



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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JEFFERSON WATER AND SEWER DISTRICT  
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Jefferson Water and Sewer District  
6455 Taylor Road  
Blacklick, Ohio 43004

We have reviewed the *Independent Auditor's Report* of the Jefferson Water and Sewer District, Franklin County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

August 30, 2024

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**Jefferson Water and Sewer District**  
**Franklin County**  
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## INDEPENDENT AUDITOR'S REPORT

Jefferson Water and Sewer District  
Franklin County  
6455 Taylor Road  
Blacklick, Ohio 43004

To the Board of Trustees:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.  
Circleville, OH

June 26, 2024



**Jefferson Water and Sewer District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2023 and 2022*  
*(Unaudited)*

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

#### FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2023 and 2022 by \$36,860,385 and \$33,045,904 respectively. The District's net position increased by \$3,814,481 (11.5%) in 2023 and by \$7,653,645 (30.1%) in 2022.

The District's operating revenues increased by \$783,163 (8.4%) in 2023 and increased by \$947,230 (11.4%) in 2022. Operating expenses (excluding depreciation expense) increased by \$982,915 (20.5%) in 2023 and decreased by \$632,550 (11.7%) in 2022. Depreciation expense increased by \$95,938 (7%) in 2023 and increased \$166,358 (13.7%) in 2022.

#### OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to accounting used by private sector businesses. 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 inflows/outflows of resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on 2023. 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, 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. They summarize the net changes in cash resulting from operating, investing and financing activities.

**Jefferson Water and Sewer District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2023 and 2022  
(Unaudited)

**STATEMENTS OF NET POSITION**

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

|                                      | Table 1              |                      |                     |                      |                     |
|--------------------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
|                                      | 2023                 | 2022                 | Change              | 2021                 | Change              |
| Current and Other Assets             | \$ 13,708,877        | \$ 12,587,487        | \$ 1,121,390        | \$ 10,967,414        | \$ 1,620,073        |
| Capital Assets, Net                  | 37,259,552           | 35,523,007           | 1,736,545           | 30,678,447           | 4,844,560           |
| Total Assets                         | <u>50,968,429</u>    | <u>48,110,494</u>    | <u>2,857,935</u>    | <u>41,645,861</u>    | <u>6,464,633</u>    |
| Deferred Outflows of Resources       |                      |                      |                     |                      |                     |
| Pension                              | 691,139              | 241,670              | 449,469             | 219,992              | 21,678              |
| OPEB                                 | 97,271               | 16,335               | 80,936              | 107,038              | (90,703)            |
| Total Deferred Outflows of Resources | <u>788,410</u>       | <u>258,005</u>       | <u>530,405</u>      | <u>327,030</u>       | <u>(69,025)</u>     |
| Long Term Liabilities                | 9,960,095            | 9,767,807            | 192,288             | 9,283,464            | 484,343             |
| Current and Other Liabilities        | 4,844,130            | 4,672,263            | 171,867             | 6,551,665            | (1,879,402)         |
| Total Liabilities                    | <u>14,804,225</u>    | <u>14,440,070</u>    | <u>364,155</u>      | <u>15,835,129</u>    | <u>(1,395,059)</u>  |
| Deferred Inflows of Resources        |                      |                      |                     |                      |                     |
| Pension                              | 79,686               | 690,006              | (610,320)           | 415,739              | 274,267             |
| OPEB                                 | 12,543               | 192,519              | (179,976)           | 329,764              | (137,245)           |
| Total Deferred Inflows of Resources  | <u>92,229</u>        | <u>882,525</u>       | <u>(790,296)</u>    | <u>745,503</u>       | <u>137,022</u>      |
| Net Position                         |                      |                      |                     |                      |                     |
| Net Investment in Capital Assets     | 28,103,405           | 25,499,467           | 2,603,938           | 21,702,345           | 3,797,122           |
| Unrestricted                         | 8,756,980            | 7,546,437            | 1,210,543           | 3,689,914            | 3,856,523           |
| Total Net Position                   | <u>\$ 36,860,385</u> | <u>\$ 33,045,904</u> | <u>\$ 3,814,481</u> | <u>\$ 25,392,259</u> | <u>\$ 7,653,645</u> |

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

**Jefferson Water and Sewer District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2023 and 2022*  
*(Unaudited)*

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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

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 (asset) are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, then this asset is separately identified in the other assets section of the statement of net position. In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

The District's net position increased by \$3,814,481 (11.5%) in 2023 and increased \$7,653,645 (30.1%) in 2022.

The District's assets increased by \$2,857,935 in 2023. The increase is primarily a result of an increase in investments, accounts receivable, and capital assets which was partially offset by decreases in notes receivable and cash. The increase in investments is primarily due to increased cash basis charges for services in fiscal year 2023 as well as the movement of cash to investments during 2023 to take advantage of increased interest rates. The increase in capital assets is primarily a result of completed construction and capital contributions. The decrease in notes receivables is due to receiving TIF amounts. Liabilities increased \$364,155 in 2023. This increase is primarily due to increases in accounts payable and Net Pension and OPEB liabilities, which were partially offset by a decrease in long term debt.

Unrestricted net position increased by \$1,210,543 (16%) in 2023. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by \$2,603,938 from 2022 to 2023 primarily due to additions of capital assets and payments on debt balances which were only partially offset by depreciation expense and additions of debt.

**Jefferson Water and Sewer District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2023 and 2022  
(Unaudited)

The District's assets increased by \$6,464,633 in 2022. The increase is primarily a result of an increase in cash, accounts receivable, and capital assets which was partially offset by decreases in notes receivable. The increase in capital assets is primarily a result of completed construction and capital contributions. The decrease in notes receivables is due to receiving TIF amounts. Liabilities decreased \$1,395,059 in 2022. This decrease is primarily due to a decrease in accounts payable and unearned revenue, which was partially offset by an increase long term debt.

Unrestricted net position increased by \$3,856,523 (104.5%) in 2022. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by \$3,797,122 from 2021 to 2022 primarily due to additions of capital assets and payments on debt balances which were only partially offset by depreciation expense and additions of debt.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Table 2 below summarizes the changes in Revenues, Expenses and Net Position.

|                                   | Table 2      |              |             |              |             |
|-----------------------------------|--------------|--------------|-------------|--------------|-------------|
|                                   | 2023         | 2022         | Change      | 2021         | Change      |
| Operating Revenues                | \$10,062,885 | \$9,279,722  | \$783,163   | \$8,332,492  | \$947,230   |
| Total Operating Revenues          | 10,062,885   | 9,279,722    | 783,163     | 8,332,492    | 947,230     |
| Non-Operating Revenues            | 387,963      | 204,555      | 183,408     | 132,484      | 72,071      |
| Total Revenues                    | 10,450,848   | 9,484,277    | 966,571     | 8,464,976    | 1,019,301   |
| Operating Expenses                |              |              |             |              |             |
| (Excluding Depreciation)          | 5,777,429    | 4,794,514    | 982,915     | 5,427,064    | (632,550)   |
| Depreciation Expense              | 1,475,378    | 1,379,440    | 95,938      | 1,213,082    | 166,358     |
| Total Operating Expenses          | 7,252,807    | 6,173,954    | 1,078,853   | 6,640,146    | (466,192)   |
| Non-Operating Expenses            | 322,595      | 669,870      | (347,275)   | 444,887      | 224,983     |
| Total Expenses                    | 7,575,402    | 6,843,824    | 731,578     | 7,085,033    | (241,209)   |
| Capital Contributions             | 939,035      | 5,013,192    | (4,074,157) | 468,361      | 4,544,831   |
| Changes in Net Position           | 3,814,481    | 7,653,645    | (3,839,164) | 1,848,304    | 5,805,341   |
| Net Position at Beginning of Year | 33,045,904   | 25,392,259   | 7,653,645   | 23,543,955   | 1,848,304   |
| Net Position at End of Year       | \$36,860,385 | \$33,045,904 | \$3,814,481 | \$25,392,259 | \$7,653,645 |

Operating revenues increased by \$783,163 from 2022 to 2023 which is primarily due to an increase in charges for services.

Operating expenses increased by \$1,078,853 from 2022 to 2023 primarily due to a increase in plant operations and payroll expenses which were partially offset by a decrease in General and administrative expenses.

