Certified Public Accountants, A.C.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2019-2018

313 Second St.	1907 Grand Central Ave.	150 W. Main St., #A	1310 Market St., #300	749 Wheeling Ave., #300
Marietta, OH 45750	Vienna, WV 26105	St. Clairsville, OH 43950	Wheeling, WV 26003	Cambridge, OH 43725
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OHIO AUDITOR OF STATE
KEITH FABER

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(800) 282-0370

Board of Directors
Scioto County Regional Water District #1
PO Box 310
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of the Scioto County Regional Water District #1, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Scioto County Regional Water District #1 is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 21, 2021

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SCIOTO COUNTY

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SCIOTO COUNTY

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INDEPENDENT AUDITOR'S REPORT

March 23, 2021

Scioto County Regional Water District #1
Scioto County
PO Box 310
Lucasville, OH 45648

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Scioto County Regional Water District #1**, Scioto County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Scioto County Regional Water District #1, Scioto County as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 11 and 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the schedule of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Our discussion and analysis of the Scioto County Regional Water District #1 financial performance provides an overview of the District's financial activities for the year ended December 31, 2019. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements and notes to those statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the District. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net position section is displayed in three categories: 1) Net Investment in Capital Assets 2) Restricted, and 3) Unrestricted.

2. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine the District's creditworthiness.

3. The *Statement of Cash Flows* includes a summary of the cash flows from operations, capital and related financing and investments during the reporting period. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income.

Overview of the Basic Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Net Position*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* includes all of the District's assets, liabilities, deferred outflows and deferred inflows with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenue, Expenses and Changes in Net Position* presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

The net pension liability (NPL) is the largest single liability reported by the District at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revised accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

Financial Highlights

During the year ending December 31, 2019, the District's operating revenues were $4,534,462. Operating expenses were $4,807,976 resulting in $273,514 loss from operations. There were no rate increases in 2019, so revenues remained stable and very similar to the previous year.

During 2019, the sale of bulk water was a significant source of revenue totaling $1,034,358. This was an increase from the previous year. We continue to be a back-up source for Southern Ohio Correctional Facility, and during several months of 2019 they used our services.

Several projects in the plant and distribution departments were completed in 2019. Plant projects included the development of new wells in the well field as well as rehabilitation of old wells. A new board room and additional offices were created at the Treatment Plant. Distribution projects included tank replacement for South Webster, High Street Pipe Replacement, and completion of the Jones Road Booster Station along with various other line replacement projects throughout the system.

We are continuing the GIS Project and continue to develop and enhance its capabilities with the goal of having a hydrology model of our water system. The electronic work order system, Workforce, put into operation in 2017 allows our data from the GIS System and our Utility Billing system to push information to the workers in the field. Based on that system, we implemented a Survey option in Workforce that allows us to document preventative maintenance on our infrastructure and assets. We also upgraded our Utility Billing System in the Office to the most up to date version called VIP enabling the office to interact with the billing system data more efficiently.

Financial Analysis of the District

Net Position - The District's net position between fiscal years 2018 and 2019 decreased from $10,736,732 to $10,575,664. This is a decrease of $161,068.

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Table 1
Net Position

Assets	**2019**	**2018**	Increase (Decrease)
Total Current Assets	$ 4,361,848	$ 4,656,333	$ (294,485)
Total Non-Current Assets	12,132,515	11,567,615	564,900
Total Assets	16,494,363	16,223,948	270,415
Deferred Outflows of Resources			
Deferred Charge on Debt	7,667	15,333	(7,666)
Deferred Hydrology	75,104	84,492	(9,388)
Deferred Pension	1,004,563	488,212	516,351
Deferred OPEB	123,691	90,701	32,990
Total Deferred Outflows of Resources	1,211,025	678,738	532,287
Liabilities			
Total Current Liabilities	410,115	538,418	(128,303)
Total Noncurrent Liabilities	6,652,017	5,049,777	1,602,240
Total Liabilities	7,062,132	5,588,195	1,473,937
Deferred Inflows of Resources			
Pension	55,234	470,021	(414,787)
OPEB	12,358	107,736	(95,378)
Net Investment in Capital Assets	10,109,051	9,441,302	667,749
Restricted for Other Purposes	257,460	254,700	2,760
Unrestricted	209,153	1,040,730	(831,577)
Total Net Position	$ 10,575,664	$ 10,736,732	$ (161,068)

Net position represents the difference between all other elements of the Statement of Net Position. 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.

Change in Net Position – The District's operating revenue has a decrease of $58,383; operating expenses had an increase of $554,040. This increase was a result of the retirement expenses recognized in the GASB 68 and 75 calculations.

In fiscal year 2019, 99% of the District's operating revenues came from water and tap sales with $1,034,358 coming from bulk customers. Water Tap Sales were $25,619 resulting in a Change in Net Position of ($161,068). Overall, revenues and expenses remained stable.

Table 2
Changes in Net Position

	2019	2018	Increase (Decrease)
Operating Revenues			
Water Sales	$ 4,476,686	$ 4,538,958	$ (62,272)
Water Tap Sales	25,619	28,700	(3,081)
Lab Test Fees	2,384	2,178	206
Miscellaneous	29,773	23,009	6,764
Non-Operating Revenues			
Gain/Loss on Sale of Asset	3,733	33,271	(29,538)
Interest Income	76,965	61,836	15,129
Total Revenues	**4,615,160**	**4,687,952**	**(72,792)**
Operating Expenses			
Supply and Treatment	1,706,390	1,561,231	145,159
Distribution	1,264,969	1,120,727	144,242
Administration, Billing, and Office	1,147,479	958,647	188,832
Board Expenses	12,351	13,057	(706)
Depreciation Expenses	676,787	600,274	76,513
Non-Operating Expenses			
Interest Expense	88,588	92,576	(3,988)
Total Expenses	**4,896,564**	**4,346,512**	**550,052**
Income Before Contributions	**(281,404)**	**341,440**	**(622,844)**
Total Capital Contributions	120,336	131,135	(10,799)
Change in Net Position	(161,068)	472,575	(633,643)
Net Position Beginning of Year	10,736,732	10,264,157	472,575
Net Position End of Year	$ 10,575,664	$ 10,736,732	$ (161,068)

Capital Position

As of December 31, 2019, the District had invested over $11.8 million in capital assets. This amount represents a net increase of $562,140 over the prior year. Construction in Progress decreased by $723,778 as several projects were completed in 2019. More detailed information about the District's capital position is presented in Note 4 to the basic financial statements.

Table 3
Capital Assets

	2019	2018
Land	$ 1,288,066	$ 1,269,570
Construction and Assets in Progress	515,300	1,239,078
Source of Supply	2,119,808	1,482,778
Water Treatment Plant	5,526,759	5,451,534
Distribution System	15,537,504	14,498,496
Transportation Equipment	845,773	791,908
Office Furniture and Equipment	505,146	457,906
Other Equipment	1,680,971	1,607,691
Less: Accumulated Depreciation	(16,144,272)	(15,486,046)
Totals	$ 11,875,055	$ 11,312,915

Budget Analysis

The District exceeded the budgeted revenue for 2019 by $55,856. Total receipts collected were over $4.6 million. The District's expenses exceeded the budgeted amount by approximately $87,861 (excluding depreciation, GASB 68 pension expense, and GASB 75 OPEB Expense). The District expenses for 2019 totaled with the depreciation and the GASB 68 pension expense was $4,896,564.

Debt Administration

At December 31, 2019, the District had $1,600,000 in bonds payable. The total OPWC debt is $154,892. More detailed information about the District's long-term debt is presented in Note 5 to the Basic Financial Statements.

