SOUTHWEST REGIONAL WATER DISTRICT

BUTLER COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2023

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Trustees
Southwest Regional Water District
3640 Old Oxford Road
Hamilton, Ohio 45013

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

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

Keith Faber
Auditor of State
Columbus, Ohio

October 28, 2024

This page intentionally left blank.

SOUTHWEST REGIONAL WATER DISTRICT
BUTLER COUNTY
FOR THE YEAR ENDED DECEMEBR 31, 2023

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southwest Regional Water District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Southwest Regional Water District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

8230 MONTGOMERY ROAD, SUITE 150 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 pension and other postemployment information to 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 September 9, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
September 9, 2024

This page was intentionally left blank.

Southwest Regional Water District (the District) is providing this discussion and analysis for our customers, creditors and others of interest, as a general overview of the District and its financial activities.

Financial Highlights

- The total assets and deferred outflows of the District exceeded total liabilities and deferred inflows on December 31, 2023 by $48.1 million.
- The District's net position increased $2.8 million in 2023.
- The District's operating revenues increased by $0.7 million or 7.3% in 2023. Operating expenses increased by $0.5 million and 6.7% in 2023.

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 statement of net position includes all the District's assets and deferred outflows and liabilities and deferred inflows. This statement provides information about the nature and amounts of investments in resources owned by the District (assets) and obligations owed by the District (liabilities). The District's net position (equity) is the difference between assets/deferred outflows and liabilities/deferred inflows.

The statement of revenues, expenses, and changes in net position provides information on the District's operations over the past year and the success of recovering its costs through user fees, charges and assessments, and other income.

The statement of cash flows presents information about the District's cash receipts and disbursements from operating, investing and financing activities. The statement summarizes how the cash was provided, cash uses, and changes in the balances during the year.

<u>Net Position</u>

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

Table 1

	2023	2022	Change	% Change
Assets				
Current and other assets	$12,896,132	$10,819,159	$2,076,973	19.2%
Capital assets, net	41,653,503	40,470,596	1,182,907	2.9%
Total assets	54,549,635	51,289,755	3,259,880	6.4%
Deferred outflows	2,022,907	635,998	1,386,909	218.1%
Liabilities				
Current and other liabilities	664,207	542,902	121,305	22.3%
Noncurrent liabilities	7,713,922	3,908,907	3,805,015	97.3%
Total liabilities	8,378,129	4,451,809	3,926,320	88.2%

Table 1
(Continued)

	2023	2022	Change	% Change
Deferred inflows	$95,001	$2,125,605	($2,030,604)	(95.5%)
Net position				
Net investment in capital assets	38,246,168	37,823,378	422,790	1.1%
Restricted	224,500	224,500	0	0.0%
Unrestricted	9,628,744	7,300,461	2,328,283	31.9%
Total net position	$48,099,412	$45,348,339	$2,751,073	6.1%

Other key highlights include:

- Current and other assets increased by $2,076,973.
- The liquidity ratio, otherwise known as the current ratio, as of the close of 2023 was 19.02.
- The District's net position is primarily committed to net investment in capital assets at 79.5%. Net position is also comprised of restricted for debt service at 0.5% and unrestricted at 20.0%.
- Noncurrent liabilities increased by $3,805,015, due to an increase in net pension and OPEB liabilities, which was partially offset by principal payments on debt obligations.

Statement of Revenues, Expenses and Changes in Net Position

Table 2 summarizes the changes in revenues and expenses and the resulting change in net position.

Table 2

	2023	2022	Change	% Change
Operating revenues				
Total operating revenues	$10,149,951	$9,457,304	$692,647	7.3%
Operating expenses				
Operating expenses	5,234,634	4,241,461	993,173	23.4%
Maintenance expenses	864,285	1,145,166	(280,881)	(24.5%)
Depreciation	2,218,217	2,409,499	(191,282)	(7.9%)
Total operating expenses	8,317,136	7,796,126	521,010	6.7%
Operating income	1,832,815	1,661,178	171,637	10.3%
Nonoperating revenue	991,675	703,412	288,263	41.0%
Nonoperating expenses	(73,416)	(92,804)	(19,388)	(20.9%)
Change in net position	2,751,074	2,271,786	479,288	21.1%
Net position beginning of year	45,348,338	43,076,553	2,271,785	5.3%
Net position end of year	$48,099,412	$45,348,339	$2,751,073	6.1%