Operating revenues increased by \$947,230 from 2021 to 2022 which is primarily due to an increase in tap fees and charges for services.

Operating expenses decreased by \$466,192 from 2021 to 2022 primarily due to a decrease in plant operations and General and Administrative expenses which were partially offset by an increase in payroll expenses.

**Jefferson Water and Sewer District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2023 and 2022  
(Unaudited)

**CAPITAL ASSETS**

The District had \$57,842,566 and \$54,842,588 invested in depreciable capital assets (before depreciation) at the end of 2023 and 2022, respectively. This amount is an increase of \$2,999,978 (5%) from 2022 to 2023 and an increase of \$6,822,050 (14.0%) from 2021 to 2022. The increase in 2023 is primarily the result of the completion of construction projects and Donated Assets. The increase in 2022 is primarily the result of the completion of construction projects and Donated Assets. Additional information regarding capital assets can be found in Note D to the Basic Financial Statements.

|                                | Table 3       |               |              |               |              |
|--------------------------------|---------------|---------------|--------------|---------------|--------------|
|                                | 2023          | 2022          | Change       | 2021          | Change       |
| Non-depreciable Capital Assets |               |               |              |               |              |
| Land and land easements        | \$ 777,732    | \$ 777,732    | \$ -         | \$ 777,732    | \$ -         |
| Construction in progress       | 588,140       | 413,116       | 175,024      | 1,011,166     | (598,050)    |
| Total Non-depreciable          |               |               |              |               |              |
| Capital Assets                 | 1,365,872     | 1,190,848     | 175,024      | 1,788,898     | (598,050)    |
| Depreciable Capital Assets     |               |               |              |               |              |
| Buildings and improvements     | 5,528,674     | 5,437,887     | 90,787       | 5,433,142     | 4,745        |
| Completed construction         | 25,369,124    | 24,165,068    | 1,204,056    | 22,752,188    | 1,412,880    |
| Furniture and                  |               |               |              |               |              |
| general equipment              | 465,614       | 4,399,708     | (3,934,094)  | 4,073,341     | 326,367      |
| Vehicles and accessories       | 5,117,070     | 416,876       | 4,700,194    | 352,010       | 64,866       |
| Donated assets                 | 21,362,084    | 20,423,049    | 939,035      | 15,409,857    | 5,013,192    |
| Totals Before                  |               |               |              |               |              |
| Accumulated Depreciation       | 57,842,566    | 54,842,588    | 2,999,978    | 48,020,538    | 6,822,050    |
| Accumulated Depreciation       | (21,948,886)  | (20,510,429)  | (1,438,457)  | (19,130,989)  | (1,379,440)  |
| Net Depreciable Capital Assets | 35,893,680    | 34,332,159    | 1,561,521    | 28,889,549    | 5,442,610    |
| Total Capital Assets           | \$ 37,259,552 | \$ 35,523,007 | \$ 1,736,545 | \$ 30,678,447 | \$ 4,844,560 |

**DEBT**

The District issues long term debt to finance much of its construction. With the exception of the Rural Development bonds, the Ohio Water Development Authority (OWDA) loans were used to finance most general improvement projects.

|                          | Table 4      |              |              |              |              |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
|                          | 2023         | 2022         | Change       | 2021         | Change       |
| Ohio Water Development   |              |              |              |              |              |
| Authority (OWDA)         | \$ 7,780,247 | \$ 8,613,340 | \$ (833,093) | \$ 5,090,443 | \$ 3,522,897 |
| Rural Development        | 1,375,900    | 1,410,200    | (34,300)     | 3,880,600    | (2,470,400)  |
| Total Long Term Debt     | 9,156,147    | 10,023,540   | (867,393)    | 8,971,043    | 1,052,497    |
| Less: Current Maturities | 880,467      | 800,813      | 79,654       | 650,828      | 149,985      |
| Net Total Long Term Debt | \$ 8,275,680 | \$ 9,222,727 | \$ (947,047) | \$ 8,320,215 | \$ 902,512   |

The District's debt is paid from operating revenues generated by the District. For additional information regarding debt, please see note E to the basic financial statements.

**Jefferson Water and Sewer District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2023 and 2022*  
*(Unaudited)*

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**CASH**

Cash and cash equivalents were \$4,526,350 on December 31, 2023 and \$5,160,817 on December 31, 2022.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Mark Williams, Jefferson Water and Sewer District, 6455 Taylor Rd., Blacklick, Ohio 43004 or (614) 864-0740.

**Jefferson Water and Sewer District**  
*Statements of Net Position*  
*As of December 31, 2023 and 2022*

|  | 2023          | 2022          |
|--|---------------|---------------|
| <b>CURRENT ASSETS:</b>   |               |               |
| Cash and cash equivalents  | \$ 4,221,681  | \$ 4,856,123  |
| Investments  | 5,215,552     | 3,271,085     |
| Accounts receivable  | 693,094       | 589,675       |
| Inventory  | 82,216        | 74,668        |
| Prepaid expense  | 42,037        | 41,628        |
| Total Current Assets   | 10,254,580    | 8,833,179     |
| <b>RESTRICTED ASSETS:</b>  |               |               |
| Restricted cash and cash equivalents                                 | 304,669       | 304,694       |
| Water assessments receivable   | 2,102         | 3,384         |
| Total Restricted Assets  | 306,771       | 308,078       |
| <b>CAPITAL ASSETS:</b>   |               |               |
| Capital assets, not being depreciated                                | 1,365,872     | 1,190,848     |
| Capital assets, net of accumulated depreciation                      | 35,893,680    | 34,332,159    |
| Total Capital Assets   | 37,259,552    | 35,523,007    |
| <b>OTHER ASSETS:</b>   |               |               |
| Notes receivable less current portion                                | 3,147,526     | 3,263,594     |
| Net OPEB Asset   | -             | 182,636       |
| Total Assets   | 50,968,429    | 48,110,494    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                               |               |               |
| Pensions   | 691,139       | 241,670       |
| OPEB   | 97,271        | 16,335        |
| Total Deferred Outflows of Resources                                 | 788,410       | 258,005       |
| Total Assets and Deferred Outflows of Resources                      | \$ 51,756,839 | \$ 48,368,499 |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>   |               |               |
| <b>CURRENT LIABILITIES:</b>  |               |               |
| Accounts payable   | \$ 1,134,804  | \$ 448,743    |
| Accrued wages and benefits and withholding payroll expenses          | 191,625       | 168,661       |
| Current portion of long term debt                                    | 880,467       | 800,813       |
| Accrued interest payable   | 144,715       | 167,779       |
| Customer deposits- payable   | 218,416       | 215,663       |
| Unearned revenue   | 2,274,103     | 2,870,604     |
| Total Current Liabilities  | 4,844,130     | 4,672,263     |
| <b>LONG TERM LIABILITIES:</b>  |               |               |
| Long term debt less current portion                                  | 8,275,680     | 9,222,727     |
| Net Pension Liabilities  | 1,651,584     | 545,080       |
| Net OPEB Liabilities   | 32,831        | -             |
| Total Long Term Liabilities  | 9,960,095     | 9,767,807     |
| Total Liabilities  | 14,804,225    | 14,440,070    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                |               |               |
| Pensions   | 79,686        | 690,006       |
| OPEB   | 12,543        | 192,519       |
| Total Deferred Inflows of Resources                                  | 92,229        | 882,525       |
| <b>NET POSITION:</b>   |               |               |
| Net Investment in capital assets                                     | 28,103,405    | 25,499,467    |
| Unrestricted   | 8,756,980     | 7,546,437     |
| Total Net Position   | 36,860,385    | 33,045,904    |
| Total Liabilities, Deferred Inflows of Resources<br>and Net Position | \$ 51,756,839 | \$ 48,368,499 |

The notes to the basic financial statements are an integral part of this statement.