Economic Factors

The District's financial condition remains stable as upgrades and improvements to the system are completed. Additional money for capital improvement was obtained through a bond renewal in 2011, giving the district funds to complete/begin several important operational projects. Expansion of the Well Field continues and rehabilitation of old wells is currently in progress. A significant line replacement project was completed in Minford, the Jones Road Booster Station was put into operation, and a new tank to serve the Village of South Webster was constructed. Revenue remained stable in 2019 with a slight decrease of ($113,827) over the previous year. The local economic conditions continue to challenge the district with customer delinquency, water theft, and foreclosures. However, the District continues to experience steady Tap Sales in 2019 which is a promising indicator. Southern Ohio Correction Facility used the District for water service during several months of 2019 and the District works toward becoming a more consistent provider.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Kathie Edwards, Treasurer at Scioto County Regional Water District #1 located at 326 Robert Lucas Road, Lucasville Ohio 45648, (740) 259-2301.

Scioto County Regional Water District #1
Statement of Net Position
For the Year Ending December 31, 2019

Assets		2019
Current Assets		
Cash and Cash Equivalents	$	3,447,512
Accounts Receivable		707,220
Deposits		3,300
Inventories		194,077
Prepaid Expenses		9,739
Total Current Assets		4,361,848
Non-Current Assets		
Restricted Assets:		
Investments		257,460
Capital Assets:		
Non-Depreciable Capital Assets		1,803,366
Depreciable Capital Assets, Net of Accum Depreciation		10,071,689
Total Capital Assets		11,875,055
Total Non-Current Assets		12,132,515
Total Assets	**$**	**16,494,363**
Deferred Outflows of Resources		
Deferred Charge on Debt	$	7,667
Deferred Hydrology		75,104
Deferred Pension Related		1,004,563
Deferred OPEB		123,691
Total Deferred Outflows of Resources	**$**	**1,211,025**
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$**	**17,705,388**

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Statement of Net Position (Continued)
For the Year Ending December 31, 2019

Liabilities		**2019**
Current Liabilities		
Accounts Payable	$	98,055
Accrued Wages		13,092
Employee Withholding Payable		1,956
Unset Water Taps Payable		20,000
Compensated Absences Payable		141,986
Customer Deposits		3,000
Current Bonds Payable		100,000
Current OPWC Payable		27,774
Current Capital Lease Payable		4,252
Total Current Liabilities		410,115
Noncurrent Liabilities		
Long Term Compensated Abs		153,446
Capital Lease Payable		14,527
OPWC Loan Payable		127,118
Net Pension Liability		3,365,159
Net OPEB Liability		1,491,767
Revenues Bonds Payable		1,500,000
Total Noncurrent Liabilities		6,652,017
Total Liabilities	$	7,062,132
Deferred Inflows of Resources		
Pension	$	55,234
OPEB		12,358
Total Deferred Inflows of Resources	**$**	**67,592**
Net Position		
Net investment in capital assets	$	10,109,051
Restricted for:		
Debt Service		257,460
Unrestricted		209,153
Total Net Position	**$**	**10,575,664**
TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION	**$**	**17,705,388**

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ending December 31, 2019

		2019
Operating Revenues		
Water Sales	$	4,476,686
Water Tap Sales		25,619
Lab Test Fees		2,384
Miscellaneous		29,773
Total Operating Revenues		**4,534,462**
Operating Expenses		
Supply and Treatment		1,706,390
Distribution		1,264,969
Administration, Billing, and Office		1,147,479
Board Expenses		12,351
Depreciation Expenses		676,787
Total Operating Expenses		**4,807,976**
Operating Income		**(273,514)**
Non-Operating Revenues		
Gain/Loss on Sale of Asset		3,733
Interest Income		76,965
Interest Expense		(88,588)
Total Non-Operating Revenues/Expenses		**(7,890)**
Income Before Contributions		**(281,404)**
Capital Contributions		
Capital Contributions from Other Governments		368
Capital Contributions from Grant		119,968
Total Capital Contributions		**120,336**
Change in Net Assets		(161,068)
Net Position Beginning of Year		10,736,732
Net Position End of Year	$	10,575,664

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows
For the Year Ending December 31, 2019

	2019
Cash flows from Operating Activities:	
Receipts from Customers	$ 4,573,474
Receipts from Others	8,164
Payments to Suppliers and Vendors	1,208,090
Payments to Employees	(4,805,551)
Net cash provided by operating activities	984,177
Cash Flows from Capital and Related Financing Activities:	
Principal on Bond	(95,000)
Interest on Bond	(88,588)
OPWC principal	(27,774)
Xerox principal	(11,760)
Proceeds from Grant funds	119,968
Proceeds from Contributed Revenue	368
Proceeds from Sale of Capital Assets	3,733
Payments for Capital Acquisitions	(1,217,668)
Net cash used by capital and related financing activities	(1,316,721)
Cash Flows from Investing Activities:	
Interest earned	76,965
Net cash provided by Investing Activities	76,965
Net increase/decrease in cash and cash equivalents	(255,579)
Cash and cash equivalents, January 1, 2019	3,960,551
Cash and cash equivalents, December 31, 2019	**$ 3,704,972**

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows (Continued)
For the Year Ending December 31, 2019

Reconciliation of Operating Income to Net Cash Provided by	
Operating Income	$ (273,514)
Adjustments:	
Depreciation Expense	676,787
Change in Assets	
(Increase) Decrease in Accounts Receivable	47,176
(increase) Decrease Deposits	1,150
(Increase) Decrease Inventories	(19,139)
(Increase) Decrease in Prepaid Expenses	6,958
(Increase) Decrease Deferred Charges	7,666
(Increase) Decrease Deferred Hydrology	9,388
(Increase)Decrease Deferred Outflows of Resources	(549,341)
Change in Liabilities	
Increase (Decrease) in Accounts Payable	(72,624)
Increase (Decrease) in Accrued Wages	(49,875)
Increase (Decrease) in Employee Withholding Payable	(24,007)
Increase (Decrease) in Water Taps Payable	(7,900)
Increase (Decrease) in Compensated Absences Payable	26,432
Increase (Decrease) in Customer Deposits Payable	(450)
Increase (Decrease) in Pension Liability	1,456,394
Increase (Decrease) in OPEB Liability	259,241
Increase (Decrease) Deferred Inflows of Resources	(510,165)
Total Adjustments	1,257,691
Net Cash Provided by Operating Activities	$ 984,177

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - DESCRIPTION OF THE ENTITY

The Scioto County Regional Water District #1 (the District) is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Scioto County in August of 1966. The Regional Water District Number One operates under the direction of a seven-member board of trustees. An appointed staff consisting of a superintendent, a plant superintendent, a distribution superintendent, and an office manager are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all or parts of the following political subdivisions:

Bloom Township
Clay Township
Harrison Township
Jefferson Township
Madison Township
Porter Township
Valley Township
Vernon Township
South Webster Village

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all fund, department, board, and agencies that are not legally separate from the District. For Scioto County Regional Water District #1 this includes general operations of the District.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus and Basic of Accounting

The District's operations are financed and operated in a manner similar to a private business enterprise where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy management control, accountability or other purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure Focus and Basic of Accounting (Continued)

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Position. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The District's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

Capital Assets

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their acquisition value at the time received. Capital Assets are defined as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of three years. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the financial statements are at cost less accumulated depreciation.

The estimated useful lives by major capital asset class are as follows:

Source of Supply	8 years
Transportation Equipment	5 years
Water Treatment Plant	40 years
Other Equipment	5 years
Distribution System & Lines	40 years
Furniture and Office Equipment	10 years

Inventory

The District maintains material inventory for its proprietary fund. Inventory is valued at cost and the District uses the first-in, first-out (FIFO) flow assumption in determining cost.

Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed uncollectible, they are expensed in the year in which that determination is made.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

The District is required to keep an account in reserve that is equal to the year with the highest principal and interest total on the bond amortization schedule. This amount is $257,460. The District is also required to maintain accounts for the principal and interest payments on the bond.

Compensated Absences

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the District as the benefits accrue to the employees. In accordance with the provisions of Governmental Accounting Standards Statement No.16, Accounting for Compensated Absences, a liability is recorded for vested sick pay benefits which have been defined by District policy as available to those employees with ten years or more of service up to a maximum of 480 hours.