Key highlights include:

- Total operating revenues increased $0.7 million or 7.3% in 2023 as water sales revenue slightly increased.
- The average customer paid $50.03 per month based upon 5,227 gallons of water consumption.
- The operating ratio for 2023 was 1.22, as operating revenues exceeded operating expenses by $1.8 million.
- Nonoperating revenues include intergovernmental and interest income and other nonoperating revenues.

- Net position increased by $2.8 million in 2023.

Capital Assets

A summary of the District's capital assets is shown in Table 3 below.

Table 3

	2023	2022	Change	% Change
Land	$1,664,110	$1,664,110	$0	0.0%
Construction in progress	2,550,691	1,644,495	906,196	55.1%
Water, production, treatments, and distribution systems, net	35,754,825	35,629,631	125,194	0.4%
Building, office, and equipment, net	1,683,877	1,532,360	151,517	9.9%
Total capital assets, net	$41,653,503	$40,470,596	$1,182,907	2.9%

Key highlights include:

- Capital asset additions outweighed retirements, disposals and depreciation during 2023 by $1.2 million.
- There was no land acquired during 2023.
- The District completed $3.1 million of construction in progress during 2023, converted $2.2 million to water, production, treatments, and distribution systems, as well as building, office, and equipment, and has remaining construction in progress of $2.6 million as of December 31, 2023.
- Depreciation recorded in 2023 was $2.2 million.
- Net capital assets are comprised of 85.8% water production, treatment and distribution systems, 6.1% construction in progress, 4.1% building, office and equipment and 4.0% land.

Additional information can be found in Note E to the financial statements.

Debt

Table 4 summarizes the District's long-term bonded debt and other obligations. The District has utilized long term debt to finance major capital improvement projects. In the past, special assessment bonds have been utilized to finance projects which extended water service into new service areas.

Table 4

	2023	2022	Change	% Change
USDA, rural development bonds	$1,087,205	$1,232,351	($145,146)	(11.8%)
Special assessment bonds	35,000	44,000	(9,000)	(20.5%)
OPWC loans	2,285,130	1,370,867	914,263	66.7%
Net long-term debt	$3,407,335	$2,647,218	$760,117	28.7%

Key highlights include:

- Bonded debt and loan obligations increased by 28.7% from 2022 to 2023 as a result of loan issuances and scheduled principal payments.
- Debt covenants were met in 2023 and 2022.

Additional information can be found in Note F to the financial statements.

Economic Factors

The District has budgeted an increase of $1.21 million in net position for the year ending December 31, 2024. Water rates were increased by 4.5%, effective February 1, 2024. The rate increase along with interest income and grant revenue will offset increases in operating and maintenance expenses. The 4.5% rate increase will generate approximately $400,000 in 2024, which will be utilized to combat various expected cost increases in treatment, utilities, vehicle maintenance, personnel, and distribution. Approval has been received from the Ohio Public Works Commission for Issue I grants for continued infrastructure improvements.

Contact Information

Questions regarding this report and requests for additional information should be forwarded to the General Manager, Southwest Regional Water District, 3640 Old Oxford Road, Hamilton, OH 45013.

Southwest Regional Water District

Statement of Net Position

As of December 31, 2023

Assets:	
Current Assets:	
Cash, Cash Equivalents, and Investments	$10,836,994
Accounts Receivable (Net of Allowance for Doubtful Accounts of $28,586)	621,955
Special Assessments Receivable, Current	12,910
Inventory	1,050,748
Prepaid Expenses	109,395
Total Current Assets	12,632,002
Other Assets:	
Restricted Cash, Cash Equivalents, and Investments	224,500
Special Assessments Receivable, Noncurrent	39,630
Total Other Assets	264,130
Capital Assets:	
Nondepreciable Capital Assets	4,214,801
Depreciable Capital Assets, Net	37,438,702
Total Capital Assets, Net	41,653,503
Total Assets	54,549,635
Deferred Outflows of Resources:	
Pension	1,752,540
OPEB	270,367
Total Deferred Outflows of Resources	2,022,907
Total Assets and Deferred Outflows of Resources	$56,572,542