**Jefferson Water and Sewer District**  
*Statements of Revenues, Expenses and Changes in Net Position*  
For the Years Ended December 31, 2023 and 2022

|   | 2023          | 2022          |
|---|---------------|---------------|
| <b>OPERATING REVENUES:</b>                                |               |               |
| Charges for services                                      | \$ 6,985,661  | \$ 6,221,160  |
| Tap fees  | 2,999,355     | 2,995,617     |
| Miscellaneous income                                      | 77,869        | 62,945        |
| Total Operating Revenues                                  | 10,062,885    | 9,279,722     |
| <b>OPERATING EXPENSES:</b>                                |               |               |
| Plant operations  | 3,901,106     | 3,416,492     |
| Salaries and payroll related expenses                     | 1,567,879     | 1,022,811     |
| General and administration expenses                       | 308,444       | 355,211       |
| Depreciation  | 1,475,378     | 1,379,440     |
| Total Operating Expenses                                  | 7,252,807     | 6,173,954     |
| <br>Operating Income                                      | <br>2,810,078 | <br>3,105,768 |
| <b>NON-OPERATING INCOME AND (EXPENSES):</b>               |               |               |
| Gain on disposal of capital assets                        | 7,510         | -             |
| Interest income   | 277,623       | 85,101        |
| Intergovernmental   | 27,404        | 87,795        |
| Other Miscellaneous                                       | 34,163        | 31,659        |
| Gain (Loss) on Investments                                | 41,263        | (316,717)     |
| Interest expense  | (322,595)     | (353,153)     |
| Total Nonoperating Income (Expenses)                      | 65,368        | (465,315)     |
| <br>Increase In Net Position before Capital Contributions | <br>2,875,446 | <br>2,640,453 |
| Capital Contributions - Developers                        | 939,035       | 5,013,192     |
| <br>Increase In Net Position                              | <br>3,814,481 | <br>7,653,645 |
| Net Position, Beginning of Year                           | 33,045,904    | 25,392,259    |
| Net Position, End of Year                                 | \$ 36,860,385 | \$ 33,045,904 |

The notes to the basic financial statements are an integral part of this statement.



**Jefferson Water and Sewer District**  
*Statements of Cash Flows*  
For the Years Ended December 31, 2023 and 2022

|  | 2023                | 2022                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Cash received from customers   | \$ 9,401,164        | \$ 8,035,917        |
| Cash received from other operating income  | 77,869              | 62,945              |
| Cash payments to suppliers for goods and services  | (3,531,446)         | (4,340,901)         |
| Cash payments for employee services and benefits   | (1,543,645)         | (1,363,400)         |
| Net Cash Provided by Operating Activities  | <u>4,403,942</u>    | <u>2,394,561</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>                                       |                     |                     |
| Other miscellaneous income   | 34,163              | 31,659              |
| Customer Deposits  | 2,753               | 24,784              |
| Net Cash Provided by/(Used for) Non-Capital Financing Activities                               | <u>36,916</u>       | <u>56,443</u>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                               |                     |                     |
| Construction of water and sewer projects and other capital acquisitions                        | (2,289,792)         | (1,162,570)         |
| Proceeds from construction loans   | 10,263              | 4,080,813           |
| Principal payments on construction loans   | (877,656)           | (3,028,316)         |
| Interest payments on construction loans  | (318,405)           | (330,421)           |
| Special assessment collections - principal   | 1,282               | 1,940               |
| Proceeds from disposal of capital assets   | 24,564              | -                   |
| Net Cash Used for Capital and Related Financing Activities                                     | <u>(3,449,744)</u>  | <u>(438,554)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Sale of investments  | (1,903,204)         | (583,532)           |
| Interest received on bank accounts   | 277,623             | 85,101              |
| Net Cash Provided by (Used for) Investing Activities   | <u>(1,625,581)</u>  | <u>(498,431)</u>    |
| Net Increase (Decrease) In Cash and Cash Equivalents   | (634,467)           | 1,514,019           |
| Cash and Cash Equivalents, Beginning of the Year   | 5,160,817           | 3,646,798           |
| Cash and Cash Equivalents, End of the Year   | <u>\$ 4,526,350</u> | <u>\$ 5,160,817</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>        |                     |                     |
| Operating Income   | \$ 2,810,078        | \$ 3,105,768        |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                     |                     |
| Depreciation   | 1,475,378           | 1,379,440           |
| <b>CHANGES IN ASSETS, LIABILITIES AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES:</b> |                     |                     |
| (Increase) decrease in accounts receivable   | (103,419)           | (112,579)           |
| (Increase) decrease in prepaid expense   | (409)               | 14,905              |
| (Increase) decrease in inventory   | (7,548)             | 18,476              |
| Decrease in notes receivable   | 116,068             | 312,727             |
| (Increase) decrease in net OPEB asset  | 182,636             | (74,708)            |
| (Increase) in deferred outflows of resources - pensions  | (449,469)           | (21,678)            |
| (Increase) decrease in deferred outflows of resources - OPEB                                   | (80,936)            | 90,703              |
| Increase (decrease) in accounts payable (operating)  | 686,061             | (602,579)           |
| Increase (decrease) in accrued wages and benefits and withholding payroll taxes                | 22,964              | (53,759)            |
| (Decrease) in unearned revenue   | (596,501)           | (1,381,008)         |
| Increase (decrease) in net pension liability   | 1,106,504           | (418,169)           |
| Increase in OPEB liability   | 32,831              | -                   |
| Increase (decrease) in deferred inflows of resources - pensions                                | (610,320)           | 274,267             |
| (Decrease) in deferred inflows of resources - OPEB   | (179,976)           | (137,245)           |
| Total Adjustments  | <u>1,593,864</u>    | <u>(711,207)</u>    |
| Net Cash Provided by Operating Activities  | <u>\$ 4,403,942</u> | <u>\$ 2,394,561</u> |
| <b>NONCASH TRANSACTIONS</b>  |                     |                     |
| Donated developer lines and pump station   | \$ 939,035          | \$ 5,066,489        |
| Intergovernmental revenue - interest subsidy   | \$ 27,254           | \$ 34,498           |
| Interest expense - interest subsidy  | \$ (27,254)         | \$ (34,498)         |

The notes to the basic financial statements are an integral part of this statement.

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2023 and 2022*

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**NOTE A – NATURE OF ORGANIZATION**

Jefferson Water and Sewer District (the “District”) was created by the Court of Common Pleas of Franklin County to provide water and sewer services to the residents of Jefferson Township in accordance with the provisions of section 6119.01 of the Ohio Revised Code. The District is managed by a Board comprised of five appointed trustees.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations and water and sewer related activities of the District.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision of the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payables solely from District revenues.

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

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

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

The accounts of the District are organized on the basis of funds, 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.

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2023 and 2022*

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Measurement Focus and Basis of Accounting**

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all liabilities, and all deferred inflows/outflows of resources associated with operations are included on the statements of net position. The operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The accounting records are maintained on the accrual basis of accounting for financial reporting purposes.

**3. Budgetary Process**

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

**Appropriations** – Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

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

**4. Revenue Recognition**

Revenues for the service fees are recorded in the period the service is provided. Revenue for tap fees from developers is recorded when construction of the main water and sewer lines to a development is complete and the District and the developer have satisfied the terms of the tap agreement. The principal portion of tap fee revenues from customer five-year notes receivable is recognized in the year the note is executed; interest from the notes receivable is recognized in the year earned. All other revenue is recognized when earned.

**5. Accounts Receivable**

Accounts receivables are shown at their net realizable value. The direct write-off method is used to record bad debts. Uncollectible accounts receivable are charged to operations during the period in which they are determined to be uncollectible. The results of using the direct write-off method closely approximate the reserve method of accounting for receivables. Bad debts are only recorded after all efforts for collection are exhausted, including certifying delinquent accounts to the county auditor, which are attached to real estate tax billings.

**6. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid expenses using the consumption method. An asset for prepaid amounts is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**7. Capital Assets**

Capital assets are stated at cost (except as noted in the next paragraph with respect to donated developer lines) and are depreciated over the estimated useful lives of the assets from 5 years to 50 years depending upon the type of asset. Buildings have an estimated useful life of 30-50 years. Water and sewer lines and related infrastructure have an estimated useful life of 25-50 years. Furniture and general equipment have an estimated useful life of 5-15 years. Vehicles and accessories have an estimated useful life of 5-7 years. The District capitalizes assets that have a value or cost in excess of \$1,000 at the date of acquisition and an expected useful life of one or more years.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated developer lines are stated at acquisition value based on developer documentation, and are depreciated over 50 years, which represents the estimated useful lives of the assets. Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized.

**8. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments with a maturity of three months or less at the time they are purchased by the District are considered to be pooled cash and investments and are reported as “cash and cash equivalents” in the accompanying financial statements.

