BUCKEYE WATER DISTRICT

COLUMBIANA COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2019

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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

Board of Trustees
Buckeye Water District
1925 Clark Avenue
Wellsville, Ohio 43968

We have reviewed the *Independent Auditor's Report* of the Buckeye Water District, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. 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 Buckeye Water District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

October 1, 2020

This page intentionally left blank.

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY
REGULAR AUDIT
For the Year Ending December 31, 2019

TABLE OF CONTENTS

This page intentionally left blank.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S REPORT

Buckeye Water District
Columbiana County
1925 Clark Avenue
P.O. Box 105
Wellsville, Ohio 43968

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Buckeye Water District, Columbiana County, Ohio (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Buckeye Water District, Columbiana County, Ohio, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

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 OPEB liabilities and pension and OPEB contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 July 21, 2020, 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 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
July 21, 2020

Buckeye Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

This discussion and analysis of the Buckeye Water District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2019. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

The District's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The financial information of the District is accounted for in a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets greater than or equal to $5,000 for all items are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

Following this management's discussion and analysis are the basic financial statements of the District together with the notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for the District are the following:

- Statement of Net Position – This statement presents information on all of the District's assets and deferred outflows of resources and all of the District's liabilities and deferred inflows of resources, with the difference between the two reported as net position.

- Statement of Revenues, Expenses and Changes in Net Position – This statement includes all operating and nonoperating revenues and expenses for the District and shows the change in the District's net position during the most recent year.

- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the year resulting from operating, capital and investing activities. A reconciliation of operating income with cash provided from operations is included.

Financial Highlights

The District's financial position increased from 2018 to 2019, as indicated by the increase in total net position of $5,349,412. The increase can be mainly attributed to capital contributions for ongoing capital projects.

As of December 31, 2019, the District received the final proceeds of $27,000 for the $624,589 Ohio Public Works Commission (OPWC) Hibbets Mill Road Waterline Replacement loan issued for the purpose of replacing the Hibbets Mill Road waterline. The District also received proceed for three Ohio Water Development Authority (OWDA) loans in the amount of $1,051,314 for the purpose of upgrading the main pump station and adding the Frederick Heights water line extension.

Financial Position

Table 1 focuses on the District's financial position and the results of operations for 2019 compared to 2018:

Table 1
Net Position

	2019	2018
Assets		
Current and other assets	$ 6,367,627	$ 3,884,829
Capital assets, net of depreciation	27,022,893	21,489,067
Total assets	33,390,520	25,373,896
Deferred outflows of resources		
Pension	404,261	199,693
OPEB	47,432	40,868
Total deferred outflows of resources	451,693	240,561
Liabilities		
Current and other liabilities	3,194,885	801,168
Long-term liabilities:		
Due within one year	1,106,662	1,054,290
Net pension liability	1,364,469	859,863
Net OPEB liability	604,807	555,343
Other amounts due in more than one year	24,682,516	24,604,889
Total liabilities	30,953,339	27,875,553
Deferred inflows of resources		
Pension	115,899	285,319
OPEB	63,408	93,439
Total deferred inflows of resources	179,307	378,758
Net Position		
Net investment in capital assets	2,496,798	(2,904,439)
Restricted for debt service	420,000	420,000
Unrestricted	(207,240)	(155,415)
Total net position	$ 2,709,558	$ (2,639,854)

As a result of implementing the pension and OPEB accounting standards, The District is reporting a significant net pension liability and net OPEB liability, related deferred inflows of resources and an increase in expenses related to pension and OPEB for this fiscal year which have a negative effect on net position. In addition, The District is reporting deferred outflows of resources, which have a positive consequence on net position. The increase in pension expense is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. To further explain the impact of this new accounting standard on The District net position, additional information is presented below.

	2019	2018
Deferred outflows - pension	$ 404,261	$ 199,693
Deferred outflows - OPEB	47,432	40,868
Deferred inflows - pension	(115,899)	(285,319)
Deferred inflows - OPEB	(63,408)	(93,439)
Net pension liability	(1,364,469)	(859,863)
Net OPEB liability	(604,816)	(555,343)
Impact of GASB 68 and GABB 75 on net position	$ (1,696,899)	$ (1,553,403)

The District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension/OPEB liability not accounted for as deferred inflows/outflows.

