NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board of Directors
Northwest Regional Water District
PO Box 158
McDermott, Ohio 45652

We have reviewed the *Independent Auditor's Report* of the Northwest Regional Water District, Scioto County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2021 through December 31, 2022. 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 Northwest Regional Water District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 04, 2023

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Scioto County
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INDEPENDENT AUDITOR'S REPORT

Northwest Regional Water District
Scioto County
P.O. Box 158
McDermott, Ohio 45652

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Northwest Regional Water District, Scioto County, Ohio (District), as of and for the years ended December 31, 2022, 2021 and 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Northwest Regional Water District, Scioto County, Ohio as of December 31, 2022, 2021 and 2020 and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for 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 K to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2023, 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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio

June 26, 2023

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by December 31, 2022 by $8.91 million and on December 31, 2021 by $8.89 million. The District's net position increased by $6,822 (.08%) in 2022 and increased by $559 thousand (7.0%) in 2021.

The District's Operating Revenues increased in 2022 by $62 thousand (2.09%) and in 2021 they increased by $170 thousand (6.1%). Operating and Maintenance Expenses (excluding depreciation expense) increased $427 thousand (22%) in 2022 and in 2021 (excluding depreciation expense) decreased $473 thousand (20%). Depreciation expense decreased $7,706 (less than 2%) in 2022 and decreased in 2021 by $2,049 (less than 1%).

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Position** include all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position are the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past year and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and capital financing activities.

STATEMENTS OF NET POSITION

Table 1 summarizes the Statements of Net Position of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", are Capital Assets less accumulated depreciation and outstanding debt that was used to acquire those assets.

Table 1

	2022	2021	Change	2020	Change
Current and Other Assets	$ 3,233,946	$ 3,498,809	$ (264,863)	$ 3,219,360	$ 279,449
Capital Assets, Net	7,553,076	7,344,995	208,081	7,597,457	(252,462)
Total Assets	10,787,022	10,843,804	(56,782)	10,816,817	26,987
Deferred Outflows of Resources - Pension	117,373	105,687	11,686	201,234	(95,547)
Deferred Outflows of Resources - OPEB	-	60,629	(60,629)	130,636	(70,007)
Deferred Outflows of Resources - Total	117,373	166,316	(48,943)	331,870	(165,554)
Long Term Liabilities:					
Other Long-Term Liabilities	628,524	506,143	122,381	594,899	(88,756)
Net Pension Liability	395,955	736,541	(340,586)	996,190	(259,649)
Net OPEB Liability	-	-	-	648,363	(648,363)
Other Current Liabilities	279,361	244,600	34,761	264,515	(19,915)
Total Liabilities	1,303,840	1,487,284	(183,444)	2,503,967	(1,016,683)
Deferred Inflows of Resources - Pension	548,041	365,534	182,507	211,314	154,220
Deferred Inflows of Resources - OPEB	145,760	257,370	(111,610)	92,311	165,059
Deferred Inflows of Resources - Total	693,801	622,904	70,897	303,625	319,279
Net Position					
Invested in Capital Assets, Net of Related Debt	6,965,420	6,832,617	132,803	6,896,132	(63,515)
Unrestricted	1,941,334	2,067,315	(125,981)	1,444,963	622,352
Total Net Position	$ 8,906,754	$ 8,899,932	$ 6,822	$ 8,341,095	$ 558,837

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability (asset) to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, then this asset is separately identified in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

The District's Net Position as reported on page 5 increased by $6,822 (.08%) in 2022 and increased by $559 thousand (7.0%) in 2021. The minimal increase in 2022 was primarily due to the change in market value of investments. The increase in 2021 was primarily due to a decrease in pension expense and OPEB expense.

Unrestricted net position decreased by $126 thousand in 2022 and increased by $622 thousand in 2021. Unrestricted net position may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents decreased by $348 thousand in 2022 which is primarily due to changes in market value in 2022. Cash and Cash equivalents increased by $179 thousand in 2021.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2022	2021	Change	2020	Change
Operating Revenues	$ 3,008,735	$ 2,947,186	$ 61,549	$ 2,777,666	$ 169,520
Total Operating Revenues	3,008,735	2,947,186	61,549	2,777,666	169,520
Non-Operating Revenues	36,677	13,510	23,167	63,249	(49,739)
Total Revenues	3,045,412	2,960,696	84,716	2,840,915	119,781
Operating Expenses					
(Excluding Depreciation)	2,369,915	1,942,902	427,013	2,415,533	(472,631)
Depreciation Expense	400,554	408,260	(7,706)	410,309	(2,049)
Total Operating Expenses	2,770,469	2,351,162	419,307	2,825,842	(474,680)
Non-Operating Expenses	268,121	50,697	217,424	31,057	19,640
Total Expenses	3,038,590	2,401,859	636,731	2,856,899	(455,040)
Changes in Net Position	6,822	558,837	(552,015)	(15,984)	574,821
Net Position Beginning of Year	8,899,932	8,341,095	558,837	8,357,079	(15,984)
Net Position End of Year	$ 8,906,754	$ 8,899,932	$ 6,822	$ 8,341,095	$ 558,837

Operating revenues increased $61,549 in 2022 due to increased charges for services and increased $170 thousand in 2021 due to increased charges for services.

Operating expenses increased by about $419 thousand in 2022 primarily due to OPEB increases resulting from actuarial calculations which were partially offset by decreases in salaries and wages and pension expenses. Operating expenses decreased by about $475 thousand in 2021 primarily due to OPEB decreases resulting from actuarial calculations which were partially offset by increases in salaries and wages and purchased water. Non-Operating revenues increases by $23,167 in 2022 due primarily to increases in interest income.

CAPITAL ASSETS

The District had $17.8 million invested in total Capital Assets (before depreciation) at the end of 2022 and $17.2 million at the end of 2021, an increase of $609 thousan (4%) in 2022 and an increase of $156 thousand (less than 1.0%) in 2021. These increases are due to continued updates to the Water District's infrastructure.

Table 3

	2022	2021	Change	2020	Change
Non-Depreciable Capital Assets					
Land	$120,754	$120,754	$0	$120,754	$0
Constructions in progress	243,389	10,866	232,523	-	10,866
Total Non-Depreciable Capital Assets	364,143	131,620	232,523	120,754	10,866
Depreciable Capital Assets					
Utility plant – lines	12,899,288	12,869,555	29,733	12,837,784	31,771
Utility plant - towers	1,649,945	1,649,945	-	1,649,945	-
Utility plant - meters	759,455	469,756	289,699	381,189	88,567
Utility plant - office and garage	300,280	288,738	11,542	276,351	12,387
Office equipment and furniture	153,392	153,392	-	153,392	-
Radio telemetry system	451,539	451,540	(1)	439,332	12,208
Trucks and equipment	1,229,688	1,184,550	45,138	1,184,550	-
Totals Before Accumulated Depreciation	17,443,587	17,067,476	376,111	16,922,543	144,933
Accumulated Depreciation	(10,254,654)	(9,854,101)	(400,553)	(9,445,840)	(408,261)
Net Depreciable Capital Assets	7,188,933	7,213,375	(24,442)	7,476,703	(263,328)
Total Capital Assets	$ 7,553,076	$7,344,995	$ 208,081	$7,597,457	$ (252,462)

For additional information regarding capital assets please see Note C to the Basic Financial Statements.

DEBT

At December 31, 2022 total debt outstanding of $720,303 compared to $594,901 at December 31, 2021.

Table 4

	2022	2021	Change	2020	Change
Ohio Public Works					
Commission (OPWC)	$ 43,530	$ 51,860	$ (8,330)	$ 81,605	$ (29,745)
Ohio Water Development					
Authority (OWDA)	676,773	543,041	133,732	619,720	(76,679)
Total Long Term Debt	720,303	594,901	125,402	701,325	(106,424)
Less: Current Maturities	91,779	88,758	3,021	106,426	(17,668)
Net Total Long Term Debt	$ 628,524	$ 506,143	$ 122,381	$ 594,899	$ (88,756)

The District's debt is paid from operating revenues generated by the Water District. For additional information regarding debt please see Note D to the Basic Financial Statements.