**9. Interest Expense**

Interest expense for the years ended December 31, 2023 and 2022 represents the interest portion of construction loan payments to the Ohio Water Development Authority and Rural Development in the amount of \$322,595 and \$353,153.

**10. Estimates**

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

**11. Board Designated Cash Fund**

The Board of Trustees allocates \$1,500 each year, via resolution, for expenditures to be designated by the Trustees. This procedure is in accordance with the Ohio Revised Code. Board discretionary expenditures for the years ended December 31, 2023 and 2022 were \$0 and \$0, respectively.

**12. Vacation, Sick Leave and Other Compensated Absences**

The District’s employees are entitled to certain compensated absences based on their length of employment. Accrued employee benefits include cumulative vested vacation, sick leave, and compensatory hours multiplied by current hourly rates.

**13. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are service revenues and late charges for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. Revenues and expenses not meeting these definitions are identified as non-operating.

**14. 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 acquisition, construction or improvements of those assets. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. Inventory of Materials and Supplies**

Inventories of materials and supplies are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**16. Restricted Assets**

Restricted assets should be reported when restrictions on asset use change the nature or normal understanding of the availability of the asset. Restricted assets represent certain resources segregated from other resources of the District to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the District or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes. 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.

**17. 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. If the proposed project does not enter construction, respective planning costs will be deemed impaired assets and written-off.

**18. 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 G and Note H. 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. 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 G and Note H)

**19. Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2023 and 2022

**NOTE C – RECEIVABLES**

Accounts receivable are presented at their net realizable value of \$693,094 and \$589,675 as of December 31, 2023 and 2022.

Assessment receivables represent the principal portion of assessments for water and sewer line construction costs to local service users. These amounts will generally be paid over the life of the related debt (see Note E) including an interest rate of 6.16% and are reported as restricted assets.

**NOTE D – CAPITAL ASSETS**

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

|  | Ending Balance<br>at 12/31/2022 | Additions           | Deletions             | Ending Balance<br>at 12/31/2023 |
|--|---------------------------------|---------------------|-----------------------|---------------------------------|
| Capital Assets, Not<br>Being Depreciated           |                                 |                     |                       |                                 |
| Land and Land Easements                            | \$ 777,732                      | \$ -                | \$ -                  | \$ 777,732                      |
| Construction in Progress                           | 413,116                         | 1,303,400           | (1,128,376)           | 588,140                         |
| <b>Total Capital Assets, Not Being Depreciated</b> | <b>1,190,848</b>                | <b>1,303,400</b>    | <b>(1,128,376)</b>    | <b>1,365,872</b>                |
| Capital Assets, Being Depreciated                  |                                 |                     |                       |                                 |
| Buildings and Improvements                         | 5,437,887                       | 90,787              | -                     | 5,528,674                       |
| Water and Sewer Lines and Related Infrastructure   | 24,165,068                      | 1,204,056           | -                     | 25,369,124                      |
| Vehicles and Accessories                           | 416,876                         | 102,563             | (53,825)              | 465,614                         |
| Furniture and General Equipment                    | 4,399,708                       | 717,362             | -                     | 5,117,070                       |
| Donated Water and Sewer Lines                      | 20,423,049                      | 939,035             | -                     | 21,362,084                      |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>54,842,588</b>               | <b>3,053,803</b>    | <b>(53,825)</b>       | <b>57,842,566</b>               |
| Less Accumulated Depreciation:                     |                                 |                     |                       |                                 |
| Buildings and Improvements                         | (2,864,146)                     | (118,731)           | -                     | (2,982,877)                     |
| Water and Sewer Lines and Related Infrastructure   | (9,998,548)                     | (581,828)           | -                     | (10,580,376)                    |
| Vehicles and Accessories                           | (299,322)                       | (34,144)            | 36,921                | (296,545)                       |
| Furniture and General Equipment                    | (2,794,218)                     | (323,538)           | -                     | (3,117,756)                     |
| Donated Water and Sewer Lines                      | (4,554,195)                     | (417,137)           | -                     | (4,971,332)                     |
| <b>Total Accumulated Depreciation</b>              | <b>(20,510,429)</b>             | <b>(1,475,378)</b>  | <b>36,921</b>         | <b>(21,948,886)</b>             |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>34,332,159</b>               | <b>1,578,425</b>    | <b>(16,904)</b>       | <b>35,893,680</b>               |
| <b>Total Capital Assets</b>                        | <b>\$ 35,523,007</b>            | <b>\$ 2,881,825</b> | <b>\$ (1,145,280)</b> | <b>\$ 37,259,552</b>            |

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2023 and 2022

**NOTE D – CAPITAL ASSETS (Continued)**

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

|  | Ending Balance<br>at 12/31/2021 | Additions           | Deletions             | Ending Balance<br>at 12/31/2022 |
|--|---------------------------------|---------------------|-----------------------|---------------------------------|
| Capital Assets, Not<br>Being Depreciated           |                                 |                     |                       |                                 |
| Land and Land Easements                            | \$ 777,732                      | \$ -                | \$ -                  | \$ 777,732                      |
| Construction in Progress                           | 1,011,166                       | 1,148,084           | (1,746,134)           | 413,116                         |
| <b>Total Capital Assets, Not Being Depreciated</b> | <b>1,788,898</b>                | <b>1,148,084</b>    | <b>(1,746,134)</b>    | <b>1,190,848</b>                |
| Capital Assets, Being Depreciated                  |                                 |                     |                       |                                 |
| Buildings and Improvements                         | 5,433,142                       | 4,745               | -                     | 5,437,887                       |
| Water and Sewer Lines and Related Infrastructure   | 22,752,188                      | 1,412,880           | -                     | 24,165,068                      |
| Vehicles and Accessories                           | 352,010                         | 64,866              | -                     | 416,876                         |
| Furniture and General Equipment                    | 4,073,341                       | 326,367             | -                     | 4,399,708                       |
| Donated Water and Sewer Lines                      | 15,409,857                      | 5,013,192           | -                     | 20,423,049                      |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>48,020,538</b>               | <b>6,822,050</b>    | <b>-</b>              | <b>54,842,588</b>               |
| Less Accumulated Depreciation:                     |                                 |                     |                       |                                 |
| Buildings and Improvements                         | (2,749,993)                     | (114,153)           | -                     | (2,864,146)                     |
| Water and Sewer Lines and Related Infrastructure   | (9,453,033)                     | (545,515)           | -                     | (9,998,548)                     |
| Vehicles and Accessories                           | (262,843)                       | (36,479)            | -                     | (299,322)                       |
| Furniture and General Equipment                    | (2,509,597)                     | (284,621)           | -                     | (2,794,218)                     |
| Donated Water and Sewer Lines                      | (4,155,523)                     | (398,672)           | -                     | (4,554,195)                     |
| <b>Total Accumulated Depreciation</b>              | <b>(19,130,989)</b>             | <b>(1,379,440)</b>  | <b>-</b>              | <b>(20,510,429)</b>             |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>28,889,549</b>               | <b>5,442,610</b>    | <b>-</b>              | <b>34,332,159</b>               |
| <b>Total Capital Assets</b>                        | <b>\$ 30,678,447</b>            | <b>\$ 6,590,694</b> | <b>\$ (1,746,134)</b> | <b>\$ 35,523,007</b>            |

