66%, due January, 2024	83,001	-	40,505	42,496	42,496
Note Payable OWDA #3132, payable in 50 semiannual installments of \$16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	73,064	-	28,134	44,930	29,693
Note Payable OWDA #3209, payable in 50 semiannual installments of \$6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	48,203	-	10,982	37,221	11,666

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/22</u>	<u>Due Within One Year</u>
Note Payable OWDA #3210, payable in 50 semiannual installments of \$6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	46,551	-	10,606	35,945	11,266
Note Payable OWDA #3230, payable in 50 semiannual installments of \$25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	179,906	-	40,813	139,093	43,472
Note Payable OWDA #3297, payable in 50 semiannual installments of \$3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	21,614	-	4,905	16,709	5,223
Note Payable OWDA #3874, payable in 50 semiannual installments of \$7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	88,427	-	12,072	76,355	12,593
Note Payable OWDA #3910, payable in 50 semiannual installments of \$6,226 starting January 1, 2004, including interest at 4.28%, due July, 2028	70,005	-	9,558	60,447	9,970
Note Payable OWDA #4056, payable in 50 semiannual installments of \$22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	281,481	-	32,703	248,778	34,077

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/22</u>	<u>Due Within One Year</u>
Note Payable OWDA #4279, payable in 50 semiannual installments of \$3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	45,480	-	4,590	40,890	4,776
Note Payable OWDA #4566, payable in 50 semiannual installments of \$16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	257,896	-	22,717	235,179	23,655
Note Payable OWDA #6589, payable in 20 semiannual installments of \$48,532 starting July 1, 2015, including interest at 3.82% due January, 2025	272,680	-	87,473	185,207	90,850
Note Payable OWDA #8383, payable in 20 semiannual installments of \$2,425 starting Jan 1, 2020 including interest at 2.92% due January, 2039	64,633	-	2,986	61,647	3,073
Note 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	-	549,111	-
LGIF Loan Payable in quarterly installments of \$10,000 starting April 30, 2016 including interest at 0.00% until loan paid off	157,844	-	40,000	117,844	40,000

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/22</u>	<u>Due Within One Year</u>
Ohio Water & Sewer Rotary					
See additional documentation below	270,013	-	1,898	268,115	-
USDA Loans	1,057,360	2,880,640	35,400	3,902,600	72,057
OPWC Loans	-	295,325	-	295,325	-
Net Pension Liabilities	117,722	-	46,814	70,908	-
Net OPEB Liabilities	-	-	-	-	-
Compensated Absences	14,437	4,622	-	19,059	-
Totals	<u>\$ 3,213,763</u>	<u>\$ 3,729,698</u>	<u>\$ 459,697</u>	<u>\$ 6,483,764</u>	<u>\$ 451,786</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 Southwest 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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

Long-term debt obligations and the related transactions for the years ended December 31, 2020 and 2019 are summarized below.

	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
Note Payable OWDA #2139, payable in 50 semiannual installments of \$5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	43,716	-	7,778	35,938	8,233
Note Payable OWDA #2975, payable in 50 semiannual installments of \$29,635 starting January 1, 1997, including interest at 6.72%, due July, 2021	27,780	-	27,780	-	-
Note Payable OWDA #3129, payable in 50 semiannual installments of \$6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	22,410	-	10,880	11,530	11,530
Note Payable OWDA #3130, payable in 50 semiannual installments of \$4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	23,298	-	7,315	15,983	7,778
Note Payable OWDA #3131, payable in 50 semiannual installments of \$22,602 starting July 1, 1999, including interest at 5.66%, due January, 2024	121,337	-	38,336	83,001	40,506

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
Note Payable OWDA #3132, payable in 50 semiannual installments of \$16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	99,721	-	26,657	73,064	28,134
Note Payable OWDA #3209, payable in 50 semiannual installments of \$6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	58,542	-	10,339	48,203	10,982
Note Payable OWDA #3210, payable in 50 semiannual installments of \$6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	56,535	-	9,984	46,551	10,606
Note Payable OWDA #3230, payable in 50 semiannual installments of \$25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	218,224	-	38,318	179,906	40,814
Note Payable OWDA #3297, payable in 50 semiannual installments of \$3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	26,220	-	4,606	21,614	4,905
Note Payable OWDA #3874, payable in 50 semiannual installments of \$7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	99,998	-	11,571	88,427	12,071