CASH

Cash and cash equivalents were $2,514,288 on December 31, 2022 and $2,861,749 on December 31, 2021.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Patti Slye, Office Manager, Northwest Regional Water District, P.O. Box 158, McDermott, Ohio 45652 or (740) 259-2789.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,514,288	$ 2,861,749
Accounts receivable, net allowance for doubtful accounts	565,118	532,776
Prepaid expenses	21,893	21,761
TOTAL CURRENT ASSETS	3,101,299	3,416,286
NONCURRENT ASSETS		
Capital Assets:		
Non-depreciable capital assets	364,143	131,620
Depreciable capital assets, net	7,188,933	7,213,375
Total Capital Assets	7,553,076	7,344,995
Net OPEB Assets	132,647	82,523
TOTAL NONCURRENT ASSETS	7,685,723	7,427,518
DEFERRED OUTFLOWS OF RESOURCES		
Pension	117,373	105,687
OPEB	-	60,629
TOTAL DEFERRED OUTFLOWS OF RESOURCES	117,373	166,316
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	$ 10,904,395	$ 11,010,120

	2022	2021
LIABILITIES		
CURRENT LIABILITIES		
Notes payable - current portion	$ 91,779	$ 88,758
Accounts Payable	96,322	72,151
Accrued Expenses	91,260	83,691
TOTAL CURRENT LIABILITIES	279,361	244,600
LONG-TERM LIABILITIES		
Net Pension Liability	395,955	736,541
Notes payable - less current portion	628,524	506,143
TOTAL LONG-TERM LIABILITIES	1,024,479	1,242,684
TOTAL LIABILITIES	1,303,840	1,487,284
DEFERRED INFLOWS OF RESOURCES		
Pension	548,041	365,534
OPEB	145,760	257,370
TOTAL DEFERRED INFLOWS OF RESOURCES	693,801	622,904
NET POSITION		
Net Investment in Capital Assets	6,965,420	6,832,617
Unrestricted	1,941,334	2,067,315
TOTAL NET POSITION	8,906,754	8,899,932
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES and NET POSITION	$ 10,904,395	$ 11,010,120

See accompanying notes to the basic financial statements.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Water	$ 2,825,598	$ 2,813,094
Tap fees	40,404	31,955
Service charges	61,585	26,960
Late charges	77,247	63,287
Other	3,901	11,890
TOTAL OPERATING REVENUES	3,008,735	2,947,186
OPERATING EXPENSE		
Salaries, wages and benefits	1,088,965	1,158,728
Utilities	174,345	156,833
Depreciation expense	400,554	408,260
Purchased water	853,691	786,057
Telemetry	7,679	8,191
Maintenance	212,081	151,263
Truck and equipment expense	54,594	42,606
Billing expense	35,337	32,901
Pension expense	(72,577)	(9,882)
OPEB expense	(101,105)	(495,820)
Payroll taxes	9,630	9,576
Insurance	28,697	24,959
Office supplies and postage	47,504	40,897
Legal and accounting fees	4,498	23,240
Travel and auto expense	1,366	1,233
Other expenses	25,210	12,120
TOTAL OPERATING EXPENSES	2,770,469	2,351,162
Operating Income (Loss)	$ 238,266	$ 596,024
NONOPERATING REVENUES (EXPENSES)		
Interest Income	29,809	5,501
Decrease in Fair Value of Investments	(244,372)	(23,201)
Intergovernmental	6,868	8,009
Interest expense	(23,749)	(27,496)
Net other income (expense)	(231,444)	(37,187)
CHANGES IN NET POSITION	6,822	558,837
NET POSITION, BEGINNING OF YEAR	8,899,932	8,341,095
NET POSITION, END OF YEAR	$ 8,906,754	$ 8,899,932

See accompanying notes to the basic financial statements.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 2,972,492	$ 2,918,200
Cash received from other income	3,901	11,890
Cash payments to suppliers for goods and services	(1,420,963)	(1,284,023)
Cash payments for employee services and benefits	(1,188,214)	(1,167,151)
Net cash provided by operating activities	367,216	478,916
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments - OPWC loans	(8,330)	(29,745)
Principal payments - OWDA loans	(80,428)	(76,679)
Proceeds from notes payble - OWDA	214,160	-
Interest payments - OWDA loans	(16,881)	(19,487)
Acquisition of Capital Assets	(608,635)	(155,798)
Net cash used for capital and related financing activities	(500,114)	(281,709)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	29,809	5,501
Decrease in fair value of investments	(244,372)	(23,201)
	(214,563)	(17,700)
Net increase in cash and cash equivalents	(347,461)	179,507
Cash and cash equivalents, beginning of year	2,861,749	2,682,242
Cash and cash equivalents, end of year	$ 2,514,288	$ 2,861,749

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 238,266	$596,024
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	400,554	408,260
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(32,342)	(17,096)
(Increase)Decrease in prepaids	(132)	(323)
(Increase)Decrease in Deferred Outflows of Resources-Pension	(11,686)	95,547
(Increase)Decrease in Deferred Outflows of Resources-OPEB	60,629	70,007
(Increase) in Net OPEB Asset	(50,124)	(82,523)
Increase/(Decrease) in accounts payable	24,171	(3,400)
Increase/(Decrease) in accrued expenses	7,569	1,153
Increase/(Decrease) in Net Pension Liability	(340,586)	(259,649)
Increase/(Decrease) in Net OPEB Liability	-	(648,363)
Increase/(Decrease) in Deferred Inflows of Resources-Pension	182,507	154,220
Increase/(Decrease) in Deferred Inflows of Resources-OPEB	(111,610)	165,059
Total adjustments	128,950	(117,108)
Net cash provided by operating activities	$ 367,216	$478,916

NONCASH TRANSACTIONS		
Intergovernmental revenue - interest subsidy	$ 6,868	$ 8,009
Interest expense - interest subsidy	$ (6,868)	$ (8,009)

See accompanying notes to the basic financial statements.

NOTE A – NATURE OF ORGANIZATION

Northwest Regional Water District (hereafter referred to as NRWD or the District) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq. of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all parts of the following political subdivisions:

Rush Township	Washington Township
Union Township	Franklin Township
Morgan Township	Jefferson Township
Rarden Village	Brushcreek Township
Otway Village	Camp Creek Township

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

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

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:

Proprietary Fund Type – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

Enterprise Fund – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Basis of Accounting

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

4. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2022 and 2021, and 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.

5. Cash and Cash Equivalents

Cash balances of the District's enterprise fund are presented as "Cash and Cash Equivalents" on the statement of net position. Interest income earned by the District totaled $29,809 and $5,501 respectively, for the years ended December 31, 2022 and 2021.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2022 and 2021, investments were limited to STAR Ohio, Fifth-Third Bank investment account, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2022 and 2021 STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2022 and 2021.

The District also has invested funds with broker Fifth Third Bank. The invested funds consist of a money fund, corporate bonds, and certificate of deposits.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an initial maturity of more than three months are reported as investments.

6. Capital Assets

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. The District has a capitalization threshold of $1,000. Donated assets are recorded at their estimated acquisition value at the time received. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the basic financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Lines	50 years	Office/garage building	19 years
Tanks/towers/meters	50 years	Trucks and equipment	5-10 years
Radio telemetry system	25 years	Office equipment and furniture	5-10 years

7. Compensated Absences

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees. In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability based on the Ohio Revised Code Section 124.38. Employees are entitled to 3.08 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/2 of accumulated sick pay upon retirement or termination if they have more than ten years of service. At December 31, 2022 and 2021 the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was $50,0228 and $49,909, respectively. These balances are recorded as current liabilities in the accompanying financial statements.

8. Interest Expense

Interest expense represents the interest portion on loan payments the Ohio Water Development District (OWDA).

9. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2022 and 2021, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Accounts Receivable

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Increases to the allowance are recorded by a provision for bad debt expense. The allowance is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situations, and other factors and estimates which are subject to change over time.

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the allowance for specific problem accounts, with the whole allowance available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Receivables are presented at net on the statement of net position.