(Continued)

Southwest Regional Water District

Statement of Net Position (Continued)

As of December 31, 2023

Liabilities:	
Current Liabilities:	
Current Maturities of Long-Term Obligations	$262,243
Accounts Payable	302,527
Accrued Liabilities	347
Tenant Deposits	63,085
Accrued Interest	36,005
Total Current Liabilities	664,207
Noncurrent Liabilities:	
Unearned Revenue	159,707
Long-Term Obligations, Net of Current Portion	3,145,092
Net Pension Liability	4,317,868
Net OPEB Liability	91,255
Total Noncurrent Liabilities	7,713,922
Total Liabilities	8,378,129
Deferred Inflows of Resources:	
Pension	59,708
OPEB	35,293
Total Deferred Inflows of Resources	95,001
Net Position:	
Net Investment in Capital Assets	38,246,168
Restricted for Debt Service	224,500
Unrestricted	9,628,744
Total Net Position	48,099,412
Total Liabilities, Deferred Inflows of Resources, and Net Position	$56,572,542

See the accompanying notes to the basic financial statements.

Southwest Regional Water District

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2023

Operating Revenues:	
Metered Water Sales to Customers	$9,243,959
Sales of New Taps	605,415
Penalties	115,957
Miscellaneous	184,620
Total Operating Revenues	10,149,951
Operating Expenses:	
Operations	5,234,634
Maintenance	864,285
Depreciation	2,218,217
Total Operating Expenses	8,317,136
Operating Income	1,832,815
Nonoperating Revenues (Expenses)	
Intergovernmental	547,271
Interest Income	437,804
Interest Expense and Fiscal Charges	(73,416)
Other Nonoperating Revenue, Net	6,600
Total Nonoperating Revenues (Expenses)	918,259
Change in Net Position	2,751,074
Net Position - Beginning of Year	45,348,338
Net Position - End of Year	$48,099,412

See the accompanying notes to the basic financial statements.

Southwest Regional Water District

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash Flow from Operating Activities:	
Receipts from Customers	$9,887,768
Receipts from Others	184,620
Payments to Suppliers and Vendors	(4,495,368)
Payments to Employees	(1,943,717)
Net Cash Provided by Operating Activities	3,633,303
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Capital Grants	547,271
Acquisition and Construction of Capital Assets	(3,401,125)
Payments on Borrowings	(211,621)
Proceeds from Debt Issuances	971,738
Collections on Special Assessments	11,843
Interest Paid	(81,203)
Net Cash Used by Capital and Related Financing Activities	(2,163,097)
Cash Flows from Noncapital Financing Activities	
Other Nonoperating Revenue	6,600
Net Cash Provided by Noncapital Financing Activities	6,600
Cash Flows from Investing Activities	
Interest Received	437,804
Net Cash Provided by Investing Activities	437,804
Net Change in Cash and Cash Equivalents	1,914,610
Cash, Cash Equivalents, and Investments - Beginning of Year	9,146,884
Cash, Cash Equivalents, and Investments - End of Year	$11,061,494
Reconciliation of Cash to the Statement of Net Position	
Cash, Cash Equivalents, and Investments	$10,836,994
Restricted Cash, Cash Equivalents, and Investments	224,500
Total Cash and Cash Equivalents	$11,061,494

(Continued)

Southwest Regional Water District
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2023