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
Note Payable OWDA #3910, payable in 50 semiannual installments of \$6,226 starting January 1, 2004, including interest at 4.28%, due July, 2028	79,165	-	9,160	70,005	9,556
Note Payable OWDA #4056, payable in 50 semiannual installments of \$22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	312,864	-	31,383	281,481	32,702
Note Payable OWDA #4279, payable in 50 semiannual installments of \$3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	49,893	-	4,413	45,480	4,591
Note Payable OWDA #4566, payable in 50 semiannual installments of \$16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	279,711	-	21,815	257,896	22,717
Note Payable OWDA #6589, payable in 20 semiannual installments of \$48,532 starting July 1, 2015, including interest at 3.82% due January, 2025	356,908	-	84,228	272,680	87,476
Note Payable OWDA #8383, payable in 20 semiannual installments of \$2,425 starting Jan 1, 2020 including interest at 2.92% due January, 2039	67,532	-	2,899	64,633	2,985

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
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NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	<u>Balance 12/31/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
LGIF Loan Payable in quarterly installments of \$10,000 starting April 30, 2016 including interest at 0.00% until loan paid off	197,844	-	40,000	157,844	40,000
Ohio Water & Sewer Rotary See additional documentation below	270,013	-	-	270,013	-
USDA Loan	-	1,057,360	-	1,057,360	-
Net Pension Liabilities	157,335	-	39,613	117,722	-
Net OPEB Liabilities	102,351	-	102,351	-	-
Compensated Absences	10,290	4,147	-	14,437	14,437
Totals	<u>\$ 2,681,687</u>	<u>\$ 1,061,507</u>	<u>\$ 529,426</u>	<u>\$ 3,213,768</u>	<u>\$ 390,023</u>

During fiscal year 2022, 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 provides for a loan of \$2,680,000 at a 1.75% interest rate to be paid back over a 40-year period. The second loan agreement provides for a loan of \$1,258,000 at a 1.75% interest rate to be paid back over a 40-year period. The amortization schedule for these loans is shown on the following page.

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. The loans had not been fully disbursed as of December 31, 2022 so no amortization schedule is included for these loans at the present time.

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

Year Ending December 30,	OWDA Loans			LGIF Loan		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	339,729	55,186	394,915	40,000	-	40,000
2024	286,854	37,977	324,831	40,000	-	40,000
2025	186,517	25,157	211,674	37,844	-	37,844
2026	99,618	16,886	116,504	-	-	-
2027	103,767	12,738	116,505	-	-	-
2028-2032	217,800	18,188	235,988	-	-	-
2033-2037	21,772	2,480	24,252	-	-	-
2038	4,746	104	4,850	-	-	-
Total	<u>\$ 1,260,803</u>	<u>\$ 168,716</u>	<u>\$ 1,429,519</u>	<u>\$ 117,844</u>	<u>\$ -</u>	<u>\$ 117,844</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

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
2023	72,057	68,072	140,129
2024	73,233	66,897	140,130
2025	74,702	65,428	140,130
2026	76,106	64,024	140,130
2027	77,269	62,861	140,130
2028-2032	407,316	293,331	700,647
2033-2037	444,659	255,988	700,647
2038-2042	485,068	215,579	700,647
2043-2047	529,242	171,405	700,647
2048-2052	577,379	123,267	700,646
2053-2057	630,046	70,601	700,647
2058-2051	455,523	15,583	471,106
Total	<u>\$ 3,902,600</u>	<u>\$ 1,473,036</u>	<u>\$ 5,375,636</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 2022 and 2021 were \$914,108 and \$768,494, respectively. Principal and interest payments totaled \$400,184 and \$436,752 for the years 2022 and 2021 (includes interest subsidy amounts), respectively. The coverage ratios for these loans were 2.28 and 1.76 for the years ended December 31, 2022 and 2021, 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.