11. Estimates

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

12. Balance Sheet Classifications

The Water District is required to classify its balance sheet, detailing current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources and restricted and unrestricted net position, as follows:

(1) Current: Due within one year from December 31, 2022
(2) Noncurrent: Due after December 31, 2023
(3) Restricted: Restricted for usage by bond and note covenants and grant restrictions
(4) Unrestricted: Not restricted for usage

Within the Water District there only exist unrestricted net positions. Restricted net position would be used to cover eligible expenses before unrestricted net position would be used. The unrestricted net position may, upon Water District authorization, be used by the Water District for any lawful purpose.

13. Long Term Obligations

The District records fund obligations not expected to be paid within one year by available financial resources as long-term debt, which consists of OPWC notes and OWDA loans.

14. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note I and Note J. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and other postemployment benefits. (See Note I and Note J)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

16. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the District. These revenues consist of certain sales and fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting this definition are reported as non-operating.

17. Pensions/Other Post Employment Benefits(OPEB)

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

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NOTE C – CAPITAL ASSETS

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

	Ending Balance at 12/31/2021	Additions	Deletions	Ending Balance at 12/31/2022
Capital Assets, Not Being Depreciated				
Land	$ 120,754	$ -	$ -	$ 120,754
Construction in Progress	10,866	232,523	-	243,389
Total Capital Assets, Not Being Depreciated	131,620	232,523	-	364,143
Capital Assets, Being Depreciated				
Utility plant - lines	12,869,555	29,733	-	12,899,288
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	469,756	289,699	-	759,455
Utility plant - office and garage	288,738	11,542	-	300,280
Office equipment and furniture	153,392	-	-	153,392
Radio telemetry system	451,539	-	-	451,539
Trucks and equipment	1,184,550	45,138	-	1,229,688
Total Capital Assets, Being Depreciated	17,067,475	376,112	-	17,443,587
Less Accumulated Depreciation:				
Utility plant - lines	(6,857,119)	(257,999)	-	(7,115,118)
Utility plant - towers	(734,466)	(29,758)	-	(764,224)
Utility plant - meters	(297,648)	(23,167)	-	(320,815)
Utility plant - office and garage	(241,077)	(12,905)	-	(253,982)
Office equipment and furniture	(128,151)	(4,781)	-	(132,932)
Radio telemetry system	(361,906)	(12,346)	-	(374,252)
Trucks and equipment	(1,233,733)	(59,598)	-	(1,293,331)
Total Accumulated Depreciation	(9,854,100)	(400,554)	-	(10,254,654)
Total Capital Assets Being Depreciated, Net	7,213,375	(24,442)	-	7,188,933
Total Capital Assets	$ 7,344,995	$ 208,081	$ -	$ 7,553,076

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NOTE C – CAPITAL ASSETS (Continued)

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

	Ending Balance at 12/31/2020	Additions	Deletions	Ending Balance at 12/31/2021
Capital Assets, Not Being Depreciated				
Land	$ 120,754	$ -	$ -	$ 120,754
Construction in Progress	-	10,866	-	10,866
Total Capital Assets, Not Being Depreciated	120,754	10,866	-	131,620
Capital Assets, Being Depreciated				
Utility plant - lines	12,837,784	31,771	-	12,869,555
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	381,189	88,567	-	469,756
Utility plant - office and garage	276,351	12,387	-	288,738
Office equipment and furniture	153,392	-	-	153,392
Radio telemetry system	439,332	12,207	-	451,539
Trucks and equipment	1,184,550	-	-	1,184,550
Total Capital Assets, Being Depreciated	16,922,543	144,932	-	17,067,475
Less Accumulated Depreciation:				
Utility plant - lines	(6,599,728)	(257,391)	-	(6,857,119)
Utility plant - towers	(701,467)	(32,999)	-	(734,466)
Utility plant - meters	(285,782)	(11,866)	-	(297,648)
Utility plant - office and garage	(228,780)	(12,297)	-	(241,077)
Office equipment and furniture	(122,344)	(5,807)	-	(128,151)
Radio telemetry system	(349,396)	(12,510)	-	(361,906)
Trucks and equipment	(1,158,343)	(75,390)	-	(1,233,733)
Total Accumulated Depreciation	(9,445,840)	(408,260)	-	(9,854,100)
Total Capital Assets Being Depreciated, Net	7,476,703	(263,328)	-	7,213,375
Total Capital Assets	$ 7,597,457	$ (252,462)	$ -	$ 7,344,995

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NOTE D – LONG-TERM DEBT

The District has the following notes payable at December 31, 2022 and 2021:

	2022	2021
0% note payable OPWC, payable in semi-annual installments of $2,171, due in 2032, secured by property and equipment	$ 36,909	$ 41,251
0% note payable OPWC, payable in semi-annual installments of $10,707, due in 2022, secured by property and equipment	-	-
6.39% note payable OWDA, payable in semi-annual installments of $19,309 due in 2026, secured by property and equipment	103,929	134,437
2.86% note payable OWDA, payable in semi-annual installments of $5,683 due in 2028, secured by property and equipment	52,606	62,260
4.14% note payable OWDA, payable in semi-annual installments of $27,096 due in 2029, secured by property and equipment	306,078	346,344
0% note payable OPWC, payable in semi-annual installments of $922 due in 2023, secured by property and equipment	922	2,765
0% note payable OPWC, payable in semi-annual installments of $705 due in 2025, secured by property and equipment	4,228	5,637
0% note payable OPWC, payable in semi-annual installments of $368 due in 2025, secured by property and equipment	1,471	2,207
0.00% note payable OWDA due in 2044, secured by property and equipment	214,160	-
	720,303	594,901
Less current maturities	(91,779)	(88,758)
Total long-term debt	$ 628,524	$ 506,143

NOTE D – LONG-TERM DEBT (Continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2022 are as follows:

	Principal	Interest	Total
2023	91,779	19,806	111,584
2024	95,007	15,656	110,663
2025	98,641	11,288	109,929
2026	62,595	7,305	69,900
2027	64,890	5,009	69,899
2028-2032	93,232	3,253	96,485
Total	$506,143	$62,317	$568,460

	Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022	Amount Due Within One Year
OWDA (Direct Borrowing)	$ 543,041	$ 214,160	$ 80,428	$ 676,773	$ 84,370
OPWC (Direct Borrowing)	51,860	-	8,330	43,530	7,409
Net Pension Liabilities	736,541	-	340,586	395,955	-
Net OPEB Liabilities (1)	-	-	-	-	-
	$ 1,331,442	$ 214,160	$ 429,344	$ 1,116,258	$ 91,779

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Amount Due Within One Year
OWDA (Direct Borrowing)	$ 619,720	$ -	$ 76,679	$ 543,041	$ 80,427
OPWC (Direct Borrowing)	81,605	-	29,745	51,860	8,331
Net Pension Liabilities	996,190	-	259,649	736,541	-
Net OPEB Liabilities	648,363	-	648,363	-	-
	$ 2,345,878	$ -	$ 1,014,436	$ 1,331,442	$ 88,758

(1) The District had a net OPEB asset of $132,647 as of December 31, 2022, so no liability is reported as of December 31, 2022.

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest ratio to 4.00%. The District will receive an estimated $24,041 of additional interest subsidies through 2029. In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is $782,620 at December 31, 2022. For the year ended December 31, 2022 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: $638,820 and $98,771, and 6.47, respectively The OWDA loans contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the District shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

In connection with all the OPWC loans the following applies. In the event of a default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

NOTE E – DEPOSITS AND INVESTMENTS

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 of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be evidenced either 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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only though eligible institutions;

7. The State Treasurer's investment pool (STAROhio);

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment 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.

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand At year end, the District has $450 in undeposited cash on hand which is included on the statement of net position of the District as part of "cash and cash equivalents".