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2023 and 2022

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**NOTE E – LONG-TERM DEBT**

Loans payable related to construction of the District’s infrastructure consist of the following loans payable to the Ohio Water Development Authority for December 31, 2023 and 2022:

| OWDA Loans Payable:  | 2023    | 2022    |
|--|---------|---------|
| 5.88% due in semi-annual payments of \$9,785, including interest through January 2023, <b>#2030</b>  | -       | 9,241   |
| 5.66% due in semi-annual payments of \$16,119, including interest through January 2025, <b>#2031</b> | 44,940  | 73,043  |
| 5.56% due in semi-annual payments of \$22,440, including interest through January 2025, <b>#2149</b> | 63,743  | 103,417 |
| 5.77% due in semi-annual payments of \$9,067, including interest through January 2025, <b>#2150</b>  | 25,704  | 41,661  |
| 6.41% due in semi-annual payments of \$4,667, including interest through January 2027, <b>#3263</b>  | 28,857  | 35,997  |
| 6.39% due in semi-annual payments of \$12,930, including interest through January 2027, <b>#3300</b> | 79,971  | 99,768  |
| 6.39% due in semi-annual payments of \$3,383, including interest through July 2027, <b>#3345</b>     | 23,554  | 28,574  |
| 6.39% due in semi-annual payments of \$12,877, including interest through January 2027, <b>#3346</b> | 79,641  | 99,357  |
| 6.03% due in semi-annual payments of \$64,884, including interest through January 2027, <b>#3369</b> | 404,018 | 504,842 |
| 6.03% due in semi-annual payments of \$15,454, including interest through January 2027, <b>#3389</b> | 96,229  | 120,243 |
| 6.03% due in semi-annual payments of \$10,084, including interest through January 2027, <b>#3390</b> | 62,792  | 78,462  |
| 6.03% due in semi-annual payments of \$17,014, including interest through January 2027, <b>#3391</b> | 105,940 | 132,378 |
| 5.15% due in semi-annual payments of \$3,230, including interest through July 2028, <b>#3630</b>     | 28,159  | 32,981  |
| 4.40% due in semi-annual payments of \$56,999, including interest through July 2028, <b>#3817</b>    | 506,685 | 595,449 |
| 4.66% due in semi-annual payments of \$32,573, including interest through July 2029, <b>#4057</b>    | 337,586 | 385,325 |



**Jefferson Water and Sewer District**  
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**NOTE E – LONG-TERM DEBT (Continued)**

|   | 2023        | 2022        |
|---|-------------|-------------|
| OWDA Loans Payable:   |             |             |
| 2.01% due in semi-annual payments to be determined, through January 2033, #7481 | 457,178     | 500,441     |
| 2.07% due in semi-annual payments to be Determined, through January 2033, #7990 | 1,183,526   | 1,279,818   |
| 1.57% due in semi-annual payments to be determined, through January 2032, #9446 | 445,445     | 491,181     |
| 1.50% due in semi-annual payments to be determined, through January 2032, #9447 | 497,696     | 519,961     |
| 1.79% due in semi-annual payments to be determined, through January 2027, #9490 | 843,148     | 930,021     |
| 3.31% due in semi-annual payments to be determined, through January 2042, #9709 | 2,464,016   | 2,551,180   |
| 3.42% due in semi-annual payments to be determined, through July 2034, #10417   | 1,419       | -           |
| Total   | 7,780,247   | 8,613,340   |
| Less current maturities   | (844,567)   | (766,513)   |
| Noncurrent OWDA loans payable   | \$6,935,680 | \$7,846,827 |

|                         | Balance<br>12/31/2022 | Additions    | Reductions   | Balance<br>12/31/2023 | Amount Due<br>Within One Year |
|-------------------------|-----------------------|--------------|--------------|-----------------------|-------------------------------|
| O.W.D.A.                | \$ 8,613,340          | \$ 10,263    | \$ 843,356   | \$ 7,780,247          | \$ 844,567                    |
| Rural Development       | 1,410,200             | -            | 34,300       | 1,375,900             | 35,900                        |
| Net Pension Liabilities | 545,080               | 1,106,504    | -            | 1,651,584             | -                             |
| Net OPEB Liabilities    | -                     | 32,831       | -            | 32,831                | -                             |
|                         | \$ 10,568,620         | \$ 1,149,598 | \$ 877,656   | \$ 10,840,562         | \$ 880,467                    |
|                         | Balance<br>12/31/2021 | Additions    | Reductions   | Balance<br>12/31/2022 | Amount Due<br>Within One Year |
| O.W.D.A.                | \$ 5,090,443          | \$ 4,080,813 | \$ 557,916   | \$ 8,613,340          | \$ 766,513                    |
| Rural Development       | 3,880,600             | -            | 2,470,400    | 1,410,200             | 34,300                        |
| Net Pension Liabilities | 963,249               | -            | 418,169      | 545,080               | -                             |
| Net OPEB Liabilities*   | -                     | -            | -            | -                     | -                             |
|                         | \$ 9,934,292          | \$ 4,080,813 | \$ 3,446,485 | \$ 10,568,620         | \$ 800,813                    |

\* At December 31, 2022 there was a Net OPEB Asset of \$182,636.

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have 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 ratio to 4.00%. The buy-down was credited to District payments starting with the July 1, 2016 due date and resulted in an interest subsidy in 2023 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 \$42,438 of additional interest subsidies through 2029 in the following amounts annually:

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE E – LONG-TERM DEBT (Continued)**

|                         |                 |
|-------------------------|-----------------|
| <b>Interest Subsidy</b> |                 |
| 2024                    | 20,243          |
| 2025                    | 13,072          |
| 2026                    | 6,789           |
| 2027                    | 1,584           |
| 2028                    | 645             |
| 2029                    | 105             |
|                         | \$42,438        |
| <b>Total</b>            | <b>\$42,438</b> |

Maturities of the District’s debt for the years subsequent to December 31, 2023 are as follows:

|              | OWDA Loans         |                    |                    | Rural Development Bonds |                  |                    |
|--------------|--------------------|--------------------|--------------------|-------------------------|------------------|--------------------|
|              | Principal          | Interest           | Total              | Principal               | Interest         | Total              |
| 2024         | \$844,567          | \$250,309          | \$1,094,876        | \$35,900                | \$61,696         | \$97,596           |
| 2025         | 832,051            | 199,999            | 1,032,050          | 37,500                  | 58,625           | 96,125             |
| 2026         | 817,685            | 166,740            | 984,425            | 39,100                  | 56,984           | 96,084             |
| 2027         | 712,811            | 123,703            | 836,514            | 40,800                  | 55,274           | 96,074             |
| 2028         | 589,889            | 111,947            | 701,836            | 42,600                  | 53,489           | 96,089             |
| 2029-2033    | 2,101,844          | 364,160            | 2,466,004          | 242,500                 | 237,817          | 480,317            |
| 2034-2038    | 794,720            | 166,238            | 960,958            | 300,500                 | 179,900          | 480,400            |
| 2039-2043    | 587,565            | 39,535             | 627,100            | 372,300                 | 108,167          | 480,467            |
| 2044-2048    | -                  | -                  | -                  | 264,700                 | 23,494           | 288,194            |
| <b>Total</b> | <b>\$7,281,132</b> | <b>\$1,422,631</b> | <b>\$8,703,763</b> | <b>\$1,375,900</b>      | <b>\$835,446</b> | <b>\$2,211,346</b> |

|              | Total              |                    |                     |
|--------------|--------------------|--------------------|---------------------|
|              | Principal          | Interest           | Total               |
| 2024         | \$880,467          | \$312,005          | \$1,192,472         |
| 2025         | 869,551            | 258,624            | 1,128,175           |
| 2026         | 856,785            | 223,724            | 1,080,509           |
| 2027         | 753,611            | 178,977            | 932,588             |
| 2028         | 632,489            | 165,436            | 797,925             |
| 2029-2033    | 2,344,344          | 601,977            | 2,946,321           |
| 2034-2038    | 1,095,220          | 346,138            | 1,441,358           |
| 2039-2043    | 959,865            | 147,702            | 1,107,567           |
| 2044-2048    | 264,700            | 23,494             | 288,194             |
| <b>Total</b> | <b>\$8,657,032</b> | <b>\$2,258,077</b> | <b>\$10,915,109</b> |

During 2023, the District had 1.50% and 3.42% Ohio Water Development Authority loans with outstanding principal balances of \$497,696 and \$1,419 which are not included in the above amortization schedule because the loans have not been finalized.

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE E – LONG-TERM DEBT (Continued)**

During 2006, the District issued \$4,840,000 in Rural Development Water Resource Revenue Bonds to retire an Ohio Water Development Authority loan. The terms of the bonds are an interest rate of 4.375% with a maturity date of 2046.

In connection with the mortgage revenue bonds and Ohio Water Development Authority loans, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds and loans are payable, through their final maturities, solely from net revenues applicable to its fund. The combined principal and interest remaining to be paid on the bonds as of December 31, 2023 and 2022 are \$2,211,346 and \$2,305,637. The combined principal and interest remaining to be paid on the loans as of December 31, 2023 and 2022 are \$9,168,923 and \$10,271,151 respectively. The coverage ratios at December 31, 2023 and 2022 were 3.65 and 1.34, respectively.