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. The Proprietary fund's interest in the pool is presented as "cash and cash equivalents" on the Statement of Net Position.

During 2019, the District invested in negotiable certificates of deposit, federal agency securities, mutual funds, and Start Ohio. Investments are reported at fair value which is based on quoted market price or current share price. Star Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants". The District measures the 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 that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding $25 million. Star Ohio reserves the right to limit the transaction to $50 million requiring the excess amount to be transacted the following business day(s) but only to the $50 million limit. All accounts of the participant will be combined for this purpose.

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restriction associated with each type of fund is as follows:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund - The proprietary fund is used to account for the District's ongoing activities that are similar to those found in the private sector. The following is the District's proprietary fund type:

> **Enterprise Fund -** This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Deferred Charges

Deferred charges are non-regularly recurring, non-capital costs of operations that benefit future periods. These costs include those incurred in connection with a bond issuance in 2011. Deferred charges expense for 2019 was $7,666. Additional deferred charges were incurred with a Hydrology study of the Well Field. Deferred charges expense for 2019 was $9,388.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the Statement of Net Position for pension, other post-employment benefits (OPEB) and deferred debt charges. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position 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 until that time. For the District, deferred inflows of resources are reported on the Statement of Net Position for pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 9 and 10.

Prepaid Expenses

Prepaid Expenses are charges entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Prepaid expenses for 2019 were $9,739.

Estimates

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the differences in all other elements of the Statement of Net Position. 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 improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Net position restricted for debt service consists of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements.

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

Operating Revenues and Expenses

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

NOTE 3 - EQUITY IN POOLED CASH 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 can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAROhio);

7. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name.

Cash on Hand - At year end, the District had $400 in undeposited cash on hand which is included on the Statement of Net Position of the District as part of "cash and cash equivalents".

Deposits At year end, the carrying amount of the District's deposits and the bank balance was $413,753. Of the bank balance at year end 2019, $250,000 was covered by federal depository insurance. The remaining balances were covered by a 105% public depository pool, which was collateralized with securities held by the pledging institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments The District had the following investments at December 31, 2019:

	Carrying Amount	Fair Value
Star Plus	$ 203,363	$ 203,363
Star Ohio	2,829,996	2,829,996
Reserve Bond Trust - Cash Equivalents	190,938	190,938
Reserve Bond Payment - Cash Equivalents	58,540	58,540
Reserve Bond Interest - Cash Equivalents	7,981	7,981
Total Investments	$ 3,290,818	$ 3,290,818

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of December 31, 2019. All of the District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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 Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions.

The District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within two years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.

NOTE 4 – CAPITAL ASSETS

A summary of the District's capital assets as of December 31, 2019, are as follows:

	2018	Additions	Deletions	2019
Capital Assets, Not Being Depreciated				
Land	$ 1,269,570	$ 18,496	$ -	$ 1,288,066
Construction in Progress	1,239,078	1,189,683	(1,913,461)	515,300
Total Capital Assets, Not Being Depreciated	2,508,648	1,208,179	(1,913,461)	1,803,366
Capital Assets Being Depreciated				
Source of Supply	1,482,778	637,030	-	2,119,808
Water Treatment Plant	5,451,534	75,225	-	5,526,759
Distribution System	14,498,496	1,039,008	-	15,537,504
Transportation Equipment	791,908	53,865	-	845,773
Office Furniture & Equipment	457,906	70,606	(23,366)	505,146
Other Equipment	1,607,691	73,280	-	1,680,971
Total Capital Assets Being Depreciated	24,290,313	1,949,014	(23,366)	26,215,961
Less Accumulated Depreciation				
Source of Supply	(948,080)	(69,791)	-	(1,017,871)
Water Treatment Plant	(3,774,231)	(131,539)	-	(3,905,770)
Distribution System	(8,690,925)	(356,383)	-	(9,047,308)
Transportation Equipment	(647,689)	(28,743)	-	(676,432)
Office Furniture & Equipment	(246,929)	(25,797)	18,559	(254,167)
Other Equipment	(1,178,192)	(64,534)	-	(1,242,726)
Less Accumulated Depreciation	(15,486,046)	(676,787)	18,559	(16,144,274)
Total Capital Assets Being Depreciated, Net	8,804,267	1,272,227	(4,807)	10,071,687
Total Capital Assets, net	$ 11,312,915	$ 2,480,406	$ (1,918,268)	$ 11,875,053

NOTE 5 - DEBT OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the District during 2019, follows:

	Amount Outstanding 12/31/18	Additions	Deletions	Amount Outstanding 12/31/19	Amounts Due in One Year
Water System Revenue Refunding & Improvement Bonds (2011)	$ 1,695,000	$ -	$ (95,000)	$ 1,600,000	$ 100,000
OPWC Loans 1999-2013 (0.00%)	182,667	-	(27,775)	154,892	27,774
Compensated Absences	269,000	26,432	-	295,432	141,986
Net Pension Liability	1,908,765	1,456,394	-	3,365,159	-
Net OPEB	1,232,526	259,241	-	1,491,767	-
Total	$ 5,287,958	$ 1,742,067	$ 122,775	$ 6,907,250	$ 269,760

The revenue refunding and improvement bonds are special obligations of the District, payable solely from the pledged revenues of its water system and the revenue fund created under the indenture. The bonds were issued to fund capital expenditures to improve the system at a rate of 2.00%-5.63%. Payments are made yearly.

The OPWC loans were issued for the purpose of financing the Fairgrounds Road waterline, Clarktown Water Tank, Number 5 Pump Station, Northwest Main Supply Line, and the Cross Country Water Line projects. Revenue of the District has been pledged to repay this debt. Payments of $13,887 with 0% interest are made semi-annually.

NOTE 5 - DEBT OBLIGATIONS (Continued)

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

Year Ending	Improvement Bonds Principal	Improvement Bonds Interest	OPWC Loans Principal	OPWC Loans Interest	Total Principal	Total Interest
2020	$ 100,000	$ 83,338	$ 27,774	$ -	$ 127,774	$ 83,338
2021	105,000	82,069	22,213	-	127,213	82,069
2022	110,000	77,344	15,141	-	125,141	77,344
2023	115,000	71,844	13,632	-	128,632	71,844
2024	120,000	66,094	13,632	-	133,632	66,094
2025-2029	710,000	221,625	62,500	-	772,500	221,625
2030-2031	340,000	29,250	-	-	340,000	29,250
	$ 1,600,000	$ 631,564	$154,892	$ -	$ 1,754,892	$631,564

NOTE 6 - LEASE

The District entered into an agreement to lease a copier during fiscal year 2019. The terms of the Agreement provides options to purchase the equipment.

The capital asset acquired in 2019 by the lease has been capitalized in the Statement of Net Position in the amount of $18,779 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position. Principal payments in fiscal year 2019 totaled $11,759.

The asset acquired through the capital lease is as follows:

	Amount Outstanding 12/31/18	Additions	Deletions	Amount Outstanding 12/31/19	Due in One Year
Xerox Coper (2015)	$ 2,256	$ -	$ (2,256)	$ -	$ -
Xerox Coper (2015)	7,023	-	(7,023)	-	-
Xerox Coper (2019)	-	21,258	(2,479)	18,779	4,252
Total	$ 9,279	$ 21,258	$ 11,758	$ 18,779	$ 4,252

NOTE 6 – LEASE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2019:

Year Ending December 31	**Xerox Leases**
2020	$ 4,252
2021	4,252
2022	4,251
2023	4,252
2024	1,772
Total Lease Payments	$ 18,779

NOTE 7 – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage for bodily injury, personal injury, general liability, boiler and machinery coverage and fleet (automotive) insurance in addition to professional liability coverage for officers and board members. In 2019, the District had coverage through Glatfelter Public Practice Underwritten by American Alternative Insurance Corporation. There has been no significant reduction in insurance coverages from coverages in the prior year.