OWDA Loan #9672 had not been fully disbursed as of December 31, 2022 so no amortization schedule is shown for that loan.

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 \$15,926 of additional interest subsidies through 2031 in the following amounts annually:

2023	7,900
2024	4,562
2025	2,220
2026	519
2027	360
2028	194
2029	128
2030	36
2031	<u>7</u>
Total	<u>\$15,926</u>

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

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 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.

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

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. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

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.

Effective January 1, 2022, the Combined Plan was consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option is no longer be available for member selection.

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

	Local
2022 and 2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 and 2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %
* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.	
** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.	

The District’s contractually required contribution to OPERS was \$17,261 for fiscal year 2022 and \$17,098 for 2021 respectively, of which the entire amount was paid during 2022 and 2021. Of this amount, \$301 and \$289 were reported as a payroll liability for 2022 and 2021, 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, 2022 and December 31, 2021 were measured as of December 31, 2021 and December 31, 2020, 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, 2022 and 2021**

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:

	2022 OPERS	2021 OPERS
Proportionate Share of the Net Pension Liability - Current Year	0.000815%	0.000795%
Proportionate Share of the Net Pension Liability - Prior Year	0.000795%	0.000796%
Change in Proportionate Share	0.000020%	-0.000001%
Proportion of the Net Pension Liability	\$70,908	\$117,722
Pension Expense	\$14,544	\$26,255

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

	2022	2021
Deferred Outflows of Resources		
Differences between projected and actual economic experience	\$ 3,615	\$ -
Changes in assumptions	8,867	-
Changes in proportion	2,475	9,317
District contributions subsequent to the measurement date	17,261	17,098
Total	\$ 32,218	\$ 26,415
Deferred Inflows of Resources		
Differences between projected and actual economic experience	\$ 1,555	\$ 4,925
Differences between projected and actual investment earnings	84,343	45,885
Changes in proportion	47	138
Total	\$ 85,945	\$ 50,948

\$17,261 and \$17,098 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2022 and 2021 respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2023 and 2022, 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:	
2023	(\$9,436)
2024	(28,302)
2025	(19,833)
2026	(13,417)
Total	(\$70,988)

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

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, 2021 and 2020, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE J – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

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

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

Discount Rate The discount rate used to measure the total pension liability was 6.9% and 7.2% for the Traditional Pension Plan for the years ended December 31, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

For the year ended December 31, 2022:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension liability	\$186,953	\$70,908	(\$25,656)

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE J – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

For the year ended December 31, 2021:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$224,556	\$117,722	\$28,890

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

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

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

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

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

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

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

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

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

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

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

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

	2022 OPERS	2021 OPERS
Proportionate Share of the Net OPEB Liability (Asset) - Current Year	0.000788%	0.000740%
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	0.000740%	0.000741%
Change in Proportionate Share	0.000048%	-0.000001%
Proportion of the Net OPEB Liability (Asset)	(\$24,681)	(\$13,184)
OPEB Expense (Gain)	(\$14,841)	(\$67,005)

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

	2022 OPERS	2021 OPERS
Deferred Outflows of Resources		
Changes of assumptions	\$ -	\$ 6,481
Change in proportions	807	5,817
Total	\$ 807	\$ 12,298
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ (3,744)	\$ (11,898)
Differences between projected and actual investment earnings	(11,766)	(7,023)
Changes of assumptions	(9,990)	(21,362)
Change in proportions	(32)	(84)
Total	\$ (25,532)	\$ (40,367)

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

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:	
2023	(15,273)
2024	(5,192)
2025	(2,571)
2026	(1,689)
	\$(24,725)

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE K - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions - PERS

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

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

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

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

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

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

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted

**Allen Water District
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**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS – Continued

for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

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

The allocation of investment assets within the Health Care portfolio is approved by the Board 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.