**NOTE F – CAPITAL CONTRIBUTIONS**

**Donated Developer Lines and Other Capital Contributions**

Contributions of resources from a developer for construction are also shown on the face of the financial statements as capital contributions – developers. The District had capital contributions of \$939,035 for 2023 and \$5,013,192 for 2022.

**NOTE G – DEFINED BENEFIT RETIREMENT PLAN**

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

**Net Pension Liability/Net OPEB Liability (Asset)**

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

The net pension liability and the net OPEB liability 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 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 these liabilities to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

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

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)**

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

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Authority 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, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members 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):

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

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)**

compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

|   | Local  |
|---|--------|
| <b>2023 and 2022 Statutory Maximum Contribution Rates</b> |        |
| Employer  | 14.0 % |
| Employee *  | 10.0 % |
| <b>2023 and 2022 Actual Contribution Rates</b>            |        |
| 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 \$148,079 for fiscal year 2023 and \$121,335 for 2022 respectively. Of this amount \$40,898 and \$19,480 were reported as a payroll related liability for 2023 and 2022 respectively.

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)**

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

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

|  | <b>2023</b>  | <b>2022</b>  |
|--|--------------|--------------|
|  | <b>OPERS</b> | <b>OPERS</b> |
| Proportion of the Net Pension Liability/Asset - Prior Year   | 0.0062650%   | 0.0065050%   |
| Proportion of the Net Pension Liability/Asset - Current Year | 0.0055910%   | 0.0062650%   |
| Change in Proportionate Share                                | -0.0006740%  | -0.0002400%  |
|  |              |              |
| Proportionate Share of the Net Pension Liability             | \$ 1,651,584 | \$ 545,080   |
| Pension Expense (Gain)                                       | \$ 194,794   | \$ (44,245)  |

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

|  | <b>2023</b>  | <b>2022</b>  |
|--|--------------|--------------|
|  | <b>OPERS</b> | <b>OPERS</b> |
| <b>Deferred Outflows of Resources:</b>                       |              |              |
| Differences between expected and actual economic experience  | \$ 54,859    | \$ 27,787    |
| Differences between projected and actual investment earnings | 470,753      | -            |
| Changes of assumptions                                       | 17,448       | 68,162       |
| Changes in proportion  | -            | 24,386       |
| Contributions subsequent to the measurement date             | 148,079      | 121,335      |
| Total  | \$ 691,139   | \$ 241,670   |
|  |              |              |
|  | <b>OPERS</b> | <b>OPERS</b> |
| <b>Deferred Inflows of Resources:</b>                        |              |              |
| Differences between expected and actual economic experience  | \$ -         | \$ 11,955    |
| Differences between projected and actual investment earnings | -            | 648,353      |
| Changes in proportion  | 79,686       | 29,698       |
| Total  | \$ 79,686    | \$ 690,006   |

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)**

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

\$148,079 and \$121,335 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2023 and 2022 respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2024 and 2023, 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:

| Fiscal Year Ending December 31: | <u>OPERS</u>      |
|---------------------------------|-------------------|
| 2024                            | \$ 7,209          |
| 2025                            | 86,993            |
| 2026                            | 138,565           |
| 2027                            | 230,607           |
|                                 | <u>\$ 463,374</u> |

**Actuarial Assumptions – OPERS**

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

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

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

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Actuarial Assumptions – OPERS – Continued**

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

The 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, 2022 and 2021, these best estimates are summarized in the following table:

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

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



**Jefferson Water and Sewer District**  
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**NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Actuarial Assumptions – OPERS – Continued**

***Discount Rate***

The discount rate used to measure the total pension liability was 6.9% and 6.9% for the Traditional Pension Plan for the years ended December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

For the year ended December 31, 2023:

|  | 1% Decrease<br><u>(5.9%)</u> | Current<br>Discount Rate<br><u>(6.9%)</u> | 1% Increase<br><u>(7.9%)</u> |
|--|------------------------------|---|------------------------------|
| District's proportionate share<br>of the net pension liability | \$2,474,018                  | \$1,651,584                               | \$967,467                    |

For the year ended December 31, 2022:

|  | 1% Decrease<br><u>(5.9%)</u> | Current<br>Discount Rate<br><u>(6.9%)</u> | 1% Increase<br><u>(7.9%)</u> |
|--|------------------------------|---|------------------------------|
| District's proportionate share<br>of the net pension liability | \$1,437,128                  | \$545,080                                 | (\$197,222)                  |

**NOTE H – DEFINED BENEFIT OPEB PLANS**

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

***Net Other Postemployment Benefits (OPEB) Liability (Asset)***

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

The net OPEB liability (asset) represents the District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary

**NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)**

***Net Other Postemployment Benefits (OPEB) Liability (Asset) (Continued)***

net position. The net OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

**Ohio Public Employees Retirement System**

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

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

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

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

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

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

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

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

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

**NOTE H - DEFINED BENEFIT OPEB PLANS - Continued**

**Ohio Public Employees Retirement System - Continued**

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

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

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

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

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

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

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

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

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

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

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.

**Jefferson Water and Sewer District**  
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**NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)**

**Ohio Public Employees Retirement System – Continued**

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

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

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

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

|   | <b>2023</b>  | <b>2022</b>  |
|---|--------------|--------------|
|   | <b>OPERS</b> | <b>OPERS</b> |
| Proportion of the Net OPEB Liability/Asset - Prior Year   | 0.0058310%   | 0.0060580%   |
| Proportion of the Net OPEB Liability/Asset - Current Year | 0.0052070%   | 0.0058310%   |
| Change in Proportionate Share                             | -0.0006240%  | -0.0002270%  |
|   |              |              |
| Proportionate Share of the                                |              |              |
| Net OPEB Liability (Asset)                                | \$ 32,831    | \$ (182,636) |
| OPEB Expense (Gain)                                       | \$ (45,445)  | \$ (121,250) |

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
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**NOTE H - DEFINED BENEFIT OPEB PLANS – (Continued)**

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

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

|  | <b>2023</b>  | <b>2022</b>  |
|--|--------------|--------------|
|  | <b>OPERS</b> | <b>OPERS</b> |
| <b>Deferred Outflows of Resources:</b>                       |              |              |
| Differences between projected and actual investment earnings | \$ 65,204    | \$ -         |
| Changes of assumptions                                       | 32,067       | -            |
| Changes in proportion  | -            | 16,335       |
| Total  | \$ 97,271    | \$ 16,335    |
| <br>   |              |              |
|  | <b>OPERS</b> | <b>OPERS</b> |
| <b>Deferred Inflows of Resources:</b>                        |              |              |
| Differences between expected and actual economic experience  | \$ 8,189     | \$ 27,703    |
| Differences between projected and actual investment earnings | -            | 87,068       |
| Changes of assumptions                                       | 2,639        | 73,929       |
| Changes in proportion  | 1,715        | 3,819        |
| Total  | \$ 12,543    | \$ 192,519   |

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

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

|                                 | <b>OPERS</b> |
|---------------------------------|--------------|
| Fiscal Year Ending December 31: |              |
| 2024                            | \$ 9,203     |
| 2025                            | 23,694       |
| 2026                            | 20,333       |
| 2027                            | 31,498       |
|                                 | \$ 84,728    |

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

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

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

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

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

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

**Jefferson Water and Sewer District**  
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**NOTE H - DEFINED BENEFIT OPEB PLANS – (Continued)**

*Actuarial Assumptions – OPERS - Continued*

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

The allocation of investment assets within the Health Care portfolio is approved by the Board 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, 2022 and 2021, these best estimates are summarized in the following table:

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

**Jefferson Water and Sewer District**  
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**NOTE H - DEFINED BENEFIT OPEB PLANS – (Continued)**

***Actuarial Assumptions – OPERS - Continued***

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

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

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

|   | 1% Decrease<br><u>(4.22%)</u> | Current<br>Discount Rate<br><u>(5.22%)</u> | 1% Increase<br><u>(6.22%)</u> |
|---|-------------------------------|--|-------------------------------|
| District's proportionate share<br>of the net OPEB liability (asset) | \$111,742                     | \$32,831                                   | (\$32,283)                    |