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$1,832,815
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	2,218,217
(Increase) Decrease in Accounts Receivable	(85,664)
(Increase) Decrease in Inventory	(532,716)
(Increase) Decrease in Prepaid Expenses	(17,380)
Increase (Decrease) in Accounts Payable	122,347
Increase (Decrease) in Accrued Liabilities	(44,512)
Increase (Decrease) in Tenant Deposits	635
Increase (Decrease) in Unearned Revenue	7,466
(Increase) Decrease in Net OPEB Asset	461,554
(Increase) Decrease in Deferred Outflows of Resources-Pension	(1,144,464)
(Increase) Decrease in Deferred Outflows of Resources-OPEB	(242,445)
Increase (Decrease) in Net Pension Liability	2,996,799
Increase (Decrease) in Net OPEB Liability	91,255
Increase (Decrease) in Deferred Inflows of Resources-Pension	(1,582,161)
Increase (Decrease) in Deferred Inflows of Resources-OPEB	(448,443)
Net Cash Provided by Operating Activities	$3,633,303

See the accompanying notes to the basic financial statements.

This page was intentionally left blank.

Note A - Nature of Organization

The Southwest Regional Water District was originally organized as the Southwestern Butler County Water Association, a not-for-profit rural water cooperative, in 1968. In 1976, the Southwestern Butler County Water Association merged with the Oxford-Milford Water Association. The Southwestern Butler County Water Association became Southwest Regional Water District (hereafter referred to as the District) on September 1, 1992, after petitioning and obtaining approval from the Court of Common Pleas of Butler County, Ohio. The District provides water services to the residents of Southwest Ohio in accordance with the provisions of Section 6119 et seq. of the Ohio Revised Code. The District is managed by a Board consisting of nine (9) trustees.

Note B - Summary of Significant Accounting Policies

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

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, to report on its financial position and the results of its operations, 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, liabilities, retained earnings/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 those costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Budgetary Process

Annually, the District adopts an operating budget. The annual budget is adopted and continues in effect until a new or amended budget is adopted. Based on the definitions for the legal adoption of a budget under both the Ohio Revised Code and GASB, a schedule or statement for the budget to actual results is not required to be presented for the District's basic financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from charges for metered water sales and other services. 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 these definitions are reported as nonoperating.

Accounts Receivable

Accounts receivable are shown at their net realizable value. The District has set up an allowance for doubtful accounts for 2023. Amounts determined to potentially be uncollectible are set up as an allowance and a corresponding entry to an expense account is recorded during the year that the accounts are determined to be potentially uncollectible. A percentage of revenues based on the amount of accounts sent to collections is used to determine the allowance.

Restricted Assets

Certain resources are set aside for the repayment of loans and as such are classified as restricted assets on the statement of net position because the use is limited by applicable security interests. The restricted assets are used for assuring payment of future principal and interest.

Capital Assets

Capital asset costs are stated at their historical cost and are depreciated over the estimated useful lives of the assets up to 40 years depending upon the type of asset. In addition, beginning in 1978, the District adopted the policy of including payroll costs, overhead expenses and interest costs incurred during the construction of the water system in the capital asset balance. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest. Depreciation is computed using the straight-line method over the following useful lives:

Water, production, treatments and distribution systems	5 - 40 years
Building, office and equipment	3 - 40 years

Cash and Cash Equivalents

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposits are reported at cost.

During fiscal year 2023, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for purchases or redemptions of $100 million or more. STAR Ohio reserves the right to limit the transaction to $250 million per day. Transactions in all of a participant’s accounts will be combined for this purpose.

Compensated Absences

The District does not have any significant compensated absences.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when their use is limited either through legislation adopted by the District, or restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted assets are available.

Inventory

The inventories of the District are valued at the lower of cost or market. Cost, as applied to inventory valuation, represents a moving average method whereby the cost per unit is recomputed after every addition to the inventory. The cost is expensed at the time individual inventory items are consumed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses that are amortized over the useful benefit period.

Pension/Other Postemployment Benefits

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources include pension and OPEB amounts. The details of those amounts are further explained in the pension and OPEB note disclosures (See Notes G and H).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow (revenues) until that time. For the District, deferred inflows of resources include pension and OPEB amounts. The details of those amounts are further explained in the pension and OPEB note disclosures (See Notes G and H).

Note C - Cash, Cash Equivalents and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawn 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 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 notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations for the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions .
6. The State Treasurer's investment pool (STAR Ohio) .
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at an one time.