Deposits Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. SWLCWSD's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2022, the District's bank balance of $1,773,012 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2021, the District's bank balance of $1,832,209 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments are reported at fair value. As of December 31, 2022 and 2021, the District had the following investments:

	Fair Value 2022	Maturity
Negotiable Certificates of Deposit	$225,050	$225,050 3-5 years
Fixed Income Securities	488,301	$488,301 3-5 years
Money Market	27,689	$27,689 < 1 year
STAR Ohio	96,891	$96,891 < 1 year
Total	$ 837,931	

	Fair Value 2021	Maturity
Negotiable Certificates of Deposit	$251,125	$0 < 1 year
Fixed Income Securities	382,346	$633,471 3-5 years
STAR Ohio	95,261	$95,261 < 1 year
Total	$728,732	

<u>Interest Rate Risk:</u> Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value on an investment. The District does not have an investment policy.

<u>Credit Risk</u> STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Fifth Third Bank invests in corporate bonds and various funds such as mutual funds, money funds and certificate of deposits. Corporate bonds, mutual funds and money funds are not insured or guaranteed by the federal government. The negotiable certificates of deposit are insured up to $250,000 per account owner per institution.

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District's allocation as of December 31, 2022 and 2021:

Year	Investment Type	Percentage of Investments
2022	Negotiable CDs	27%
2022	Fixed Income – Corporate Bonds	58%
2022	Money Market	3%
2022	STAR Ohio	12%
2021	Negotiable CDs	35%
2021	Fixed Income – Corporate Bonds	52%
2021	STAR Ohio	13%

NOTE F – CONTINGENT LIABILITIES

There were no contingent liabilities as of December 31, 2022 or December 31, 2021.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2022, the District contracted with Kinder's Insurance Agency for real property, building contents, and vehicle insurance coverage.

The District has not had any significant reductions in insurance coverage from coverage in prior years by major category of risk. Settled claims resulting from the above risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE H - ACCOUNTS RECEIVABLE

Accounts receivables are presented at net realizable value and consist of amounts due from customers for sewer fees for services rendered and contracts amounts billed. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible. Uncollectible accounts receivable are charged to operations during the period determined to be uncollectible. Uncollectible water account balances are certified to the County Auditor after administrative collection efforts have been exhausted. The balance at year end, including billed and unbilled accounts, are due as follows:

2022 – Accounts receivable, net allowance for doubtful accounts - $565,118

2021 – Accounts receivable, net allowance for doubtful accounts - $532,776

NOTE I - DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

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

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

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

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

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

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

	Local
2022 and 2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 and 2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

The District's contractually required contribution to OPERS was $97,188 for fiscal year 2022 and $92,465 for 2021 respectively, of which the entire amount was paid during 2022. Of this amount $8,238 and $8,238 were reported as a payroll related liability for 2022 and 2021, respectively.

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

The net pension liability reported as of December 31, 2022 and December 31, 2021 were measured as of December 31, 2021 and December 31, 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

	2022 OPERS	2021 OPERS
Proportionate Share of the Net Pension Liability - Current Year	0.0045510%	0.0049740%
Proportionate Share of the Net Pension Liability - Prior Year	0.0049740%	0.0050400%
Change in Proportionate Share	-0.0004230%	-0.0000660%
Proportion of the Net Pension Liability	$395,955	$736,541
Pension Expense (Gain)	($72,580)	$82,583

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

	2022 OPERS	2021 OPERS
Deferred Outflows of Resources		
Differences between projected and actual economic experience	$ 20,185	$ -
Changes in proportion	-	13,222
District contributions subsequent to the measurement date	97,188	92,465
Total	$ 117,373	$ 105,687
Deferred Inflows of Resources		
Differences between projected and actual economic experience	$ 8,684	$ 30,810
Differences between projected and actual investment earnings	470,974	287,082
Changes in proportion	68,383	47,642
Total	$ 548,041	$ 365,534

$97,188 and $92,465 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2022 and 2021 respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2023	($150,973)
2024	(191,217)
2025	(110,745)
2026	(74,921)
Total	($527,856)

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions - OPERS

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

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

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

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

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

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

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

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

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

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

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

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

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

For the year ended December 31, 2022:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$1,044	$395,955	($143)

For the year ended December 31, 2021:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	$1,404,956	$736,541	$180,755

NOTE J - DEFINED BENEFIT OPEB PLANS

See Note I for a description of the net OPEB liability.

Ohio Public Employees Retirement System

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

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

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

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

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

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

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

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

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

for 2022 and 2021 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2022 and 2021.

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

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

	2022 OPERS	2021 OPERS
Proportionate Share of the Net OPEB Liability (Asset) - Current Year	0.0042350%	0.0046320%
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	0.0046320%	0.0046940%
Change in Proportionate Share	-0.0003970%	-0.0000620%
Proportion of the Net OPEB Liability (Asset)	($132,647)	($82,523)
OPEB Expense (Gain)	($101,105)	($495,820)

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

Deferred Outflows of Resources	2022 OPERS	2021 OPERS
Changes of assumptions	$ -	$ 40,569
Change in proportion	-	20,060
Total	$ -	$ 60,629

Deferred Inflows of Resources	2022 PERS	2021 PERS
Differences between expected and actual economic experience	$ 20,120	$ 74,477
Differences between projected and actual investment earnings	63,236	43,953
Changes of assumptions	53,694	133,712
Change in proportion	8,710	5,228
Total	$ 145,760	$ 257,370

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

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

	OPERS
Fiscal Year Ending December:	
2023	$(91,169)
2024	(31,693)
2025	(13,817)
2026	(9,081)
	$(145,760)

Actuarial Assumptions - PERS

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

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

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

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

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

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – PERS - Continued

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

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant.

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – PERS - Continued

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

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

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index") for the year ended December 31, 2021. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent for the year ended December 31, 2020. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

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

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
District's proportionate share of the net OPEB asset	($78,009)	($132,647)	($177,997)

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – PERS - Continued

The following table presents the District's proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2020, using the single discount rate of 3.16 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
District's proportionate share of the net OPEB liability	($20,520)	($82,523)	($133,494)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate

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

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

For the fiscal year ended December 31, 2022:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB asset	($134,080)	($132,647)	($130,946)

For the fiscal year ended December 31, 2021:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	($84,534)	($82,523)	($80,273)

NOTE K – 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. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The investment portfolio of the District's pension and OPEB plans will fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and recovery from emergency funding (if any), either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.004551%	0.004974%	0.005040%	0.004759%	0.004520%	0.004397%
District's proportionate share of the net pension liability	$ 395,955	$ 736,541	$ 996,190	$ 1,303,394	$ 709,100	$ 998,484
District's covered payroll	$ 660,464	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
District's proportionate share of the net pension liability as a percentage of its covered payroll	59.95%	105.13%	140.47%	188.28%	109.57%	150.57%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%

(1) Information prior to 2016 is not available.
Amounts presented as of the District's measurement
date which is the prior fiscal year.

See notes to accompanying required supplementary information.

Northwest Regional Water District
Required Supplementary Information
Schedule of the District's Pension Contributions
Ohio Public Employees Retirement System
Last Seven Years (1)

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 97,188	$ 92,465	$ 98,083	$ 99,283	$ 89,992	$ 77,660	$ 79,577
Contributions in relation to the contractually required contribution	(97,188)	(92,465)	(98,083)	(99,283)	(89,992)	(77,660)	(79,577)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 694,200	$ 660,464	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Northwest Regional Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System
Last Six Years (1)

	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)	0.00423500%	0.00463200%	0.00469400%	0.00443200%	0.00422000%	0.00411000%
District's proportionate share of the net OPEB liability (asset)	$ (132,647)	$ (82,523)	$ 648,363	$ 577,828	$ 458,261	$ 415,124
District's covered payroll	$ 660,464	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-20.08%	-11.78%	91.43%	83.47%	70.81%	62.60%
Plan fiduciary net position as a percentage of the total OPEB liability	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2016 is not available.
Amounts presented as of the District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information

Northwest Regional Water District
Required Supplementary Information
Schedule of the District's OPEB Contributions
Ohio Public Employees Retirement System
Last Seven Years (1)

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ 5,971	$ 16,758
Contributions in relation to the contractually required contribution	-	-	-	-	-	(5,971)	(16,758)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 694,200	$ 660,464	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.90%	2.50%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms:

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

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

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

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

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

Changes in assumptions:

There were no significant changes in assumptions for 2015 through 2017.

