

***TRI-COUNTY WATER AND SEWER DISTRICT
WASHINGTON COUNTY***

REGULAR AUDIT

For the Years Ended December 31, 2021 and 2020





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Board of Trustees
Tri-County Rural Water and Sewer District
5722 Buchanan Road
Waterford, Ohio 45786

We have reviewed the *Independent Auditor's Report* of the Tri-County Rural Water and Sewer District, Washington County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2020 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 07, 2022

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**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
DECEMBER 31, 2021 AND 2020**

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**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

Tri-County Rural Water and Sewer District
Washington County
5722 Buchanan Road
Waterford, Ohio 45786

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Tri-County Rural Water and Sewer District, Washington County, Ohio (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Tri-County Rural Water and Sewer District, Washington County, Ohio, as of December 31, 2021, and the changes in financial position and its cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 8 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include the schedules of net pension and other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Although this information is not part of the basic financial statements, 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, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 28, 2022

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2021**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,072,146
Accounts Receivable-Customers (Net)	109,638
Total Current Assets	<u>1,181,784</u>

Noncurrent Assets:

Capital Assets:

Land	258,508
Buildings	218,960
Machinery and Equipment	303,477
Office Furniture and Fixtures	45,910
Autos and Trucks	113,878
Construction in Progress	98,211
Water System - Wells	199,576
Water System - Meter/Taps/Hydrants	769,441
Water System - Water Lines	10,446,494
Water System - Stations	919,831
Water System - Tanks/Towers	1,842,611
Less: Accumulated Depreciation	(10,824,766)
Net Property and Equipment	<u>4,392,131</u>

Other Assets:

Loan Closing Fees - Net of Amortization	27,209
Right of Ways	39,762
Advance Deposit	135
Net OPEB Asset	21,468
Total Other Assets	<u>88,574</u>

Total Noncurrent Assets	<u>4,480,705</u>
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Deferred Outflows of Resources

Pension	34,733
OPEB	16,616
Total Deferred Outflows of Resources	<u>51,349</u>

Total Assets and Deferred Outflows	<u>\$ 5,713,838</u>
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See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION (CONTINUED)
AS OF DECEMBER 31, 2021**

Liabilities and Net Position

Liabilities:

Current Liabilities:

Accounts Payable	\$ 26,016
Current Portion of Long-Term Debt	163,927
Customer Security Deposits	297
Payroll Withholdings	8,234
Accrued Interest Payable	11,088
Current Portion of Accrued Vacation and Sick Leave	9,504
Total Current Liabilities	<u>219,066</u>

Long-Term Liabilities:

Notes Payable OWDA	1,274,242
Notes Payable OPWC	675,093
Less: Current Portion of Long-Term Debt	(163,927)
Long-Term Accrued Vacation and Sick Leave	1,124
Net Pension Liability	157,999
Total Long-Term Liabilities	<u>1,944,531</u>

Deferred Inflows of Resources

Pension	78,097
OPEB	65,594
Total Deferred Inflows of Resources	<u>143,691</u>

Total Liabilities and Deferred Inflows

2,307,288

Net Position:

Net Investment in Capital Assets	2,442,796
Unrestricted	963,754
Total Net Position	<u>3,406,550</u>

Total Liabilities & Net Position

\$ 5,713,838

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Operating Revenues:

Charge for Services	\$ 1,231,803
Tap Fees	56,000
Finance Charges	14,479
Miscellaneous Income	7,083
Total Operating Revenues	<u>1,309,365</u>

Operating Expenses:

Auto-Truck Travel	836
Amortization Expenses	1,900
Board of Director Fees	5,470
Chemicals	11,289
Contract Labor	48,340
Depreciation Expense	349,735
Fuel, Oil and Grease	8,171
Insurance	7,246
Hospital Insurance	40,787
Legal and Accounting	7,995
Licenses/Permits	2,757
Repairs and Maintenance	6,085
Miscellaneous Expenses	22,239
Office	25,885
Pension - PERS	(346)
OPEB	(123,978)
Postage	15,631
Recording/Filing Fees	1,394
Salaries	251,563
Supplies	94,806
Payroll Taxes	5,435
Other Taxes	800
Telephone	4,443
Tools	294
System Electric	61,818
Other Utilities	3,294
Sewer/Beverly Hills	2,418
Water Testing	2,506
Total Operating Expenses	<u>858,813</u>

Operating Income	<u>\$ 450,552</u>
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See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Non-Operating Revenues (Expenses):

Interest Earned	\$	6,094
Gain/(Loss) on Disposal of Asset		5,150
Surcharge/Financed Taps		3,327
Interest Expense		<u>(43,399)</u>
Total Nonoperating Revenues (Expenses)		<u>(28,828)</u>
Change in Net Position Before Capital Contribution		421,724
Capital Contributions		<u>21,643</u>
Change in Net Position		443,367
Net Position, Beginning of Year		<u>2,963,183</u>
Net Position, End of Year		<u><u>\$ 3,406,550</u></u>