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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

The District follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3*. GASB Statement No. 40 creates disclosure requirements for deposits and investments related to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk.

<u>Deposits</u>

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 have been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

- 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 one hundred five 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.

The carrying amount of the District deposits as of December 31, 2023 was $2,447,555 and the bank balance was $2,629,636. Of the bank balance:

- $250,000 as of December 31, 2023 was covered by FDIC, and
- $2,379,636 as of December 31, 2023 was collateralized by a third-party trustee in single institution collateral pools, securing all public funds on deposit with specific depository institutions and not subject to custodial credit risk.

<u>Investments</u>

The District follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* and records all its investments at fair value. As further discussed in Note B, STAR Ohio is reported at its share price.

As of December 31, 2023, the District had the following investments which mature in less than one year:

STAR Ohio	$8,613,939

The following is a reconciliation of cash and investments to the statement of net position as of December 31, 2023.

	Cash and cash equivalents	Restricted assets: cash and cash equivalents	Total
Investments (summarized above)	$8,389,439	$224,500	$8,613,939
Carrying amount of the District's deposits	2,447,555	0	2,447,555
Total	$10,836,994	$224,500	$11,061,494

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy requires that, to the extent possible, the General Manager will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions. The maximum maturity of any eligible instrument is five years from the settlement date, unless the investment is matched to a specific obligation or debt of the District. Any investment made must be purchased with reasonable expectation to be held to maturity.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintains the highest rating provided by at least one of the nationally recognized standard rating services. The District does not have an investment policy that addresses credit risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy does not address concentration of credit risk. The District has invested 100% of its investments in STAR Ohio.

Note D – Special Assessments Receivable

Special assessments receivables are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are collected through property tax assessments issued by the County Auditor. The receivable balance recognized at December 31, 2023 is only for current and active special assessments. The District tracks deferred agricultural property assessments and delinquent special assessments, but does not recognize the value of such due to the uncertain nature and timing of collection.

Deferred agricultural property is not subject to special assessments. A special assessment may only be realized when a property no longer qualifies for agricultural property status, as defined in Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame of collection is undeterminable and therefore the value of deferred agricultural property assessments are not recognized. The balance of deferred assessments at December 31, 2023 is $554,593.

The District may assess the final balance of any cancelled water account to the County Auditor for collection. During 2023, the District assessed $1,696 related to the final balance of cancelled water accounts.

The special assessment accounts receivable balance at December 31, 2023 is as follows:

Special assessments receivable - current portion	$12,910
Special assessments receivable - noncurrent	39,630
	$52,540

	Total assessment	Deferred assessment	Deferred Assessments as a % of total assessment	Payments	Payments as a % of total assessment	Assessment receivable
1994 Assessments	$227,778	$73,941	32.5%	$153,837	67.5%	$0
1996 Assessments	889,478	62,639	7.0%	826,839	93.0%	0
1997 Assessments	94,579	94,579	100.0%	0	0.0%	0
1999 Assessments	4,327,645	183,984	4.3%	4,138,030	95.6%	5,631
2000 Assessments	579,383	0	0.0%	579,383	100.0%	0
2002 Assessments	736,635	134,580	18.3%	599,933	81.4%	2,122
2007 Assessments	116,045	4,870	4.2%	70,920	61.1%	40,255
2019 Assessments	4,245	0	0.0%	4,245	100.0%	0
2020 Assessments	8,072	0	0.0%	7,153	88.6%	919
2021 Assessments	3,352	0	0.0%	2,279	68.0%	1,073
2022 Assessments	1,491	0	0.0%	647	43.4%	844
2023 Assessments	1,696	0	0.0%	0	0.0%	1,696
Total	$6,990,399	$554,593	7.9%	$6,383,266	91.3%	$52,540

Note E - Capital Assets

The following is a schedule of capital assets and related activity for the year ended December 31, 2023:

	Balance at 12/31/22	Additions	Retirements, transfers and disposals	Balance at 12/31/23
Non-depreciable capital assets:				
Land	$1,664,110	$0	$0	$1,664,110
Construction in progress	1,644,495	3,082,341	(2,176,145)	2,550,691
Total non-depreciable capital assets	3,308,605	3,082,341	(2,176,145)	4,214,801
Depreciable capital assets, net:				
Water, production, treatments and distribution systems	76,902,988	2,156,981	0	79,059,969
Building, office and equipment	4,756,269	337,947	0	5,094,216
Total depreciable capital assets	81,659,257	2,494,928	0	84,154,185
Less: accumulated depreciation:				
Water, production, treatments and distribution systems	(41,273,357)	(2,031,787)	0	(43,305,144)
Building, office and equipment	(3,223,909)	(186,430)	0	(3,410,339)
Total accumulated depreciation	(44,497,266)	(2,218,217)	0	(46,715,483)
Total depreciable capital assets, net	37,161,991	276,711	0	37,438,702
Capital assets, net	$40,470,596	$3,359,052	($2,176,145)	$41,653,503

Note F - Long-Term Obligations

Long-term obligations consist of:

Description	Balance 12/31/22	Issuance	Payments	Balance 12/31/23	Due within one year
USDA, Rural Development Bonds	$1,232,351	$0	($145,146)	$1,087,205	$154,399
Special Assessment Water Line Extension Bonds - Series 2007	44,000	0	(9,000)	35,000	9,000
OPWC Loans	1,370,867	971,738	(57,475)	2,285,130	98,844
Total long-term debt obligations	$2,647,218	$971,738	($211,621)	$3,407,335	$262,243

As of December 31, 2023, the annual debt service requirements to maturity for all long-term debt issuances are as follows:

Year	Principal	Interest
2024	$262,243	$71,409
2025	273,086	61,026
2026	283,557	49,956
2027	290,695	38,218
2028	296,542	26,010
2029-2033	704,522	13,407
2034-2038	439,308	0
2039-2043	238,796	0
2044-2048	167,075	0
2049-2053	165,527	0
Total	$3,121,351	$260,026

The schedule of maturity above will not agree to the long-term liabilities table on the previous age as one OPWC loan has not yet been finalized. Accordingly, the District has not received amortization schedule for that loan.

The majority of the District's debt is paid from revenues, excluding capital contributions. The District is required by bond trust agreements to meet a revenue to debt ratio of 1.0 for Rural Development Bonds and OPWC loans. These covenants were met in 2023.

USDA, Rural Development Bonds

The security agreements on the loans provide for annual payments to the USDA Rural Development with requirements for monthly amounts to a debt service account maintained by the District which is included in cash and cash equivalents. The agreements also provide for a reserve account by an annual appropriation of retained earnings for the estimated cost of the District's normal operations and maintenance expenses for the ensuing year.

The District has pledged future water customer revenues, net of specific operating expenses, to repay $2,931,000 in water revenue bonds issued in 1994. Proceeds from the bonds refinanced Rural Development mortgage notes. The bonds are payable solely from water customer net revenues and are payable through 2029. Annual principal and interest payments remaining on the bonds are expected to require approximately 3 percent of revenue. The total principal outstanding on the Rural Development bonds is $1,087,205 as of December 31, 2023.

Special Assessment Water Line Extension Bonds – Series 2007

During 2007, $126,000 of Water Line Extension, Special Assessment Series 2007, dated September 1, 2007 were issued. Payment on the bonds will be through property tax assessments of property owners benefiting from the water service provided. Payment of the bonds will be through the year 2027. The bonds mature at varying dates and require interest payments at a rate of 6%. The total principal outstanding was $35,000 as of December 31, 2023.

OPWC - Loans

The Ohio Public Works Commission loans are for water main and tank replacements and water tower painting. These loans are 20 to 30 years in length and are interest free. Principal payments are made twice a year. The OPWC loans contain maturities extending through 2053. The total principal outstanding was $2,285,130 as of December 31, 2023.

Note G – Defined Benefit Pension Plan

The Statewide retirement system provides both pension benefits and other postemployment benefits (OPEB).

Net Pension/OPEB Liability (Asset)

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

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

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/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 system may allocate a portion of the employer contributions to provide for 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 system to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, the 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 system to provide health care to eligible benefit recipients.