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

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

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

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

Net OPEB Liability

Changes in benefit terms:

There were no significant changes in benefit terms for 2018-2022.

Changes in assumptions

Changes in assumptions for 2018 were as follows:

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

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

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

***Net OPEB Liability* (Continued)**

Changes in assumptions (Continued)

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by December 31, 2021 by $8.89 million and on December 31, 2020 by $8.34 million. The District's net position increased by $558 thousand (7.0%) in 2021 and decreased by $16 thousand (.2%) in 2020.

The District's Operating Revenues increased in 2021 by $170 thousand (6.1%) and in 2020 they increased by $87 thousand (3%). Operating and Maintenance Expenses (excluding depreciation expense) decreased $473 thousand (20%) in 2021 and in 2020 (excluding depreciation expense) decreased $477 thousand (20%). Depreciation expense decreased $2 thousand (less than 1%) in 2021 and decreased in 2020 by $19 thousand (4%).

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Position** include all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position are the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past year and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and capital financing activities.

STATEMENTS OF NET POSITION

Table 1 summarizes the Statements of Net Position of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", are Capital Assets less accumulated depreciation and outstanding debt that was used to acquire those assets.

Table 1

	2021	2020	Change	2019	Change
Current and Other Assets	$ 3,498,809	$ 3,219,360	$ 279,449	$ 2,933,692	$ 285,668
Capital Assets, Net	7,344,995	7,597,457	(252,462)	7,935,697	(338,240)
Total Assets	10,843,804	10,816,817	26,987	10,869,389	(52,572)
Deferred Outflows of Resources - Pension	105,687	201,234	(95,547)	430,751	(229,517)
Deferred Outflows of Resources - OPEB	60,629	130,636	(70,007)	64,677	65,959
Deferred Outflows of Resources - Total	166,316	331,870	(165,554)	495,428	(163,558)
Long Term Liabilities:					
Other Long-Term Liabilities	506,143	594,899	(88,756)	701,325	(106,426)
Net Pension Liability	736,541	996,190	(259,649)	1,303,394	(307,204)
Net OPEB Liability	-	648,363	(648,363)	577,828	70,535
Other Current Liabilities	244,600	264,515	(19,915)	246,225	18,290
Total Liabilities	1,487,284	2,503,967	(1,016,683)	2,828,772	(324,805)
Deferred Inflows of Resources - Pension	365,534	211,314	154,220	177,398	33,916
Deferred Inflows of Resources - OPEB	257,370	92,311	165,059	1,568	90,743
Deferred Inflows of Resources - Total	622,904	303,625	319,279	178,966	124,659
Net Position					
Invested in Capital Assets, Net of Related Debt	6,832,617	6,896,132	(63,515)	7,131,509	(235,377)
Unrestricted	2,067,315	1,444,963	622,352	1,225,570	219,393
Total Net Position	$ 8,899,932	$ 8,341,095	$ 558,837	$ 8,357,079	$ (15,984)

The net pension liability (NPL) is a significant liability reported by the District at December 31, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District has another liability reported at December 31, 2020 reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability (asset) to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, then this asset is separately identified in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

The District's Net Position as reported on page 48 increased by $559 thousand (7.0%) in 2021 and decreased by $16 thousand (.2%) in 2020. The increase in 2021 was primarily due to decreases in pension and OPEB expense. The decrease in 2020 was primarily due to a decrease in pension expense.

Unrestricted net position increased by $622 thousand in 2021 and increased by $219 thousand in 2020. Unrestricted net position may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents increased by $179 thousand in 2021 which is primarily due to increases in cash basis receipts in 2021. Cash and Cash equivalents increased by $224 thousand in 2020.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2021	2020	Change	2019	Change
Operating Revenues	$ 2,947,186	$ 2,777,666	$ 169,520	$ 2,690,483	$ 87,183
Total Operating Revenues	2,947,186	2,777,666	169,520	2,690,483	87,183
Non-Operating Revenues	13,510	63,249	(49,739)	53,994	9,255
Total Revenues	2,960,696	2,840,915	119,781	2,744,477	96,438
Operating Expenses					
(Excluding Depreciation)	1,942,902	2,415,533	(472,631)	2,892,481	(476,948)
Depreciation Expense	408,260	410,309	(2,049)	428,944	(18,635)
Total Operating Expenses	2,351,162	2,825,842	(474,680)	3,321,425	(495,583)
Non-Operating Expenses	50,697	31,057	19,640	34,441	(3,384)
Total Expenses	2,401,859	2,856,899	(455,040)	3,355,866	(498,967)
Changes in Net Position	558,837	(15,984)	574,821	(611,389)	595,405
Net Position Beginning of Year	8,341,095	8,357,079	(15,984)	8,968,468	(611,389)
Net Position End of Year	$ 8,899,932	$ 8,341,095	$ 558,837	$ 8,357,079	$ (15,984)

Operating revenues increased $170 thousand in 2021 due to increased charges for services and increased $87 thousand in 2020 due to increased charges for services.

Operating expenses decreased by about $475 thousand in 2021 primarily due to OPEB decreases resulting from actuarial calculations which were partially offset by increases in salaries and wages and purchased water. Operating expenses decreased by about $496 thousand in 2020 primarily due to pension decreases resulting from actuarial calculations as well as a slight decrease in salaries and wages and purchased water. Non-Operating revenues decreased by $50 thousand in 2021 due primarily to decreases in interest income.

CAPITAL ASSETS

The District had $17.1 million invested in total Capital Assets (before depreciation) at the end of 2021 and $16.9 million at the end of 2020, an increase of $145 thousand (less than 1.0%) in 2021 and an increase of $72 thousand (less than 1.0%) in 2020. These increases are due to continued updates to the Water District's infrastructure.

Table 3

	2021	2020	Change	2019	Change
Non-Depreciable Capital Assets					
Land	$120,754	$120,754	$0	$120,754	$0
Constructions in progress	10,866	-	10,866	-	-
Total Non-Depreciable Capital Assets	131,620	120,754	10,866	120,754	-
Depreciable Capital Assets					
Utility plant – lines	12,869,555	12,837,784	31,771	12,831,638	6,146
Utility plant - towers	1,649,945	1,649,945	-	1,649,945	-
Utility plant - meters	469,756	381,189	88,567	348,636	32,553
Utility plant - office and garage	288,738	276,351	12,387	276,351	-
Office equipment and furniture	153,392	153,392	-	132,857	20,535
Radio telemetry system	451,540	439,332	12,208	427,497	11,835
Trucks and equipment	1,184,550	1,184,550	-	1,183,550	1,000
Totals Before Accumulated Depreciation	17,067,476	16,922,543	144,933	16,850,474	72,069
Accumulated Depreciation	(9,854,101)	(9,445,840)	(408,261)	(9,035,531)	(410,309)
Net Depreciable Capital Assets	7,213,375	7,476,703	(263,328)	7,814,943	(338,240)
Total Capital Assets	$ 7,344,995	$ 7,597,457	$ (252,462)	$ 7,935,697	$ (338,240)

For additional information regarding capital assets please see Note C to the Basic Financial Statements.

DEBT

At December 31, 2021 total debt outstanding of $594,901 compared to $701,325 at December 31, 2020.

Table 4

	2021	2020	Change	2019	Change
Ohio Public Works Commission (OPWC)	$ 51,860	$ 81,605	$ (29,745)	$ 111,349	$ (29,744)
Ohio Water Development Authority (OWDA)	543,041	619,720	(76,679)	692,839	(73,119)
Total Long Term Debt	594,901	701,325	(106,424)	804,188	(102,863)
Less: Current Maturities	88,758	106,426	(17,668)	102,863	3,563
Net Total Long Term Debt	$ 506,143	$ 594,899	$ (88,756)	$ 701,325	$ (106,426)

The District's debt is paid from operating revenues generated by the Water District. For additional information regarding debt please see Note D to the Basic Financial Statements.