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,317,799
Cash Payments to Suppliers for Goods and Services	(310,961)
Cash Payments to Employees for Services and Benefits	(329,545)
	<hr/>
Net Cash Provided by (Used by) Operations	677,293
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Retirement of Long-Term Debt	(610,270)
Acquisition of Property & Equipment and Projects	(174,117)
Interest Paid	(42,186)
Capital Contributions from Principal Forgiveness	21,643
	<hr/>
Net Cash Provided by (Used by) Capital and Related Financing Activities	(804,930)
	<hr/>
Cash Flows from Investing Activities:	
Investment Income	6,094
Proceeds from Sale of Assets	(5,150)
Loss on Disposal of Asset	429
Surcharged Finance Taps	3,327
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Net Cash Provided (Used) by Investing Activities	4,700
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Net Increase/(Decrease) in Cash and Cash Equivalents	(122,937)
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Cash and Cash Equivalents - January 1	1,195,083
	<hr/>
Cash and Cash Equivalents - December 31	\$ 1,072,146
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Adjustments to Reconcile Operating Income to Cash Flows From Operating Activities	
Net Operating Income	\$ 450,552
 Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:	
Depreciation/Amortization	349,735
Decrease (Increase) in Accounts Receivable	8,434
Decrease (Increase) in Deferred Outflows	18,857
Decrease(Increase) in Loan Costs	1,900
Decrease(Increase) in Net OPEB Asset	(21,468)
Increase/(Decrease) Deferred Inflows	69,291
Increase/(Decrease) Net Pension Liability	(64,958)
Increase/(Decrease) Net OPEB Liability	(160,779)
Increase/(Decrease) Payroll Withholdings	2,777
Increase (Decrease) Accounts Payable	22,756
Increase (Decrease) Accrued Payroll	196
	<hr/>
Total Adjustments	226,741
	<hr/>
Net Cash Provided by (Used by) Operating Activities	\$ 677,293
	<hr/> <hr/>

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tri-County Rural Water and Sewer District Washington County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established as a separate political subdivision of the State of Ohio under provision of Chapter 6119 of the Ohio Revised Code. The District is directed by an elected seven-member Board of Trustees. These board members are elected by the membership (any consumer who has paid for a tap). An appointed staff consisting of a general manager, distribution operator, and one office clerk are responsible for fiscal control of the resources of the District. The District provides water and sewer services to residents of the District. Management believes the financial statements represent all activities over which the District has control.

B. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the business-type activities financial statements. Basis of accounting relates to the timing of measurements made. The accounting policies of the District conform to generally accepted accounting principles.

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

Enterprise activity is accounted for in the manner similar to private business enterprises where the intent of management is that the costs and expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivables are recognized as revenue at year-end.

Operating revenues and expenses result from supplying water and providing for the collection, treatment and disposal of wastewater. Operating revenues consist primarily of user charges for water and sewage services based on water consumption. Operating expenses include the cost of providing these services, including administrative expense and depreciation of capital assets. Non-operating revenues and expenses are revenues and expenses not meeting the definition of operating revenues and expenses and include revenues and expenses from capital and related financing activities and investing activities.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the year ended December 31, 2021 and passed annual appropriations and resolutions.

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

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

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

D. Cash and Cash Equivalents

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash and cash equivalents in the accompanying financial statements. For purposes of the statement of cash flows, the District considers all investments with a maturity of three months or less at the time they are purchased to be pooled cash and investments and are also reported as cash and cash equivalents in the accompanying financial statements.

E. Capital Assets

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included or capitalized. Capital assets, which include property, plant and equipment of the District are recorded at cost. Property, plant, and equipment donated are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Property, plant and equipment reflected are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water Systems	25
Buildings	15
Furniture / Equipment	5-7
Vehicles	5

F. Net Position

Net position represents the difference in all other financial statement elements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Position (Continued)

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Contributed Capital

Contributed capital consists of grants restricted to capital acquisitions, capital assets received from developers and tap fees in excess of related costs. These assets are recorded at their fair market value on the date contributed.

H. Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

I. Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

J. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions/Other Postemployment Benefits (OPEB) (CONTINUED)

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

2. DEPOSITS

State statutes classify monies held by the District into three categories.

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home bank loan, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. DEPOSITS (CONTINUED)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2), this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurers Investment pool (STAROHIO);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and
9. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed 10% of the District's average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or collateralized through the Ohio Pooled Collateral System.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. DEPOSITS (CONTINUED)

The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

The carrying amount of all District deposits was \$1,072,146 exclusive of \$200 in cash on hand at December 31, 2021. The District's deposit bank balance as of December 31, 2021 was \$1,132,450. The District's balance was covered by FDIC for \$250,000 at December 31, 2021. The remainder was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

3. LONG TERM LIABILITIES

Debt outstanding at December 31, 2021 consisted of the following:

		Principal	Interest Rate
LTD-1	OWDA - 7335	\$ 636,849	1.27%
LTD-4	OWDA - 2118	6,361	6.12%
LTD-5	OWDA - 2119	3,309	6.11%
LTD-6	OWDA - 2120	1,570	5.73%
LTD-7	OWDA - 2893	18,261	2.00%
LTD-8	OWDA - 2183	45,665	5.56%
LTD-9	OWDA - 4162	47,389	1.50%
LTD-18	OWDA - 6220	484,367	2.00%
LTD-19	OWDA - 5328	30,471	0.00%
OPWC-1A	OPWC - CR314	344	0.00%
OPWC-5A	OPWC - CR14C	19,863	2.00%
OPWC-6A	OPWC - CR20G	55,269	0.00%
OPWC-7A	OPWC - CR05T	138,740	0.00%
LTD-17A	OPWC - CRN17N	460,877	0.00%
		<u>\$ 1,949,335</u>	

The notes listed above are for the various capital assets constructed to provide service from the wells to the distribution lines, including the operations plant and various storage facilities. Property and revenue of the District have been pledged to repay these debts. All loans are due in semi-annual installments due January 1 and July 1 of each year.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
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3. LONG TERM LIABILITIES (CONTINUED)

Amortization of the above debt, including interest, is as follows:

Year Ending December 31:	OWDA	OPWC
2022	\$ 91,375	\$ 72,552
2023	83,717	52,048
2024	81,949	52,048
2025	65,399	44,153
2026	63,256	36,257
2027-2031	305,565	181,285
2032-2036	301,800	121,827
2037-2041	285,093	115,220
2042-2046	196,536	11,522
2047-2051	42,566	-
	\$ 1,517,256	\$ 686,912