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* or *net OPEB liability* on the financial statements. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *accrued liabilities* on the financial statements.

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

Ohio Public Employees Retirement System

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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 amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible 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 on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

	State and Local
Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee*	10.0 %
Actual Contribution Rates	
Employer:	
Pension**	14.0 %
Post-Employment Health Care Benefits**	0.0
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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's contractually required contribution was $332,775 for 2023.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of the respective measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability:	
Current Measurement Date	0.014617%
Prior Measurement Date	0.015184%
Change in Proportionate Share	-0.000567%
Proportionate Share of the:	
Net Pension Liability	$4,317,868
Pension Expense	602,949

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

Deferred Outflows of Resources	
Differences between expected and actual experience	$143,421
Changes of assumptions	45,616
Net difference between projected and actual earnings on pension plan investments	1,230,728
District contributions subsequent to the measurement date	332,775
Total Deferred Outflows of Resources	$1,752,540
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$59,708
Total Deferred Inflows of Resources	$59,708

$332,775 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2023 will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension for the year ended December 31, 2023 will be recognized in pension expense as follows:

Year Ending December 31:	
2024	$122,822
2025	272,074
2026	362,262
2027	602,899
Total	$1,360,057

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets 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 12.1 percent for 2022.

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 geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	100.00%	

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$6,468,023	$4,317,868	$2,529,326

<u>Note H – Postemployment Benefits</u>

See note G for a description of the net pension liability (asset).

Ohio Public Employees Retirement System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 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.

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

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

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2023.

OPEB Liabilities (Assets), OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, 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 system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense (gain):

Proportionate Share of the Net OPEB Liability:	
Current Measurement Date	0.014473%
Prior Measurement Date	0.014736%
Change in Proportionate Share	-0.0002630%
Proportionate Share of the:	
Net OPEB Liability	$91,255
OPEB Expense (Gain)	(138,079)

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

Deferred Outflows of Resources	
Changes of assumptions	$89,130
Net difference between projected and actual earnings on pension plan investments	181,237
Total Deferred Outflows of Resources	$270,367
Deferred Inflows of Resources	
Differences between expected and actual experience	$22,763
Changes of assumptions	7,334
Changes in proportion and differences between District contributions and proportionate share of contributions	5,196
Total Deferred Inflows of Resources	$35,293

$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2024	$25,795
2025	65,209
2026	56,517
2027	87,553
Total	$235,074

Actuarial Assumptions

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

Projections of 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 OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, 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 15.6 percent for 2022.

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 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 rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00%	

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. 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 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower 4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
District's proportionate share of the net OPEB liability (asset)	$310,591	$91,255	($89,733)

Sensitivity of the District's Proportionate Share of the Net OPEB 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 asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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	$85,535	$91,255	$97,693

Note I – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year 2023, the District contracted for the following insurance coverage:

- General Liability
- Public Officials
- Inland Marine
- Automobile
- Faithful Performance and Employee Bond
- Health
- Cyber Security

Vehicle policies include liability coverage for bodily injury and property damage.

Worker's compensation benefits are provided through the State Bureau of Worker's Compensation.

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

Note J – Contingent Liabilities

Litigation

The District is not involved in any litigation seeking damages.

Federal and State Grants

The District participates in state and federally assisted programs. These programs are subject to financial and compliance audits by the grantors or their representative. As of December 31, 2023, audits of certain programs have not been completed. Accordingly, the District's compliance with applicable grant requirements will be established at some future date.

Note K – New Accounting Pronouncement

For fiscal year 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", Statement No. 96, "Subscription-Based Information Technology Arrangements", and Statement No. 99, "Omnibus 2022".

GASB Statement No. 94 provides guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (commonly referred to as P3s) and availability payment arrangements (APAs). It has guidance for P3 arrangements, including those that are outside of the scope of the GASB's existing literature for those transactions, namely Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, and Statement No. 87, Leases. The Statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for APAs.