In addition, the District has a Cyber Liability policy through Lloyds/CFC Underwriting Ltd to cover losses related to Cyber Incident Response, Cyber Crime, System Damage and Business Interruption, Network Security Liability, Media Liability, Technology Errors and Omissions, and Court Attendance Costs.

Workers' Compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate established by the State on an annual basis. The rate is determined based on accident history and administrative costs.

The District has elected to provide a health and life insurance plan for the District's full-time employees through Federated Insurance Group Health Plan. It relies on a Cigna Network. The District also provides employees with a Heath Savings Plan to supplement for the cost of a high-deductible health plan.

NOTE 8 - COMPENSATED ABSENCES

All full-time District employees earn vacation at varying rates based upon length of service. Upon separation from the District, the employee (or his estate) is paid for his accumulated unused vacation leave balance. All full-time District employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the District, an employee shall receive monetary compensation for a portion of each day of unused sick leave; the monetary compensation shall be at the hourly rate of the employee at the time of retirement.

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 2019, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was $295,432.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Asset and Liability

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

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

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

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

The proportionate share of each plan's excess funded, or unfunded benefits is presented as a long-term net pension asset or liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contributions for the traditional plan for 2019, 2018, and 2017 were $205,871, $197,586, and $186,808, respectively. 100% has been contributed for 2019, 2018, and 2017. Of the amount for 2019, $0 is reported as intergovernmental payable.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

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

The net pension asset and liability were measured as of December 31, 2018, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of that date. The District's proportions of the net pension asset and liability were 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:

Pension Liability / (Asset)	$ 3,365,159
Proportion of the Net Pension Liability / (Asset)	0.012287%
Increase/(decrease) in % from prior proportion measured	0.012000%
Pension Expense	$ 764,334

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 456,747
Changes in assumptions	292,943
Differences between expected and	-
actual experience	156
Changes in proportion and differences between contributions and proportionate share of contributions	15,639
Authority contributions subsequent to the measurement date	239,078
Total Deferred Outflows of Resources	$ 1,004,563
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 44,187
Changes in proportion and differences government contributions and proportionate share of contributions	$ 11,047
Total Deferred Inflows of Resources	$ 55,234

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

$239,078 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	Traditional Pension Plan
2020	$ 301,656
2021	153,805
2022	42,372
2023	212,418
Total	$ 710,251

Actuarial Assumptions - OPERS

OPERS' total pension asset and liability were determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2018, are presented below:

Key Methods and Assumptions used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	31-Dec-18
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Invest Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75%
	(includes wage inflation of 3.25%)
Cost of Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple
	Post - 1/7/2013 Retirees: 3.00% Simple through
	2018, then 2.15% simple

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

During 2018 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation For 2018	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Employer's Net Pension Liability	**1% Decrease 6.20%**	**Current Discount Rate 7.2%**	**1% Increase 8.20%**
Traditional Pension Plan	$ 4,971,320	$ 3,365,159	$ 2,030,427

NOTE 10 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

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

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

NOTE 10– DEFINED BENEFIT OPEB PLAN (Continued)

Plan Description

The District's employees participate in the Ohio Public Employees Retirement System of Ohio (OPERS), which is a cost-sharing, multiple-employer retirement plan. OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a prefunded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member- Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans. The Plan is included in the report of OPERS which can be obtained by visiting www.opers.org or by calling (800) 222-7377.

Funding Policy – Ohio Revised Code Chapter 145 authorizes OPERS to offer the Plan and gives the OPERS Board of Trustees discretionary District over how much, if any, of the health care costs will be absorbed by OPERS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the year ended December 31, 2018, OPERS allocated 0.0% of employer contributions to post-employment health care.

Net OPEB Liability

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

	OPERS
Proportionate Share of the Net OPEB Liability	$ 1,491,767
Proportion of the Net OPEB Liability	0.011442%
Increase/(decrease) in % from Prior Year Proportion	0.000092%
OPEB Expense	$ 130,873

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$68,389
Changes in assumptions	48,097
Differences between expected and actual experience	505
Changes in proportion and differences between contributions and proportionate share of contributions	6,700
Total Deferred Outflow of Resources	$123,691
Deferred Inflows of Resources	
Differences between expected and actual experience	$4,049
Changes in proportion and differences between contributions and proportionate	8,309
Total Deferred Inflows of Resources	$12,358

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

Year Ending December 31:	
2020	$ 49,157
2021	16,361
2022	11,364
2023	34,451
Total	$ 111,333

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions - OPERS

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

Key Methods and Assumptions used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	31-Dec-17
Rolled-forward measurement d	31-Dec-18
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Single Discount Rate	3.96%
Invest Rate of Return	6.00%
Municipal Bond Rate	3.71%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75%
	(includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029

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

A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed 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 the year 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 2.96%	Discount Rate 3.96%	1% Inrease 4.96%
District's proportionate share of the net OPEB liability	$ 1,908,526	$ 1,491,767	$ 1,160,333

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Case Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$ 1,433,911	$ 1,491,767	$ 1,558,400

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

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

Asset Class	Target Allocation for 2018	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	**100.00%**	**5.16%**

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is a loss of 5.6% for 2018.

NOTE 11 – SUBSEQUENT EVENTS

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2019

Last 6 Fiscal Years

Public Employees' Retirement System

	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset) (percentage)	0.012287%	0.012167%	0.012383%	0.011834%	0.011584%	0.011584%
District's proportionate share of the net pension liability (asset)	$ 3,365,159	$ 1,908,766	$ 2,811,969	$ 2,049,798	$ 1,397,160	$ 1,365,603
District's covered payroll	$ 1,659,630	$ 1,607,824	$ 1,600,774	$ 1,472,893	$ 1,424,908	$ 1,329,400
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	202.77%	118.72%	175.66%	139.17%	98.05%	102.72%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

Information prior to 2013 is not available.

This information is presented as of the measurement date.

See accompanying notes to the required supplementary information.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Last 7 Fiscal Years

Public Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 239,078	$ 232,348	$ 209,017	$ 192,093	$ 176,747	$ 170,989	$ 172,810
Contributions in relation to contractually required contribution	(239,078)	(232,348)	(209,017)	(192,093)	(176,747)	(170,989)	(172,810)
Contribution deficit (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,707,699	$ 1,659,630	$ 1,607,824	$ 1,600,774	$ 1,472,893	$ 1,424,908	$ 1,329,400
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

Information prior to 2013 is not available.

This schedule will be built prospectively.

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See accompanying notes to the required supplementary information.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
DECEMBER 31, 2019

Last 3 Fiscal Years

Health Care Trust

	2018	2017	2016
District's proportion of the net OPEB liability (asset) (percentage)	0.011442%	0.011350%	0.011583%
District's proportionate share of the net OPEB liability (asset)	$ 1,491,767	$ 1,232,526	$ 1,169,922
District's covered payroll	$ 1,659,630	$ 1,607,824	$ 1,600,774
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	89.89%	76.66%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	N/A

Information prior to 2016 is not available.

This information is presented as of the measurement date.

See accompanying notes to the required supplementary information.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Last 7 Fiscal Years

Health Care Trust

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ -	$ -	$ 16,078	$ 32,015	$ 29,458	$ 28,498	$ 13,293
Contributions in relation to contractually required contribution	-	-	(16,078)	(32,015)	(29,458)	(28,498)	(13,293)
Contribution deficit (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,707,699	$ 1,659,630	$ 1,607,824	$ 1,600,774	$ 1,472,893	$ 1,424,908	$ 1,329,400
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

Information prior to 2013 is not available.

This schedule will be built prospectively.

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See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

Changes in Assumptions – OPERS

Pension

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

Key Methods and Assumptions Used in Valution of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3/00% Simple through 2018, then 2.15% Simple

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. The significant change was a reduction in the investment rate of return from 7.50% to 7.20%.