Long-term Obligations

Changes in long-term obligations of the District during the year ended December 31, 2021 were as follows:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
OWDA - 7335	\$ 656,948	\$ -	\$ (20,099)	\$ 636,849	\$ 28,378
OWDA - 2963	20,806	-	(20,806)	-	-
OWDA - 2962	389,474	-	(389,474)	-	-
OWDA - 2118	12,356	-	(5,995)	6,361	6,752
OWDA - 2119	5,367	-	(2,058)	3,309	2,316
OWDA - 2120	2,291	-	(721)	1,570	826
OWDA - 2893	22,105	-	(3,844)	18,261	4,286
OWDA - 2183	59,294	-	(13,629)	45,665	16,082
OWDA - 4162	50,409	-	(3,020)	47,389	3,765
OWDA - 6220	501,741	-	(17,374)	484,367	27,323
OWDA - 5328	32,118	-	(1,647)	30,471	1,647
OWDA - 3412	13,101	-	(13,101)	-	-
OPWC - CR314	5,844	-	(5,500)	344	344
OPWC - CR530	10,200	-	(10,200)	-	-
OPWC - CR729	13,430	-	(13,430)	-	-
OPWC - CR935	17,852	-	(17,852)	-	-
OPWC - CR14C	39,335	-	(19,472)	19,863	20,160
OPWC - CR20G	71,060	-	(15,791)	55,269	15,791
OPWC - CR05T	151,953	-	(13,213)	138,740	13,213
OPWC - CR17N	483,921	-	(23,044)	460,877	23,044
Compensated Absences	10,432	19,152	(18,956)	10,628	9,504
Net Pension Liability	222,957	-	(64,958)	157,999	-
Net OPEB Liability	160,779	-	(160,779)	-	-
Total	\$ 2,953,773	\$ 19,152	\$ (854,963)	\$ 2,117,962	\$ 173,431

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2021**

4. CAPITAL ASSETS

A summary of the District's assets at December 31, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 258,508	\$ -	\$ -	\$ 258,508
Construction in Progress	8,193	90,018	-	98,211
Depreciable Capital Assets:				
Buildings	218,960	-	-	218,960
Machinery and Equipment	222,060	84,099	(2,682)	303,477
Office Furniture and Fixtures	45,910	-	-	45,910
Autos and Trucks	113,878	-	-	113,878
Water System	14,178,382	-	(429)	14,177,953
Less: Accumulated Depreciation:				
Buildings	(26,200)	(5,614)	-	(31,814)
Machinery and Equipment	(209,296)	(14,723)	2,682	(221,337)
Office Furniture and Fixtures	(42,504)	(888)	-	(43,392)
Autos and Trucks	(63,597)	(13,369)	-	(76,966)
Water System	(10,136,541)	(314,716)	-	(10,451,257)
	<u>\$ 4,567,753</u>	<u>\$ (175,193)</u>	<u>\$ (429)</u>	<u>\$ 4,392,131</u>

5. RISK MANAGEMENT

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

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

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

	<u>2020</u>
Cash and Investments	\$ 36,348,066
Actuarial liabilities	\$ 10,894,146

This was the most recently available information on the date this report was issued.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
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6. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

The proportionate share of each plan's excess 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 accrued personnel costs on both the accrual and modified accrual bases of accounting.

Plan Description

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in the 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.

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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	State and Local
Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
	14.0%
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 contributions for the traditional plan for 2021 were \$34,733. 100% has been contributed for 2021. Of the amount for 2021, \$0 is reported as intergovernmental payable.

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

The net pension liability was measured as of December 31, 2020, 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:

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	\$ 157,999
Proportion of the Net Pension Liability/(Asset)	0.001067%
Increase/(decrease) in % from prior proportion measured	-0.000061%
Pension Expense	\$ (345)

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Traditional Pension Plan
Deferred Outflows of Resources	
District contributions subsequent to the measurement date	\$ 34,733
Total Deferred Outflows of Resources	\$ 34,733
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 61,584
Differences between expected and actual experience	6,609
Changes in proportion and differences between government contributions and proportionate share of contributions	9,904
Total Deferred Inflows of Resources	\$ 78,097

\$34,733 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending December 31:	Traditional Pension Plan
2022	\$ (33,072)
2023	(11,522)
2024	(25,105)
2025	(8,398)
Total	\$ (78,097)

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - OPERS

OPERS' total pension asset and liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2020, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

During 2020 OPERS manage 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. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on 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 11.7% for 2020.

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 table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2020	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.43%

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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate The discount rate used to measure the total pension liability was 7.2% 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 statutorily required rates as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following 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:

<u>Employer’s Net Pension Liability</u>	<u>1% Decrease 6.2%</u>	<u>Current Discount Rate 7.2%</u>	<u>1% Increase 8.2%</u>
Traditional Pension Plan	\$ 301,385	\$ 157,999	\$ 38,775

7. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability/(Asset)

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

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

GASB 75 assumes the liability/(asset) is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
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7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Plan Description - Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

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

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
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7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

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

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

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

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

Net OPEB Liability/(Asset)

The net OPEB liability/(asset) was measured as of December 31, 2020, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/(asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability/(Asset)	\$ (21,468)
Proportion of the Net OPEB Asset	0.001205%
Increase/(decrease) in % from prior proportion measured	0.000041%
OPEB Expense	\$ (123,980)

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
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7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	\$ 10,554
Changes in proportion and differences between government contributions and proportionate share of contributions	6,062
Total Deferred Outflows of Resources	\$ 16,616
Deferred Inflows of Resources	
Changes in assumptions	\$ 34,785
Net difference between projected and actual earnings on pension plan investments	11,434
Differences between expected and actual experience	19,375
Total Deferred Inflows of Resources	\$ 65,594

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

Fiscal Year Ending June 30:	OPERS
2022	\$ (24,018)
2023	(26,419)
2024	2,807
2025	(1,348)
Total	\$ (48,978)

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2019
Rolled-forward measurement date	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.00%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	8.50% initial, 3.50% ultimate in 2035

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.