CASH

Cash and cash equivalents were $2,861,749 on December 31, 2021 and $2,682,242 on December 31, 2020.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Patti Slye, Office Manager, Northwest Regional Water District, P.O. Box 158, McDermott, Ohio 45652 or (740) 259-2789.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,861,749	$ 2,682,242
Accounts receivable, net allowance for doubtful accounts	532,776	515,680
Prepaid expenses	21,761	21,438
TOTAL CURRENT ASSETS	3,416,286	3,219,360
NONCURRENT ASSETS		
Capital Assets:		
Non-depreciable capital assets	131,620	120,754
Depreciable capital assets, net	7,213,375	7,476,703
Total Capital Assets	7,344,995	7,597,457
Net OPEB Assets	82,523	-
TOTAL NONCURRENT ASSETS	7,427,518	7,597,457
DEFERRED OUTFLOWS OF RESOURCES		
Pension	105,687	201,234
OPEB	60,629	130,636
TOTAL DEFERRED OUTFLOWS OF RESOURCES	166,316	331,870
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	$ 11,010,120	$ 11,148,687

	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Notes payable - current portion	$ 88,758	$ 106,426
Accounts Payable	72,151	75,551
Accrued Expenses	83,691	82,538
TOTAL CURRENT LIABILITIES	244,600	264,515
LONG-TERM LIABILITIES		
Net Pension Liability	736,541	996,190
Net OPEB Liability	-	648,363
Notes payable - less current portion	506,143	594,899
TOTAL LONG-TERM LIABILITIES	1,242,684	2,239,452
TOTAL LIABILITIES	1,487,284	2,503,967
DEFERRED INFLOWS OF RESOURCES		
Pension	365,534	211,314
OPEB	257,370	92,311
TOTAL DEFERRED INFLOWS OF RESOURCES	622,904	303,625
NET POSITION		
Net Investment in Capital Assets	6,832,617	6,896,132
Unrestricted	2,067,315	1,444,963
TOTAL NET POSITION	8,899,932	8,341,095
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES and NET POSITION	$ 11,010,120	$ 11,148,687

See accompanying notes to the basic financial statements.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Water	$ 2,813,094	$ 2,640,647
Tap fees	31,955	34,490
Service charges	26,960	30,540
Late charges	63,287	64,391
Other	11,890	7,598
TOTAL OPERATING REVENUES	2,947,186	2,777,666
OPERATING EXPENSE		
Salaries, wages and benefits	1,158,728	1,069,151
Utilities	156,833	166,739
Depreciation expense	408,260	410,309
Purchased water	786,057	695,163
Telemetry	8,191	11,168
Maintenance	151,263	152,445
Truck and equipment expense	42,606	40,955
Billing expense	32,901	34,844
Pension expense	(9,882)	54,312
OPEB expense	(495,820)	95,319
Payroll taxes	9,576	10,138
Insurance	24,959	21,794
Office supplies and postage	40,897	41,829
Legal and accounting fees	23,240	11,752
Travel and auto expense	1,233	1,308
Other expenses	12,120	8,616
TOTAL OPERATING EXPENSES	2,351,162	2,825,842
Operating Income (Loss)	$ 596,024	$ (48,176)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	5,501	54,159
Decrease in Fair Value of Investments	(23,201)	-
Intergovernmental	8,009	9,090
Interest expense	(27,496)	(31,057)
Net other income (expense)	(37,187)	32,192
CHANGES IN NET POSITION	558,837	(15,984)
NET POSITION, BEGINNING OF YEAR	8,341,095	8,357,079
NET POSITION, END OF YEAR	$ 8,899,932	$ 8,341,095

See accompanying notes to the basic financial statements.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 2,918,200	$ 2,708,741
Cash received from other income	11,890	7,598
Cash payments to suppliers for goods and services	(1,284,023)	(1,270,336)
Cash payments for employee services and benefits	(1,167,151)	(1,079,295)
Net cash provided by operating activities	478,916	366,708
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments - OPWC loans	(29,745)	(29,744)
Principal payments - OWDA loans	(76,679)	(73,117)
Interest payments - OWDA loans	(19,487)	(21,969)
Acquisition of Capital Assets	(155,798)	(72,069)
Net cash used for capital and related financing activities	(281,709)	(196,899)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	5,501	54,159
Decrease in fair value of investments	(23,201)	-
	(17,700)	54,159
Net increase in cash and cash equivalents	179,507	223,968
Cash and cash equivalents, beginning of year	2,682,242	2,458,274
Cash and cash equivalents, end of year	$ 2,861,749	$ 2,682,242

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 596,024	$ (48,176)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	408,260	410,309
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(17,096)	(61,327)
(Increase)Decrease in prepaids	(323)	(373)
(Increase)Decrease in Deferred Outflows of Resources-Pension	95,547	229,517
(Increase)Decrease in Deferred Outflows of Resources-OPEB	70,007	(65,959)
(Increase) in Net OPEB Asset	(82,523)	-
Increase/(Decrease) in accounts payable	(3,400)	11,969
Increase/(Decrease) in accrued expenses	1,153	2,758
Increase/(Decrease) in Net Pension Liability	(259,649)	(307,204)
Increase/(Decrease) in Net OPEB Liability	(648,363)	70,535
Increase/(Decrease) in Deferred Inflows of Resources-Pension	154,220	33,916
Increase/(Decrease) in Deferred Inflows of Resources-OPEB	165,059	90,743
Total adjustments	(117,108)	414,884
Net cash provided by operating activities	$ 478,916	$ 366,708
NONCASH TRANSACTIONS		
Intergovernmental revenue - interest subsidy	$ 8,009	$ 9,090
Interest expense - interest subsidy	$ (8,009)	$ (9,090)

See accompanying notes to the basic financial statements.

NOTE A – NATURE OF ORGANIZATION

Northwest Regional Water District (hereafter referred to as NRWD or the District) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq. of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all parts of the following political subdivisions:

Rush Township	Washington Township
Union Township	Franklin Township
Morgan Township	Jefferson Township
Rarden Village	Brushcreek Township
Otway Village	Camp Creek Township

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

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

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:

Proprietary Fund Type – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

Enterprise Fund – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Basis of Accounting

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

4. Budgetary Process

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

5. Cash and Cash Equivalents

Cash balances of the District's enterprise fund are presented as "Cash and Cash Equivalents" on the statement of net position. Interest income earned by the District totaled $5,501 and $54,159, respectively, for the years ended December 31, 2021 and 2020.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2021 and 2020, investments were limited to STAR Ohio, Fifth-Third Bank investment account, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2021 and 2020. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2021 and 2020.

The District also has invested funds with broker Fifth Third Bank. The invested funds consist of a money fund, corporate bonds, and certificate of deposits.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an initial maturity of more than three months are reported as investments.

6. Capital Assets

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. The District has a capitalization threshold of $1,000. Donated assets are recorded at their estimated acquisition value at the time received. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the basic financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Lines	50 years	Office/garage building	19 years
Tanks/towers/meters	50 years	Trucks and equipment	5-10 years
Radio telemetry system	25 years	Office equipment and furniture	5-10 years

7. Compensated Absences

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees. In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability based on the Ohio Revised Code Section 124.38. Employees are entitled to 3.08 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/2 of accumulated sick pay upon retirement or termination if they have more than ten years of service. At December 31, 2021 and 2020, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was $49,909 and $50,827, respectively. These balances are recorded as current liabilities in the accompanying financial statements.

8. Interest Expense

Interest expense represents the interest portion on loan payments the Ohio Water Development District (OWDA).

9. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2021 and 2020, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Accounts Receivable

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Increases to the allowance are recorded by a provision for bad debt expense. The allowance is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situations, and other factors and estimates which are subject to change over time.

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the allowance for specific problem accounts, with the whole allowance available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Receivables are presented at net on the statement of net position.

11. Estimates

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

12. Balance Sheet Classifications

The Water District is required to classify its balance sheet, detailing current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources and restricted and unrestricted net position, as follows:

(1) Current: Due within one year from December 31, 2021
(2) Noncurrent: Due after December 31, 2022
(3) Restricted: Restricted for usage by bond and note covenants and grant restrictions
(4) Unrestricted: Not restricted for usage

Within the Water District there only exist unrestricted net positions. Restricted net position would be used to cover eligible expenses before unrestricted net position would be used. The unrestricted net position may, upon Water District authorization, be used by the Water District for any lawful purpose.