Amounts reported for fiscal year 2017 (Measurement Period 2016) incorporated changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 (Measurement Period 2015) and prior are presented below:

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

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

Changes in Assumptions – OPERS (Continued)

OPEB

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2017	December 31, 2016
Rolled-forward measurment date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal	Individual entry age normal
Actuarial Assumptions:		
Single Discount Rate	3.96%	3.85%
Investment Rate of Return	6.00%	6.50%
Municipal Bond Rate	3.71%	3.31%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029	7.25% initial, 3.25% ultimate in 2028

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included an increase of the discount rate from 3.85% to 3.96%, an reduction in the investment rate of return from 6.50% to 6.0%, an increase in the municipal bond rate from 3.31% to 3.71%, and an increase in the initial health care cost trend rate from 7.25% to 10.0%.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Our discussion and analysis of the Scioto County Regional Water District #1 financial performance provides an overview of the District's financial activities for the year ended December 31, 2018. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements and notes to those statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the District. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net position section is displayed in three categories: 1) Net Investment in Capital Assets 2) Restricted, and 3) Unrestricted.

2. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine the District's creditworthiness.

3. The *Statement of Cash Flows* includes a summary of the cash flows from operations, capital and related financing and investments during the reporting period. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income.

Overview of the Basic Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Net Position*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* includes all of the District's assets, liabilities, deferred outflows and deferred inflows with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenue, Expenses and Changes in Net Position* presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

The net pension liability (NPL) is the largest single liability reported by the District at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $11,413,889 to $10,260,045.

Financial Highlights

During the year ending December 31, 2018, the District's operating revenues were $4,592,845. Operating expenses were $4,253,936 resulting in $338,909 gain from operations. There were no rate increases in 2018, so revenues remained stable and very similar to the previous year.

During 2018, the sale of bulk water was a significant source of revenue totaling $887,634. This was an increase from the previous year. We continue to be a back-up source for Southern Ohio Correctional Facility, and during several months of 2018 they used our services. Portsmouth Joint Venture (PJV), the entity constructing the 823 Bypass, was an additional source of bulk water revenue in 2018. The Bypass was completed in December 2018 therefore that source of revenue will diminish.

Several projects in the plant and distribution departments were completed in 2018. Plant projects included the development of new wells in the well field as well as rehabilitation of old wells. A new office building was purchased and remodeled, and the office staff was relocated to a site away from the Treatment Plant. Distribution projects included tank replacement for South Webster, Hickman Booster Upgrade, and completion of the work on the line relocations required by the ODOT Bypass State Route 823 along with various other line replacement projects throughout the system.

We are continuing the GIS Project and continue to develop and enhance its capabilities with the goal of having a hydrology model of our water system. The electronic work order system, Workforce, put into operation in 2017 allows our data from the GIS System and our Utility Billing system to push information to the workers in the field. Based on that system, we are implementing a Survey option in Workforce that will allow us to document preventative maintenance on our infrastructure and assets

Financial Analysis of the District

Net Position - The District's net position between fiscal years 2017 and 2018 increased from $10,264,157 (restated) to 10,736,732. This is an increase of $472,575.

Table 1
Net Position

Assets	**2018**	**2017**	**Increase (Decrease)**
Total Current Assets	$ 4,656,333	$ 4,687,584	$ (31,251)
Total Non-Current Assets	11,567,615	10,778,388	789,227
Total Assets	16,223,948	15,465,972	757,976
Deferred Outflows of Resources			
Deferred Charge on Debt	15,333	23,000	(7,667)
Deferred Hydrology	84,492	93,880	(9,388)
Deferred Pension Related	488,212	1,134,947	(646,735)
Deferred OPEB	90,701	-	90,701
Total Deferred Outflows of Resources	678,738	1,251,827	(573,089)
Liabilities			
Total Current Liabilities	538,418	441,095	97,323
Total Noncurrent Liabilities	5,049,777	4,846,080	203,697
Total Liabilities	5,588,195	5,287,175	301,020
Deferred Inflows of Resources			
Pension	470,021	16,735	453,286
OPEB	107,736	-	107,736
Net Investment in Capital Assets	9,441,302	8,525,232	916,070
Restricted for Other Purposes	254,700	255,766	(1,066)
Unrestricted	1,040,730	2,632,891	(1,592,161)
Total Net Position	$ 10,736,732	$ 11,413,889	$ (677,157)

Net position represents the difference between all other elements of the statement of net position. 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.

Change in Net Position – The District's operating revenue was $4,592,845; operating expenses had a decrease of $68,393.

In fiscal year 2018, 99% of the District's operating revenues came from water and tap sales with $887,634 coming from bulk customers. In addition, Water Tap Sales were $28,700 resulting in a Change in Net Position of $472,575. Overall, revenues and expenses remained stable.

Table 2
Changes in Net Position

	2018	2017	Increase (Decrease)
Operating Revenues			
Water Sales	$ 4,538,958	$ 4,424,978	$ 113,980
Water Tap Sales	28,700	47,825	(19,125)
Lab Test Fees	2,178	2,144	34
Miscellaneous	23,009	52,820	(29,811)
Non-Operating Revenues			
Gain/Loss on Sale of Asset	33,271	-	33,271
Interest Income	61,836	28,776	33,060
Total Revenues	**4,687,952**	**4,556,543**	**131,409**
Operating Expenses			
Supply and Treatment	1,561,231	1,460,436	100,795
Distribution	1,120,727	1,273,156	(152,429)
Administration, Billing, and Office	958,647	991,142	(32,495)
Board Expenses	13,057	13,039	18
Depreciation Expenses	600,274	584,556	15,718
Non-Operating Expenses			
Interest Expense	92,576	95,882	(3,306)
Total Expenses	**4,346,512**	**4,418,211**	**(71,699)**
Income Before Contributions	**341,440**	**138,332**	**203,108**
Total Capital Contributions	131,135	736	130,399
Change in Net Position	472,575	139,068	333,507
Net Position Beginning of Year (Restated)	10,264,157	11,274,821	(1,010,664)
Net Position End of Year	$ 10,736,732	$ 11,413,889	$ (667,157)

Capital Position

As of December 31, 2018, the District had invested over $11.3 million in capital assets. This amount represents a net increase of $790,303 over the prior year. Construction in Progress decreased by $521,397 as several projects were completed in 2018. More detailed information about the District's capital Position is presented in Note 4 to the basic financial statements.

Table 3
Capital Assets

	2018	2017
Land	$ 1,269,570	$ 912,326
Construction in Progress	1,239,078	1,760,475
Source of Supply	1,482,778	1,753,769
Water Treatment Plant	5,451,534	4,920,821
Distribution System	14,498,496	14,036,344
Transportation Equipment	791,908	864,091
Office Furniture and Equipment	457,906	319,732
Other Equipment	1,607,691	1,668,300
Less: Accumulated Depreciation	(15,486,046)	(15,713,246)
Totals	$ 11,312,915	$ 10,522,612

Budget Analysis

The District exceeded the budgeted revenue for 2018 by $324,095. Total receipts collected were over $4.6 million. The District's expenses remained under the budgeted amount by approximately $297,070 (excluding depreciation, GASB 68 pension expense, and GASB 75 OPEB Expense). The District expenses for 2018 totaled with the depreciation and the GASB 68 pension expense was $4,346,512.

Debt Administration

At December 31, 2018, the District had $1,695,000 in bonds payable. The total OPWC debt is $182,667. More detailed information about the District's long-term debt is presented in Note 5 to the Basic Financial Statements.

Economic Factors

The District's financial condition remains stable as upgrades and improvements to the system are completed. Additional money for capital improvement was obtained through a bond renewal in 2011, giving the District funds to complete/begin several important operational projects. A new water tank has been installed at the Haystack site, and expansion of the Well Field and rehabilitation of old wells is currently in progress, a new building for office operations was purchased, remodeled, and opened in the Fall of 2018. District expenses have been managed well and remained stable. Revenue remained stable in 2018 with an increase of $131,409 over the previous year. The local economic conditions continue to challenge the District with customer delinquency, water theft, and foreclosures. However, the District continues to experience steady Tap Sales in 2018 which is a promising indicator. Construction on the SR 823 Bypass increased usage with construction completed in December of 2018. Southern Ohio Correction Facility used the District for water service during several months of 2018.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Kathie Edwards, Treasurer at Scioto County Regional Water District #1 located at 326 Robert Lucas Road, Lucasville Ohio 45648, (740) 259-2301.