A single discount rate of 6.00% as used to measure the OPEB liability/(asset) on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

The following table presents the OPEB liability/(asset) calculated using the single discount rate of 6.00%, and the expected net OPEB liability/(asset) if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
District's proportionate share of the net OPEB liability/(asset)	\$ (5,338)	\$ (21,468)	\$ (34,728)

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/(asset). The following table presents the net OPEB liability/(asset) calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% 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 2021 is 8.50%. 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 3.50% in the most recent valuation.

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability/(asset)	\$ (21,991)	\$ (21,468)	\$ (20,883)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2020	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	9.00%	4.02%
Total	100.00%	4.43%

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.50% for 2020.

8. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

9. SUBSEQUENT EVENTS

The District evaluated subsequent events and transactions that occurred after the date of the statement of financial position up to July 28, 2022, the date that the financial statements were issued. No events have occurred subsequent to the date of the financial statements through the report date that would require adjustment or disclosure in the financial statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE PLAN YEAR ENDED DECEMBER 31, 2020**

**Ohio Public Employees Retirement System - Traditional Plan
Last Eight Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.001067%	0.001128%	0.001160%	0.001149%	0.001166%	0.001142%	0.001130%	0.001130%
District's Proportionate Share of the Net Pension Liability	\$ 157,999	\$ 222,957	\$ 317,702	\$ 180,256	\$ 264,773	\$ 197,805	\$ 136,291	\$ 133,212
District's Covered Payroll	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558	\$ 142,192	\$ 138,575	\$ 165,867
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	86.7%	129.9%	195.4%	118.6%	175.86%	139.11%	98.35%	80.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to fiscal year 2013 is not available.

*Will be built prospectively.

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Ohio Public Employees Retirement System - Traditional Plan
Eight Fiscal Years (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 34,733	\$ 25,522	\$ 24,021	\$ 22,766	\$ 19,763	\$ 18,067	\$ 17,063	\$ 16,629
Contributions in Relation to the Contractually Required Contribution	(34,733)	(25,522)	(24,021)	(22,766)	(19,763)	(18,067)	(17,063)	(16,629)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558	\$ 142,192	\$ 138,575
Contributions as Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to fiscal year 2014 is not available.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
FOR THE PLAN YEAR DECEMBER 31**

**Ohio Public Employees Retirement System
Last Five Fiscal Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability/(Asset)	-0.001205%	0.001164%	0.001080%	0.001070%	0.001070%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (21,468)	\$ 160,779	\$ 140,807	\$ 116,194	\$ 108,074
District's Covered Payroll	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558
District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-11.8%	93.7%	86.6%	76.4%	71.8%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	115.57%	47.80%	46.33%	54.14%	54.05%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2016 is not available.

(2) Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

*Will be built prospectively.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Ohio Public Employees Retirement System - OPEB Plan
Last Five Fiscal Years (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ 1,520
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	1,520
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District Covered Payroll	 \$ 248,093	 \$ 182,300	 \$ 171,575	 \$ 162,615	 \$ 152,023
Contributions as Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2017 is not available.

(2) Information is presented on a calendar year basis, consistent with the District's financial statements.

*Will be built prospectively.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 1 - Changes in Assumptions – OPERS Pension

Amounts reported for fiscal year 2017 (Measurement Period 2016) 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 fiscal year 2016 (Measurement Period 2015) and prior are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2016	December 31, 2015
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	8.00%
Wage Inflation	3.25%	3.75%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	4.25% to 10.05% (Includes wage inflation of 3.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from RP-2000 mortality tables to the RP-2014 mortality tables.

There are no changes in actuarial valuation for measurement period 2017 versus measurement period 2016.

Changes for the period 2018 versus the measurement period 2017 included a reduction of the discount rate from 7.5% to 7.2%.

There were no significant changes for the measurement period 2019 versus the measurement period 2018.

There were no significant changes for the measurement period 2020 versus the measurement period 2019.

Note 2 - Changes in Assumptions – OPERS OPEB

Amounts reported for fiscal year 2019 (Measurement Period 2018) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2018 (Measurement Period 2017) are presented below:

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Changes in Assumptions – OPERS OPEB (Continued)

Key Methods and Assumptions Used in Valuation of Total OPEB Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2017	December 31, 2016
Rolled-forward measurement date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	3.96%	3.85%
Investment Rate of Return	6.00%	6.50%
Municipal Bond Rate	3.71%	3.31%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10% initial, 3.25% ultimate in 2029	7.5% initial, 3.25% ultimate in 2028

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a increase of the discount rate from 3.85% to 3.96%, a reduction in the investment rate of return 6.50% to 6.00%, and an increase in bond rate from 3.31% to 3.71%.

Amounts reported for fiscal year 2020 (Measurement Period 2019) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2019 (Measurement Period 2018) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2018	December 31, 2017
Rolled-forward measurement date	December 31, 2019	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	3.16%	3.96%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	2.75%	3.71%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.5% initial, 3.50% ultimate in 2030	10% initial, 3.25% ultimate in 2029

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a decrease of the discount rate from 3.96% to 3.16% and an decrease in bond rate from 3.71% to 3.25%. There is also a change Health Care Cost Trend Rates.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Changes in Assumptions – OPERS OPEB (Continued)

Amounts reported for fiscal year 2021 (Measurement Period 2020) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2020 (Measurement Period 2019) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2019	December 31, 2018
Rolled-forward measurement date	December 31, 2020	December 31, 2019
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	6.00%	3.16%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	2.00%	2.75%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	8.50% initial, 3.50% ultimate in 2035	10.5% initial, 3.50% ultimate in 2030

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a decrease of the discount rate from 3.16% to 6.00% and an decrease in bond rate from 3.25% to 2.00%. There is also a change Health Care Cost Trend Rates.