Current assets increased from 2019 due to a significant increase in cash and cash equivalents in segregate accounts. This increase in cash primarily resulted from an increase in capital contributions for ongoing projects going on within the District.

A portion of the District's net position reflects investments in capital assets (e.g. land, buildings, improvements, equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Capital assets decreased from 2019 due to current year depreciation exceeding capital asset additions.

Long-term liabilities increased during 2019 due increases in Ohio Public Works Commission and Ohio Water Development Authority loans and net pension/OPEB liabilities as compared to the prior year.

Table 2 shows the change in net position for the year ended December 31, 2019, compared to 2018.

Table 2
Change in Net Position

	2019	2018
Revenues		
Operating revenues	$ 3,626,462	$ 3,535,244
Nonoperating revenues	30,823	2,420,321
Total revenues	3,657,285	5,955,565
Expenses		
Operating expenses	3,434,047	4,088,288
Interest and fiscal charges	779,856	801,684
Total expenses	4,213,903	4,889,972
Income (loss) before other revenues	(556,618)	1,065,593
Capital contributions	5,906,030	263,902
Change in net position	5,349,412	1,329,495
Net position at beginning of year	(2,639,854)	(3,969,349)
Net position at end of year	$ 2,709,558	$ (2,639,854)

Operating revenues increased from 2018 due to increased revenue from refunds and land lease. Nonoperating revenues decreased from 2018 mainly due to no sale of capital assets and no intergovernmental revenue in 2019.

The decrease in operating expenses from 2018 is due to the close monitoring of expenses during 2019. The District's revenues exceeded its expenses by $5,349,412 for 2019.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2019 balances compared to 2018.

Table 3
Capital Assets, at Year End
(Net of Depreciation)

	2019	2018
Land	$ 446,683	$ 446,683
Easements	83,184	78,604
Construction in progress	7,099,311	1,343,797
Buildings and improvements	10,564,497	11,308,317
Equipment and machinery	465,340	511,492
Vehicles	62,011	37,630
Water tank	541,821	635,895
Infrastructure		
Water lines	7,340,046	6,706,649
Total capital assets	$ 26,602,893	$ 21,069,067

All capital assets are reported net of depreciation. The decrease was due to an additional year of depreciation being taken. The District has been very aggressive in pursuing funding to assist in the financing of infrastructure projects. See Note 4 to the basic financial statements for additional information on the District's capital assets.

Debt

Table 4 summarizes the District's debt outstanding.

Table 4
Outstanding Debt, at Year End

	2019	2018
OPWC loans	$ 1,257,788	$ 1,321,702
OWDA loans	8,173,184	7,717,059
Revenue bonds	16,088,800	16,377,600
Totals	$ 25,519,772	$ 25,416,361

The District continues to monitor its outstanding debt. See Note 5 to the basic financial statements for additional information on the District's long-term obligations.

Current Issues

In conclusion, the Buckeye Water District is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent water to the customers of the District.

Contacting the District's Management

This financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tiffany Chetock, Fiscal Officer, at Buckeye Water District, 1925 Clark Avenue, P.O. Box 105, Wellsville, Ohio 43968 or email at tchetock@buckeyewater.com.

Buckeye Water District

Statement of Fund Net Position

December 31, 2019

Assets		
Current assets:		
Equity in pooled cash and cash equivalents	$	2,001,322
Cash and cash equivalents in segregated accounts		3,580,737
Receivables		493,003
Materials and supplies inventory		229,373
Prepaid items		63,192
Total current assets		6,367,627
Noncurrent assets:		
Restricted assets:		
Equity in pooled cash and cash equivalents		420,000
Capital assets:		
Nondepreciable capital assets		7,629,178
Depreciable capital assets, net		18,973,715
Total noncurrent assets		27,022,893
Total assets		33,390,520
Deferred outflows of resources		
Pension		404,261
OPEB		47,432
Total deferred outflows of resources		451,693
Liabilities		
Current liabilities:		
Accounts payable		41,855
Contracts payable		1,351,106
Accrued wages		17,051
Intergovernmental payable		2,634
Deposits held and due to others		1,539,584
Accrued interest payable		242,655
Compensated absences payable		98,354
OPWC loans payable		101,501
OWDA loans payable		606,807
Revenue bonds payable		300,000
Total current liabilities		4,301,547
Long-term liabilities:		
Compensated absences payable		171,052
OPWC loans payable, net of current portion		1,156,287
OWDA loans payable, net of current portion		7,566,377
Revenue bonds payable, net of current portion		15,788,800
Net pension liability		1,364,469
Net OPEB liability		604,816
Total long-term liabilities		26,651,801
Total liabilities		30,953,348
Deferred inflows of resources		
Pension		115,899
OPEB		63,408
Total deferred inflows of resources		179,307
Net position		
Net investment in capital assets		2,496,798
Restricted for:		
Debt service		420,000
Unrestricted		(207,240)
Total net position	$	2,709,558