13. Long Term Obligations

The District records fund obligations not expected to be paid within one year by available financial resources as long-term debt, which consists of OPWC notes and OWDA loans.

14. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note I and Note J. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and other postemployment benefits. (See Note I and Note J)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

16. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the District. These revenues consist of certain sales and fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting this definition are reported as non-operating.

17. Pensions/Other Post Employment Benefits(OPEB)

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

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NOTE C – CAPITAL ASSETS

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

	Ending Balance at 12/31/2020	Additions	Deletions	Ending Balance at 12/31/2021
Capital Assets, Not Being Depreciated				
Land	$ 120,754	$ -	$ -	$ 120,754
Construction in Progress	-	10,866	-	10,866
Total Capital Assets, Not Being Depreciated	120,754	10,866	-	131,620
Capital Assets, Being Depreciated				
Utility plant - lines	12,837,784	31,771	-	12,869,555
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	381,189	88,567	-	469,756
Utility plant - office and garage	276,351	12,387	-	288,738
Office equipment and furniture	153,392	-	-	153,392
Radio telemetry system	439,332	12,207	-	451,539
Trucks and equipment	1,184,550	-	-	1,184,550
Total Capital Assets, Being Depreciated	16,922,543	144,932	-	17,067,475
Less Accumulated Depreciation:				
Utility plant - lines	(6,599,728)	(257,391)	-	(6,857,119)
Utility plant - towers	(701,467)	(32,999)	-	(734,466)
Utility plant - meters	(285,782)	(11,866)	-	(297,648)
Utility plant - office and garage	(228,780)	(12,297)	-	(241,077)
Office equipment and furniture	(122,344)	(5,807)	-	(128,151)
Radio telemetry system	(349,396)	(12,510)	-	(361,906)
Trucks and equipment	(1,158,343)	(75,390)	-	(1,233,733)
Total Accumulated Depreciation	(9,445,840)	(408,260)	-	(9,854,100)
Total Capital Assets Being Depreciated, Net	7,476,703	(263,328)	-	7,213,375
Total Capital Assets	$ 7,597,457	$ (252,462)	$ -	$ 7,344,995

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NOTE C – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2020 was as follows:

	Ending Balance at 12/31/2019	Additions	Deletions	Ending Balance at 12/31/2020
Capital Assets, Not Being Depreciated				
Land	$ 120,754	$ -	$ -	$ 120,754
Total Capital Assets, Not Being Depreciated	120,754	-	-	120,754
Capital Assets, Being Depreciated				
Utility plant - lines	12,831,638	6,146	-	12,837,784
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	348,636	32,553	-	381,189
Utility plant - office and garage	276,351	-	-	276,351
Office equipment and furniture	132,857	20,535	-	153,392
Radio telemetry system	427,497	11,835	-	439,332
Trucks and equipment	1,183,550	1,000	-	1,184,550
Total Capital Assets, Being Depreciated	16,850,474	72,069	-	16,922,543
Less Accumulated Depreciation:				
Utility plant - lines	(6,342,972)	(256,756)	-	(6,599,728)
Utility plant - towers	(668,468)	(32,999)	-	(701,467)
Utility plant - meters	(276,710)	(9,072)	-	(285,782)
Utility plant - office and garage	(217,135)	(11,645)	-	(228,780)
Office equipment and furniture	(116,538)	(5,806)	-	(122,344)
Radio telemetry system	(336,224)	(13,172)	-	(349,396)
Trucks and equipment	(1,077,484)	(80,859)	-	(1,158,343)
Total Accumulated Depreciation	(9,035,531)	(410,309)	-	(9,445,840)
Total Capital Assets Being Depreciated, Net	7,814,943	(338,240)	-	7,476,703
Total Capital Assets	$ 7,935,697	$ (338,240)	$ -	$ 7,597,457

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NOTE D – LONG-TERM DEBT

The District has the following notes payable at December 31, 2021 and 2020:

	2021	2020
0% note payable OPWC, payable in semi-annual installments of $2,171, due in 2032, secured by property and equipment	$ 41,251	$ 45,593
0% note payable OPWC, payable in semi-annual installments of $10,707, due in 2022, secured by property and equipment	-	21,414
6.39% note payable OWDA, payable in semi-annual installments of $19,309 due in 2026, secured by property and equipment	134,437	163,085
2.86% note payable OWDA, payable in semi-annual installments of $5,683 due in 2028, secured by property and equipment	62,260	71,643
4.14% note payable OWDA, payable in semi-annual installments of $27,096 due in 2029, secured by property and equipment	346,344	384,992
0% note payable OPWC, payable in semi-annual installments of $922 due in 2023, secured by property and equipment	2,765	4,609
0% note payable OPWC, payable in semi-annual installments of $705 due in 2025, secured by property and equipment	5,637	7,046
0% note payable OPWC, payable in semi-annual installments of $368 due in 2025, secured by property and equipment	2,207	2,943
	594,901	701,325
Less current maturities	(88,758)	(106,426)
Total long-term debt	$ 506,143	$ 594,899

NOTE D – LONG-TERM DEBT (Continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2021 are as follows:

	Principal	Interest	Total
2022	88,758	23,749	112,507
2023	91,778	19,806	111,584
2024	95,007	15,656	110,663
2025	98,641	11,288	109,929
2026-2030	218,546	18,271	236,817
2031-2032	2,171	-	2,171
Total	$701,325	$116,264	$817,589

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Amount Due Within One Year
OWDA (Direct Borrowing)	$ 619,720	$ -	$ 76,679	$ 543,041	$ 80,427
OPWC (Direct Borrowing)	81,605	-	29,745	51,860	8,331
Net Pension Liabilities	996,190	-	259,649	736,541	-
Net OPEB Liabilities (1)	648,363	-	648,363	-	-
	$ 2,345,878	$ -	$ 1,014,436	$ 1,331,442	$ 88,758

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Amount Due Within One Year
OWDA (Direct Borrowing)	$ 692,839	$ -	$ 73,119	$ 619,720	$ 76,681
OPWC (Direct Borrowing)	111,349	-	29,744	81,605	29,745
Net Pension Liabilities	1,303,394	-	307,204	996,190	-
Net OPEB Liabilities	577,828	70,535	-	648,363	-
	$ 2,685,410	$ 70,535	$ 410,067	$ 2,345,878	$ 106,426

(1) The District had a net OPEB asset of $82,523 as of December 31, 2021, so no liability is reported as of December 31, 2021.

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest ratio to 4.00%. The District will receive an estimated $24,041 of additional interest subsidies through 2029. In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is $735,988 at December 31, 2021. For the year ended December 31, 2021 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: $362,133 and $95,088, and 3.81, respectively The OWDA loans contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the District shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

In connection with all the OPWC loans the following applies. In the event of a default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

NOTE E – DEPOSITS AND INVESTMENTS

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 of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be evidenced either 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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only though eligible institutions;

7. The State Treasurer's investment pool (STAROhio);

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment 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.

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand At year end, the District has $450 in undeposited cash on hand which is included on the statement of net position of the District as part of "cash and cash equivalents".

Deposits Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. SWLCWSD's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2021, the District's bank balance of $1,832,209 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2020, the District's bank balance of $1,737,736 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments are reported at fair value. As of December 31, 2021 and 2020, the District had the following investments:

	Fair Value 2021	Maturity
Negotiable Certificates of Deposit	$251,125	$0 < 1 year
Fixed Income Securities	382,346	$633,471 3-5 years
STAR Ohio	95,261	$95,261 < 1 year
Total	$728,732	

	Fair Value 2020	Maturity
Negotiable Certificates of Deposit	$254,925	$0 < 1 year
Fixed Income Securities	401,747	$656,672 3-5 years
STAR Ohio	95,183	$95,183 < 1 year
Total	$751,855	

Interest Rate Risk: Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value on an investment. The District does not have an investment policy.