Scioto County Regional Water District #1
Statement of Net Position
For the Year Ending December 31, 2018

Assets		2018
Current Assets		
Cash and Cash Equivalents	$	3,705,852
Accounts Receivable		754,396
Deposits		4,450
Inventories		174,938
Prepaid Expenses		16,697
Total Current Assets		4,656,333
Non-Current Assets		
Restricted Assets:		
Investments		254,700
Capital Assets:		
Non-Depreciable Capital Assets		2,508,648
Depreciable Capital Assets, Net of Accum Depreciation		8,804,267
Total Capital Assets		11,312,915
Total Non-Current Assets		11,567,615
Total Assets	**$**	**16,223,948**
Deferred Outflows of Resources		
Deferred Charge on Debt	$	15,333
Deferred Hydrology		84,492
Deferred Pension Related		488,212
Deferred OPEB		90,701
Total Deferred Outflows of Resources	**$**	**678,738**
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$**	**16,902,686**

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Statement of Net Position (Continued)
For the Year Ending December 31, 2018

Liabilities

Current Liabilities		
Accounts Payable	$	170,679
Accrued Wages		62,967
Employee Withholding Payable		25,962
Unset Water Taps Payable		27,900
Compensated Absences Payable		120,047
Customer Deposits		3,450
Current Bonds Payable		95,000
Current OPWC Payable		27,774
Current Capital Lease Payable		4,639
Total Current Liabilities		538,418
Noncurrent Liabilities		
Long Term Compensated Abs		148,953
Capital Lease Payable		4,640
OPWC Loan Payable		154,893
Net Pension Liability		1,908,765
Net OPEB Liability		1,232,526
Revenues Bonds Payable		1,600,000
Total Noncurrent Liabilities		5,049,777
Total Liabilities	$	5,588,195
Deferred Inflows of Resources		
Pension	$	470,021
OPEB		107,736
	$	577,757
Net Position		
Net investment in capital assets	$	9,441,302
Restricted for:		
Debt Service		254,700
Unrestricted		1,040,730
Total Net Position	**$**	**10,736,732**
TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION	**$**	**16,902,684**

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ending December 31, 2018

		2018
Operating Revenues		
Water Sales	$	4,538,958
Water Tap Sales		28,700
Lab Test Fees		2,178
Miscellaneous		23,009
Total Operating Revenues		**4,592,845**
Operating Expenses		
Supply and Treatment		1,561,231
Distribution		1,120,727
Administration, Billing, and Office		958,647
Board Expenses		13,057
Depreciation Expenses		600,274
Total Operating Expenses		**4,253,936**
Operating Income		**338,909**
Non-Operating Revenues		
Gain/Loss on Sale of Asset		33,271
Interest Income		61,836
Interest Expense		(92,576)
Total Non-Operating Revenues/Expenses		**2,531**
Income Before Contributions		**341,440**
Capital Contributions		
Capital Contributions from Grant		131,135
Total Capital Contributions		**131,135**
Change in Net Assets		472,575
Net Position Beginning of Year (Restated)		10,264,157
Net Position End of Year	$	10,736,732

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows
For the Year Ending December 31, 2018

	2018
Cash flows from Operating Activities:	
Receipts from Customers	$ 4,573,296
Receipts from Others	14,679
Payments to Suppliers and Vendors	(693,358)
Payments to Employees	(2,551,671)
Net cash provided by operating activities	1,342,946
Cash Flows from Capital and Related Financing Activities:	
Principal on Bond	(95,000)
Interest on Bond	(92,576)
OPWC principal	(33,803)
Xerox principal	(4,639)
Proceeds from Grant funds	131,135
Proceeds from Sale of Capital Assets	5,326
Payments for Capital Acquisitions	(1,358,511)
Net cash used by capital financing activities	(1,448,068)
Cash Flows from Investing Activities:	
Interest earned	61,836
Net cash Provided by Investing Activities	61,836
Net increase/decrease in cash and cash equivalents	(43,286)
Cash and cash equivalents, January 1, 2018	4,003,837
Cash and cash equivalents, December 31, 2018	$ 3,960,551

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows (Continued)
For the Year Ending December 31, 2018

Reconciliation of Operating Income to Net Cash Provided by	
Operating Income	$ 338,909
Adjustments:	
Depreciation Expense	600,274
Change in Assets	
(Increase) Decrease in Accounts Receivable	(4,870)
(increase) Decrease Deposits	1,150
(Increase) Decrease Inventories	(2,031)
(Increase) Decrease in Prepaid Expenses	(5,217)
(Increase) Decrease Deferred Charges	7,667
(Increase) Decrease Deferred Hydrology	9,388
(Increase)Decrease Deferred Outflows of Resources	572,112
Change in Liabilities	
Increase (Decrease) in Accounts Payable	91,052
Increase (Decrease) in Accrued Wages	9,408
Increase (Decrease) in Employee Withholding Payable	(4,766)
Increase (Decrease) in Water Taps Payable	(500)
Increase (Decrease) in Compensated Absences Payable	9,949
Increase (Decrease) in Customer Deposits Payable	-
Increase (Decrease) in Pension Liability	(903,205)
Increase (Decrease) in OPEB Liability	62,604
Increase (Decrease) Deferred Inflows of Resources	561,022
Total Adjustments	1,004,037
Net Cash Provided by Operating Activities	$ 1,342,946

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - DESCRIPTION OF THE ENTITY

The Scioto County Regional Water District #1 (the District) is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Scioto County in August of 1966. The Regional Water District Number One operates under the direction of a seven-member board of trustees. An appointed staff consisting of a superintendent, a plant superintendent, a distribution superintendent, and an office manager are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all or parts of the following political subdivisions:

Bloom Township
Clay Township
Harrison Township
Jefferson Township
Madison Township
Porter Township
Valley Township
Vernon Township
South Webster Village

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all fund, department, board, and agencies that are not legally separate from the District. For Scioto County Regional Water District #1 this includes general operations of the District.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus and Basic of Accounting

The District's operations are financed and operated in a manner similar to a private business enterprise where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy management control, accountability, or other purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure Focus and Basic of Accounting (Continued)

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Position. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The District's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

Capital Assets

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their acquisition value at the time received. Capital Assets are defined as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of three years. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation.

The estimated useful lives by major capital asset class are as follows:

Source of Supply	8 years
Transportation Equipment	5 years
Water Treatment Plant	40 years
Other Equipment	5 years
Distribution System & Lines	40 years
Furniture and Office Equipment	10 years

Inventory

The District maintains material inventory for its proprietary fund. Inventory is valued at cost and the District uses the first-in, first-out (FIFO) flow assumption in determining cost.

Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed uncollectible, they are expensed in the year in which that determination is made.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

The District is required to keep an account in reserve that is equal to the year with the highest principal and interest total on the bond amortization schedule. This amount is $254,700. The District is also required to maintain accounts for the principal and interest payments on the bond.

Compensated Absences

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the District as the benefits accrue to the employees. In accordance with the provisions of Governmental Accounting Standards Statement No.16, Accounting for Compensated Absences, a liability is recorded for vested sick pay benefits which have been defined by District policy as available to those employees with ten years or more of service up to a maximum of 480 hours.

Pensions

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

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. The Proprietary fund’s interest in the pool is presented as “cash and cash equivalents” on the Statement of Net Position.

During 2018, the District invested in negotiable certificates of deposit, federal agency securities, mutual funds, and Start Ohio. Investments are reported at fair value which is based on quoted market price or current share price. Star Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, “Certain External Investment Pools and Pool Participants”. The District measures the 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 that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding $25 million. Star Ohio reserves the right to limit the transaction to $50 million requiring the excess amount to be transacted the following business day(s) but only to the $50 million limit. All accounts of the participant will be combined for this purpose.

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restriction associated with each type of fund is as follows:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Proprietary Fund - The proprietary fund is used to account for the District's ongoing activities that are similar to those found in the private sector. The following is the District's proprietary fund type:

> **Enterprise Fund -** This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Deferred Charges

Deferred charges are non-regularly recurring, non-capital costs of operations that benefit future periods. These costs include those incurred in connection with a bond issuance in 2011. Deferred charges expense for 2018 was $7,667. Additional deferred charges were incurred with a Hydrology study of the Well Field. Deferred charges expense for 2018 was $9,388.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the Statement of Net Position for pension, other post-employment benefits (OPEB) and deferred debt charges. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the Statement of Net Position 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 until that time. For the District, deferred inflows of resources are reported on the Statement of Net Position for pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 12 and 13.

Prepaid Expenses

Prepaid expenses are charges entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Prepaid expenses for 2018 were $16,697.

Estimates

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the differences in all other elements of the Statement of Net Position. 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 improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Net position restricted for debt service consists of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements.

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

Operating Revenues and Expenses

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

NOTE 3 - EQUITY IN POOLED CASH 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 can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAROhio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Cash on Hand - At year end, the District had $400 in undeposited cash on hand which is included on the Statement of Net Position of the District as part of "cash and cash equivalents".

Deposits At year end, the carrying amount of the District's deposits and the bank balance was $741,549. Of the bank balance at year end 2018, $250,000 was covered by federal depository insurance. The remaining balances were covered by a 105% public depository pool, which was collateralized with securities held by the pledging institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments The District had the following investments at December 31, 2018:

	Carrying Amount	Fair Value
Star Plus	$ 198,720	$ 198,720
Star Ohio	2,765,183	2,765,183
Reserve Bond Trust - Cash Equivalents	189,732	189,732
Reserve Bond Payment - Cash Equivalents	55,718	55,718
Reserve Bond Interest - Cash Equivalents	9,250	9,250
Total Investments	$ 3,218,603	$ 3,218,603

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of December 31, 2018. All of the District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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 Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions.

The District's investment policy does not address any restriction on investments relating to interest rate, credit or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within two years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.

NOTE 4 – CAPITAL ASSETS

A summary of the District's capital assets as of December 31, 2018, are as follows:

	2017	Additions	Deletions	2018
Capital Assets, Not Being Depreciated				
Land	$ 912,326	$ 357,244	$ -	$ 1,269,570
Construction in Progress	1,760,475	827,359	(1,348,756)	1,239,078
Total Capital Assets, Not Being Depreciated	2,672,801	1,184,603	(1,348,756)	2,508,648
Capital Assets Being Depreciated				
Source of Supply	1,753,769	53,826	(324,817)	1,482,778
Water Treatment Plant	4,920,821	632,250	(101,537)	5,451,534
Distribution System	14,036,344	635,274	(173,122)	14,498,496
Transportation Equipment	864,091	77,629	(149,812)	791,908
Office Furniture & Equipment	319,732	146,758	(8,584)	457,906
Other Equipment	1,668,300	95,701	(156,310)	1,607,691
Total Capital Assets Being Depreciated	23,563,057	1,641,438	(914,182)	24,290,313
Less Accumulated Depreciation				
Source of Supply	(1,225,598)	(47,298)	324,816	(948,080)
Water Treatment Plant	(3,766,578)	(109,191)	101,538	(3,774,231)
Distribution System	(8,510,990)	(353,057)	173,122	(8,690,925)
Transportation Equipment	(723,676)	(23,052)	99,039	(647,689)
Office Furniture & Equipment	(231,122)	(15,807)	-	(246,929)
Other Equipment	(1,255,282)	(51,869)	128,959	(1,178,192)
Less Accumulated Depreciation	(15,713,246)	(600,274)	827,474	(15,486,046)
Total Capital Assets Being Depreciated, Net	7,849,811	1,041,164	(86.708)	8,804,267
Total Capital Assets, net	$ 10,522,612	$ 2,225,767	$ (1,435,464)	$ 11,312,915

NOTE 5 - DEBT OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the District during 2018, follows:

	Amount Outstanding 12/31/17	Additions	Deletions	Amount Outstanding 12/31/18	Amounts Due in One Year
Water System Revenue Refunding & Improvement Bonds (2011)	$ 1,790,000	$ -	$ (95,000)	$ 1,695,000	$ 95,000
OPWC Loans 1999-2013 (0.00%)	216,471	-	(33,804)	182,667	27,774
Compensated Absences	259,051	9,949	-	269,000	120,047
Net Pension Liability	2,811,970	-	(903,205)	1,908,765	-
Net OPEB Liability	1,169,922	62,604	-	1,232,526	-
Total	$ 6,247,414	$ 72,553	$ (1,032,009)	$ 5,287,958	$ 242,821

The revenue refunding and improvement bonds are special obligations of the District, payable solely from the pledged revenues of its water system and the revenue fund created under the indenture. The bonds were issued to fund capital expenditures to improve the system at a rate of 2.00%-5.63%. Payments are made yearly.

The OPWC loans were issued for the purpose of financing the Fairgrounds Road waterline, Clarktown Water Tank, Number 5 Pump Station, Northwest Main Supply Line, and the Cross Country Water Line projects. Revenue of the District has been pledged to repay this debt. Payments of $16,902 with 0% interest are made semi-annually.

NOTE 5 - DEBT OBLIGATIONS (Continued)

Principal and interest requirements to retire the District's long-term obligations outstanding at December 31, 2018 are as follows:

Year Ending	Improvement Bonds Principal	Improvement Bonds Interest	OPWC Loans Principal	OPWC Loans Interest	Total Principal	Total Interest
2019	$ 95,000	$ 87,138	$ 27,774	$ -	$ 122,774	$ 87,138
2020	100,000	83,338	27,775	-	127,775	83,338
2021	105,000	82,069	22,213	-	127,213	82,069
2022	110,000	77,344	15,141	-	125,141	77,344
2023	115,000	71,844	13,632	-	128,632	71,844
2024-2028	675,000	259,313	63,632	-	738,632	259,313
2029-2031	495,000	57,656	12,500	-	507,500	57,656
	$ 1,695,000	$ 718,702	$182,667	$ -	$1,749,037	$646,858

NOTE 6 - LEASE

The District entered into an agreement to lease a copier during fiscal year 2015. The terms of the Agreement provides options to purchase the equipment.

The capital asset acquired in 2015 by the lease has been capitalized in the Statement of Net Position in the amount of $23,199 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position. Principal payments in fiscal year 2018 totaled $4,640.

The asset acquired through the capital lease is as follows:

	Amount Outstanding 12/31/17	Additions	Deletions	Amount Outstanding 12/31/18	Due In One Year
Xerox Copier (2015)	$ 3,385	$ -	$ (1,129)	$ 2,256	$ 1,128
Xerox Copier (2015)	10,534	-	(3,511)	7,023	3,511
	$ 13,919	$ -	$ (4,640)	$ 9,279	$ 4,639

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2018:

Year Ending December 31	Xerox Leases
2019	$ 4,639
2020	4,640
Total Lease Payments	$ 9,279

NOTE 7 – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage for bodily injury, personal injury, general liability, boiler and machinery coverage and fleet (automotive) insurance in addition to professional liability coverage for officers and board members. In 2018, the District had coverage through Tokio Marine/HCC Public Risk. There has been no significant reduction in insurance coverages from coverages in the prior year.

In addition, the District has a Cyber Liability policy through Lloyds/CFC Underwriting Ltd to cover losses related to Cyber Incident Response, Cyber Crime, System Damage and Business Interruption, Network Security Liability, Media Liability, Technology Errors and Omissions, and Court Attendance Costs.

Workers' Compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate established by the State on an annual basis. The rate is determined based on accident history and administrative costs.