See accompanying notes to the basic financial statements.

Buckeye Water District

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2019

Operating revenues		
Charges for services	$	3,245,638
Tap-in fees		123,826
Other		256,998
Total operating revenues		3,626,462
Operating expenses		
Salaries and wages		718,095
Fringe benefits		501,737
Contractual services		689,602
Materials and supplies		73,456
Depreciation		1,451,157
Total operating expenses		3,434,047
Operating loss		192,415
Nonoperating revenues (expenses)		
Interest		30,823
Interest and fiscal charges		(779,856)
Total nonoperating revenues (expenses)		(749,033)
Income before capital contributions		(556,618)
Capital contributions		5,906,030
Change in net position		5,349,412
Net position at beginning of year		(2,639,854)
Net position at end of year	$	2,709,558

See accompanying notes to the basic financial statements.

Buckeye Water District

Statement of Cash Flows

For the Year Ended December 31, 2019

Cash flows from operating activities:		
Cash received from customers	$	3,376,263
Other cash receipts		256,998
Cash payments for employee services and benefits		(1,046,090)
Cash payments to suppliers for goods and services		(886,292)
Net cash provided by operating activities		1,700,879
Cash flows from capital and related financing activities:		
Loans issued		1,078,314
Cash payments from contributions		7,036,516
Principal payment on OPWC loans		(90,914)
Principal payment on OWDA loans		(595,189)
Principal payment on revenue bonds		(288,800)
Interest payment on OWDA loans		(145,025)
Interest payment revenue bonds		(643,809)
Acquisition of capital assets		(5,695,196)
Net cash provided by capital and related financing activities		655,897
Cash flows from investing activities:		
Investment income		30,823
Net cash provided by investing activities		30,823
Net increase in cash and cash equivalents		2,387,599
Cash and cash equivalents at beginning of year		3,614,460
Cash and cash equivalents at end of year	$	6,002,059
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	192,415
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		1,451,157
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		6,799
Materials and supplies inventory		(95,856)
Prepaid items		(6,142)
Deferred outflows of resources - pension/OPEB		(211,132)
Increase (decrease) in liabilities:		
Accounts payable		(22,873)
Accrued wages		4,587
Compensated absences payable		26,588
Intergovernmental payable		708
Net pension/OPEB liability		554,079
Deferred inflows of resources - pension/OPEB		(199,451)
Net cash provided by operating activities	$	1,700,879

See accompanying notes to the basic financial statements.

Note 1 – Description of the Entity

The Buckeye Water District, Columbiana County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was formed in 1996 pursuant to Chapter 6119 of the Ohio Revised Code. The District is directed by a 9-member Board of Directors comprised of three members appointed by the Columbiana County Board of Commissioners, three members appointed by the Township Trustees of the townships which comprise part of the District and three members are appointed by the Mayor or Village Council of the Village of Wellsville. Subdivisions within the District are: the Village of Wellsville, Madison, Yellow Creek, Salem, and Middletown Townships and the unincorporated portions of Saint Clair and Liverpool Townships. The District provides water services to residents of the District.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14 "The Financial Reporting Entity" as amended by GASB No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", the accompanying financial statements include all funds and activities over which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described as follows.

Basis of Presentation

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The District uses enterprise accounting to maintain its financial records during the year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The operations of the District are reported as a single enterprise fund.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources includes pension/OPEB reported in the statement of net position. The deferred outflows of resources related to pension/OPEB are explained in Note 6 and 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include pension. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position (See Note 6 and 7).

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The District has a segregated bank account for monies held separate from the District's central bank account and are presented on the statement of net position as "Cash and cash equivalents in segregated accounts".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were no purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The District had no investments in 2019.

Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets represent amounts set aside to satisfy bond indenture requirements for current and future debt payments.

Capital Assets

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at the acquisition values as of the date received. The capitalization threshold is $5,000. The District's infrastructure consists of waterlines and includes infrastructure acquired by the District since 1996. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	25 - 40 years
Equipment and machinery	5-10 years
Vehicles	5 years
Water tank	15 years
Infrastructure	25 - 40 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for all accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the District has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments in the next twenty years). The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the District's termination policy.

Pension 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/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

The current accounting standard requires the District to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the District. However, the District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension/OPEB liability. The District has no control over the changes in the benefits, contributions rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension/OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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 for consumer water consumption. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. All revenues and expenses not meeting these definitions are reported as non-operating.

Capital contributions

Capital contributions in financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates

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

Note 3 – Deposits and Investments

State statutes require the classification of monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debenture, or any 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. No-load money market mutual funds consisting exclusively of obligations described in (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;

4. Time certificates of deposit or savings or deposit account including, but not limited to, passbook accounts;

5. 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;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and

8. Written repurchase agreements in the securities described in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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 of short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

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

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be one hundred two percent or lower if permitted by the Treasurer of State.

At year-end, the carrying amount of the District's deposits was $6,002,059, and $862,137 of the District's total bank balance of $6,193,689 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

Note 4 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Increases	Decreases	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	$ 446,683	$ -	$ -	$ 446,683
Easments	78,604	4,580	-	83,184
Construction in progress	1,343,797	6,873,170	(1,117,656)	7,099,311
Total capital assets, not being depreciated	1,869,084	6,877,750	(1,117,656)	7,629,178
Capital assets, being depreciated:				
Buildings and improvements	18,990,717	-	-	18,990,717
Equipment and machinery	9,539,649	52,248	-	9,591,897
Vehicles	542,325	54,985	-	597,310
Water tank	1,814,394	-	-	1,814,394
Infrastructure				
Waterlines	12,197,611	1,117,656	-	13,315,267
Total capital assets, being depreciated	43,084,696	1,224,889	-	44,309,585
Less accumulated depreciation:				
Buildings and improvements	(7,682,400)	(743,820)	-	(8,426,220)
Equipment and machinery	(9,028,157)	(98,400)	-	(9,126,557)
Vehicles	(504,695)	(30,604)	-	(535,299)
Water tank	(1,178,499)	(94,074)	-	(1,272,573)
Infrastructure				
Waterlines	(5,490,962)	(484,259)	-	(5,975,221)
Total accumulated depreciation	(23,884,713)	(1,451,157)	-	(25,335,870)
Total capital assets being depreciated, net	19,199,983	(226,268)	-	18,973,715
Total capital assets, net	$ 21,069,067	$ 6,651,482	$ (1,117,656)	$ 26,602,893

Note 5 – Long-Term Obligations

The original issue date, maturity date, interest rate and original issuance amount for each of the District's bonds and loans follow:

	Issue Date	Maturity Date	Interest Rate	Orginial Issue Amount
Ohio Public Works Commission Loans				
Wellsville water treatment plant improvements	2003	2023	0.000%	$ 268,028
State route 39	2003	2026	0.000%	783,000
District water meter replacement	2014	2030	0.000%	416,646
Hibbets Mill road waterline replacement	2017	2049	0.000%	624,589
Ohio Water Development Authority Loans				
Transmission main, pump station and intake	2006	2029	2.000%	Not finalized
Salineville waterline extension	2009	2040	0.000%	662,137
Frederick Heights waterline extension	2019		1.920%	Not finalized
Frederick Heights waterline extension	2019		1.670%	Not finalized
Revenue Bonds				
2002 Series	2002	2042	4.500%	1,498,000
2008 Series	2008	2048	4.500%	13,800,000
2016 Series	2016	2056	1.375%	3,100,000

Changes in long-term obligations during the year ended December 31, 2019, consisted of the following:

	Balance 12/31/18	Increases	Decreases	Balance 12/31/19	Amount Due in One Year
Ohio Public Works Commission Loans:					
Wellsville water treatment plant improvements	$ 67,009	$ -	$ (13,402)	$ 53,607	$ 13,401
State Route 39 water main feeder	313,200	-	(39,150)	274,050	39,150
District water meter replacement	333,318	-	(27,776)	305,542	27,777
Hibbets Mill road waterline replacement	608,175	27,000	(10,586)	624,589	21,173
Total Ohio Public Works Commission Loans	1,321,702	27,000	(90,914)	1,257,788	101,501
Ohio Water Development Authority Loans:					
Transmission main, pump station and intake	7,347,452	47,559	(577,998)	6,817,013	589,616
Salineville waterline extension	369,607	-	(17,191)	352,416	17,191
Frederick Heights waterline extension	-	967,316	-	967,316	-
Frederick Heights waterline extension	-	36,439	-	36,439	-
Total Ohio Water Development Authority Loans	7,717,059	1,051,314	(595,189)	8,173,184	606,807
Revenue Bonds:					
2002 Series	1,180,100	-	(28,400)	1,151,700	29,600
2008 Series	12,215,600	-	(200,100)	12,015,500	209,300
2016 Series	2,981,900	-	(60,300)	2,921,600	61,100
Total Revenue Bonds	16,377,600	-	(288,800)	16,088,800	300,000
Other long-term obligations					
Compensated absences payable	242,818	105,976	(79,388)	269,406	98,354
Net pension liability	859,863	504,606	-	1,364,469	-
Net OPEB liability	555,343	49,473	-	604,816	-
Total other long term obligations	1,658,024	660,055	(79,388)	2,238,691	98,354
Total	$ 27,074,385	$ 1,738,369	$ (1,054,291)	$ 27,758,463	$ 1,106,662

The District has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans, and the revenue bonds. The debt is payable solely from net revenues through 2056. Annual principal and interest payments on the debt issues are expected to require 16 percent of net revenues. The total principal remaining to be paid on the debt is $25,519,772. Principal and interest paid for the current year and net revenues were $1,763,737 and $11,014,472, respectively.

In December 2016, the District issued $3,100,000 in Water System Improvement Revenue Bonds for the purpose of paying off USDA loans that the District was paying on behalf of the Village of Salineville, as well as paying off the Promissory Note due to Columbiana County. All of the proceeds were received by the District as of December 31, 2019.

A line of credit has been established with the Ohio Water Development Authority (OWDA) in the amount of $11,870,111 for a transmission main, pump station and intake project. This loan will not have an accurate repayment schedule until the loan is finalized and, therefore, is not included in the schedule of future annual debt service requirements. Until a final repayment schedule is available, the District will pay based on estimates. The balance of the loan as of December 31, 2019, is $6,817,013.

During 2019, the District received an additional $27,000 for the Hibbets Mill road waterline replacement loan. This loan has been finalized in 2019.

During 2019, an OWDA loan was obtained for the Fredrick Heights road waterline replacement. This loan has not yet been finalized and therefore not included in the table below.

Principal and interest requirements to retire the District's long-term obligations outstanding at December 31, 2019, are as follows:

	OPWC	OWDA	Revenue Bonds	
Year	Loans	Loans	Principal	Interest
2020	$ 101,501	$ 17,191	$ 300,000	$ 632,696
2021	101,500	17,191	311,500	621,106
2022	101,501	17,191	323,700	609,022
2023	101,501	17,191	336,000	596,419
2024	88,100	17,191	349,400	583,289
2025-2029	323,043	85,955	1,964,400	2,698,689
2030-2034	133,639	85,955	2,389,000	2,274,109
2035-2039	105,862	85,955	2,914,000	1,749,163
2040-2044	105,863	8,596	3,397,200	1,103,118
2045-2049	95,278	-	3,132,100	373,871
2050-2056	-	-	671,500	37,435
Total	$ 1,257,788	$ 352,416	$ 16,088,800	$ 11,278,917

Note 6 – Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension 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.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The District employees, other than full-time police and firefighters, participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; the following disclosure focuses on the traditional plan.

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

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

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

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.