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<br><u>(5.00%)</u> | Current<br>Discount Rate<br><u>(6.00%)</u> | 1% Increase<br><u>(7.00%)</u> |
|---|-------------------------------|--|-------------------------------|
| District's proportionate share<br>of the net OPEB asset | (\$107,407)                   | (\$182,636)                                | (\$245,077)                   |



**Jefferson Water and Sewer District**  
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**NOTE H - DEFINED BENEFIT OPEB PLANS – (Continued)**

*Actuarial Assumptions – OPERS - Continued*

***Sensitivity of the District’s Proportionate Share of the Net OPEB Liability/Asset to Changes in the Health Care Cost Trend Rates - Continued***

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

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

For the fiscal year ended December 31, 2023:

|   | <u>1% Decrease</u> | <u>Current Health Care<br/>Cost Trend Rate<br/>Assumption</u> | <u>1% Increase</u> |
|---|--------------------|---|--------------------|
| District's proportionate share<br>of the net OPEB liability | \$30,773           | \$32,831  | \$35,147           |

For the fiscal year ended December 31, 2022:

|   | <u>1% Decrease</u> | <u>Current Health Care<br/>Cost Trend Rate<br/>Assumption</u> | <u>1% Increase</u> |
|---|--------------------|---|--------------------|
| District's proportionate share<br>of the net OPEB asset | (\$184,609)        | (\$182,636)   | (\$180,295)        |

**NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS**

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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**NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (Continued)**

Interim monies can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two % and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 % of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment purchased under section 135 of the Ohio Revised Code must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments purchased under section 6119 have no such maturity restrictions.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2023 and 2022, respectively, \$853,556 and \$4,277,390 of the District's bank balances of \$1,642,347 and \$5,155,121 were exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2023 and 2022

**NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (continued)**

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

**Investments** The District had the following investments at December 31, 2023:

| Description                | Fair Value          | Investment Maturities |                     |                     |             |
|----------------------------|---------------------|-----------------------|---------------------|---------------------|-------------|
|                            |                     | < 1 Year              | 1-2 Years           | 3-5 Years           | >5 Years    |
| UBS Fixed Income           | \$ 1,948,456        | \$ 459,356            | \$ 944,728          | \$ 544,372          | \$ -        |
| UBS Municipal Bonds        | 381,393             | 10,333                | 78,017              | 293,043             | -           |
| Star Ohio                  | 2,919,885           | 2,919,885             | -                   | -                   | -           |
| Raymond James Fixed Income | 1,598,114           | 478,307               | 264,661             | 855,146             | -           |
| LPL Heartland ETF          | 1,287,589           | 1,101,613             | -                   | 185,976             | -           |
| <b>Total Investments</b>   | <b>\$ 8,135,437</b> | <b>\$ 4,969,494</b>   | <b>\$ 1,287,406</b> | <b>\$ 1,878,537</b> | <b>\$ -</b> |

The District had the following investments at December 31, 2022:

| Description                | Fair Value          | Investment Maturities |                   |                   |                   |
|----------------------------|---------------------|-----------------------|-------------------|-------------------|-------------------|
|                            |                     | < 1 Year              | 1-2 Years         | 3-5 Years         | >5 Years          |
| UBS Fixed Income           | \$ 759,052          | \$ 423,765            | \$ 335,287        | \$ -              | \$ -              |
| UBS Municipal Bonds        | 435,233             | 56,199                | 10,562            | 237,011           | 131,461           |
| Star Ohio                  | 55,139              | 55,139                | -                 | -                 | -                 |
| Raymond James Fixed Income | 998,767             | 320,588               | 469,793           | 208,386           | -                 |
| LPL Heartland ETF          | 1,078,033           | 1,078,033             | -                 | -                 | -                 |
| <b>Total Investments</b>   | <b>\$ 3,326,224</b> | <b>\$ 1,933,724</b>   | <b>\$ 815,642</b> | <b>\$ 445,397</b> | <b>\$ 131,461</b> |

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of December 31, 2023. All investments of the District are valued using quoted market prices (Level 1 inputs).

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no investment policy specifically dealing with interest rate risk. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no investment policy specifically dealing with credit risk. Investments in money

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2023 and 2022*

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**NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (continued)**

market funds were rated AAAM by Standard & Poor’s, investments in municipal bonds were rated AAA, AA+, AA, AA-, A+, and A by Standard & Poor’s, investments in fixed income accounts were rated A by Standard & Poor’s, investments in Federal Home Loan Mortgage Corporations Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds, Federal National Mortgage Association Notes/Bonds, and US Treasury Notes were all rated Aaa by Moody’s, investments in Heartland ETF’s were rated A by MSCI ESG, and investments in STAR Ohio were rated AAAM by Standard & Poor’s.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. As of December 31, 2023, the District had invested 0% in exchange traded funds, 59% in fixed income funds, 5% in municipal bonds, and 36% in STAR Ohio. As of December 31, 2022, the District had invested 32% in exchange traded funds, 53% in fixed income funds, 13% in municipal bonds, and 2% in STAR Ohio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy specifically dealing with custodial credit risk. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**NOTE J – RISK MANAGEMENT**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

|                       |             |
|-----------------------|-------------|
|                       | <u>2023</u> |
| Cash and investments  | 43,996,442  |
| Actuarial liabilities | 19,743,401  |

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Jefferson Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2023 and 2022

**NOTE K – INFORMATION BY SEGMENT**

The District maintains two segments which provide water and sewer services. Information by segment for the years ended December 31, 2023 and 2022 is as follows:

| <u>2023 SEGMENT</u>   | Water               | Sewer               | Total               |
|---|---------------------|---------------------|---------------------|
| <b>OPERATING REVENUES:</b>  |                     |                     |                     |
| Charges for services  | \$ 2,891,393        | \$ 4,094,268        | \$ 6,985,661        |
| Tap fees  | 1,176,923           | 1,822,432           | 2,999,355           |
| Miscellaneous income  | 32,230              | 45,639              | 77,869              |
| Total Operating Revenues  | <u>4,100,546</u>    | <u>5,962,339</u>    | <u>10,062,885</u>   |
| <b>OPERATING EXPENSES:</b>  |                     |                     |                     |
| Plant operations  | 1,001,033           | 2,900,073           | 3,901,106           |
| Salaries and payroll related expenses                               | 648,951             | 918,928             | 1,567,879           |
| General and administration expenses                                 | 127,666             | 180,778             | 308,444             |
| Depreciation  | 878,408             | 596,970             | 1,475,378           |
| Total Operating Expenses  | <u>2,656,058</u>    | <u>4,596,749</u>    | <u>7,252,807</u>    |
| Operating Income  | 1,444,488           | 1,365,590           | 2,810,078           |
| <b>NONOPERATING INCOME AND (EXPENSES):</b>                          |                     |                     |                     |
| Gain or (Loss) on disposal of capital assets                        | 3,108               | 4,402               | 7,510               |
| Interest income   | 114,909             | 162,714             | 277,623             |
| Intergovernmental   | 14,051              | 13,353              | 27,404              |
| Other Miscellaneous   | 17,082              | 17,081              | 34,163              |
| Loss on Investments   | 17,079              | 24,184              | 41,263              |
| Interest expense  | (175,704)           | (146,891)           | (322,595)           |
| Total Nonoperating Income (Expenses)                                | <u>(9,475)</u>      | <u>74,843</u>       | <u>65,368</u>       |
| Increase In Net Position before<br>Capital Contributions            | 1,435,013           | 1,440,433           | 2,875,446           |
| Capital Contributions - Developers                                  | -                   | 939,035             | 939,035             |
| Increase In Net Position  | <u>\$ 1,435,013</u> | <u>\$ 2,379,468</u> | <u>\$ 3,814,481</u> |
| <u>2022 SEGMENT</u>   | Water               | Sewer               | Total               |
| <b>OPERATING REVENUES:</b>  |                     |                     |                     |
| Charges for services  | \$ 2,623,746        | \$ 3,597,414        | \$ 6,221,160        |
| Tap fees  | 1,563,702           | 1,431,915           | 2,995,617           |
| Miscellaneous income  | 26,547              | 36,398              | 62,945              |
| Total Operating Revenues  | <u>4,213,995</u>    | <u>5,065,727</u>    | <u>9,279,722</u>    |
| <b>OPERATING EXPENSES:</b>  |                     |                     |                     |
| Plant operations  | 927,396             | 2,489,096           | 3,416,492           |
| Salaries and payroll related expenses                               | 431,366             | 591,445             | 1,022,811           |
| General and administration expenses                                 | 149,809             | 205,402             | 355,211             |
| Depreciation  | 821,289             | 558,151             | 1,379,440           |
| Total Operating Expenses  | <u>2,329,860</u>    | <u>3,844,094</u>    | <u>6,173,954</u>    |
| Operating Income  | 1,884,135           | 1,221,633           | 3,105,768           |
| <b>NONOPERATING INCOME AND (EXPENSES):</b>                          |                     |                     |                     |
| Interest income   | 35,891              | 49,210              | 85,101              |
| Intergovernmental   | 45,015              | 42,780              | 87,795              |
| Other Miscellaneous   | 15,830              | 15,829              | 31,659              |
| Loss on Investments   | (133,574)           | (183,143)           | (316,717)           |
| Interest expense  | (192,348)           | (160,805)           | (353,153)           |
| Total Nonoperating Income (Expenses)                                | <u>(229,186)</u>    | <u>(236,129)</u>    | <u>(465,315)</u>    |
| Increase (Decrease) In Net Position before<br>Capital Contributions | 1,654,949           | 985,504             | 2,640,453           |
| Capital Contributions - Developers                                  | -                   | 5,013,192           | 5,013,192           |
| Increase In Net Position  | <u>\$ 1,654,949</u> | <u>\$ 5,998,696</u> | <u>\$ 7,653,645</u> |