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

Tri-County Rural Water and Sewer District
Washington County
5722 Buchanan Road
Waterford, Ohio 45786

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Tri-County Rural Water and Sewer District, Washington County, Ohio (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 28, 2022. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

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

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

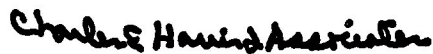
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Charles E. Harris & Associates, Inc.
July 28, 2022

INDEPENDENT AUDITOR'S REPORT

Tri-County Rural Water and Sewer District
Washington County
5722 Buchanan Road
Waterford, Ohio 45786

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Tri-County Rural Water and Sewer District, Washington County, Ohio (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tri-County Rural Water and Sewer District, Washington County, Ohio, as of December 31, 2020 and the changes in financial position and cash flows for the year ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinions regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include schedules of net pension and OPEB liabilities and pension and OPEB 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 express an opinion 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

July 28, 2022

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,195,083
Accounts Receivable-Customers (Net)	118,072
Total Current Assets	<u>1,313,155</u>

Capital Assets:

Land	258,508
Buildings	218,960
Machinery and Equipment	222,060
Office Furniture and Fixtures	45,910
Autos and Trucks	113,878
Construction in Progress	8,193
Water System - Wells	199,576
Water System - Meter/Taps/Hydrants	769,441
Water System - Water Lines	10,446,495
Water System - Stations	920,258
Water System - Tanks/Towers	1,842,612
Less: Accumulated Depreciation	<u>(10,478,138)</u>
Net Property and Equipment	<u>4,567,753</u>

Other Assets:

Loan Closing Fees - Net of Amortization	29,109
Right of Ways	39,762
Advance Deposit	135
Total Other Assets	<u>69,006</u>

Deferred Outflows of Resources

Deferred Outflows of Resources - Pension	38,024
Deferred Outflows of Resources - OPEB	32,182
Total Deferred Outflows of Resources	<u>70,206</u>

Total Assets and Deferred Outflows

\$ 6,020,120

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION (CONTINUED)
AS OF DECEMBER 31, 2020**

Liabilities and Net Position

Liabilities:

Current Liabilities:

Accounts Payable	\$ 3,260
Current Portion of Long-Term Debt	550,973
Customer Security Deposits	297
Payroll Withholdings	5,457
Accrued Interest Payable	19,750
Current Portion of Accrued Vacation and Sick Leave	8,538
Total Current Liabilities	<u>588,275</u>

Long-Term Liabilities:

Notes Payable OWDA	1,766,010
Notes Payable OPWC	793,595
Less: Current Portion of Long-Term Debt	(550,973)
Long-Term Accrued Vacation and Sick Leave	1,894
Net Pension Liability	222,957
Net OPEB Liability	160,779
Total Long-Term Liabilities	<u>2,394,262</u>

Deferred Inflows of Resources

Pension	51,509
OPEB	22,891
Total Deferred Inflows of Resources	<u>74,400</u>

Total Liabilities and Deferred Inflows

3,056,937

Net Position:

Net Investment in Capital Assets	2,008,148
Unrestricted	<u>955,035</u>

Total Net Position

2,963,183

Total Liabilities & Net Position

\$ 6,020,120

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Operating Revenues:

Charge for Services	\$ 1,126,779
Tap Fees	46,200
Finance Charges	34,086
Reconnect Fees	2,180
Miscellaneous Income	17,496
Total Operating Revenues	<u>1,226,741</u>

Operating Expenses:

Administration Expenses	16,289
Advertising	535
Auto-Truck Travel	1,171
Amortization Expenses	1,880
Board of Director Fees	4,920
Chemicals	12,358
Contract Labor	62,089
Depreciation Expense	518,635
Fuel, Oil and Grease	5,527
Insurance	7,307
Hospital Insurance	33,739
Legal and Accounting	18,234
Licenses/Permits	3,696
Repairs and Maintenance	5,644
Miscellaneous Expenses	43,433
Office	26,976
Pension - PERS	35,329
OPEB	22,071
Postage	7,578
Recording/Filing Fees	714
Salaries	182,175
Supplies	73,487
Payroll Taxes	3,187
Other Taxes	311
Telephone	4,240
Travel and Entertainment	116
System Electric	56,036
Other Utilities	3,630
Sewer/Beverly Hills	4,196
Water Testing	2,797
Total Operating Expenses	<u>1,158,300</u>

Operating Income

\$ 68,441

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Non-Operating Revenues (Expenses):

Interest Earned	\$	8,103
Surcharge/Financed Taps		13,287
Interest Expense		<u>(71,389)</u>
Total Nonoperating Revenues (Expenses)		<u>(49,999)</u>
Change in Net Position Before Capital Contribution		18,442
Capital Contributions		<u>23,194</u>
Change in Net Position		41,636
Net Position, Beginning of Year		<u>2,921,547</u>
Net Position, End of Year		<u><u>\$ 2,963,183</u></u>