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

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

	State and Local
2019 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
2019 Actual contribution rates	
Employer:	
Pension	14.00 %
Post-employment health care benefits	-
Total employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $99,891 for 2019. Of this amount, $2,387 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportion of the pension liability - prior measurement date	0.005481 %
Proportion of the pension liability - current measurement date	0.004982 %
Change in proportionate share	-0.000499 %
Proportionate share of net pension liability	$ 1,364,469
Pension expense	$ 230,509

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	$ 63
Net difference between projected and actual earnings on pension plan investments	185,197
Changes of assumptions	118,780
District contributions subsequent to the measurement date	99,891
Changes in proportionate share and differences between District contributions and proportionate share of contributions	330
Total deferred outflows of resources	$ 404,261
Deferred inflows of resources	
Differences between expected and actual experience	$ 17,916
Changes in proportionate share and differences between District contributions and proportionate share of contributions	97,983
Total deferred inflows of resources	$ 115,899

$99,891 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year ending December 31:	
2020	$ 52,365
2021	32,795
2022	17,181
2023	86,130
Total	$ 188,471

Actuarial Assumptions

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 in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25 percent
Future salary increases, including inflation -Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	3.25 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple
	Post January 7, 2013 retirees, 3 percent, simple through 2018, then 2.15 percent, simple
Investment rate of return	7.2 percent
Actuarial cost method	Individual entry age

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

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term 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.

During 2018, 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 for 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 2.94% for 2018.

The allocation of investment assets within 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 table that follows displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset class	Target allocation	Weighted average long-term expected real rate of return (arithmetic)
Fixed income	23.00%	2.79%
Domestic equities	19.00%	6.21%
Real estate	10.00%	4.90%
Private equity	10.00%	10.81%
International equities	20.00%	7.83%
Other investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate

	1% Decrease (6.20%)	Current discount rate (7.20%)	1% Increase (8.20%)
Employer proportionate share of the net pension liability	$ 2,015,717	$ 1,364,469	$ 823,276

Note 7 – Post–Employment Benefits

Net OPEB liability

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

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

GASB 75 assumes the liability 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. Resulting adjustments to the net OPEB liability 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* on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the year is included in intergovernmental payable 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, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This 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 refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, 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 and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. 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 2018 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 2019.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, 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 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:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.004639%
Prior Measurement Date	0.005114%
Change in Proportionate Share	-0.0004750%
Proportionate Share of the Net OPEB Liability	$604,816
OPEB Expense	$12,878

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 205
Changes of assumptions	19,500
Net difference between projected and actual earnings on pension plan investments	27,727
Total Deferred Outflows of Resources	$ 47,432
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 1,641
Changes in proportion and differences between District contributions and proportionate share of contributions	61,767
Total Deferred Inflows of Resources	$ 63,408

$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year ending December 31:	
2020	$ (20,253)
2021	(13,739)
2022	4,047
2023	13,969
Total	$ (15,976)

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. 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:

Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment rate of return	6.00 percent
Municipal bond rate	3.71 percent
Health care cost trend rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial cost method	Individual Entry Age

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

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, 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, and 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 is 5.6 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset class	Target allocation	Weighted average long-term expected real rate of return (arithmetic)
Fixed income	34.00%	2.42%
Domestic equities	21.00%	6.21%
Real estate investment trust	6.00%	5.98%
International equities	22.00%	7.83%
Other investments	17.00%	5.57%
Total	100.00%	5.16%

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 3.71 percent. 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the net OPEB liability	$773,785	$604,816	$470,441

Sensitivity of the District Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 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 2019 is 10.00 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 in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$581,359	$604,816	$631,832

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. During 2019, the District obtained commercial insurance through Cooper Insurance Agency, Incorporated, for all insurance. The coverage and deductibles are as follows:

Type of coverage	Coverage	Deductible
Automobile liability	$ 6,000,000	$ -
General liability (aggregate)	6,000,000	-
Property liability	37,448,882	5,000
Inland Marine	740,256	1,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 9 – Employee Benefits

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. District employees are paid for earned, unused vacation leave at the time of termination of employment. Sick leave is earned at the rate of one and one quarter days per month of service. Upon retirement, employees are paid up to 120 days of the accumulated sick leave.

Insurance Benefits

The District provides medical/surgical, prescription drug, vision, and dental insurance through Medical Mutual and life insurance through Companion Life Insurance to all eligible employees.

Note 10 – Litigation

The District is not currently a party to any legal proceedings which would have a material impact on the financial statements.

Note 11 – Transfer Agreement

On April 25, 2007, the District entered into a management agreement with the Village of Salineville (the Village). The Village is the owner and operator of a certain water supply treatment facility and a water distribution system (Salineville Water System) located in Columbiana County, Ohio consisting of certain real estate and improvements thereon. The Village is also the owner of certain personal property, real property easements, rights of way and improvements thereon utilized for the operations of the Salineville Water System. The Village appointed and designated the District as the manager of the Salineville Water System. During 2016, transfer of ownership was completed via a transfer agreement that set forth all terms, conditions, obligations and responsibilities of the Parties including financial compensation from the District to the Village in the amount of $933,128. All necessary governmental approvals including, but not limited to, the Ohio EPA and applicable funding authorities to whom the Village is currently indebted was obtained.

The District agreed to use water revenues to pay debt service on the Salineville Water System. During 2019, the District paid $16,535 towards the payment of debt service. These payments are reflected as a contractual service on the financial statements. The District has also issued USDA loans partially for the purpose of paying off the Village debt that the District was paying on.

Note 12 – Contractual Commitment

The District has a verbal agreement with Columbiana County whereby the District pays approximately $7,300 annually towards OPWC loans. During 2018, the District payment of $3,650 is reflected as contracted services on the financial statements.

Note 13 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. As of the date of this report, revenue collections are down by about 2%. The District will be offering a payment plan for those customers that have fallen behind in payments. In addition, the impact on District’s future operating costs, revenues, interest income and any recovery from emergency fund, either federal or state, cannot be estimated.

Required Supplementary Information

Buckeye Water District

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Six Years (1)

	2019	2018	2017	2016	2015
Ohio Public Employees Retirement System (OPERS) - Traditional Plan					
District's proportion of the net pension liability	0.004982%	0.005481%	0.006282%	0.006187%	0.005542%
District's proportionate share of the net pension liability	$ 1,364,469	$ 859,863	$ 1,426,535	$ 1,071,667	$ 668,427
District's covered payroll	$ 627,821	$ 733,531	$ 811,050	$ 770,092	$ 679,417
District's proportionate share of the net pension liability as a percentage of its covered payroll	217.33%	117.22%	175.89%	139.16%	98.38%
Plan fiduciary net position as a percentage of total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%

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

2014
0.005542%
$ 653,330
$ 615,715
106.11%
86.36%

Buckeye Water District

Required Supplementary Information
Schedule of District Contributions - Pension
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Traditional Plan						
Contractually required contribution	$ 99,891	$ 87,895	$ 95,359	$ 97,326	$ 92,411	$ 81,530
Contributions in relation to contractually required contribution	(99,891)	(87,895)	(95,359)	(97,326)	(92,411)	(81,530)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 713,507	$ 627,821	$ 733,531	$ 811,050	$ 770,092	$ 679,417
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

(1) Information prior to 2013 is not available.

2013
$ 80,043
(80,043)
$ -
$ 615,715
13.00%

Buckeye Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net OPEB Liability

Last Three Years (1)

	2019	2018	2017
Ohio Public Employees Retirement System (OPERS)			
District's proportion of the net OPEB liability	0.004639%	0.005114%	0.005876%
District's proportionate share of the net OPEB liability	$ 604,816	$ 555,343	$ 293,496
District's covered payroll	$ 627,821	$ 733,531	$ 811,050
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	96.34%	75.71%	36.19%
Plan fiduciary net position as a percentage of total OPEB liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available and the amounts presented are as of District's measurement date which is the prior year end.

Intentionally Left Blank

Buckeye Water District

Required Supplementary Information
Schedule of District Contributions - OPEB
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014
Ohio Public Employees Retirement System (OPERS)						
Contractually required contribution	$ -	$ -	$ 7,335	$ 16,221	$ 15,402	$ 14,635
Contributions in relation to contractually required contribution	-	-	(7,335)	(16,221)	(15,402)	(14,635)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 713,507	$ 627,821	$ 733,531	$ 811,050	$ 770,092	$ 679,417
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%

(1) Information prior to 2013 is not available.

2013
$ 6,157
(6,157)
$ -
$ 615,715
1.00%

Pension

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Buckeye Water District
Columbiana County
1925 Clark Avenue
P.O. Box 105
Wellsville, Ohio 43968

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Buckeye Water District, Columbiana County, Ohio (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 21, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Charles E. Harris & Associates, Inc.
July 21, 2020

OHIO AUDITOR OF STATE
KEITH FABER

BUCKEYE WATER DISTRICT

COLUMBIANA 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 10/13/2020

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