**Jefferson Water and Sewer District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

|  | <u>2023</u>  | <u>2022</u> | <u>2021</u> | <u>2020</u>  | <u>2019</u>  | <u>2018</u> | <u>2017</u>  | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|-------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|
| District's proportion of the net pension liability   | 0.0055910%   | 0.0062650%  | 0.0065050%  | 0.0059790%   | 0.0055481%   | 0.0050500%  | 0.0049600%   | 0.0048610%  | 0.0047100%  | 0.0047100%  |
| District's proportionate share of the net pension liability  | \$ 1,651,584 | \$ 545,080  | \$ 963,249  | \$ 1,181,790 | \$ 1,519,512 | \$ 792,247  | \$ 1,126,332 | \$ 841,986  | \$ 568,079  | \$ 555,248  |
| District's covered payroll   | \$ 866,679   | \$ 909,229  | \$ 916,193  | \$ 845,521   | \$ 752,114   | \$ 688,900  | \$ 666,142   | \$ 617,425  | \$ 577,408  | \$ 595,946  |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 190.56%      | 59.95%      | 105.14%     | 139.77%      | 202.03%      | 115.00%     | 169.08%      | 136.37%     | 98.38%      | 93.17%      |
| Plan fiduciary net position as a percentage of the total pension liability                         | 75.74%       | 92.62%      | 86.88%      | 82.17%       | 74.70%       | 84.66%      | 77.25%       | 81.08%      | 86.45%      | 86.36%      |

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

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

|  | <u>2023</u>      | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     | <u>2014</u>     |
|--|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 148,079       | \$ 121,335       | \$ 127,292       | \$ 128,267       | \$ 118,373       | \$ 105,296       | \$ 89,557       | \$ 79,937       | \$ 74,091       | \$ 69,289       |
| Contributions in relation to the contractually required contribution | <u>(148,079)</u> | <u>(121,335)</u> | <u>(127,292)</u> | <u>(128,267)</u> | <u>(118,373)</u> | <u>(105,296)</u> | <u>(89,557)</u> | <u>(79,937)</u> | <u>(74,091)</u> | <u>(69,289)</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 payroll   | \$ 1,057,707     | \$ 866,679       | \$ 909,229       | \$ 916,193       | \$ 845,521       | \$ 752,114       | \$ 688,900      | \$ 666,142      | \$ 617,425      | \$ 577,408      |
| Contributions as a percentage of covered payroll                     | 14.00%           | 14.00%           | 14.00%           | 14.00%           | 14.00%           | 14.00%           | 13.00%          | 12.00%          | 12.00%          | 12.00%          |

**Jefferson Water and Sewer District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net OPEB Liability/(Asset)*  
*Ohio Public Employees Retirement System*  
*Last Seven Years (1)*

|   | <u>2023</u> | <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)   | 0.00520700% | 0.00583100%  | 0.00605800%  | 0.00555900% | 0.00518500% | 0.00486000% | 0.00482000% |
| District's proportionate share of the net OPEB liability/(asset)  | \$ 32,831   | \$ (182,636) | \$ (107,928) | \$ 767,842  | \$ 676,002  | \$ 527,760  | \$ 486,836  |
| District's covered payroll  | \$ 866,679  | \$ 909,229   | \$ 916,193   | \$ 845,521  | \$ 752,114  | \$ 688,900  | \$ 666,142  |
| District's proportionate share of the net OPEB liability/(asset) as a percentage of its covered payroll | 3.79%       | -20.09%      | -11.78%      | 90.81%      | 89.88%      | 76.61%      | 73.08%      |
| Plan fiduciary net position as a percentage of the total OPEB liability/(asset)                         | 94.79%      | 128.23%      | 115.57%      | 47.80%      | 46.33%      | 54.14%      | 54.05%      |

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



**Jefferson Water and Sewer District**  
*Required Supplementary Information*  
*Schedule of the District's OPEB Contributions*  
*Ohio Public Employees Retirement System*  
*Last Eight Years (1)*

|  | <u>2023</u>  | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ -         | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ 6,886    | \$ 13,323   |
| Contributions in relation to the contractually required contribution | -            | -           | -           | -           | -           | -           | (6,886)     | (13,323)    |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District covered payroll   | \$ 1,057,707 | \$ 866,679  | \$ 909,229  | \$ 916,193  | \$ 845,521  | \$ 752,114  | \$ 688,900  | \$ 666,142  |
| Contributions as a percentage of covered payroll                     | 0.00%        | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 1.00%       | 2.00%       |

(1) Information prior to 2016 is not available.

**Jefferson Water and Sewer District**  
*Notes to the Required Supplementary Information*

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

**Changes in Assumptions – OPERS Pension– Traditional Plan**

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

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

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

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

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

**Jefferson Water and Sewer District**  
*Notes to the Required Supplementary Information*

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

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

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

**Changes in Assumptions – OPERS OPEB**

|                                      |  |
|--------------------------------------|--|
| <i>Investment Return Assumption:</i> |  |
| 2023-2019                            | 6 percent  |
| 2018                                 | 6.5 percent  |
| <i>Municipal Bond Rate:</i>          |  |
| 2023                                 | 4.05 percent   |
| 2022                                 | 1.84 percent   |
| 2021                                 | 2.00 percent   |
| 2020                                 | 2.75 percent   |
| 2019                                 | 3.71 percent   |
| 2018                                 | 3.31 percent   |
| <i>Single Discount Rate:</i>         |  |
| 2023                                 | 5.22 percent   |
| 2022-2021                            | 6.00 percent   |
| 2020                                 | 3.16 percent   |
| 2019                                 | 3.96 percent   |
| 2018                                 | 3.85 percent   |
| <i>Health Care Cost Trend Rate:</i>  |  |
| 2023                                 | 5.5 percent, initial<br>3.5 percent, ultimate in 2036  |
| 2022                                 | 5.5 percent, initial<br>3.5 percent, ultimate in 2034  |
| 2021                                 | 8.5 percent, initial<br>3.5 percent, ultimate in 2035  |
| 2020                                 | 10 percent, initial<br>3.5 percent, ultimate in 2030   |
| 2019                                 | 10 percent, initial<br>3.25 percent, ultimate in 2029  |
| 2018                                 | 7.5 percent, initial<br>3.25 percent, ultimate in 2028 |



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

Jefferson Water and Sewer District  
Franklin County  
6455 Taylor Road  
Blacklick, Ohio 43004

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Jefferson Water and Sewer District, Franklin County, (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 26, 2024.

***Report on Internal Control Over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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

Handwritten signature in black ink that reads "BHM CPA Group".

BHM CPA Group, Inc.  
Circleville, OH

June 26, 2024



# OHIO AUDITOR OF STATE KEITH FABER



**JEFFERSON WATER AND SEWER DISTRICT**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/12/2024**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)