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

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

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
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NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

percent and a municipal bond rate of 1.84 percent (Fidelity Index’s “20-Year Municipal GO AA Index”) for the year ended December 31, 2021. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent for the year ended December 31, 2020. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Actuarial Assumptions – PERS – 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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB asset	(\$14,515)	(\$24,681)	(\$33,120)

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB liability	(\$3,278)	(\$13,184)	(\$21,327)

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.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS – Continued

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

For the fiscal year ended December 31, 2022:

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	(\$24,948)	(\$24,681)	(\$24,365)

For the fiscal year ended December 31, 2021:

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	(\$13,505)	(\$13,184)	(\$12,824)

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, 2022 and 2021, the District had no pending contingent liabilities of which management is aware.

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, 2022, if applicable, cannot be determined at this time.

**Allen Water District
Allen County, Ohio**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021**

NOTE M – COVID-19

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

NOTE N – 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 O – CONTRACTUAL COMMITMENTS

The District has several significant contracts outstanding as of December 31, 2022 which are denoted below.

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended 12/31/22</u>	<u>Remaining Balance</u>
East Regional Waterline-Contract A	Underground Utilities	\$3,761,256	\$3,758,141	\$3,115
East Regional Waterline-Contract B	Underground Utilities	\$3,769,013	\$3,614,851	\$154,162
East Regional Waterline-Contract C	Maguire Iron, Inc.	\$1,916,560	\$1,657,921	\$258,639
East Regional Waterline-Various	Prime AE	\$1,115,659	\$1,113,968	\$1,691
Brentlinger Road Water Storage Tank	Caldwell Tanks, Inc.	\$1,474,700	\$1,258,085	\$216,615

NOTE P – 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.000815%	0.000795%	0.000796%	0.000598%	0.000460%	0.000148%	0.000149%	0.000139%	0.000139%
District's proportionate share of the net pension liability	\$ 70,908	\$ 117,722	\$ 157,335	\$ 163,780	\$ 72,165	\$ 33,608	\$ 25,809	\$ 16,765	\$ 16,386
District's covered-employee payroll	\$ 122,129	\$ 111,929	\$ 98,479	\$ 80,786	\$ 59,346	\$ 19,125	\$ 52,200	\$ 51,225	\$ 52,762
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.06%	105.18%	159.77%	202.73%	121.60%	175.73%	49.44%	32.73%	31.06%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	86.88%	82.17%	74.70%	84.66%	77.25%	81.10%	86.50%	86.40%

(1) Information prior to 2014 is not available.
Amounts presented as of the District's measurement date which is the prior year.

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 (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 17,261	\$ 17,098	\$ 15,670	\$ 13,787	\$ 11,310	\$ 7,715	\$ 2,295	\$ 6,264	\$ 6,147	\$ 6,859
Contributions in relation to the contractually required contribution	<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>	<u>(6,147)</u>	<u>(6,859)</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	\$ 123,293	\$ 122,129	\$ 111,929	\$ 98,479	\$ 80,786	\$ 59,346	\$ 19,125	\$ 52,200	\$ 51,225	\$ 52,762
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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 Six Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.00078800%	0.00074000%	0.00074100%	0.00055700%	0.00043000%	0.00036000%
District's proportionate share of the net OPEB liability (asset)	\$ (24,681)	\$ (13,184)	\$ 102,351	\$ 72,620	\$ 46,695	\$ 36,361
District's covered-employee payroll	\$ 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	-20.21%	-11.78%	103.93%	89.89%	78.68%	190.12%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	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 Seven Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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>
District covered-employee payroll	\$ 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%	1.00%	8.50%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms:

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

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

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

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

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

Changes in assumptions:

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

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

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

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

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

Net OPEB Liability

Changes in benefit terms:

There were no significant changes in benefit terms for 2018-2021.

Changes in assumptions

Changes in assumptions for 2018 were as follows:

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

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

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

Allen Water District
Notes to the Required Supplementary Information

Net OPEB Liability (Continued)

Changes in assumptions (Continued)

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

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

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

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

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

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