The District has elected to provide a health and life insurance plan for the District’s full-time employees through Federated Insurance Group Health Plan. It relies on a Cigna Network. The District also provides employees with a Heath Savings Plan to supplement for the cost of a high-deductible health plan.

NOTE 8– POSTEMPLOYMENT BENEFITS

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2018 was 4.0%.

The District's contributions allocated to fund post employments health care benefits for the year ended December 31, 2018 was $32,016.

NOTE 9 - COMPENSATED ABSENCES

All full-time District employees earn vacation at varying rates based upon length of service. Upon separation from the District, the employee (or his estate) is paid for his accumulated unused vacation leave balance. All full-time District employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the District, an employee shall receive monetary compensation for a portion of each day of unused sick leave; the monetary compensation shall be at the hourly rate of the employee at the time of retirement.

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 2018, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was $269,000.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. District 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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

The District's contractually required contribution to the Traditional plan was $232,348 for the year ended December 31, 2018. Of this amount, $24,180 is included in intergovernmental payable.

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

The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Plan
Proportionate Share of the Net Pension Liability / (Asset)	$ 1,908,766
Proportion of the Net Pension Liability / (Asset)	0.012167%
Pension Expense	$ 429,165
Change in Proportionate Share	0.000549%

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Deferred Outflows of Resources		
Differences between expected and actual experience	$ 1,949	$ 37,615
Net difference between projected and actual earnings on pension plan investments	-	409,787
Changes in assumptions	228,110	-
Changes in proportion and differences between contributions and proportionate share of contributions	25,805	22,619
Authority contributions subsequent to the measurement date	232,348	-
Total Deferred Resources	$ 488,212	$ 470,021

$232,348 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2019	$ 183,293
2020	(48,614)
2021	(180,447)
2022	(168,389)
Total	$ (214,157)

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above-described tables.

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 is 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

Authority's proportionate share of the net pension liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Plan	$ 3,389,483	$ 1,908,766	$ 674,295

NOTE 11 – NEWLY ADOPTED STATEMENTS ISSUED BY GASB

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of GASB Statement No. 75 has required a restatement of beginning net position for its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, Omnibus 2017, effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of GASB Statement No. 85 had no impact on the December 31, 2018 financial statements.

NOTE 12 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective.

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

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

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

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

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

Plan Description

The District's employees participate in the Ohio Public Employees Retirement System of Ohio (OPERS), which is a cost-sharing, multiple-employer retirement plan. OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member- Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115Ttrust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans. The Plan is included in the report of OPERS which can be obtained by visiting www.opers.org or by calling (800) 222-7377.

Funding Policy – Ohio Revised Code Chapter 145 authorizes OPERS to offer the Plan and gives the OPERS Board of Trustees discretionary authority over how much, if any, of the health care costs will be absorbed by OPERS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the year ended December 31, 2018. OPERS allocated 0.0% of employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

	OPERS
Proportionate Share of the Net OPEB Liability	$ 1,232,526
Proportion of the Net OPEB Liability	0.011350%
Increase/(decrease) in % from Prior Year Proportion	0.000233%
OPEB Expense	$ 95,717

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 960	$ -
Net difference between projected and actual earnings on pension plan investments	-	91,815
Changes in assumptions	89,741	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	15,921
District contributions subsequent to the measurement date	-	-
Total Deferred Resources	$ 90,701	$ 107,736

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

Year Ending December 31:	
2019	$ 12,798
2020	12,798
2021	(19,678)
2022	(22,953)
Total	$ (17,035)

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions - OPERS

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Valuation Date	December 31, 2016
Rolled-forward Measurement Date	December 31, 2017
Experience Study	5 Tear Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (includes wage inflation of 3.25%)

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

A single discount rate of 3.85% as used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

	1% Decrease 2.85%	Current Discount Rate 3.85%	1% Inrease 4.85%
District's proportionate share of the net OPEB liability	$ 1,637,465	$ 1,232,526	$ 904,936

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease 6.5% decreasing to 2.25%	Current Discount 7.5% decreasing to 3.25%	1% Increase 8.5% decreasing to 4.25%
District's proportionate share of the net OPEB liability	$ 1,179,265	$ 1,232,526	$ 1,287,544

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2017	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	17.00%	5.39%
Total	**100.00%**	**4.98%**

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

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

NOTE 13 – SUBSEQUENT EVENTS

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

NOTE 14 – RESTATEMENT FOR CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Statement addresses accounting and financial reporting for other post-employment benefits (OPEB) provided to employees who participate in the State OPEB plan. The Statement also requires various note disclosures and required supplementary information. As a result, beginning net position has been restated as follows:

Net position as previously reported at December 31, 2017	$ 11,413,889
Prior period adjustment	
Beginning new OPEB liability	(1,169,922)
Deferred outflows or resources - 2017 OPEB contributions	16,078
Total prior period adjustment	(1,153,844)
Net position as restated, December 31, 2017	$ 10,260,045

NOTE 15 – RESTATEMENT OF NET POSITION

The District entered interest income twice during 2017 and discovered the error during 2018. As a result, beginning net position has been restated as follows:

Net position restated by GASB 75	$	10,260,045
Prior period adjustment		4,112
Net position as restated, December 31, 2017	$	10,264,157

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2018

Last 10 Fiscal Years

Public Employees' Retirement System

	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset) (percentage)	0.012167%	0.012383%	0.011834%	0.011584%	0.011584%
District's proportionate share of the net pension liability (asset)	$ 1,908,765	$ 2,811,969	$ 2,049,798	$ 1,397,160	$ 1,365,603
District's covered payroll	$ 1,607,824	$ 1,600,774	$ 1,472,893	$ 1,424,908	$ 1,329,400
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	118.72%	175.66%	139.17%	98.05%	102.72%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

Information prior to 2013 is no available.

This information is presented as of the measurement date.

See accompanying notes to the required supplementary information.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Last 10 Fiscal Years

Public Employees' Retirement System

	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 232,348	$ 209,017	$ 192,093	$ 176,747	$ 170,989	$ 172,810
Contributions in relation to contractually required contribution	(232,348)	(209,017)	(192,093)	(176,747)	(170,989)	(172,810)
Contribution deficit (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,659,630	$ 1,607,824	$ 1,600,774	$ 1,472,893	$ 1,424,908	$ 1,329,400
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

Information prior to 2013 is not available.

This schedule will be built prospectively.

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See accompanying notes to the required supplementary information.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
DECEMBER 31, 2018

Last 10 Fiscal Years

Health Carre Trust

	2017	2016
District's proportion of the net OPEB liability (asset) (percentage)	0.011350%	0.011583%
District's proportionate share of the net OPEB liability (asset)	$ 1,232,526	$ 1,169,922
District's covered payroll	$ 1,607,824	$ 1,600,774
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	76.66%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	N/A

Information prior to 2016 is no available.

This information is presented as of the measurement date.

See accompanying notes to the required supplementary information.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Last 10 Fiscal Years

Health Care Trust

	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ -	$ 16,078	$ 32,015	$ 29,458	$ 28,498	$ 13,293
Contributions in relation to contractually required contribution	-	(16,078)	(32,015)	(29,458)	(28,498)	(13,293)
Contribution deficit (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,659,630	$ 1,607,824	$ 1,600,774	$ 1,472,893	$ 1,424,908	$ 1,329,400
Contributions as a percentage of covered payroll	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

Information prior to 2013 is not available.

This schedule will be built prospectively.

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See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A: CHANGES IN ASSUMPTIONS FOR PENSION PLAN

Changes in Assumptions from Prior Measurement Date In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Additional changes in assumptions include a reduction of the wage inflation rate from 3.75% to 3.25% and a change to the mortality tables.

There were no changes in assumptions in 2017.

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

March 23, 2021

Scioto County Regional Water District #1
Scioto County
PO Box 310
Lucasville, OH 45648

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Scioto County Regional Water District #1**, Scioto County, (the "District") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

OHIO AUDITOR OF STATE
KEITH FABER

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 6/3/2021

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