LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019-18

OHIO AUDITOR OF STATE
KEITH FABER

LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY

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KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Lorain County Rural Wastewater District
Lorain County
22898 West Road
Wellington, Ohio 44090

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Lorain County Rural Wastewater District, Lorain County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows 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 11 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.

Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2021

LORAIN COUNTY RURAL WASTEWATER DISTRICT

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

During 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting 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 and net OPEB liability. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

1. Present value of estimated future pension and 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 pension 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 and OPEB plans 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 and the net OPEB liability. As explained above, changes in pension 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 pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $388,471 at year end 2019.

The District's net position increased by $100,042 (34.7%) in 2019.

The District had a decrease in Operating Revenues of $91,174 (11.4%) in 2019. Operating Expenses increased $75,042 (13.0%) in 2019.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single fund using proprietary fund accounting, similar to a private sector business. The District is described in Note 2, Summary of Significant Accounting Policies. The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

The **Statement of Net Position** includes all of the District's Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position (equity) is the difference between Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources.

OVERVIEW OF BASIC FINANCIAL STATEMENTS (Continued)

The **Statement of Revenues and Expenses, and Changes in Net Position** provides information on the District's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the District's cash receipts and disbursements from operations, investing, and financing activities. The statement summarizes where the cash was provided, cash used, and changes in the balances during the year.

The **Notes to Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR

The District negotiated Addendum No. 1 with Lorain County for Hawke Road sanitary sewer service agreement.

The District renewed three-year board terms for Camden, Carlisle, Eaton, Elyria, Grafton and Henrietta Townships.

The District received notice that Cinnamon Lake sewer district is now income-eligible for Community Development Block Grant (CDBG) – Residential Public Infrastructure Grant (RPIG) water/sewer infrastructure grant funding.

The District began construction on Timber Creek subdivision.

The District worked with New Russia Township and GRW Engineers on a feasibility study for providing sanitary sewer service to the vicinity of the Republic Landfill and the Route 511/20 interchange.

Frontier Land Group (Ryan Homes – Eaton Crossing) requested re-approval of the original subdivision plan and a one (1) year extension.

The District continued negotiations with Lorain County on a proposed flow agreement for an approximately 5,000-acre area in Columbia Township.

The District revised Administrative Policy Section 102 – User Obligations.

The District's sanitary sewer Permit to Install (PTI) was approved by Ohio EPA for Brentwood Golf Course.

The District received plans from project engineer for Barrington Phase 9. Phase 9 consists of 22 lots and is on the north edge of the subdivision.

Eugene M. Toy, Executive Director, agreed to continue employment with the latest addendum to the original employment contract dated January 2019.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2019
(Unaudited)

NET POSITION

Table 1 summarizes the Net Position of the District.

TABLE 1

	2019	2018	2019 vs 2018 Dollar Change	2019 vs 2018 Percent Change
Current and other assets	$ 1,043,859	$ 1,014,154	$ 29,705	2.9%
Capital assets	1,263,112	1,274,621	(11,509)	-0.9%
Total assets	2,306,971	2,288,775	18,196	0.8%
Deferred outflows of resources - Pension	102,581	45,710	56,871	124.4%
Deferred outflows of resources - OPEB	29,461	14,970	14,491	96.8%
Current and other liabilities	1,454,878	1,612,491	(157,613)	-9.8%
Long-term liabilities - Debt	592,013	417,195	174,818	41.9%
Total liabilities	2,046,891	2,029,686	17,205	0.8%
Deferred inflows of resources - Pension	3,349	26,163	(22,814)	-87.2%
Deferred inflows of resources - OPEB	302	5,177	(4,875)	-94.2%
Net Invested in capital assets	1,047,665	1,049,537	(1,872)	-0.2%
Unrestricted	(659,194)	(761,108)	101,914	13.39%
Total net position	$ 388,471	$ 288,429	$ 100,042	34.7%

The total assets plus deferred outflows of resources of the District exceeded liabilities plus deferred inflows of resources on December 31, 2019 by $388,471.

The District's Net Position increased $100,042 (34.7%). The increase is primarily due to income from operations.

Deferred outflows and inflows of resources – pension and OPEB were recorded based on the District's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71, and GASB 75 based on a measurement date of December 31, 2018.

STATEMENT OF REVENUES AND EXPENSES (CHANGES IN NET POSITION)

Table 2 summarizes the changes in Revenues and Expenses and the resulting change in Net Position.

TABLE 2

			2019 vs 2018	
	2019	2018	Dollar Change	Percent Change
Operating revenue	$ 708,865	$ 800,039	$ (91,174)	-11.4%
Operating expenses	652,144	577,102	75,042	13.0%
Depreciation/amortization expenses	11,510	10,508	1,002	9.5%
Total expenses	663,654	587,610	76,044	12.9%
Operating income (loss)	45,211	212,429	(167,218)	-78.7%
Nonoperating revenue	120,199	74,913	45,286	60.5%
Nonoperating expenses	65,368	68,462	(3,094)	-4.5%
Nonoperating income (loss)	54,831	6,451	48,380	-750.0%
Change in net position	100,042	218,880	(118,838)	-54.3%
Beginning net position	288,429	69,549	218,880	314.7%
Ending net position	$ 388,471	$ 288,429	$ 100,042	34.7%

Total Operating Expenses increased $75,042 (13.0%) in 2019 with the majority of the increase due to office supplies and expense and wages.

Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2019 statements report pension expense of $75,664.

Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2019 statements report OPEB expense of $22,477.

CAPITAL ASSETS

The District did not have a change in Capital Assets in 2019 as shown in Table 3.

TABLE 3

	2019	2018	2019 vs 2018 Dollar Change	2019 vs 2018 Percent Change
Land and easements	$ 10,012	$ 10,012	$ 0	0.0%
Tanks, stations, and lines	262,816	262,816	0	0.0%
Furniture and fixtures	2,359	2,359	0	0.0%
Machinery and equipment	245,671	245,671	0	0.0%
Plant and buildings	792,343	792,343	0	0.0%
Loan fees	917	917	0	0.0%
Total before depreciation	1,314,118	1,314,118	0	0.0%
Accumulated depreciation/amort	(51,006)	(39,497)	(11,509)	29.1%
Total capital assets, Net	$ 1,263,112	$ 1,274,621	$ (11,509)	-0.9%

See Note 2 of the financial statements for additional information on Capital Assets.

DEBT

Table 4 summarizes the District's long-term obligations. The District issued notes payable to finance much of its start-up/organization of the District.

TABLE 4

	2019	2018	2019 vs 2018 Dollar Change	2019 vs 2018 Percent Change
Notes and OWDA loans payable	$ 239,448	$ 249,086	$ (9,638)	-3.9%
Net pension liability	251,148	108,248	142,900	132.0%
Net OPEB liability	111,341	69,499	41,842	60.2%
Total long-term obligations	$ 601,937	$ 426,833	$ 175,104	41.0%

In 2015, the District was approved for a loan in the amount of $262,829 with total disbursements of $239,908 and a balance remaining of $215,448 at December 31, 2019 from the Ohio Water Development Authority (OWDA) for the Carrington Pointe Sewer project. See Note 4 of the financial statements for a summary of the long-term obligations.

DEBT (Continued)

A net pension liability and a net OPEB liability in the amount of $251,148 and $111,341, respectively, were recorded based on the District's proportionate share of OPERS' Schedule of Collective Pension and OPEB amounts per the requirements of GASB 68 and GASB 75 based on a measurement date of December 31, 2018.

DEBT FINANCING

In 2010, the District obtained a $147,000 line-of-credit from Lorain-Medina Rural Electric Cooperative, Inc. The line-of-credit was paid off in 2019.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the Executive Director of the Lorain County Rural Wastewater District, 22898 West Road, P.O. Box 158, Wellington, Ohio 44090.

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LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2019

ASSETS

CURRENT ASSETS: (Note 2)	
Cash and cash equivalents	$ 227,608
Receivables:	
Trade	56,360
Special Assessments	134,120
Prepaid expenses	54
Total current assets	418,142
NONCURRENT ASSETS:	
Accounts receivable - Tap assessment	8,000
Capitalized tap fee expense (Note 5)	617,717
Total noncurrent assets	625,717
CAPITAL ASSETS: (Note 2)	
Non-depreciable capital assets, net	10,012
Depreciable capital assets, net	1,253,100
	1,263,112
Total assets	2,306,971
DEFERRED OUTFLOW OF RESOURCES:	
Pension (Note 7)	102,581
OPEB (Note 7)	29,461
Total deferred outflows of resources	132,042
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,439,013

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND (continued)

For the Year Ended December 31, 2019

LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	$ 298,805
Accrued payroll	5,870
Compensated absences payable	1,392
Accrued interest	363,887
OWDA loan payable	9,924
Total current liabilities	679,878
LONG-TERM LIABILITIES:	
Notes payable (Note 4)	24,000
OWDA loan payable (Note 4)	205,524
Net pension liability (Note 7)	251,148
Net OPEB liability (Note 7)	111,341
Total long-term liabilities	592,013
OTHER LIABILITIES:	
Deferred tap fee (Note 5)	775,000
Total liabilities	2,046,891
DEFERRED INFLOW OF RESOURCES:	
Pension (Note 7)	3,349
OPEB (Note 7)	302
Total deferred inflows of resources	3,651
NET POSITION:	
Net investment in capital assets	1,047,665
Unrestricted deficit	(659,194)
Total net position	388,471
TOTAL LIABILITIES, INFLOWS OF RESOURCES, AND NET POSITION	$ 2,439,013

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2019

OPERATING REVENUE:	
Usage fee income	$ 627,365
Co-op income	81,500
Total operating revenue	708,865
OPERATING EXPENSES:	
Amortization expense	46
Bank fees	3,587
Depreciation expense	11,464
Dues and subscriptions	350
Engineering expense	25,583
HRA expense	1,000
Insurance	5,094
Legal and professional fees	30,539
Mileage expense	2,006
Office supplies and expense	10,333
Operations, Maintenance, Billing	145,074
Outside services	2,377
O.P.E.R.S. - OPEB (Note 7)	22,477
O.P.E.R.S. - Pension (Note 7)	75,664
Payroll taxes	2,664
Postage expense	5,455
Building rent	6,060
Repairs and maintenance	31,565
Systems operations	82,743
Tap fee expense	19,375
Telephone	1,775
Utilities	48,459
Wages - Office	112,424
Wastewater treatment	17,540
Total operating expenses	663,654
INCOME/(LOSS) FROM OPERATIONS	45,211
NONOPERATING REVENUES:	
Miscellaneous income	15,894
Other income - special assessment	88,098
Intergovernmental revenue	16,207
Total nonoperating revenues	120,199
NONOPERATING EXPENSES:	
Interest expense	65,368
Total nonoperating expenses	65,368

The accompanying notes are an integral part of the financial statements.

(continued)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND (continued)

For the Year Ended December 31, 2019

CHANGE IN NET POSITION	$	100,042
NET POSITION - Beginning of period		288,429
NET POSITION - End of period	$	388,471

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from usage fees	$ 627,365
Cash received from co-op	81,500
Cash received from tap fee assessment	1,000
Cash paid to employees, professional contractors, and suppliers for services and benefits	(654,535)
Net cash provided by (used in) operating activities	55,330
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash received - Miscellaneous	15,894
Cash received - Special assessment	88,098
Cash received from other governments	16,207
Cash paid for interest	(53,975)
Net cash provided by (used in) non-capital financing activities	66,224
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Repayment of LMRE LOC	(147,000)
Repayment of principal on OWDA loan	(9,638)
Net cash provided by (used in) capital and related financing activities	(156,638)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,084)
CASH AND CASH EQUIVALENTS - Beginning of year	262,692
CASH AND CASH EQUIVALENTS - End of year	$ 227,608

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$	45,211
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization		46
Depreciation		11,464
Change in assets, deferred outflow of resources, liabilities:		
(Increase) decrease in:		
Accounts receivable		(85,168)
Prepaid expenses		5
Deferred expenses		19,375
Deferred outflows - Pension		(56,871)
Deferred outflows - OPEB		(14,491)
Change in liabilities:		
Increase (decrease) in:		
Accounts payable		(24,256)
Accrued expenses		1,965
Deferred inflows - Pension		(22,814)
Deferred inflows - OPEB		(3,878)
Net pension liability		142,900
Net OPEB liability		41,842
Net cash provided by (used in) operating activities	$	55,330

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1. Reporting Entity:

Lorain County Rural Wastewater District, a regional sanitary sewer district, is a political subdivision of the State of Ohio. The District was organized in the State of Ohio on February 4, 1997, under Ohio Revised Code Section 6119.02 for the purpose of providing for the collection, treatment, and disposal of wastewater within the District. The District is exempt from federal income tax. The District operates under a Board of Trustees which consists of as many members as equals the total number of villages and townships within this regional sanitary sewer district. Lorain County Rural Wastewater District is currently in the process of planning and developing a system for servicing future customers.

The reporting entity for the District is comprised of all departments, boards and agencies that are not legally separate from the District, any component units of the District and any other organizations that would need to be included to ensure that the financial statements of the District are not misleading.

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the District is obligated for the debt of the organization. Based on the application of these criteria, the District has no component units.

In October 2017 the District assumed operation, maintenance, and treatment responsibilities of Cinnamon Lake. The District was permitted by the Lorain County Court of Common Pleas to expand the District's Section 6119.02 to include Cinnamon Lake.

On September 7, 2018, the District entered into a contract operations and maintenance agreement with the Village of West Salem for the Cinnamon Lake Subdivision.

Note 2. Summary of Significant Accounting Policies:

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Note 2. Summary of Significant Accounting Policies (Continued):

A. Basis of Accounting:

Lorain County Rural Wastewater District prepares its financial statements on an accrual basis. By virtue of its by-laws, the District is required to make appropriations in accordance with budgetary policies.

B. Basis of Presentation:

The District uses a single enterprise fund 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.

Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

C. 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 net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

D. Net Position:

Net position represents the difference between Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the District through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2019, the District reported a deficit of $659,194 in unrestricted net position.

Note 2. Summary of Significant Accounting Policies (Continued):

E. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from primary activities. For the District, these revenues are usage fee income, co-op income and other operating income. Operating expenses are the necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting these definitions are reported as nonoperating.

F. Budgetary Process:

Budget - Thirty days before the end of each fiscal year, a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the Executive Director. The Board of Trustees then approves the budget in its original or amended form.

Appropriations - After the budget is approved by the Board, the Board then makes appropriations in accordance with said budget. Thereafter, the Executive Director has the authority to authorize payment of any disbursement not to exceed $3,000, provided there are sufficient funds appropriated and remaining in the account from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriations and may also transfer any part of an unencumbered balance of an appropriation to any purpose or object for which the appropriation for the current fiscal year has proved insufficient.

G. Capital Assets:

Capital assets, including major renewals, betterments, adaptions or restorations are capitalized and stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets.

The ranges of estimated useful lives used in computing depreciation are as follows:

Sewer Lines	40 Years
Pump Stations	20 Years
Buildings	40 Years
Machinery, Equipment, and Office Furniture	3-10 Years

Note 2. Summary of Significant Accounting Policies (Continued):

G. Capital Assets (Continued):

Fully depreciated assets still in active use are included in the gross amount of capital assets, and the related allowance for depreciation is included as part of the total accumulated allowance for depreciation.

Maintenance, repairs, and minor renewals are expensed when incurred.

Depreciation and amortization expense for the year ended December 31, 2019 was $11,464 and $46, respectively.

A summary of changes in capital assets for the year ended December 31, 2019 is as follows:

	2018	Additions	Deletions	2019
Land and easements	$ 10,012	$ -	$ -	$ 10,012
Tanks, stations, and lines	262,816	-	-	262,816
Furniture and fixtures	2,359	-	-	2,359
Machinery and equipment	245,671	-	-	245,671
Plant and buildings	792,343	-	-	792,343
Loan fees	917	-	-	917
	1,314,118	-	-	1,314,118
Less accumulated depreciaton/amort				
Tanks, stations, and lines	(34,010)	(8,885)	-	(42,895)
Furniture and fixtures	(2,359)	-	-	(2,359)
Machinery and equipment	(2,986)	(2,578)	-	(5,564)
Loan fees	(142)	(46)	-	(188)
Total accumulated depreciation/amort	(39,497)	(11,509)	-	(51,006)
Net capital assets	$ 1,274,621	$ (11,509)	$ -	$ 1,263,112

H. Compensated Absences Payable:

The District's Executive Director is granted 200 hours of paid leave time per year. Upon termination of employment, the employee will receive not more than 20 days of accrued, unused leave at the current rate of pay computed on a daily basis.

I. Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, all liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During 2019, investments were limited to interest-bearing deposit accounts.

Note 2. Summary of Significant Accounting Policies (Continued):

J. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

K. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

L. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial 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 are reported on the statement of net position for pensions and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 7.

In addition to liabilities, the statement of financial 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 as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension and OPEB. These amounts have been recorded as a deferred inflow on the statement of net position. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position (see Note 7).

Note 2. Summary of Significant Accounting Policies (Continued):

M. Pensions/Other Postemployment Benefits (OPEB):

For purposes of measuring the net pension/OPEB liability, deferred outflows and deferred inflows of resources related to pension/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 plans. 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.

N. Receivables:

The District considers accounts receivable to be collectible with liens placed on old accounts.

Note 3. Deposits:

The following information is provided to give an indication of the steps the District takes to protect its cash deposits and the level of risk assumed for certain investments.

Ohio Revised Code authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; obligations of the United States government, its agencies and instrumentalities; bonds and other obligations of the State of Ohio; certain money market mutual funds and secured repurchase agreements and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

Cash on Hand: At December 31, 2019, the District had $65 in undeposited cash on hand, which is included in the Statement of Net Position of the District as part of Cash and Cash Equivalents.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee.

Note 3. Deposits (Continued):

The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasure of State.

The District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 percent. As of December 31, 2019, the carrying amount of the District's deposits was $227,543. The District's total bank balance of $227,659 was covered by the federal depository insurance provided by the Federal Deposit Insurance Corporation (FDIC).

The District had no investments at December 31, 2019.

Note 4. Long-Term Obligations:

A summary of long-term obligations for the year ended December 31, 2019, is as follows:

Description	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amount Due In One Year
Lorain County Rural Wastewater District borrowed $5,000 from New Russia Township in March 1997 and $5,000 in October 2000 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	$ 5,000	$ -0-	$ -0-	$ 5,000	$ -0-
Lorain County Rural Wastewater District borrowed $2,500 from Camden Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed $5,500 from Grafton Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	5,500	-0-	-0-	5,500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from Henrietta Township in December 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from Pittsfield Township in February 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-

(continued)

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amount Due In One Year
Lorain County Rural Wastewater District borrowed $500 from Rochester Township in June 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from South Amherst Village in October 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed $500 from Kipton Village in March 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from Huntington Township in January 2002 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District entered into a cooperative Agreement with Ohio Water Development Authority (OWDA) on September 24, 2015. The OWDA will finance the eligible project costs for Carrington Pointe Sewer. The maximum loan amount is $262,829 from Fresh Water Fund with $225,086 used. The interest rate is 2.950% for 20 years starting on January 1, 2017. All revenues from all sewer facilities of Lorain County Rural Wastewater District are promised as repayment. Avon Lake Regional Water (ALRW) will be acting as agent on Lorain County Rural Wastewater District's behalf. The Lorain County Auditor's Office will transfer funds semi-annually to ALRW to deposit into Lorain County Rural Wastewater District funds account and then forward to OWDA to pay the semi-annual loan payment. The estimated semi-annual loan payment is $8,745.	225,086	-0-	9,638	215,448	9,924
	$ 249,086	$ -0-	$ 9,638	$ 239,448	$ 9,924

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amount Due In One Year
A net pension liability in the amount of $251,148 was recorded based on LORCO's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2018.	$ 108,248	$ 142,900	$ -0-	$ 251,148	$ -0-
	$ 108,248	$ 142,900	$ -0-	$ 251,248	$ -0-

Description	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amount Due In One Year
A net OPEB liability in the amount of $111,341 was recorded based on LORCO's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2018.	$ 69,499	$ 41,842	$ -0-	$ 111,341	$ -0-
	$ 69,499	$ 41,842	$ -0-	$ 111,341	$ -0-

Note 5. Deferred Tap Fee:

Per the cooperative agreement between Lorain County Rural Wastewater District (LORCO) and Avon Lake Regional Water (ALRW) dated December 7, 2009, LORCO shall pay a tap fee of $775,000 to ALRW contingent upon the certification of the system. This agreement was amended on September 15, 2011, with a second amendment on November 17, 2015. The project certification date was November 18, 2011. Therefore, the repayment of the tap fees, per the second amendment, will be $100,000 on each of the tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth anniversaries of the certification date and $75,000 on the seventeenth anniversary.

The tap fee allows LORCO to tap into the ALRW system. The expense will be recognized over the 40-year life of the cooperative agreement. LORCO will pay the fee using revenue generated from system development.

LORCO shall pay ALRW $72,048, which consists of $31,754 from the first three year delay and an additional $40,294 for the additional six year delay, on each of the tenth, eleventh, and twelfth anniversaries, and $40,294 on each of the thirteenth, fourteenth, fifteenth, sixteenth and seventeenth anniversaries of the certification date in respect of the accumulated interest for deferring the tap fee by nine years based on the Weighted Average Cost of Funds.

ALRW paid LORCO a monthly payment of $8,500 until June 2019. Per amendment, ALRW shall pay LORCO a monthly payment of $6,500 beginning July 2019.

Note 6. Insurance:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains comprehensive insurance coverage which includes Comprehensive General Liability, Wrongful Act Liability, and Automobile Liability. Settled claims have not exceeded insurance coverage in the past three years and there has been no significant reduction in coverage from prior years.

Note 7. Retirement Commitments:

A. 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 position 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 services, 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.

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 the employee's portion). 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.

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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 the *net pension liability* on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The District's employees participate 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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. 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; therefore, the following disclosure focuses on the traditional pension 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#CAFR, by writing to the Ohio Public Employees Retirement System, 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):

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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	14.0%
Employee	10.0%
2019 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $12,449 for the year 2019. Of this amount, $-0- is reported as accrued payroll.

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

The net pension liability 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
Proportionate Share of the Net Pension Liability	$251,148
Proportion of the Net Pension Liability	0.000917%
Pension Expense	$75,664

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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	
Difference between expected and actual experience	$ 12
Changes in assumptions	21,863
Net difference between projected and actual earnings on pension plan investments	34,088
Changes in proportion	34,169
District contributions subsequent to the measurement date	12,449
Total deferred outflows of resources	$102,581

	OPERS
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 3,298
Net difference between projected and actual earnings on pension plan investments	0
Changes in proportion	51
Total deferred inflows of resources	$ 3,349

Twelve thousand four hundred forty-nine ($12,449) 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, 2019. 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
Fiscal Year Ending December 31:	
2020	$ 44,517
2021	23,251
2022	3,162
2023	15,853
Total	$86,783

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability 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	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013	3 percent, simple
Post January 7, 2013	3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation. Pre-retirement mortality rates were 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 tables for males and females, adjusted for mortality improvements back to the observation period base year of 2006. The base year for males and females was then established to 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 the above described tables.

For 2018, mortality rates were based on the RP-2014 Healthy Annuitant 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.

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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 table.

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.

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 annualized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses, and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss 2.94% for 2018.

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 following table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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, post-experience study results, for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan. 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension: Liability	$371,018	$251,148	$151,534

Note 7. Retirement Commitments (Continued):

B. 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.

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 payable on the accrual basis of accounting.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio.

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 Traditional Pension and Combined Plans must have 20 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 Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 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.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

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

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 the 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. The employer contribution rate is 14.0% of earnable salary from January 1 through December 31, 2019. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees 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 0.0% during calendar year 2019. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% 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 Member-Directed Plan participants for 2019 was 4.0%

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.

The total employer contribution rate stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Lorain County Rural Wastewater District used to fund health care were $-0-, $-0-, $907, for 2019, 2018 and 2017 respectively. The 2019 payable to fund health care was $-0-.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

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:

Proportion of the Net OPEB Liability:	
Current Measurement Date	0.000854%
Prior Measurement Date	0.000640%
Change in Proportionate Share	0.000214%
Proportionate Share of the Net OPEB Liability	$111,341
OPEB Expense	$ 22,477

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

Deferred Outflows of Resources	
Differences between expected and actual experience	$ 38
Changes of assumptions	3,590
Difference between projected and actual investment earnings	5,104
Changes in proportion and differences between District contributions and proportionate share of contributions	20,729
District contributions subsequent to the measurement date	-0-
Total Deferred Outflows of Resources	$ 29,461
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 302
Net difference between projected and actual earnings on OPEB plan investments	-0-
Total Deferred Inflows of Resources	$ 302

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

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

$-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 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:

Year Ending December 31:	
2020	$16,378
2021	9,134
2022	1,076
2023	2,571
Total	$29,159

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, including inflation	3.25 to 10.75 percent including wage inflation
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

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 6.5 percent to 6 percent. The change was effective beginning with the 2018 valuation. 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 2018, 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.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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 was a loss of 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 the 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.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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	$142,447	$111,341	$86,604

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability 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	$107,023	$111,341	$116,315

Note 8. Leasing Arrangements:

The District leases office space from Lorain-Medina Rural Electric Cooperative, Inc. This lease was for a one-year period ended December 31, 2019 and may be renewed for additional one-year terms upon agreement of both parties. The lease requires rent in the amount of $250 per month, for a total of $3,000. The District also leases two units from Cinnamon Lake Utilities Association, Inc. which began in October 2017 with the asset transfer to the District. This lease will end December 31, 2020. The lease requires rent in the amount of $255 per month, for a total of $3,060. Rent expense for the year ended December 31, 2019 was $6,060. As of December 31, 2019, the District owed $34,600 in accrued rent to Lorain-Medina Rural Electric Cooperative, Inc.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 9. Administrative Arrangements:

The District had retained the services of the Director of Economic and Community Development of Lorain-Medina Rural Electric Cooperative, Inc. (LMRE) as an independent contractor to be the Executive Director of the District. The wage agreement with LMRE terminated June 30, 2009. As of December 31, 2019, the District owed $190,860, in accrued administrative costs.

Note 10. Accountability and Financial Outlook:

For the fiscal year ended December 31, 2019, Lorain County Rural Wastewater District had net income of $100,042, and accumulated net position of $388,471.

Note 11. Subsequent Events:

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. The District's investments of the pension and other employee benefit plan in which the District participates has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan

Last Six Years (*)

	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.000917%	0.000690%	0.000530%	0.000545%	0.000566%	0.000566%
District's Proportionate Share of the Net Pension Liability	$ 251,148	$ 108,248	$ 120,354	$ 94,401	$ 68,266	$ 66,724
District's Covered-Employee Payroll	$ 123,014	$ 90,736	$ 68,517	$ 67,850	$ 69,442	$ 77,646
District's Proportionate Share of the Net Pension Liaiblity as a Percentage of its Covered-Employee Payroll	204.15%	119.29%	175.65%	139.13%	98.31%	85.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 end.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District Contributions
Ohio Public Employees Retirement System - Traditional Plan

Last Seven Years

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 12,449	$ 17,222	$ 11,796	$ 8,222	$ 8,142	$ 8,333	$ 10,094
Contributions in Relation to the Contractually Required Contribution	(12,449)	(17,222)	(11,796)	(8,222)	(8,142)	(8,333)	(10,094)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 88,921	$ 123,014	$ 90,736	$ 68,517	$ 67,850	$ 69,442	$ 77,646
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System

Last Three Years (*)

	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.000854%	0.000640%	0.000494%
District's Proportionate Share of the Net OPEB Liability	$ 111,341	$ 69,499	$ 50,073
District's Covered-Employee Payroll	123,014	$ 90,736	$ 68,517
District's Proportionate Share of the Net OPEB Liaiblity as a Percentage of its Covered-Employee Payroll	90.51%	76.59%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

* Information prior to 2017 is not available.

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District OPEB Contributions
Ohio Public Employees Retirement System

Last Four Years (*)

	2019	2018	2017	2016
Contractually Required Contribution	$ 0	$ 0	$ 907	$ 1,370
Contributions in Relation to the Contractually Required Contribution	0	0	(907)	(1,370)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 88,921	$ 123,014	$ 90,736	$ 68,517
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	1.00%	1.00%

* Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans: therefore, information prior to 2016 is not presented.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2019

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and in 2016 and prior are presented below.

	2019	2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA			
Pre-January 7, 2013	3 percent simple	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age

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 improvements back to the observation period base year 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 Table adjusted for mortality improvements 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 are determined by applying the MP-2015 mortality improvements scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected twenty 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

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate 10 percent initial, 3.25 percent ultimate in 2029. For 2018, the health care trend rate was 7.25 percent initial, 3.25 percent ultimate in 2028.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018
(Unaudited)

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

During 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting 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 and net OPEB liability. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

1. Present value of estimated future pension and 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 pension 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 and OPEB plans 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 and the net OPEB liability. As explained above, changes in pension 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 pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $118,715 to $69,549.

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $288,429 at year end 2018.

The District's net position increased by $218,880 (314.7%) in 2018.

The District had an increase in Operating Revenues of $493,647 (161.1%) in 2018. Operating Expenses increased $276,254 (91.8%) in 2018.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single fund using proprietary fund accounting, similar to a private sector business. The District is described in Note 2, Summary of Significant Accounting Policies. The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

The **Statement of Net Position** includes all of the District's Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position (equity) is the difference between Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources.

OVERVIEW OF BASIC FINANCIAL STATEMENTS (Continued)

The **Statement of Revenues and Expenses, and Changes in Net Position** provides information on the District's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the District's cash receipts and disbursements from operations, investing, and financing activities. The statement summarizes where the cash was provided, cash used, and changes in the balances during the year.

The **Notes to Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR

The Barrington subdivision Phase 8 infrastructure construction was completed. Phase 9 plans were approved by the Lorain County Planning Commission. Construction on Phase 9 is expected to start in the spring of 2019. When Phase 9 is completed, the Barrington subdivision will consist of 120 sublots.

The Mallards Edge subdivision Phase 4 infrastructure construction was completed and resulted in 50 additional sublots.

The District received a request from the City of Elyria for a letter of support for three proposed facility planning area (FPA) changes in Carlisle and Eaton Townships.

The District entered into a contract operations and maintenance agreement with the Village of West Salem for the Cinnamon Lake Subdivision.

The District worked with New Russia Township and GRW Engineers on a feasibility study for providing sanitary sewer service to the vicinity of the Republic Landfill and the Route 511/20 interchange.

The District received a permit to install by the Ohio EPA on July 6, 2018 for Phase 1 sanitary sewer plans for Ryan Homes – Eaton Crossing subdivision. Phase 1 consists of approximately 85 homes. The entire proposed subdivision consists of 373 homes.

The District began negotiating a sanitary sewer service agreement with Lorain County for an approximately 5,000 acre area in Columbia Township.

The District received a tap fee and a signed user's agreement for Brentwood Golf Course on Grafton Road.

Eugene M. Toy, Executive Director, agreed to continue employment with the latest addendum to the original employment contract dated November 2017.

NET POSITION

Table 1 summarizes the Net Position of the District.

TABLE 1

			2018 vs 2017	
	2018	2017	Dollar Change	Percent Change
Current and other assets	$ 1,014,154	$ 816,720	$ 197,434	24.2%
Capital assets	1,274,621	1,274,614	7	0.0%
Total assets	2,288,775	2,091,334	197,441	9.4%
Deferred outflows of resources - Pension	45,710	48,972	(3,262)	-6.7%
Deferred outflows of resources - OPEB	14,970	907	14,063	1550.5%
Current and other liabilities	1,612,491	1,629,105	(16,614)	-1.0%
Long-term liabilities - Debt	417,195	439,670	(22,475)	-5.1%
Total liabilities	2,029,686	2,068,775	(39,089)	-1.9%
Deferred inflows of resources - Pension	26,163	2,889	23,274	805.6%
Deferred inflows of resources - OPEB	5,177	0	5,177	100.0%
Net Invested in capital assets	1,049,537	1,040,012	9,525	0.9%
Unrestricted	(761,108)	(970,463)	209,355	21.57%
Total net position (restated)	$ 288,429	$ 69,549	$ 218,880	314.7%

The total assets plus deferred outflows of resources of the District exceeded liabilities plus deferred inflows of resources on December 31, 2018 and 2017 by $288,429.

The District's Net Position increased $218,880 (314.7%). The increase is primarily due to income from operations.

Deferred outflows and inflows of resources – pension and OPEB were recorded based on the District's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71 and GASB 75 based on a measurement date of December 31, 2017.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018
(Unaudited)

STATEMENT OF REVENUES AND EXPENSES (CHANGES IN NET POSITION)

Table 2 summarizes the changes in Revenues and Expenses and the resulting change in Net Position.

TABLE 2

			2018 vs 2017	
	2018	2017	Dollar Change	Percent Change
Operating revenue	$ 800,039	$ 306,392	$ 493,647	161.1%
Operating expenses	577,102	300,848	276,254	91.8%
Depreciation/amortization expenses	10,508	9,456	1,052	11.1%
Total expenses	587,610	310,304	277,306	89.4%
Operating income (loss)	212,429	(3,912)	216,341	5530.1%
Nonoperating revenue	74,913	69,375	5,538	8.0%
Nonoperating expenses	68,462	65,467	2,995	4.6%
Nonoperating income (loss)	6,451	3,908	2,543	65.1%
Captial contributed - Cinnamon Lake	0	1,024,879	(1,024,879)	-100.0%
Change in net position	218,880	1,024,875	(805,995)	-78.6%
Beginning net position	69,549	(906,160)	975,709	107.7%
Restatement of net position - GASB 75	0	(49,166)	49,166	100.0%
Ending net position (restated)	$ 288,429	$ 69,549	$ 218,880	314.7%

Total Operating Expenses increased $276,254 (91.8%) in 2018 with the majority of the increase due to office supplies and expense and wages.

Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2018 statements report pension expense of $31,652.

A restatement of 2017 net position in the amount of ($49,166) was recorded based on the District's proportionate share of OPERS' Schedule of Collective OPEB Amounts per the requirement of GASB 75 based on a measurement date of December 31, 2017.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018
(Unaudited)

CAPITAL ASSETS

The District had an increase in Capital Assets (before depreciation) of $10,515 (.8%) in 2018 as shown in Table 3.

TABLE 3

	2018	2017	2018 vs 2017 Dollar Change	2018 vs 2017 Percent Change
Land and easements	$ 10,012	$ 10,012	$ 0	0.0%
Tanks, stations, and lines	262,816	262,816	0	0.0%
Furniture and fixtures	2,359	2,359	0	0.0%
Machinery and equipment	245,671	235,156	10,515	4.5%
Plant and buildings	792,343	792,343	0	0.0%
Loan fees	917	917	0	0.0%
Total before depreciation	1,314,118	1,303,603	10,515	0.8%
Accumulated depreciation/amort	(39,497)	(28,989)	(10,508)	36.2%
Total capital assets, Net	$ 1,274,621	$ 1,274,614	$ 7	0.0%

See Note 2 of the financial statements for additional information on Capital Assets.

DEBT

Table 4 summarizes the District's long-term obligations. The District issued notes payable to finance much of its start-up/organization of the District.

TABLE 4

	2018	2017	2018 vs 2017 Dollar Change	2018 vs 2017 Percent Change
Notes and OWDA loans payable	$ 249,086	$ 278,602	$ (29,516)	-10.6%
Net pension liability	108,248	120,354	(12,106)	-10.1%
Net OPEB liability	69,499	0	69,499	100.0%
Total longterm obligations	$ 426,833	$ 398,956	$ 27,877	7.0%

In 2015, the District was approved for a loan in the amount of $262,829 with total disbursements of $239,908 through December 31, 2017 and a balance remaining of $225,086 at December 31, 2018 from the Ohio Water Development Authority (OWDA) for the Carrington Pointe Sewer project. See Note 5 of the financial statements for a summary of the long-term obligations.

DEBT (Continued)

A net pension liability and a net OPEB liability in the amount of $108,248 and $69,499, respectively, were recorded based on the District's proportionate share of OPERS' Schedule of Collective Pension and OPEB amounts per the requirements of GASB 68 and GASB 75 based on a measurement date of December 31, 2017.

DEBT FINANCING

In 2010, the District obtained a $147,000 line-of-credit from Lorain-Medina Rural Electric Cooperative, Inc. See Note 4 of the financial statements for additional information on this liability.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the Executive Director of the Lorain County Rural Wastewater District, 22898 West Road, P.O. Box 158, Wellington, Ohio 44090.

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LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2018

	2018
ASSETS	
CURRENT ASSETS: (Note 2)	
Cash and cash equivalents	$ 262,692
Receivables:	
Trade	53,103
Special Assessments	52,208
Prepaid expenses	59
Total current assets	368,062
NONCURRENT ASSETS:	
Accounts receivable - Tap assessment	9,000
Capitalized tap fee expense (Note 6)	637,092
Total noncurrent assets	646,092
CAPITAL ASSETS: (Note 2)	
Non-depreciable capital assets, net	10,012
Depreciable capital assets, net	1,264,609
	1,274,621
Total assets	$ 2,288,775
DEFERRED OUTFLOW OF RESOURCES:	
Pension (Note 8)	$ 45,710
OPEB (Note 8)	14,970
Total deferred outflows of resources	$ 60,680
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,349,455

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND (continued)

For the Year Ended December 31, 2018

		2018
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$	323,062
Accrued payroll		4,929
Compensated absences payable		368
Accrued interest		352,494
Note payable - Line-of-credit (Note 4)		147,000
OWDA loan payable		9,638
Total current liabilities		837,491
LONG-TERM LIABILITIES:		
Notes payable (Note 5)		24,000
OWDA loan payable (Note 5)		215,448
Net pension liability (Note 8)		108,248
Net OPEB liability (Note 8)		69,499
Total long-term liabilities		417,195
OTHER LIABILITIES:		
Deferred tap fee (Note 6)		775,000
Total liabilities	$	2,029,686
DEFERRED INFLOW OF RESOURCES:		
Pension (Note 8)	$	26,163
OPEB (Note 8)		5,177
Total deferred inflows of resources	$	31,340
NET POSITION:		
Net investment in capital assets	$	1,049,537
Unrestricted deficit		(761,108)
Total net position		288,429
TOTAL LIABILITIES, INFLOWS OF RESOURCES, AND NET POSITION	$	2,349,455

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2018

	2018
OPERATING REVENUE:	
Usage fee income	$ 678,039
Co-op income	122,000
Total operating revenue	800,039
OPERATING EXPENSES:	
Amortization expense	46
Bank fees	5,663
Computer expense	1,153
Depreciation expense	10,462
Dues and subscriptions	350
Engineering expense	30,675
HRA expense	1,000
Insurance	5,054
Legal and professional fees	35,959
Mileage expense	2,768
Miscellaneous expense	5,000
Office supplies and expense	48,220
Outside services	40,088
O.P.E.R.S. - OPEB (Note 8)	10,540
O.P.E.R.S. - Pension (Note 8)	31,652
Payroll taxes	3,665
Postage expense	4,569
Building rent	5,810
Repairs and maintenance	66,238
Systems operations	39,187
Tap fee expense	19,375
Taxes - other	2,151
Telephone	1,449
Utilities	53,836
Wages - Office	144,098
Wastewater treatment	18,602
Total operating expenses	587,610
INCOME/(LOSS) FROM OPERATIONS	212,429
NONOPERATING REVENUES:	
Miscellaneous income	6,340
Other income - special assessment	52,208
Intergovernmental revenue	16,365
Total nonoperating revenues	74,913
NONOPERATING EXPENSES:	
Interest expense	68,462
Total nonoperating expenses	68,462

The accompanying notes are an integral part of the financial statements.

(continued)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND (continued)

For the Year Ended December 31, 2018

		2018
CHANGE IN NET POSITION	$	218,880
NET POSITION - Beginning of period		118,715
Restatement of net position (Note 11)		(49,166)
Net Position - beginning of period - restated		69,549
NET POSITION - End of period	$	288,429

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2018

		2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from usage fees	$	678,039
Cash received from co-op		122,000
Cash received from tap fee assessment		1,000
Cash paid to employees, professional contractors, and suppliers for services and benefits		(716,580)
Net cash provided by (used in) operating activities		84,459
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received - Miscellaneous		6,340
Cash received - Special assessment		52,208
Cash received from other governments		16,365
Cash paid for interest		(6,848)
Net cash provided by (used in) non-capital financing activities		68,065
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets		(10,515)
Repayment of township loans		(20,000)
Repayment of principal on OWDA loan issued		(9,517)
Net cash provided by (used in) capital and related financing activities		(40,032)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		112,492
CASH AND CASH EQUIVALENTS - Beginning of year		150,200
CASH AND CASH EQUIVALENTS - End of year	$	262,692

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2018

		2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$	212,429
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization		46
Depreciation		10,462
Change in assets, deferred outflow of resources, liabilities:		
(Increase) decrease in:		
Accounts receivable		(104,309)
Prepaid expenses		(6)
Deferred expenses		19,375
Deferred outflows - Pension		3,262
Deferred outflows - OPEB		(14,063)
Change in liabilities:		
Increase (decrease) in:		
Accounts payable		(73,168)
Accrued expenses		(5,340)
Deferred inflows - Pension		23,274
Deferred inflows - OPEB		5,177
Net pension liability		(12,106)
Net OPEB liability		19,426
Net cash provided by (used in) operating activities	$	84,459

The accompanying notes are an integral part of the financial statements.

Note 1. Reporting Entity:

Lorain County Rural Wastewater District, a regional sanitary sewer district, is a political subdivision of the State of Ohio. The District was organized in the State of Ohio on February 4, 1997, under Ohio Revised Code Section 6119.02 for the purpose of providing for the collection, treatment, and disposal of waste water within the District. The District is exempt from federal income tax. The District operates under a Board of Trustees which consists of as many members as equals the total number of villages and townships within this regional sanitary sewer district. Lorain County Rural Wastewater District is currently in the process of planning and developing a system for servicing future customers.

The reporting entity for the District is comprised of all departments, boards and agencies that are not legally separate from the District, any component units of the District and any other organizations that would need to be included to ensure that the financial statements of the District are not misleading.

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the District is obligated for the debt of the organization. Based on the application of these criteria, the District has no component units.

In October 2017 the District assumed operation, maintenance, and treatment responsibilities of Cinnamon Lake. The District was permitted by the Lorain County Court of Common Pleas to expand the District's Section 6119.02 to include Cinnamon Lake.

On September 7, 2018, the District entered into a contract operations and maintenance agreement with the Village of West Salem for the Cinnamon Lake Subdivision.

Note 2. Summary of Significant Accounting Policies:

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Note 2. Summary of Significant Accounting Policies (Continued):

A. Basis of Accounting:

Lorain County Rural Wastewater District prepares its financial statements on an accrual basis. By virtue of its by-laws, the District is required to make appropriations in accordance with budgetary policies.

B. Basis of Presentation:

The District uses a single enterprise fund 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.

Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

C. 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 net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

D. Net Position:

Net position represents the difference between Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the District through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2018, the District reported a deficit of $761,108 in unrestricted net position.

Note 2. Summary of Significant Accounting Policies (Continued):

E. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from primary activities. For the District, these revenues are usage fee income, co-op income and other operating income. Operating expenses are the necessary costs incurred to provide the goods or service that are the primary activity of the District. Revenues and expenses not meeting these definitions are reported as nonoperating.

F. Budgetary Process:

Budget - Thirty days before the end of each fiscal year, a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the Executive Director. The Board of Trustees then approves the budget in its original or amended form.

Appropriations - After the budget is approved by the Board, the Board then makes appropriations in accordance with said budget. Thereafter, the Executive Director has the authority to authorize payment of any disbursement not to exceed $3,000, provided there are sufficient funds appropriated and remaining in the account from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriations and may also transfer any part of an unencumbered balance of an appropriation to any purpose or object for which the appropriation for the current fiscal year has proved insufficient.

G. Capital Assets:

Capital assets, including major renewals, betterments, adaptions or restorations are capitalized and stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets.

The ranges of estimated useful lives used in computing depreciation are as follows:

Sewer Lines	40 Years
Pump Stations	20 Years
Buildings	40 Years
Machinery, Equipment, and Office Furniture	3-10 Years

Note 2. Summary of Significant Accounting Policies (Continued):

G. Capital Assets (Continued):

Fully depreciated assets still in active use are included in the gross amount of capital assets, and the related allowance for depreciation is included as part of the total accumulated allowance for depreciation.

Maintenance, repairs, and minor renewals are expensed when incurred.

Depreciation and amortization expense for the year ended December 31, 2018 was $10,462 and $46, respectively.

A summary of changes in capital assets for the year ended December 31, 2018 is as follows:

	2017	Additions	Deletions	2018
Land and easements	$ 10,012	$ -	$ -	$ 10,012
Tanks, stations, and lines	262,816	-	-	262,816
Furniture and fixtures	2,359	-	-	2,359
Machinery and equipment	235,156	10,515		245,671
Plant and buildings	792,343	-		792,343
Loan fees	917	-	-	917
	1,303,603	10,515	-	1,314,118
Less accumulated depreciaton/amort				
Tanks, stations, and lines	(25,124)	(8,886)		(34,010)
Furniture and fixtures	(2,359)	-		(2,359)
Machinery and equipment	(1,410)	(1,576)		(2,986)
Loan fees	(96)	(46)	-	(142)
Total accumulated depreciation/amort	(28,989)	(10,508)	-	(39,497)
Net capital assets	$ 1,274,614	$ 7	$ -	$ 1,274,621

H. Compensated Absences Payable:

The District's Executive Director is granted 200 hours of paid leave time per year. Upon termination of employment, the employee will receive not more than 20 days of accrued, unused leave at the current rate of pay computed on a daily basis.

I. Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, all liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During 2018, investments were limited to interest-bearing deposit accounts.

Note 2. Summary of Significant Accounting Policies (Continued):

J. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

K. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

L. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial 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 are reported on the statement of net position for pensions and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 8.

In addition to liabilities, the statement of financial 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 as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension and OPEB. These amounts have been recorded as a deferred inflow on the statement of net position. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position (see Note 8).

Note 2. Summary of Significant Accounting Policies (Continued):

M. Pensions/Other Postemployment Benefits (OPEB):

For purposes of measuring the net pension/OPEB liability, deferred outflows and deferred inflows of resources related to pension/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 plans. 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.

N. Receivables:

The District considers accounts receivable to be collectible with liens placed on old accounts.

Note 3. Deposits:

The following information is provided to give an indication of the steps the District takes to protect its cash deposits and the level of risk assumed for certain investments.

Ohio Revised Code authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; obligations of the United States government, its agencies and instrumentalities; bonds and other obligations of the State of Ohio; certain money market mutual funds and secured repurchase agreements and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

Cash on Hand: At December 31, 2018, the District had $65 in undeposited cash on hand, which is included in the Statement of Net Position of the District as part of Cash and Cash Equivalents.

Note 3. Deposits (Continued):

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasure of State.

The District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 percent. As of December 31, 2018, the carrying amount of the District's deposits was $262,627, and $16992 of the District's total bank balance of $283,983 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

The District had no investments at December 31, 2018.

Note 4. Short-Term Liabilities:

Description	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
A line-of-credit in the amount of $147,000, with $0 unused in 2018, is payable to Lorain-Medina Rural Electric Cooperative, Inc. The unpaid principal balance shall bear interest at the lesser of the line-of-credit interest rate which National Rural Utilities Cooperative Finance Corporation charges the Lender, or the line-of-credit interest rate which Co-Bank charges the Lender. The interest rate at December 31, 2018 was 4.0%. The loan agreement requires principal and accrued interest to be paid within twelve months of the advance of funds. Subject to this requirement, the note is past due. Lorain-Medina Rural Electric Cooperative, Inc. has no intention of calling the loan. However, the loan is due upon demand. The District accrued interest of $7,890.	$ 147,000	$ -0-	$ -0-	$ 147,000

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 5. Long-Term Obligations:

A summary of long-term obligations for the period January 1, 2018 through December 31, 2018, is as follows:

Description	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Amount Due In One Year
Lorain County Rural Wastewater District borrowed $5,000 from Carlisle Township in March 1997 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	$ 5,000	$ -0-	$5,000	$ -0-	$ -0-
Lorain County Rural Wastewater District borrowed $5,000 from LaGrange Township in March 1997 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	5,000	-0-	5,000	-0-	-0-
Lorain County Rural Wastewater District borrowed $5,000 from New Russia Township in March 1997 and $5,000 in October 2000 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	10,000	-0-	5,000	5,000	-0-
Lorain County Rural Wastewater District borrowed $5,000 from Elyria Township in March 1997 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	5,000	-0-	5,000	-0-	-0-
Lorain County Rural Wastewater District borrowed $2,500 from Camden Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed $5,500 from Grafton Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	5,500	-0-	-0-	5,500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from Henrietta Township in December 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from Pittsfield Township in February 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-

(continued)

Note 5. Long-Term Obligations (Continued):

Description	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Amount Due In One Year
Lorain County Rural Wastewater District borrowed $500 from Rochester Township in June 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from South Amherst Village in October 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed $500 from Kipton Village in March 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-
Lorain County Rural Wastewater District borrowed $2,500 from Huntington Township in January 2002 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District entered into a cooperative Agreement with Ohio Water Development Authority (OWDA) on September 24, 2015. The OWDA will finance the eligible project costs for Carrington Pointe Sewer. The maximum loan amount is $262,829 from Fresh Water Fund with $234,602 used at December 31, 2017. The interest rate is 2.950% for 20 years starting on January 1, 2017 All revenues from all sewer facilities of Lorain County Rural Wastewater District are promised as repayment. Avon Lake Regional Water (ALRW) will be acting as agent on Lorain County Rural Wastewater District's behalf. The Lorain County Auditor's Office will transfer funds semi-annually to ALRW to deposit into Lorain County Rural Wastewater District funds account and then forward to OWDA to pay the semi-annual loan payment. The estimated semi-annual loan payment is $8,745.	234,602	-0-	9,516	225,085	9,638
	$ 278,602	$ -0-	$ 29,516	$ 249,086	$ 9,638

Note 5. Long-Term Obligations (Continued):

Description	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Amount Due In One Year
A net pension liability in the amount of $108,248 was recorded based on LORCO's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2017.	$ 120,354	$ -0-	$ 12,106	$ 108,248	$ -0-
	$ 120,354	$ -0-	$ 12,106	$ 108,248	$ -0-

Description	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Amount Due In One Year
A net OPEB liability in the amount of $69,499 was recorded based on LORCO's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2017.	$50,073	$ 19,426	$ -0-	$ 69,499	$ -0-
	$50,073	$ 19,426	$ -0-	$ 69,499	$ -0-

Note 6. Deferred Tap Fee:

Per the cooperative agreement between Lorain County Rural Wastewater District (LORCO) and Avon Lake Regional Water (ALRW) dated December 7, 2009, LORCO shall pay a tap fee of $775,000 to ALRW contingent upon the certification of the system. This agreement was amended on September 15, 2011, with a second amendment on November 17, 2015. The project certification date was November 18, 2011. Therefore, the repayment of the tap fees, per the second amendment, will be $100,000 on each of the tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth anniversaries of the certification date and $75,000 on the seventeenth anniversary.

The tap fee allows LORCO to tap into the ALRW system. The expense will be recognized over the 40 year life of the cooperative agreement. LORCO will pay the fee using revenue generated from system development.

LORCO shall pay ALRW $72,048, which consists of $31,754 from the first three year delay and an additional $40,294 for the additional six year delay, on each of the tenth, eleventh, and twelfth anniversaries, and $40,294 on each of the thirteenth, fourteenth, fifteenth, sixteenth and seventeenth anniversaries of the certification date in respect of the accumulated interest for deferring the tap fee by nine years based on the Weighted Average Cost of Funds.

ALRW shall pay LORCO a monthly payment of $13,500 until June, 2018. Thereafter, per the third amendment on August 21, 2018, ALRW shall pay LORCO a monthly payment of $10,000 commencing July 2018.

Note 7. Insurance:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains comprehensive insurance coverage which includes Comprehensive General Liability, Wrongful Act Liability, and Automobile Liability. Settled claims have not exceeded insurance coverage in the past three years and there has been no significant reduction in coverage from prior years.

Note 8. Retirement Commitments:

A. 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 position 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 services, 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.

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 the employee's portion). 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.

Note 8. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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 the *net pension liability* on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The District's employees participate 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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. 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; therefore, the following disclosure focuses on the traditional pension 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#CAFR, by writing to the Ohio Public Employees Retirement System, 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):

Note 8. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Note 8. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2018 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $17,222 for the year 2018. Of this amount, $-0- is reported as accrued payroll.

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

The net pension liability was measured as of December 31, 2017, 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
Proportionate Share of the Net Pension Liability	$108,248
Proportion of the Net Pension Liability	0.000690%
Pension Expense	$31,652

Note 8. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Difference between expected and actual experience	$ 111
Changes in assumptions	12,936
Net difference between projected and earnings on pension plan investments	0
Changes in proportion	15,441
District contributions subsequent to the measurement date	17,222
Total deferred outflows of resources	$45,710

	OPERS
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 2,133
Net difference between projected and earnings on pension plan investments	23,239
Changes in proportion	791
Total deferred inflows of resources	$26,163

Seventeen thousand two hundred twenty-two ($17,222) 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, 2019. 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
Fiscal Year Ending December 31:	
2019	$16,213
2020	5,894
2021	(10,233)
2022	(9,549)
Total	$ 2,325

Note 8. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, 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	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013	3 percent, simple
Post January 7, 2013	3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates were 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 tables for males and females, adjusted for mortality improvements back to the observation period base year of 2006. The base year for males and females was then established to 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 the above described tables.

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant 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.

Note 8. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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 table.

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.

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 annualized 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 16.82% for 2017.

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 following table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Note 8. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.20%
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00%	5.66%

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results, for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan. 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension: Liability	$192,220	$108,248	$38,240

Note 8. Retirement Commitments (Continued):

B. 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.

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 payable on the accrual basis of accounting.

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio.

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 Traditional Pension and Combined Plans must have 20 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 No. 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.

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

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

When funding is approved by the 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. The employer contribution rate is 14.0% of earnable salary from January 1 through December 31, 2018. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees 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% 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% 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 Member-Directed Plan participants for 2018 was 4.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $-0- for 2018.

The total employer contribution rate stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Lorain County Rural Wastewater District used to fund health care were $-0-, $907, $1,370 for 2018, 2017 and 2016 respectively. The 2018 payable to fund health care was $-0-.

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

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, 2016, rolled forward to the measurement date of December 31, 2017, 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:

Proportion of the Net OPEB Liability:	
Current Measurement Date	0.000640%
Prior Measurement Date	0.000494%
Change in Proportionate Share	(0.000146%)
Proportionate Share of the Net OPEB Liability	$69,499
OPEB Expense	$ 10,540

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$ 54
Changes of assumptions	5,060
Changes in proportion and differences between District contributions and proportionate share of contributions	9,856
District contributions subsequent to the measurement date	-0-
Total Deferred Outflows of Resources	$14,970
Deferred Inflows of Resources	
Differences between expected and actual experience	$ -0-
Net difference between projected and actual earnings on OPEB plan investments	5,177
Changes in proportion and differences between District contributions and proportionate share of contributions	-0-
Total Deferred Inflows of Resources	$ 5,177

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

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

$-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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2019	$ 5,863
2020	5,863
2021	(638)
2022	(1,295)
2023	-0-
Thereafter	-0-
Total	$9,793

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, 2016, rolled forward to the measurement date of December 31, 2017. 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, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
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.

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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 15.2 percent for 2017.

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 the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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).

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, 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 3.85 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 (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
District's proportionate share of the net OPEB liability	$92,333	$69,499	$51,027

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability 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.

Note 8. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 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 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	$66,496	$69,499	$72,602

Note 9. Leasing Arrangements:

The District leases office space from Lorain-Medina Rural Electric Cooperative, Inc. This lease is for a one-year period ending December 31, 2018 and may be renewed for additional one year terms upon agreement of both parties. The lease requires rent in the amount of $250 per month, for a total of $2,750. The District also leases two units from Cinnamon Lake Utilities Association, Inc. which began in October 2017 with the asset transfer to the District. This lease will end June 30, 2019. The lease requires rent in the amount of $255 per month, for a total of $3,060. Rent expense for the year ended December 31, 2018 was $5,810. As of December 31, 2018, the District owed $34,600 in accrued rent to Lorain-Medina Rural Electric Cooperative, Inc.

Note 10. Administrative Arrangements:

The District had retained the services of the Director of Economic and Community Development of Lorain-Medina Rural Electric Cooperative, Inc. (LMRE) as an independent contractor to be the Executive Director of the District. The wage agreement with LMRE terminated June 30, 2009. As of December 31, 2018, the District owed $190,860, in accrued administrative costs.

Note 11. Change in Accounting Principle and Restatement of Net Position:

For 2018, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 85, *Omnibus* 2017, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the District's 2018 financial statements; however, there was no effect on the beginning net position.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures and replaces the requirements of GASB 45. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

Net position December 31, 2017	$118,715
Adjustments:	
Net OPEB liability	(50,073)
Deferred outflow – payments subsequent to measurement date	907
Restated Net Position December 31, 2017	$ 69,549

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 12. Accountability and Financial Outlook:

For the fiscal year ended December 31, 2018, Lorain County Rural Wastewater District had net income of $218,880, and accumulated net position of $288,429.

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REQUIRED SUPPLEMENTARY INFORMATION

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan

Last Five Years (*)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.000690%	0.000530%	0.000545%	0.000566%	0.000566%
District's Proportionate Share of the Net Pension Liability	$ 108,248	$ 120,354	$ 94,401	$ 68,266	$ 66,724
District's Covered-Employee Payroll	$ 90,736	$ 68,517	$ 67,850	$ 69,442	$ 77,646
District's Proportionate Share of the Net Pension Liaiblity as a Percentage of its Covered-Employee Payroll	119.29%	175.65%	139.13%	98.31%	85.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 end.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District Contributions
Ohio Public Employees Retirement System - Traditional Plan

Last Six Years

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 17,222	$ 11,796	$ 8,222	$ 8,142	$ 8,333	$ 10,094
Contributions in Relation to the Contractually Required Contribution	(17,222)	(11,796)	(8,222)	(8,142)	(8,333)	(10,094)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 123,014	$ 90,736	$ 68,517	$ 67,850	$ 69,442	$ 77,646
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System

Last Two Year (*)

	2018	2017
District's Proportion of the Net OPEB Liability	0.000640%	0.000494%
District's Proportionate Share of the Net OPEB Liability	$ 69,499	$ 50,073
District's Covered-Employee Payroll	$ 90,736	$ 68,517
District's Proportionate Share of the Net OPEB Liaiblity as a Percentage of its Covered-Employee Payroll	76.59%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

* Information prior to 2017 is not available.

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District OPEB Contributions
Ohio Public Employees Retirement System

Last Three Years (*)

	2018	2017	2016
Contractually Required Contribution	$ 0	$ 907	$ 1,370
Contributions in Relation to the Contractually Required Contribution	0	(907)	(1,370)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 123,014	$ 90,736	$ 68,517
Contributions as a Percentage of Covered-Employee Payroll	0.00%	1.00%	1.00%

* Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans: therefore, information prior to 2016 is not presented.

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OHIO AUDITOR OF STATE
KEITH FABER

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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*

Lorain County Rural Wastewater District
Lorain County
22898 West Road
Wellington, Ohio 44090

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lorain County Rural Wastewater District, Lorain County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated May 10, 2021 wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District*'s Response to Finding*

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2021

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

Significant Deficiency - Financial Statement Adjustments

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph.101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

For 2019, the beginning net position was understated by $19,492. Additionally, deferred outflows of resources - OPEB, the OPERS - OPEB expense, and the Wages - Office expense were understated by $7,910, $26, $1,209, and $10,373, respectively, due to various errors in the client's calculation. These errors were adjusted to the financial statements by management.

For 2018, the restated beginning net position was understated by $20,333. Additionally, the net OPEB liability, deferred outflows of resources - OPEB, and the OPERS - OPEB expense were understated by $19,426, $66, and $841, respectively, due to various errors in the client's calculation. These errors were adjusted to the financial statements by management.

In addition to the adjustments listed above, we also identified additional misstatements ranging from $23 to $10,000 that we have brought to the District's attention.

The District should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper funds and accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response: LORCO will make a concerted effort to work closely with our accounting professionals to make sure that transactions are correct and posted to the proper funds and accounts.

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LORCO
Lorain County
Rural Wastewater District

Lorain County
Rural Wastewater District
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	**Material Weakness – Financial Statement Adjustments** Various financial statements adjustments were noted.	Partially Corrected	A similar comment will be repeated as a significant deficiency in the current year schedule of findings.

OHIO AUDITOR OF STATE
KEITH FABER

LORAIN COUNTY RURAL WASTEWATER DISTRICT

LORAIN 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 6/1/2021

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