GASB Statement No. 96 provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, “Leases”. It:

- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor’s IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction;
- Requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

GASB Statement No. 99 sets out to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

These changes were considered in the preparation of the District’s 2023 financial statements; however, there was no effect on beginning net position/fund balance nor was note disclosure presentation required.

This page was intentionally left blank.

Southwest Regional Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Ohio Public Employees Retirement System										
District's proportion of the net pension liability	0.016531%	0.016531%	0.016420%	0.015431%	0.015074%	0.015032%	0.014817%	0.015579%	0.015184%	0.014617%
District's proportionate share of the net pension liability	$1,948,790	$1,993,283	$2,844,176	$3,504,161	$2,364,858	$4,116,963	$2,928,602	$2,306,911	$1,321,069	$4,317,868
District's covered payroll	$1,855,569	$2,026,867	$2,044,492	$1,996,000	$1,952,546	$2,031,536	$2,139,764	$2,275,321	$2,297,921	$2,414,586
District's proportionate share of the net pension liability as a percentage of its covered payroll	105.02%	98.34%	139.11%	175.56%	121.12%	202.65%	136.87%	101.39%	57.49%	178.82%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.66%	74.70%	82.17%	86.88%	92.62%	75.74%

The amounts presented for each year were determined as of December 31 of the previous year, which is the District's measurement date.
See accompanying notes to the required supplementary information.

Southwest Regional Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Last Seven Years (1)

	2017	2018	2019	2020	2021	2022	2023
Ohio Public Employees Retirement System							
District's proportion of the net OPEB liability (asset)	0.014443%	0.014072%	0.014006%	0.014128%	0.015008%	0.014736%	0.014473%
District's proportionate share of the net OPEB liability (asset)	$1,458,817	$1,528,158	$1,826,058	$1,945,047	($266,512)	($461,554)	$91,255
District's covered-employee payroll	$1,996,000	$1,952,546	$2,031,536	$2,139,764	$2,275,321	$2,297,921	$2,414,586
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	73.09%	78.26%	89.89%	90.90%	-11.71%	-20.09%	3.78%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%	46.33%	47.80%	115.57%	128.23%	94.79%

The amounts presented for each year were determined as of December 31 of the previous year, which is the District's measurement date.
(1) Information not available prior to 2017.
See accompanying notes to the required supplementary information.

Southwest Regional Water District
Required Supplementary Information
Schedule of District Contributions
Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Ohio Public Employees Retirement System										
Contractually required contribution - pension	$243,224	$245,339	$239,520	$253,831	$284,415	$299,567	$318,545	$321,709	$338,042	$332,775
Contractually required contribution - OPEB (1)	40,537	40,890	39,920	22,029	0	0	0	0	0	0
Contractually required contribution - total	283,761	286,229	279,440	275,860	284,415	299,567	318,545	321,709	338,042	332,775
Contributions in relation to the contractually required contribution	243,224	245,339	239,520	253,831	284,415	299,567	318,545	321,709	338,042	332,775
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered-employee payroll	$2,026,867	$2,044,492	$1,996,000	$1,952,546	$2,031,536	$2,139,764	$2,275,321	$2,297,921	$2,414,586	$2,376,964
Contributions as a percentage of covered-employee payroll - pension	12.00%	12.00%	12.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	2.00%	2.00%	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

This page was intentionally left blank.

Ohio Public Employees Retirement System

Pension

Changes in benefit terms

There were no significant 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 percent simple to 3 percent simple through 2022 then 2.05 percent simple.

There were no significant changes in benefit terms for 2023.

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.

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

There were no significant changes in assumptions for 2023.

OPEB

Changes in benefit terms

There were no significant changes in benefit terms for 2018 through 2023.

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.

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 wage inflation rate decreased from 3.25 percent to 2.75 percent.
- 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.

For 2023, 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 6.00 percent to 5.22 percent.
- The municipal bond rate increased from 1.84 percent to 4.05 percent.

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

To the Board of Trustees
Southwest Regional Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Southwest Regional Water District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

8230 MONTGOMERY ROAD, SUITE 150 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
September 9, 2024

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHWEST REGIONAL WATER DISTRICT

BUTLER 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 11/7/2024

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