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,265,171
Cash Payments to Suppliers for Goods and Services	(360,608)
Cash Payments to Employees for Services and Benefits	(244,511)
	<u>660,052</u>
Net Cash Provided by (Used by) Operations	<u>660,052</u>
Cash Flows from Capital and Related Financing Activities:	
Retirement of Long-Term Debt	(522,786)
Acquisition of Property & Equipment and Projects	(64,484)
Interest Paid	(79,948)
Capital Contributions from Principal Forgiveness	23,194
	<u>(644,024)</u>
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(644,024)</u>
Cash Flows from Investing Activities:	
Investment Income	8,102
Surcharged Finance Taps	13,287
	<u>21,389</u>
Net Cash Provided (Used) by Investing Activities	<u>21,389</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	37,417
Cash and Cash Equivalents - January 1	<u>1,157,666</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 1,195,083</u></u>
Adjustments to Reconcile Operating Income to Cash Flows From Operating Activities	
Net Operating Income	\$ 68,441
Depreciation/Amortization	518,635
Decrease (Increase) in Accounts Receivable	38,430
Decrease (Increase) in Deferred Outflows	37,723
Decrease(Increase) in Loan Costs	1,881
Increase/(Decrease) Deferred Inflows	68,928
Increase/(Decrease) Net Pension Liability	(94,745)
Increase/(Decrease) Net OPEB Liability	19,972
Increase/(Decrease) Payroll Withholdings	240
Increase (Decrease) Accounts Payable	675
Increase (Decrease) Accrued Payroll	(128)
	<u>591,611</u>
Total Adjustments	<u>591,611</u>
Net Cash Provided by (Used by) Operating Activities	<u><u>\$ 660,052</u></u>

See Accompanying Notes to the Financial Statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tri-County Rural Water and Sewer District Washington County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established as a separate political subdivision of the State of Ohio under provision of Chapter 6119 of the Ohio Revised Code. The District is directed by an elected seven-member Board of Trustees. These board members are elected by the membership (any consumer who has paid for a tap). An appointed staff consisting of a general manager, distribution operator, and one office clerk are responsible for fiscal control of the resources of the District. The District provides water and sewer services to residents of the District. Management believes the financial statements represent all activities over which the District has control.

B. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the business-type activities financial statements. Basis of accounting relates to the timing of measurements made. The accounting policies of the District conform to generally accepted accounting principles.

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

Enterprise activity is accounted for in the manner similar to private business enterprises where the intent of management is that the costs and expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivables are recognized as revenue at year-end.

Operating revenues and expenses result from supplying water and providing for the collection, treatment and disposal of wastewater. Operating revenues consist primarily of user charges for water and sewage services based on water consumption. Operating expenses include the cost of providing these services, including administrative expense and depreciation of capital assets. Non-operating revenues and expenses are revenues and expenses not meeting the definition of operating revenues and expenses and include revenues and expenses from capital and related financing activities and investing activities.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the year ended December 31, 2020 and passed annual appropriations and resolutions.

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

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

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

D. Cash and Cash Equivalents

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash and cash equivalents in the accompanying financial statements. For purposes of the statement of cash flows, the District considers all investments with a maturity of three months or less at the time they are purchased to be pooled cash and investments and are also reported as cash and cash equivalents in the accompanying financial statements.

E. Capital Assets

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included or capitalized. Capital assets, which include property, plant and equipment of the District are recorded at cost. Property, plant, and equipment donated are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Property, plant and equipment reflected are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water Systems	25
Buildings	15
Furniture / Equipment	5-7
Vehicles	5

F. Net Position

Net position represents the difference in all other financial statement elements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Position (Continued)

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Contributed Capital

Contributed capital consists of grants restricted to capital acquisitions, capital assets received from developers and tap fees in excess of related costs. These assets are recorded at their fair market value on the date contributed.

H. Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

I. Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

J. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

J. Pensions/Other Postemployment Benefits (OPEB) (CONTINUED)

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

2. DEPOSITS

State statutes classify monies held by the District into three categories.

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United State treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home bank loan, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. DEPOSITS (CONTINUED)

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2), this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurers Investment pool (STAROHIO);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and
9. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed 10% of the District's average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or collateralized through the Ohio Pooled Collateral System.

The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. DEPOSITS (CONTINUED)

The carrying amount of all District deposits was \$1,194,883 exclusive of \$200 in cash on hand at December 31, 2020. The District's deposit bank balance as of December 31, 2020 was \$979,302. The District's balance was covered by FDIC for \$250,000 at December 31, 2020. The remainder was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

3. LONG TERM LIABILITIES

Debt outstanding at December 31, 2020 consisted of the following:

		<u>Principal</u>	<u>Interest Rate</u>
LTD-1	OWDA - 7335	\$ 656,948	1.27%
LTD-2	OWDA - 2963	20,806	6.51%
LTD-3	OWDA - 2962	389,474	6.72%
LTD-4	OWDA - 2118	12,356	6.12%
LTD-5	OWDA - 2119	5,367	6.11%
LTD-6	OWDA - 2120	2,291	5.73%
LTD-7	OWDA - 2893	22,105	2.00%
LTD-8	OWDA - 2183	59,294	5.56%
LTD-9	OWDA - 4162	50,409	1.50%
LTD-18	OWDA - 6220	501,741	2.00%
LTD-19	OWDA - 5328	32,118	0.00%
LTD-20	OWDA - 3412	13,101	2.00%
OPWC-1A	OPWC - CR314	5,844	0.00%
OPWC-2A	OPWC - CR530	10,200	0.00%
OPWC-3A	OPWC - CR729	13,430	0.00%
OPWC-4A	OPWC - CR935	17,852	0.00%
OPWC-5A	OPWC - CR14C	39,335	2.00%
OPWC-6A	OPWC - CR20G	71,060	0.00%
OPWC-7A	OPWC - CR05T	151,953	0.00%
LTD-17A	OPWC - CRN17N	483,921	0.00%
		<u>\$ 2,559,605</u>	