Credit Risk STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Fifth Third Bank invests in corporate bonds and various funds such as mutual funds, money funds and certificate of deposits. Corporate bonds, mutual funds and money funds are not insured or guaranteed by the federal government. The negotiable certificates of deposit are insured up to $250,000 per account owner per institution.

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District's allocation as of December 31, 2021 and 2020:

Year	Investment Type	Percentage of Investments
2021	Negotiable CDs	35%
2021	Fixed Income – Corporate Bonds	52%
2021	STAR Ohio	13%
2020	Negotiable CDs	34%
2020	Fixed Income – Corporate Bonds	53%
2020	STAR Ohio	13%

NOTE F – CONTINGENT LIABILITIES

There were no contingent liabilities as of December 31, 2021 or December 31, 2020.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2021, the District contracted with Kinder's Insurance Agency for real property, building contents, and vehicle insurance coverage.

The District has not had any significant reductions in insurance coverage from coverage in prior years by major category of risk. Settled claims resulting from the above risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE H - ACCOUNTS RECEIVABLE

Accounts receivables are presented at net realizable value and consist of amounts due from customers for sewer fees for services rendered and contracts amounts billed. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible. Uncollectible accounts receivable are charged to operations during the period determined to be uncollectible. Uncollectible water account balances are certified to the County Auditor after administrative collection efforts have been exhausted. The balance at year end, including billed and unbilled accounts, are due as follows:

2021 – Accounts receivable, net allowance for doubtful accounts - $532,776

2020 – Accounts receivable, net allowance for doubtful accounts - $515,680

NOTE I - DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

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

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

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 01/07/13 or eligible to retire ten years after 01/07/13	**Group C** Members not in other Groups and members hired on or after 01/07/13
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 2021, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

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

	Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

The District's contractually required contribution to OPERS was $92,465 for fiscal year 2021 and $98,083 for 2020 respectively, of which the entire amount was paid during 2021. Of this amount $8,238 and $685 were reported as a payroll related liability for 2021 and 2020, respectively.

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

The net pension liability reported as of December 31, 2021 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2021 PERS	**2020 PERS**
Proportionate Share of the Net Pension Liability - Current Year	0.0049740%	0.0050400%
Proportionate Share of the Net Pension Liability - Prior Year	0.0050400%	0.0047590%
Change in Proportionate Share	-0.0000660%	0.0002810%
Proportion of the Net Pension Liability	$736,541	$996,190
Pension Expense (Gain)	$82,583	$54,312

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**2021**	**2020**
Changes in assumptions	$ -	$ 53,208
Changes in proportion	13,222	49,943
District contributions subsequent to the measurement date	92,465	98,083
Total	$ 105,687	$ 201,234
Deferred Inflows of Resources		
Differences between projected and actual economic experience	$ 30,810	$ 12,596
Differences between projected and actual investment earnings	287,082	198,718
Changes in proportion	47,642	-
Total	$ 365,534	$ 211,314

$92,465 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:

Year Ending December 31:	OPERS
2022	($139,570)
2023	(56,565)
2024	(117,024)
2025	(39,153)
Total	($352,312)

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.

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation at 3.25
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent 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. 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 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2020.

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

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

Asset Class	Target Allocation	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 and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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 proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	$1,404,956	$736,541	$180,755

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2021 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

NOTE J - DEFINED BENEFIT OPEB PLANS

See Note I for a description of the net OPEB liability.

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit 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 requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2021 is 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2021.

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. for the defined benefit health care plans. In accordance with GASB Statement No. 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Member-Directed Plan health care is a defined benefit health care plan, although the pension plan is defined contribution. Interest of 4% is credited to member accounts as long as the Health Care portfolio earns a positive return. The District's proportion of the net OPEB liability was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2021 PERS	2020 PERS
Proportionate Share of the Net OPEB Liability (Asset) - Current Year	0.0046320%	0.0046940%
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	0.0046940%	0.0044320%
Change in Proportionate Share	-0.0000620%	0.0002620%
Proportion of the Net OPEB Liability (Asset)	($82,523)	$648,363
OPEB Expense (Gain)	($495,820)	$95,319

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

	2021	2020
Deferred Outflows of Resources	**PERS**	**PERS**
Differences between expected and actual economic experience	$ -	$ 16
Changes of assumptions	40,569	102,628
Change in proportion	20,060	27,992
Total	$ 60,629	$ 130,636
Deferred Inflows of Resources	**PERS**	**PERS**
Differences between expected and actual economic experience	$ 74,477	$ 59,296
Differences between projected and actual investment earnings	43,953	33,015
Changes of assumptions	133,712	-
Change in proportion	5,228	-
Total	$ 257,370	$ 92,311

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

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

	OPERS
Fiscal Year Ending December:	
2021	$(101,669)
2022	(70,777)
2023	(19,100)
2024	(5,179)
	$(196,725)

Actuarial Assumptions - PERS

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

Projections of 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, 2019, rolled forward to the measurement date of December 31, 2020.

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	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	10.0 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – PERS - 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, if any contribution 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 2020.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates
The following table presents the District's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 3.16 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
District's proportionate share of the net OPEB liability (asset)	($20,520)	($82,523)	($133,494)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability (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 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability (asset)	($84,534)	($82,523)	($80,273)

NOTE K – 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. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The investment portfolio of the District's pension and OPEB plans will fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and recovery from emergency funding (if any), either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.004974%	0.005040%	0.004759%	0.004520%	0.004397%
District's proportionate share of the net pension liability	$ 736,541	$ 996,190	$ 1,303,394	$ 709,100	$ 998,484
District's covered payroll	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
District's proportionate share of the net pension liability as a percentage of its covered payroll	105.13%	140.47%	188.28%	109.57%	150.57%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%	77.25%

(1) Information prior to 2016 is not available.
Amounts presented as of the District's measurement
date which is the prior fiscal year.

See notes to accompanying required supplementary information.

Northwest Regional Water District
Required Supplementary Information
Schedule of the District's Pension Contributions
Ohio Public Employees Retirement System
Last Five Years (1)

	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 92,465	$ 98,083	$ 99,283	$ 89,992	$ 77,660	$ 79,577
Contributions in relation to the contractually required contribution	(92,465)	(98,083)	(99,283)	(89,992)	(77,660)	(79,577)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 660,464	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Northwest Regional Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net OPEB Liability/(Asset)

Ohio Public Employees Retirement System

Last Five Years (1)

	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability	0.00463200%	0.00469400%	0.00443200%	0.00422000%	0.00411000%
District's proportionate share of the net OPEB liability	$ (82,523)	$ 648,363	$ 577,828	$ 458,261	$ 415,124
District's covered payroll	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	-11.78%	91.43%	83.47%	70.81%	62.60%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2016 is not available.
Amounts presented as of the District's measurement
date which is the prior fiscal year.

See notes to accompanying required supplementary information.

Northwest Regional Water District
Required Supplementary Information
Schedule of the District's OPEB Contributions
Ohio Public Employees Retirement System
Last Six Years (1)

	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -	$ 5,971	$ 16,758
Contributions in relation to the contractually required contribution	-	-	-	-	(5,971)	(16,758)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 660,464	$ 700,593	$ 709,164	$ 692,246	$ 647,167	$ 663,142
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.90%	2.50%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms:

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

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

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

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

Changes in assumptions:

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

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

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

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

Net OPEB Liability

Changes in benefit terms:

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

Changes in assumptions

Changes in assumptions for 2018 were as follows:

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

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

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

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

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

***Net OPEB Liability* (Continued)**

Changes in assumptions (Continued)

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

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

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

Northwest Regional Water District
Scioto County
P.O. Box 158
McDermott, Ohio 45652

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the Northwest Regional Water District, Scioto County, (the District) as of and for the years ended December 31, 2022, 2021 and 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 June 26, 2023, wherein we noted the District reported the financial impact of COVID-19 and how the continuing 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 purpose 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.

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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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio

June 26, 2023

OHIO AUDITOR OF STATE
KEITH FABER

NORTHWEST REGIONAL WATER DISTRICT

SCIOTO 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 8/17/2023

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