The notes listed above are for the various capital assets constructed to provide service from the wells to the distribution lines, including the operations plant and various storage facilities. Property and revenue of the District have been pledged to repay these debts. All loans are due in semi-annual installments due January 1 and July 1 of each year.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

3. LONG TERM LIABILITIES (CONTINUED)

Amortization of the above debt, including interest, is as follows:

Year Ending December 31:	OWDA		OPWC	
	Principal	Interest	Principal	Interest
2021	\$ 491,770	\$ 38,966	\$ 59,203	\$ 393
2022	70,415	20,822	95,551	495
2023	64,595	19,125	62,032	100
2024	64,264	17,687	52,045	-
2025	48,972	16,427	52,051	-
2026-2030	236,831	70,883	181,290	-
2031-2035	253,656	51,914	141,640	-
2036-2040	253,931	31,969	115,220	-
2041-2045	211,961	11,896	34,563	-
2046-2050	69,615	1,329	-	-
	<u>\$ 1,766,010</u>	<u>\$ 281,018</u>	<u>\$ 793,595</u>	<u>\$ 988</u>

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

3. LONG TERM LIABILITIES (CONTINUED)

Long-term Obligations

Changes in long-term obligations of the District during the year ended December 31, 2020 were as follows:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
OWDA - 7335	\$ 676,793	\$ -	\$ (19,845)	\$ 656,948	\$ 28,378
OWDA - 2963	40,335	-	(19,529)	20,806	21,633
OWDA - 2962	754,340	-	(364,866)	389,474	404,964
OWDA - 2118	18,006	-	(5,650)	12,356	6,490
OWDA - 2119	7,306	-	(1,939)	5,367	2,271
OWDA - 2120	2,973	-	(682)	2,291	814
OWDA - 2893	25,874	-	(3,769)	22,105	4,286
OWDA - 2183	72,196	-	(12,902)	59,294	15,866
OWDA - 4162	53,385	-	(2,976)	50,409	3,766
OWDA - 6220	518,773	-	(17,032)	501,741	27,322
OWDA - 5328	33,765	-	(1,647)	32,118	1,648
OWDA - 3412	25,944	-	(12,843)	13,101	13,298
OPWC - CR314	8,594	-	(2,750)	5,844	2,750
OPWC - CR530	15,300	-	(5,100)	10,200	5,100
OPWC - CR729	20,145	-	(6,715)	13,430	6,715
OPWC - CR935	26,778	-	(8,926)	17,852	8,926
OPWC - CR14C	48,926	-	(9,591)	39,335	10,080
OPWC - CR20G	78,955	-	(7,895)	71,060	7,896
OPWC - CR05T	158,560	-	(6,607)	151,953	6,607
OPWC - CR17N	495,443	-	(11,522)	483,921	11,522
Compensated Absences	10,560	14,735	(14,863)	10,432	8,538
Net Pension Liability	317,702	-	(94,745)	222,957	-
Net OPEB Liability	140,807	19,972	-	160,779	-
Total	<u>\$ 3,551,460</u>	<u>\$ 34,707</u>	<u>\$ (632,394)</u>	<u>\$ 2,953,773</u>	<u>\$ 598,870</u>

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

4. CAPITAL ASSETS

A summary of the District's assets at December 31, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 258,508	\$ -	\$ -	\$ 258,508
Construction in Progress	8,042	151	-	8,193
Depreciable Capital Assets:				
Buildings	218,960	-	-	218,960
Machinery and Equipment	222,060	-	-	222,060
Office Furniture and Fixtures	44,280	1,630	-	45,910
Autos and Trucks	85,355	28,523	-	113,878
Water System	14,144,202	34,180	-	14,178,382
Less: Accumulated Depreciation:				
Buildings	(20,586)	(5,614)	-	(26,200)
Machinery and Equipment	(192,479)	(16,817)	-	(209,296)
Office Furniture and Fixtures	(41,713)	(791)	-	(42,504)
Autos and Trucks	(50,192)	(13,405)	-	(63,597)
Water System	(9,654,534)	(482,007)	-	(10,136,541)
	<u>\$ 5,021,903</u>	<u>\$ (454,150)</u>	<u>\$ -</u>	<u>\$ 4,567,753</u>

5. RISK MANAGEMENT

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

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

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

	<u>2019</u>
Cash and Investments	\$ 38,432,610
Actuarial liabilities	\$ (14,705,917)

This was the most recently available information on the date this report was issued.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

The proportionate share of each plan's excess 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 accrued personnel costs on both the accrual and modified accrual bases of accounting.

Plan Description

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in the 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.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contributions for the traditional plan for 2020 were \$25,522. 100% has been contributed for 2020. Of the amount for 2020, \$0 is reported as intergovernmental payable.

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

The net pension liability was measured as of December 31, 2019, 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:

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	\$ 222,957
Proportion of the Net Pension Liability/(Asset)	0.001128%
Increase/(decrease) in % from prior proportion measured	-0.000032%
Pension Expense	\$ 35,329

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Pension Plan
Deferred Outflows of Resources	
Changes in assumptions	\$ 11,909
Changes in proportion and differences between government contributions and proportionate share of contributions	593
Authority contributions subsequent to the measurement date	25,522
Total Deferred Outflows of Resources	\$ 38,024
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 44,475
Differences between expected and actual experience	2,819
Changes in proportion and differences between government contributions and proportionate share of contributions	4,215
Total Deferred Inflows of Resources	\$ 51,509

\$25,522 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending June 30:	Traditional Pension Plan
2021	\$ 7,321
2022	15,870
2023	(1,846)
2024	17,662
Total	\$ 39,007

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - OPERS

OPERS' total pension asset and liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2019, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

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.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2019 OPERS manage 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. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on 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 of 17.2% for 2019.

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

Asset Class	Target Allocation for 2019	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
Total	100.00%	5.61%

Discount Rate The discount rate used to measure the total pension liability was 7.2% 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 statutorily required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

<u>Employer's Net Pension Liability</u>	<u>1% Decrease 6.2%</u>	<u>Current Discount Rate 7.2%</u>	<u>1% Increase 8.2%</u>
Traditional Pension Plan	\$ 367,728	\$ 222,957	\$ 92,812

7. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Plan Description - Ohio Public Employees Retirement System (OPERS)

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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$0 for 2020.

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. District's proportion of the net OPEB liability was based on District 's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability	\$ 140,807
Proportion of the Net OPEB Liability	0.001164%
Increase/(decrease) in % from prior proportion measured	0.000084%
OPEB Expense	\$ 21,609

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	\$ 25,450
Differences between expected and actual experience	4
Changes in proportion and differences between government contributions and proportionate share of contributions	6,728
Total Deferred Outflows of Resources	\$ 32,182
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 8,187
Differences between expected and actual experience	14,704
Total Deferred Inflows of Resources	\$ 22,891

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

Fiscal Year Ending June 30:	<u>OPERS</u>
2021	\$ 8,251
2022	4,537
2023	6
2024	<u>(3,503)</u>
Total	<u>\$ 9,291</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan 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, 2018, rolled forward to the measurement date of December 31, 2019. 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:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.16 percent
Prior Measurement Date	3.96 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.00 percent
Municipal Bond Rate	
Current Measurement Date	2.75 percent
Prior Measurement Date	3.71 percent
Health Care Cost Trend Rate	
Current Measurement Date	10.50 percent, initial, 3.50 percent ultimate in 2030
Prior Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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.

During 2019, 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, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The following table presents the OPEB liability calculated using the single discount rate of 3.16%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 2.16%	Current Discount Rate 2.16%	1% Increase 4.16%
Authority's proportionate share of the net OPEB liability	\$ 210,405	\$ 160,779	\$ 121,044

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% lower or 1.0% 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 2020 is 10.50%. 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 3.50% in the most recent valuation.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$ 156,034	\$ 160,779	\$ 165,463

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2019	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.67%
International Equities	23.00%	7.66%
Other Investments	14.00%	4.90%
Total	100.00%	4.55%

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.7% for 2019.

8. COVID-19

The District evaluated subsequent events and transactions that occurred after the date of the statement of net position up to the date that the financial statements were issued. Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the District's financial position and/or the results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE PLAN YEAR ENDED DECEMBER 31, 2019**

**Ohio Public Employees Retirement System - Traditional Plan
Last Seven Years (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.001128%	0.001160%	0.001149%	0.001166%	0.001142%	0.001130%	0.001130%
District's Proportionate Share of the Net Pension Liability	\$ 222,957	\$ 317,702	\$ 180,256	\$ 264,773	\$ 197,805	\$ 136,291	\$ 133,212
District's Covered Payroll	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558	\$ 142,192	\$ 138,575	\$ 165,867
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	129.9%	195.4%	118.6%	175.86%	139.11%	98.35%	80.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.59%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to fiscal year 2013 is not available.

*Will be built prospectively.

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Ohio Public Employees Retirement System - Traditional Plan
Last Seven Fiscal Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 25,522	\$ 24,021	\$ 22,766	\$ 19,763	\$ 18,067	\$ 17,063	\$ 16,629
Contributions in Relation to the Contractually Required Contribution	(25,522)	(24,021)	(22,766)	(19,763)	(18,067)	(17,063)	(16,629)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558	\$ 142,192	\$ 138,575
Contributions as Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to fiscal year 2014 is not available.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE PLAN YEAR ENDED DECEMBER 31, 2019**

**Ohio Public Employees Retirement System
Last Four Fiscal Years (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability	0.001164%	0.001080%	0.001070%	0.001070%
District's Proportionate Share of the Net OPEB Liability	\$ 160,779	\$ 140,807	\$ 116,194	\$ 108,074
District's Covered Payroll	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	93.7%	86.6%	76.4%	71.8%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.05%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2016 is not available.

(2) Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

*Will be built prospectively.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Ohio Public Employees Retirement System - OPEB Plan
Last Four Fiscal Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ 1,520
Contributions in Relation to the Contractually Required Contribution	-	-	-	1,520
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023
Contributions as Percentage of Covered Payroll	0.00%	0.00%	0.00%	1.00%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2017 is not available.

(2) Information is presented on a calendar year basis, consistent with the District's financial statements.

*Will be built prospectively.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Changes in Assumptions – OPERS

Pension

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 7.50% down to 7.20% and (b) changing the future salary increases from a range of 3.25%-8.25% to 3.25%-10.75%. There were no significant changes in assumptions in 2020.

OPEB

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) increase in the actuarially assumed rate of return from 3.85% up to 3.96%, (b) decrease in the investment rate of return from 6.5% down to 6.0%, (c) increase in the municipal bond rate from 3.31% up to 3.71%, and (d) increase in the initial health care cost trend rate from 7.25% up to 10%. There were no significant changes in assumptions in 2020.

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

Tri-County Rural Water and Sewer District
Washington County
5722 Buchanan Road
Waterford, Ohio 45786

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Tri-County Rural Water and Sewer District, Washington County, (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 28, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

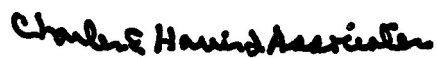
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of 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 determination of financial statement amounts. However, expressing an opinion 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*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
July 28, 2022

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OHIO AUDITOR OF STATE KEITH FABER



TRI-COUNTY RURAL WATER AND SEWER DISTRICT

WASHINGTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/20/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov