

**TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY
MONTGOMERY COUNTY**



SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2023

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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

Board of Trustees
Tri-Cities North Regional Wastewater Authority
3777 Old Needmore Road
Dayton, Ohio 45424

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

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 29, 2024

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**TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY
MONTGOMERY COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY
MONTGOMERY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor/ Pass-Through/ Program Title	Assistance Listing Number	Grant or Pass Through Entity Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
<i>Passed Through the Ohio Department of Development:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 1,511,705
Total U.S. Department of the Treasury			\$ 1,511,705
Totals			\$ 1,511,705

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Authority's federal award programs. The schedule has been prepared using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Authority did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Board of Trustees
Tri-Cities North Regional Wastewater Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tri-Cities North Regional Wastewater Authority (the Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 7, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

May 7, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Tri-Cities North Regional Wastewater Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Tri-Cities North Regional Wastewater Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements. We issued our report thereon dated May 7, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
May 7, 2024

**TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Coronavirus State and Local Recovery Funds ALN 21.027

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

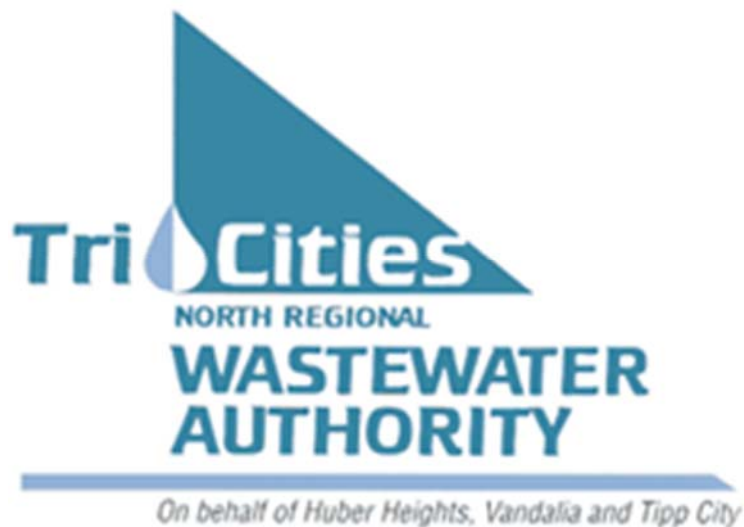
**TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023**

Summary of Prior Audit Findings and Questioned Costs:

None

***Tri-Cities North Regional Wastewater
Authority***

Montgomery County, Ohio



***Annual Comprehensive Financial Report
For the Year Ended December 31, 2023***

Tri-Cities North Regional Wastewater Authority

Montgomery County, Ohio

Annual Comprehensive Financial Report For the Year Ended December 31, 2023

Prepared By:
Danny Knife, General Manager

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INTRODUCTORY SECTION



May 7, 2024

To the Citizens, Taxpayers and Consumers of the Cities of Huber Heights, Vandalia and Tipp City Board of Participants of Tri-Cities North Regional Wastewater Authority, Mayors and Members of Council of the Cities of Huber Heights, Vandalia and Tipp City, Tri-Cities North Regional Wastewater Authority Finance Committee Members, Tri-Cities North Regional Wastewater Authority Technical Committee Members, and Tri-Cities North Regional Wastewater Authority Planning and Development Committee Members:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) for the Tri-Cities North Regional Wastewater Authority (Tri-Cities). This report for the year ended December 31, 2023, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of Tri-Cities.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Plattenburg & Associates, Inc. have issued an unmodified (“clean”) opinion on the Tri-Cities North Regional Wastewater Authority financial statements for the year ended December 31, 2023. The auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Located on a hillside, near the intersection of State Route 202 and Needmore Road, is the wastewater treatment facility that serves the cities of Huber Heights, Vandalia and Tipp City. After two years of serious negotiations, these cities assumed full ownership of this facility from the Miami Conservancy District in an unprecedented acquisition that closed on June 11, 1996.

On behalf of Huber Heights, Vandalia and Tipp City

Under the provisions of Ohio Revised Code Section 715.02, the cities of Huber Heights, Vandalia and Tipp City signed a joint venture agreement to create Tri-Cities North Regional Wastewater Authority. Through Tri-Cities, the cities have full responsibility for the North Regional Wastewater Treatment Plant and associated facilities. Tri-Cities mission is to provide cost effective, environmentally responsible, and reliable wastewater treatment services for the cities of Huber Heights, Vandalia, and Tipp City. This mission is accomplished through the efforts of the professional staff that manages, operates and maintains the facilities, which include 10 miles of interceptor sewer, an innovative and advanced wastewater treatment plant, and a dedicated farm for bio-solids reuse. Tri-Cities facilities are often toured by schools, civic groups, and others interested in learning how technology and science, combined with the dedication of a talented professional staff, can preserve and enhance our irreplaceable water resource.

Prior to June of 1996, the Miami Conservancy District provided the Cities of Huber Heights, Vandalia, and Tipp City with wastewater treatment services. The Miami Conservancy District expressed the intent to discontinue these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority. In June of 1996, the Miami Conservancy District deeded the wastewater facility and all of the assets and liabilities associated with the facility to the joint venture at no cost to the joint venture. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Tri-Cities is a stand-alone government that is governed by a board of participants consisting of the city managers of the three cities. The board has complete authority over all aspects of the operation. Tri-Cities has no component units.

An annual operating budget is adopted for management purposes. Budget information is reported to the board of participants, and modifications may only be made by resolution of the board.

Items of Interest

Tri-Cities wastewater-treatment plant utilizes physical, biological and chemical processes to treat wastewater collected from the cities of Huber Heights, Vandalia and Tipp City. The wastewater treatment process is very similar to that which occurs naturally in rivers and lakes, however; wastewater treatment plants are designed to speed up and enhance the natural cleaning process. The physical processes, the “primary” steps in treating wastewater, utilize screens, settling tanks and skimming devices to remove about half of the pollutants - mostly sand, grit and other heavy or large solids typically found in wastewater. The “secondary” step is a biological one where micro-organisms feed on the waste remaining in the water until about 85% of the pollutants are removed. A separate, advanced secondary step biologically removes ammonia. With more than 95% of the pollutants removed, the wastewater is chemically disinfected before it is released into the Great Miami River.

The organic solids removed in these treatment processes are further treated and stabilized to meet stringent regulatory standards for reuse as agricultural fertilizer. A dedicated pipeline was constructed as part of the north regional wastewater system to convey the stabilized sludge seven miles north to Tri-Cities dedicated farm where it is temporarily stored in strategically placed tanks. Pumping sludge to the farm has allowed Tri-Cities to avoid the expense of owning, operating and maintaining a fleet of semi-trucks and trailers. While this not only reduces wear and tear on city and county roads, it also minimizes workers' safety issues. Historically, at certain times of the year, sludge was withdrawn from the storage tanks into specially equipped field tankers pulled by tractors. Tri-Cities began use of a new dragline system in 2003 that greatly improved the efficiency of sludge injection because it replaces the use of tankers on most of Tri-Cities fields. This new umbilical type of operation involves pumping sludge directly to the tractor that pulls the hose and injection tool across the fields. Ultimately, sludge is incorporated directly into the soil approximately four inches below the surface where nutrients from the sludge enrich the soil and provide 100% of the nitrogen needed for the grain crops grown on this farm. Reusing the sludge in this way has eliminated the use of commercial fertilizers.

In addition to returning clean water to the river and nutrients to the soil, the north regional wastewater treatment plant is equipped with internal combustion engines fueled with methane gas, a byproduct of the sludge stabilization process. These engines turn generators that produce much of the electricity needed to pump the north regional interceptor sewer influent to the head works of the treatment plant.

Tri-Cities is equipped with a customized sewer maintenance and inspection vehicle used to inspect, evaluate and monitor the sanitary sewers that convey sewage to the treatment plant. A digital video camera, purchased in 2006, is lowered into the sewers and records their condition on a computer system. To aid in overall inspection and sewer line assessment, Tri-Cities purchased a combination jet/vac unit in 2005. This piece of equipment is truck mounted and is used to clean the lines using high pressure water jets in combination with a vacuum system to remove debris from the lines when necessary. Tri-Cities purchased a slip lining system in 2012 which allows for immediate repair of line defects discovered during inspections. This has replaced the use of a grout packer which was often used to seal minor leaks. The inspection vehicle is also equipped with an ElectroScan inspection system purchased in 2013 which utilizes a new technology to detect line defects and prioritize needed repairs. Another inspection vehicle was purchased in 2016 that is equipped with an inspection camera and special cutter tool used to remove mineral buildup blockages and/or pipe protrusions prior to the line being repaired with the slip lining system purchased in 2012. Additionally, portable flow meters are used to measure how much wastewater flows through segments of the sewer system. Flow data is useful in identifying where leaks and unauthorized connections may be contributing to rainfall induced high flows.

An on-site laboratory is used to conduct hundreds of tests each year. These tests are performed by operations staff and certified laboratory professionals. Test results are used to evaluate treatment process performance and to monitor compliance with permit limits. Samples are collected from various locations in the sewer system and the treatment plant as well as from groundwater monitoring wells at the farm. Samples from the Great Miami River are also collected upstream and downstream of the north regional wastewater treatment plant discharge point to monitor potential impacts on the river.

From the collection of raw wastewater to the reuse of stabilized sludge, the north regional facilities are proudly operated and maintained for Tri-Cities by a private operations contractor. An agreement for contract operation and maintenance has been in place since the facilities first came online in 1985, and employee training and certification is ongoing by the contractor to ensure quality performance and compliance with Tri-Cities wastewater discharge permit.

Efficiency, compliance and safety were key ingredients in the design of the north regional wastewater treatment facilities, and continue to be the three goals in day-to-day operations and maintenance. With the aid of programmable controllers and computerized monitoring systems, the north regional facilities are staffed just one shift per day, five days a week.

Local Economy

Each of Tri-Cities member cities continue to experience an increase in the rate of growth in housing and new subdivisions currently being built. Manufacturing and commercial activity in Tri-Cities service area is also increasing as it is throughout other portions of Ohio and the nation. This affects Tri-Cities because industries often are monitored through Tri-Cities Industrial Pretreatment Program designed to work with industries to make certain that pollutants are treated on-site and not discharged into the sewer system. The increase in manufacturing and other commercial development has resulted in a significant increase in Industrial Pretreatment activity.

Long-term Financial Planning

Tri-Cities had an increase of \$1,243,423 in net position during 2023. With continued sound fiscal management coupled with the assistance of members of Tri-Cities Finance Committee only slight changes in net position are expected from year to year. Tri-Cities financial condition is relatively constant and the intent is not to profit from its operations but to recover costs. Tri-Cities continues to invest in its wastewater treatment plant through capital improvements and periodic upgrades of equipment.

Relevant Financial Policies

It is the policy of Tri-Cities to invest public funds in a manner which will provide the highest investment return with maximum security, while meeting daily cash flow demands. Investment objectives in order of priority are safety of principal, liquidity, diversification and public confidence. Compliance with this policy provides Tri-Cities reasonable return while protecting principal during varying economic conditions and allows Tri-Cities to meet its cash flow obligations.

Tri-Cities adopts an annual budget, which has proven beneficial through a process which involves the general manager preparing a budget draft which is reviewed and modified as necessary by each of Tri-Cities committees prior to a recommended draft being presented for Board consideration. Tri-Cities management follows a continuous improvement approach to meet its mission and contain costs.

Major Initiatives

In 2022, Tri-Cities entered into contract with Insituform Technologies LLC. in order to Cured-In-Place Pipe (CIPP) line approximately 6,000 feet of 30-inch reinforced concrete sewer pipe that has

deteriorated in the Taylorville Metro Park area. This sewer pipe is the main transmission line for Tipp City and Vandalia to the TCA facility. A state grant in the amount of \$2,400,000 was awarded for full expense of the Sewer Lining project.

In April of 2023 the Sewer Lining Project construction commenced and the project was completed by August of 2023. Tri-Cities was able to utilize unused project grant funds to clean and inspect and additional 3,000 feet of 48-inch sewer main.

During the course of fiscal year 2023 Tri-Cities EQ and Collection System Improvement Project progressed from zero to one-hundred percent design, in partnership with engineering consultant Hazen and Sawyer. TCA will be constructing two 3.4-million-gallon equalization tanks, along with realigning 9,000 feet of 30-inch sanitary sewer pipe. This project aims to comply with a 2010 United State Environmental Protection Agency (USEPA) administrative order to eliminate all sanitary sewer overflows in Tri-Cities sewer collection system.

During this same time Tri-Cities selected Strand Associates to be the lead design firm for its comprehensive Plant Improvement Project. This project aims to address future Ohio Environmental Protection Agency (OEPA) regulatory effluent limits; increasing the treatment plants flow capacity; along with updating aging infrastructure. This project is expected to be completed sometime in 2029.

Independent Audit

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. Plattenburg and Associates, Inc. has completed an audit of the financial statements. Their opinion on the City's financial statements is included in the financial section of this Annual Comprehensive Financial Report.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities North Regional Wastewater Authority, Ohio, for its Annual Comprehensive Financial Report for the year ended December 31, 2022. This was the twenty-second consecutive year that the government has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. I believe this report conforms to the Certificate of Achievement Program requirements.

I want to thank staff members of the City of Vandalia finance department who contributed much time and effort in helping prepare this report.



Danny Knife
General Manager

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio

List of Principal Officials
For the Year Ended December 31, 2023

Board of Trustees

Tim Eggleston	City Manager, City of Tipp City
Bryan Chodkowski	Assistant City Manager, City of Huber Heights
Dan Wendt	City Manager, City of Vandalia

Appointed Official

Danny Knife	TCA General Manager
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Finance Committee

Bridgette Leiter	Finance Director, City of Vandalia
John Green	Finance Director, City of Tipp City
James Bell	Finance Director, City of Huber Heights

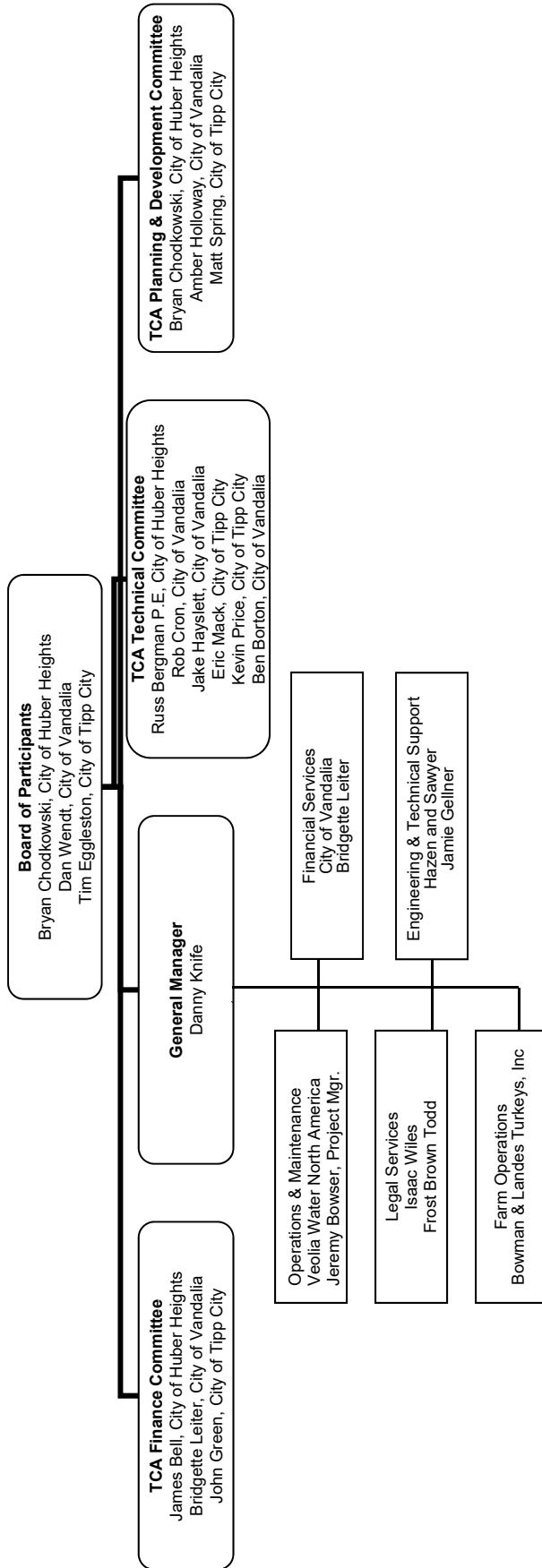
Technical Committee

Rob Cron	Director, Public Works, City of Vandalia
Ben Borton	City Engineer, City of Vandalia
Jake Hayslett	Assistant Superintendent, Public Works, City of Vandalia
Eric Mack	Deputy Director of Municipal Services and Engineering, City of Tipp City
Kevin Price	Water/Wastewater Superintendent, City of Tipp City
Russ Bergman	City Engineer, City of Huber Heights

Planning and Development Committee

Amber Holloway	Assistant City Manager, City of Vandalia
Matthew Spring	Community Development Director, City of Tipp City
Bryan Chodkowski	Assistant City Manager, City of Huber Heights

TCA Organizational Chart 2023





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Tri-Cities North Regional Wastewater Authority
Ohio**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tri Cities North Regional Wastewater Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Tri-Cities North Regional Wastewater Authority (the Authority) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2024, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
May 7, 2024

The discussion and analysis of Tri-Cities North Regional Wastewater Authority's (Tri-Cities) financial performance provides an overall review of the financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at Tri-Cities financial performance as a whole and readers should also review the transmittal letter, notes to the basic financial statements, and the financial statements to enhance their understanding of Tri-Cities financial performance.

Financial Highlights

Key financial highlights for 2023 are as follows:

- Total net position increased \$1,243,423 which represents a 4.07% increase from 2022.
- Total assets and deferred outflows increased \$1,787,379 which represents a 4.75% increase from 2022.
- Total liabilities and deferred inflows increased by \$543,956. This variance resulted primarily from an increase in OWDA loans and accounts payable.
- Charges for services decreased \$612,304 which represents a 13% decrease from 2022. This variance was mainly due to the board having assessed additional charges of \$1,000,000 to the cities during 2022.

Using this Financial Report

The financial section consists of several parts, the management's discussion and analysis, the basic financial statements, the required supplementary information and an optional section that contains budgetary information. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in fund net position, and a statement of cash flows. Since Tri-Cities only uses one fund for its operations, the entity wide and the fund presentation information is the same.

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during 2023?" This statement includes all assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, deferred outflows of resources, and deferred inflows of resources, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports Tri-Cities net position, however, in evaluating the overall position of Tri-Cities, non-financial information such as changes in the condition of Tri-Cities capital assets will also need to be evaluated.

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
(Unaudited)

Table 1 provides a summary of Tri-Cities net position for 2023 compared to 2022:

Table 1

Net Position

	<u>2023</u>	<u>2022</u>
<u>Assets:</u>		
Current and other assets	\$ 5,078,864	\$ 4,787,889
Net OPEB asset	-	20,202
Capital assets, net of depreciation	<u>34,272,244</u>	<u>32,813,996</u>
Total assets	<u>39,351,108</u>	<u>37,622,087</u>
<u>Deferred outflows of resources</u>		
Pension	71,532	23,523
OPEB	<u>10,349</u>	-
Total deferred outflows of resources	81,881	23,523
<u>Liabilities:</u>		
Current and other liabilities	690,408	393,192
Long-term liabilities:		
Due within one year	515,671	502,407
Net pension liability	175,763	60,294
Net OPEB liability	3,493	-
Other amounts due in more than one year	<u>5,189,299</u>	<u>4,891,950</u>
Total liabilities	<u>6,574,634</u>	<u>5,847,843</u>
<u>Deferred inflows of resources</u>		
Pension	11,093	77,632
OPEB	1,326	22,519
Leases	<u>1,046,138</u>	<u>1,141,241</u>
Total deferred inflows of resources	1,058,557	1,241,392
<u>Net Position:</u>		
Net investment in capital assets	28,551,568	27,404,475
Unrestricted	<u>3,248,230</u>	<u>3,151,900</u>
Total net position	<u>\$ 31,799,798</u>	<u>\$ 30,556,375</u>

The net position of Tri-Cities increased \$1,243,423 or 4.07%. With usage rates generating revenue, which reasonably matches expenses, the financial condition of Tri-Cities is relatively constant. Tri-Cities is continuously investing in its wastewater treatment plant through capital improvements and periodic upgrades of associated equipment. The reader must remember that Tri-Cities intent is not to profit from this operation but to recover costs. Unrestricted net position increased by \$96,330, and net investment in capital assets increased by \$1,147,093. Total liabilities increased \$726,791, which was due to an increase in the long-term liabilities as mentioned above.

Table 2 shows the changes in net position for the year ended December 31, 2023, as well as revenue and expense comparisons to 2022.

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
(Unaudited)

Table 2
Change in Fund Net Position

	<u>2023</u>	<u>2022</u>
<i>Operating revenues:</i>		
Charges for services	\$ 4,264,656	\$ 4,876,960
Rentals	214,015	202,157
Other revenues	-	309,638
Total operating revenues	<u>4,478,671</u>	<u>5,388,755</u>
<i>Operating expenses:</i>		
Personal services	120,399	70,573
Contractual services	3,272,109	3,073,332
Supplies and materials	2,228	2,232
Other operating expenses	14,888	76,200
Depreciation	1,281,958	1,276,002
Total operating expenses	<u>4,691,582</u>	<u>4,498,339</u>
Operating income	<u>(212,911)</u>	<u>890,416</u>
<i>Nonoperating revenues (expenses):</i>		
Intergovernmental	1,508,678	19,926
Interest income	79,754	24,296
Interest and fiscal charges	<u>(132,098)</u>	<u>(145,389)</u>
Total nonoperating revenues (expenses)	<u>1,456,334</u>	<u>(101,167)</u>
Increase (decrease) in net position	1,243,423	789,249
Net position at beginning of year, Restated	<u>30,556,375</u>	<u>29,767,126</u>
Net position at end of year	<u>\$ 31,799,798</u>	<u>\$ 30,556,375</u>

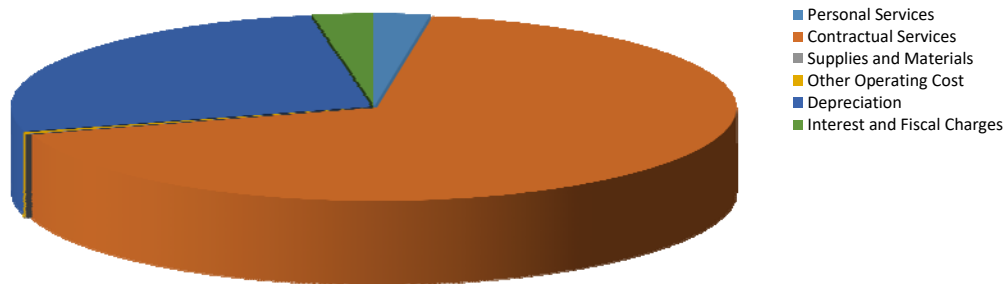
Tri-Cities statements prepared on an accrual basis of accounting include an annual pension and OPEB expense for their proportionate share of each plan's change in net pension/OPEB liability not accounted for as deferred inflows/outflows. Tri-Cities is also reporting a net pension/OPEB liability and deferred inflows/outflows of resources related to pension/OPEB on the accrual basis of accounting in the statement of net position.

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Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Management’s Discussion and Analysis
 For the Year Ended December 31, 2023
 (Unaudited)

Expenses for 2023

	Percentage
Personal Services	2.50%
Contractual Services	67.83%
Supplies and Materials	0.05%
Other Operating Cost	0.31%
Depreciation	26.58%
Interest and Fiscal Charges	2.74%
Total	100.00%



The interest expense of \$132,098 for 2023 resulted from outstanding loans from the Ohio Water Development Authority (OWDA).

Contractual services make up 67.83% of Tri-Cities expenses. Tri-Cities north regional facilities are operated and maintained for Tri-Cities by a private operations contractor. These expenses are recorded as contractual services. For 2023, contractual services increased \$198,777 from the prior year.

As a result of implementing the pension and OPEB accounting standards, Tri-Cities is reporting a significant net pension liability and net OPEB liability, related deferred inflows of resources and an increase in expenses related to pension and OPEB for this fiscal year which have a negative effect on net position. In addition, Tri-Cities is reporting deferred outflows of resources, which have a positive consequence on net position. The increase in pension expense is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. To further explain the impact of this new accounting standard on Tri-Cities net position, additional information is presented below.

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Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
(Unaudited)

	<u>2023</u>	<u>2022</u>
Net OPEB asset	\$ -	\$ 20,202
Deferred outflows - pension	71,532	23,523
Deferred outflows - OPEB	10,349	-
Deferred inflows - pension	(11,093)	(77,632)
Deferred inflows - OPEB	(1,326)	(22,519)
Net pension liability	(175,763)	(60,294)
Net OPEB liability	<u>(3,493)</u>	<u>-</u>
Impact of GASB 68 and GABB 75 on net position	<u>\$ (109,794)</u>	<u>\$ (116,720)</u>
Net income (expense) impact	\$ 6,926	\$ 49,596

For 2023, the net income impact of GASB 68 and 75 was \$6,926.

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets, at Year End
(Net of Depreciation)

	<u>2023</u>	<u>2022</u>
Land	\$ 3,918,235	\$ 3,918,235
Construction in progress	2,992,228	234,525
Infrastructure	1,900,753	2,024,991
Buildings and improvements	23,727,065	24,513,004
Machinery and equipment	1,667,867	2,008,659
Vehicles	-	-
Lease Asset - Land	<u>66,096</u>	<u>114,582</u>
Total capital assets	<u>\$ 34,272,244</u>	<u>\$ 32,813,996</u>

A review of Table 3 shows that capital assets (net of depreciation) increased \$1,458,248. The increase is due to current year additions exceeding depreciation expense.

See Note 4 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2023, Tri-Cities had three outstanding OWDA loans totaling \$5,655,419; \$515,671 of which is due within one year. This reflects a \$342,855 overall increase from 2022.

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Management’s Discussion and Analysis
 For the Year Ended December 31, 2023
 (Unaudited)

Table 4
Outstanding Debt, at Year End

	<u>2023</u>	<u>2022</u>
<i>OWDA loans payable:</i>		
2013 OWDA loan, 2.84%	\$ 3,465,980	\$ 3,730,967
2017 OWDA loan, 2.38%	1,275,138	1,512,558
2022 OWDA loan, 3.65%	<u>914,301</u>	<u>69,039</u>
<i>Totals</i>	<u>\$ 5,655,419</u>	<u>\$ 5,312,564</u>

The 2013 loan carrying a 2.84% interest rate was issued for the Comprehensive plan/modeling sanitary sewer system project and it matures in 2034. The 2017 loan carrying a 2.38% interest rate was issued for the disinfection facility project and matures in 2028. The 2022 loan carrying a 3.65% interest rate was issued for the Collection System and Equalization Tank Improvement.

See Note 5 of the notes to the basic financial statements for more detailed information.

Current Financial Issues and Concerns

At December 31, 2023, Tri-Cities had total assets of \$39,351,108 and total net position of \$31,799,798 which resulted from a change in fund net position of \$1,243,423. Ongoing prudent management of Tri-Cities resources by the Board of Trustees provided financial stability during 2023.

Contacting Tri-Cities

This financial report is designed to provide the citizens, taxpayers and consumers of the cities of Huber Heights, Vandalia and Tipp City, creditors and investors with a general overview of Tri-Cities finances and to show Tri-Cities accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact Danny Knife, Tri-Cities General Manager, 3777 Old Needmore Road, Dayton, Ohio 45424, at (937) 236-6558 or email to dknife@tri-cities.org.

Tri-Cities North Regional Wastewater Authority
Statement of Net Position
December 31, 2023

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,673,776
Receivables:	
Amounts Due from Related Parties	355,388
Leases	1,046,128
Prepaid Items	3,572
Total Current Assets	5,078,864
Non-Current Assets:	
Capital Assets:	
Non-Depreciable Capital Assets	6,910,463
Depreciable Capital Assets, Net	27,361,781
Total Non-Current Assets	34,272,244
Total Assets	39,351,108
Deferred Outflows of Resources:	
Pension	71,532
OPEB	10,349
Total Deferred Outflows of Resources	81,881
Liabilities:	
Accounts Payable	600,882
Amounts Due to Related Parties	33
Accrued Wages and Benefits	3,583
Compensated Absences Payable	5,307
Due to Other Governments	506
Accrued Interest Payable	64,391
Lease Liability	15,706
OWDA Loans Payable	515,671
Total Current Liabilities	1,206,079
Long-Term Liabilities:	
OWDA Loans Payable, Net of Current Portion	5,139,748
Lease Liability, Net of Current Portion	49,551
Net Pension Liability	175,763
Net OPEB Liability	3,493
Total Long-Term Liabilities	5,368,555
Total Liabilities	6,574,634
Deferred Inflows of Resources:	
Pension	11,093
OPEB	1,326
Leases	1,046,138
Total Deferred Inflows of Resources	1,058,557
Net Position:	
Net Investment in Capital Assets	28,551,568
Unrestricted	3,248,230
Total Net Position	\$31,799,798

See accompanying notes to the financial statements.

Tri-Cities North Regional Wastewater Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

Operating Revenues:	
Charges for Services	\$4,264,656
Rental Income	214,015
Total Operating Revenues	<u>4,478,671</u>
Operating Expenses:	
Personal Services	120,399
Contractual Services	3,272,109
Supplies and Materials	2,228
Other Operating Costs	14,888
Depreciation and Amortization	1,281,958
Total Operating Expenses	<u>4,691,582</u>
Operating Income (Loss)	<u>(212,911)</u>
Non-Operating Revenues (Expenses):	
Interest	79,754
Interest and Fiscal Charges	(132,098)
Intergovernmental	1,508,678
Total Non-Operating Revenues (Expenses)	<u>1,456,334</u>
Change in Net Position	1,243,423
Net Position - Beginning of Year	<u>30,556,375</u>
Net Position - End of Year	<u><u>\$31,799,798</u></u>

See accompanying notes to the financial statements.

Tri-Cities North Regional Wastewater Authority
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows from Operating Activities:	
Cash Received from Customers	\$4,448,785
Cash Payments for Employee Services and Benefits	(124,297)
Cash Payments to Suppliers for Goods and Services	(3,024,036)
Net Cash Provided (Used) by Operating Activities	<u>1,300,452</u>
Cash Flows from Capital and Related Financing Activities:	
Interest Paid on Debt	(138,686)
Principal Payment on Loans	(502,407)
Acquisition of Capital Assets	(2,740,206)
Proceeds of Loans	845,262
Proceeds of Grants Received	1,508,678
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,027,359)</u>
Cash Flows from Investing Activities:	
Investment income	79,754
Net Cash Provided (Used) from Investing Activities	<u>79,754</u>
Net Increase (Decrease) in Cash and Cash Equivalents	352,847
Cash and Cash Equivalents - Beginning of Year	<u>3,320,929</u>
Cash and Cash Equivalents - End of Year	<u><u>3,673,776</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities	
Operating Income (Loss)	(212,911)
Adjustments:	
Depreciation and Amortization	1,281,958
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	(32,308)
Lease Receivable	93,902
Prepaid Items	278
Net OPEB Asset	20,202
Deferred Outflows of Resources	(58,358)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	300,229
Due to Related Parties	5
Accrued Wages and Benefits	440
Compensated Absences	2,524
Due to Other Governments	64
Lease Liability	(31,700)
Net Pension Liability	115,469
Net OPEB Liability	3,493
Deferred Inflows of Resources	(182,835)
Net Cash Provided (Used) by Operating Activities	<u><u>\$1,300,452</u></u>

See accompanying notes to the financial statements.

Note 1 – Summary of Significant Accounting Policies and Description of the Reporting Entity

A. Description of the Reporting Entity

The Tri-Cities North Regional Wastewater Authority (“Tri-Cities”) is a joint venture among the cities of Vandalia, Tipp City and Huber Heights. Tri-Cities is a stand-alone government which is governed by a management board of trustees consisting of the city managers of the three member cities. The board has complete authority over all aspects of the operation. Tri-Cities supplies all participating residents of the member cities with sewage treatment services. Each city owns the sewage lines located in its city and bills its residents for the treatment service provided by Tri-Cities.

Tri-Cities board has retained an outside contractor to manage daily operations. These amounts are recorded as contractual services expense. Tri-Cities board has also hired a General Manager to oversee the management of daily operations. These amounts are recorded as personal services expense.

Tri-Cities charges each member city for sewage treatment services provided to the cities’ residents in accordance with the joint venture agreement dated June 11, 1996. Such charges are allocated based upon each city’s annual usage and are adjusted each year accordingly. The continued existence of Tri-Cities is dependent upon the participation of each member city, and each participating city has an equity interest in Tri-Cities. The following is a schedule of the participating cities’ equity interest at December.

	<u>2023</u>	<u>2022</u>
<i>Vandalia</i>	23.07%	23.58%
<i>Tipp City</i>	24.49%	23.75%
<i>Huber Heights</i>	<u>52.44%</u>	<u>52.67%</u>
	<u>100.00%</u>	<u>100.00%</u>

The financial statements of the Tri-Cities North Regional Wastewater Authority 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 Tri-Cities accounting policies are described below.

B. Reporting Entity

The reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of Tri-Cities are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from Tri-Cities.

Component units are legally separate organizations for which Tri-Cities is financially accountable.

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

C. Basis of Presentation

The Tri-Cities North Regional Wastewater Authority basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows.

Tri-Cities use a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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

D. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of Tri-Cities are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how Tri-Cities finances and meets the cash flow needs of its enterprise activity.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Tri-Cities financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

In addition to assets, the statements 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 Tri-Cities, deferred outflows of resources are reported on

the statement of net position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Note 9 and 10.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For Tri-Cities, deferred inflows of resources are related to pension/OPEB and are reported on the statement of net position. (See Note 9 and 10)

F. Investments

During 2023, investments included an interest in STAR Ohio, the State Treasurer's Investment Pool. Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

Tri-Cities investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by Tri-Cities. Tri-Cities measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2023, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time of purchase are reported as cash equivalents on the financial statements.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded.

H. Lease Assets

A lease asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives

received. The amortization period of the lease asset is from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. At the termination of the lease, the lease asset and associated lease liability are removed from the books of the lessee. The difference between the two amounts is accounted for as a gain or loss at that time.

I. Capital Assets

Capital assets utilized by Tri-Cities are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. Tri-Cities maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Infrastructure</i>	<i>65 years</i>
<i>Buildings and improvements</i>	<i>45-50 years</i>
<i>Machinery and equipment</i>	<i>5-15 years</i>
<i>Vehicles</i>	<i>6 years</i>

J. Net pension liability/Other postemployment benefits (OPEB) liability

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

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

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the

promise of a future pension and other post employment benefits. The unfunded portion of this benefit of exchange is a liability of Tri-Cities. However, Tri-Cities is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. Tri-Cities has no control over the changes in the benefits, contributions rate, and return on investments affecting the balance of these liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees currently eligible to receive termination benefits and those Tri-Cities has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employee's wage rate at year-end, taking into consideration any limits specified in Tri-Cities termination policy.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, 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 the enabling legislation adopted by Tri-Cities or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Tri-Cities applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Tri-Cities did not have a restricted net position for 2023.

M. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For Tri-Cities, these revenues are charges for services, rentals, and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

Nonoperating revenues are those revenues that are not generated directly from primary activities. For Tri-Cities, this revenue is interest income. Nonoperating expenses are costs other than those necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

N. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction. Tri-Cities did not have any capital contributions during 2023.

O. Estimates

The preparation of the 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 – Deposits and Investments

The investment and deposit of Tri-Cities monies are governed by the Investment and Deposit Policy of Tri-Cities North Regional Wastewater Authority as formally adopted by the Board of Trustees. In accordance with these provisions, investments purchased for the portfolio may be safekept only by financial institutions that have been authorized by Tri-Cities Board of Trustees through formal resolution and recommendations received from the Finance Committee, which considers such criteria as the financial institution's insured status, size, financial condition, location and fee structure.

Investments are made through an individual investment account maintained by the fiscal agent. Whenever there are monies in Tri-Cities account which will not be required to be used for a period of thirty days or more, such funds are invested subject to the limitations contained within the investment policy of Tri-Cities, and subject to all applicable laws and regulations.

The investment objectives controlling the management of Tri-Cities investment portfolio are, in order of importance: (1) Safety of principal. Recognizing that all investments contain one or more elements of risk, the portfolio shall be prudently managed with specific consideration given to credit risk, market risk, and prepayment risk; (2) Liquidity to meet current and contingent requirements; (3) Diversity of investments. Tri-Cities shall diversify its investments to avoid incurring unreasonable risks associated with the practice of concentrating on investments in specific security types and individual institutions; (4) Public Confidence. Tri-Cities shall avoid any transaction which might impair its public confidence.

According to the Tri-Cities investment policy, the maximum maturity of any investment is limited to a final stated maturity of five years or an average life of five years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security, unless

matched to a specific cash flow requirement.

The provisions of Tri-Cities investment policy authorizes the following investments:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States.
2. Short-term discount obligations of the Federal National Mortgage Association (FNMA).
3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Money market mutual funds registered by the federal government under the amended Investment Company Act of 1940 provided that the portfolio is limited to bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States or agreements to repurchase these same types of obligations.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Shares, savings accounts, certificates of deposit, or other deposit accounts legally issuable by Ohio financial institutions.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service provided no more than 10% of the portfolio, at the time of investment, is invested in commercial paper.

Tri-Cities has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with Tri-Cities or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be one hundred two percent or lower if permitted by the Treasurer of State.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, Tri-Cities will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2023, \$1,902,058 of Tri-Cities bank balance of \$2,152,058 was exposed to custodial credit risk because it was uninsured and collateralized.

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

Eligible securities pledged to the Tri-Cities and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

B. Investments

At December 31, 2023, Tri-Cities had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
STAR Ohio	\$ 1,521,742	100.00%	31.9 ⁽²⁾	AAAm ⁽¹⁾
Total investments	<u>\$ 1,521,742</u>	<u>100.00%</u>		

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

Tri-Cities 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 preceding table identifies Tri-Cities recurring fair value measurement as of December 31, 2023. As previously discussed Star Ohio is reported at its net asset value.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, Tri-Cities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. Tri-Cities investment policy provides that Tri-Cities shall attempt to match the term to maturity of its investments with anticipated cash flow requirements. It limits direct investment in securities with an average life of 5 years from the date of settlement.

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAM rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

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Note 3 – Accounts Receivable

Accounts receivable represent monies due from various other parties. Accounts receivable from related parties are monies due from the City of Vandalia, City of Huber Heights and the City of Tipp for their portion of sewage treatment services. (See Note 7 for more information). No allowance for doubtful accounts has been recorded as all amounts are considered collectible. All receivables are expected to be collected within one year.

Note 4 – Capital Assets

Capital asset activity for the year ending December 31, 2023 was as follows:

<u>Business-type activities</u>	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Capital Assets:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,918,235	\$ -	\$ -	\$ 3,918,235
Construction in progress	234,525	2,757,703	-	2,992,228
Total capital assets, not being depreciated	4,152,760	2,757,703	-	6,910,463
<i>Capital assets, being depreciated:</i>				
Infrastructure	4,718,213	-	-	4,718,213
Buildings and improvements	37,113,685	9,800	-	37,123,485
Machinery and equipment	10,569,349	40,970	(56,315)	10,554,004
Vehicles	341,643	-	-	341,643
Total capital assets, being depreciated	52,742,890	50,770	(56,315)	52,737,345
<i>Less accumulated depreciation:</i>				
Infrastructure	(2,693,222)	(124,238)	-	(2,817,460)
Buildings and improvements	(12,600,681)	(795,739)	-	(13,396,420)
Machinery and equipment	(8,560,690)	(345,457)	20,010	(8,886,137)
Vehicles	(341,643)	-	-	(341,643)
Total accumulated depreciation	(24,196,236)	(1,265,434)	20,010	(25,441,660)
Total capital assets being depreciated, net	28,546,654	(1,214,664)	(36,305)	27,295,685
Business-type activities capital assets, net	\$ 32,699,414	\$ 1,543,039	\$ (36,305)	\$ 34,206,148
<i>Lease Assets, being depreciated:</i>				
Lease asset - Land	\$ 114,582	\$ -	\$ (31,962)	\$ 82,620
Total Lease Asset, being depreciated	114,582	-	(31,962)	82,620
<i>Less accumulated depreciation:</i>				
Lease asset - Land	-	(16,524)	-	(16,524)
Total accumulated depreciation	-	(16,524)	-	(16,524)
Lease Assets, net	\$ 114,582	\$ (16,524)	\$ (31,962)	\$ 66,096
Business-type activities capital and lease assets, net	\$ 32,813,996	\$ 1,526,515	\$ (68,267)	\$ 34,272,244

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Note 5 – Long-term Obligations

A summary of debt and other long-term obligations as of December 31, 2023 follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Due in One Year</i>
<i>Loans</i>					
2013 OWDA loan, 2.84%	\$ 3,730,967	\$ -	\$ (264,987)	\$ 3,465,980	\$ 272,566
2017 OWDA loan, 2.38%	1,512,558	-	(237,420)	1,275,138	243,105
2022 OWDA loan 3.65%	<u>69,039</u>	<u>845,262</u>	<u>-</u>	<u>914,301</u>	<u>-</u>
Total loans	<u>5,312,564</u>	<u>845,262</u>	<u>(502,407)</u>	<u>5,655,419</u>	<u>515,671</u>
<i>Other obligations</i>					
Lease Liability	96,957	-	(31,700)	65,257	15,706
Compensated absences	2,783	5,307	(2,783)	5,307	5,307
Net pension liability - OPERS	60,294	115,469	-	175,763	-
Net OPEB liability - OPERS	<u>-</u>	<u>3,493</u>	<u>-</u>	<u>3,493</u>	<u>-</u>
Total other obligations	<u>160,034</u>	<u>124,269</u>	<u>(34,483)</u>	<u>249,820</u>	<u>21,013</u>
Total long-term obligations	<u>\$ 5,472,598</u>	<u>\$ 969,531</u>	<u>\$ (536,890)</u>	<u>\$ 5,905,239</u>	<u>\$ 536,684</u>

During 2013, the 2008 planning loan with a 5.11% interest rate was rolled into a construction loan with a final maturity of July 1, 2034. The principal amount of the original 2008 planning loan is \$709,823 including capitalized interest. Current operations are expected to provide cash flows for the repayment of this loan.

The 2017 loan carrying a 2.38% interest rate was issued for the disinfection facility project. The principal amount of the original loan is \$2,408,010 including capitalized interest with a final maturity of July 1, 2028. Current operations are expected to provide cash flows for the repayment of this loan.

The 2022 loan carrying a 3.65% interest rate was issued for the Collection System and Equalization Tank Improvement. The full amount of the loan for was not disbursed as of year end.

The annual debt service requirements for payment of principal and interest at December 31, 2023, are as follows:

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<i>Year</i>	<i>OWDA loans</i>	
	<i>Principal</i>	<i>Interest</i>
2024	\$ 515,671	\$ 125,423
2025	529,287	111,806
2026	543,266	97,828
2027	557,616	83,477
2028	572,349	68,745
2029-2033	1,661,566	183,826
2034	361,363	7,715
Total	\$ 4,741,118	\$ 678,819

The above annual debt service requirements are based upon the latest estimated amortization schedules provided from OWDA. Until a loan is fully disbursed or closed with the OWDA Chief Engineer, a final amortization is not available for the 2022 OWDA loan.

Note 6 - Lease Liability – Lease Assets

The Tri-Cities has entered into contracts that convey the control of the right to use their nonfinancial assets (the underlying assets) for land as specified in the contracts for a period of time. The basis and terms of the contract is for five years after the commencement date with renewal terms for five more years.

During the period, there were no outflows of resources recognized for variable payments not previously included in the measurement of the lease liability. Also, there were no outflows of resources recognized for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability during the period. There were no commitments under leases before the commencement of the lease term.

Principal and interest amounts for the next four years are as follows:

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>Ending June 30,</i>			
2024	\$15,706	\$1,656	\$17,362
2025	16,104	1,258	17,362
2026	16,514	849	17,363
2027	16,933	430	17,363
	<u>\$65,257</u>	<u>\$4,193</u>	<u>\$69,450</u>

Note 7 – Related Party Transactions

Tri-Cities was party to several transactions during 2023 involving the three member cities, which are summarized as follows:

A. Accounts Receivable

Accounts Receivable as of December 31, 2023, includes the balance due from the member cities for sewage treatment services provided to the cities' residents.

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The amounts included in accounts receivable from member cities is as follows:

	<u>2023</u>
Vandalia	\$ 82,297
Tipp City	83,569
Huber Heights	<u>189,522</u>
Total	<u>\$ 355,388</u>

B. Charges for Services

Charges for services for 2023 include the amounts charged to the member cities for sewage treatment services provided to the cities' residents. The amount included in charges for services from member cities is as follows:

	<u>2023</u>
Vandalia	\$ 984,040
Tipp City	1,044,273
Huber Heights	<u>2,236,343</u>
Total	<u>\$ 4,264,656</u>

Note 8 – Risk Management

Tri-Cities 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. Tri-Cities carries liability insurance with an independent third party.

The following is a list of insurance coverage and deductibles for 2023:

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<u>Coverage</u>		<u>Limit</u>	<u>Deductible</u>
Property	\$	62,023,700	\$ 2,500
Flood		500,000	25,000
Earthquake		2,000,000	25,000
General liability:			
Per occasion		1,000,000	none
Aggregate		3,000,000	none
Public Officials:			
Per occasion		1,000,000	1,000
Aggregate		3,000,000	1,000
Umbrella:			
Per occasion		5,000,000	none
Aggregate		5,000,000	none
Contractors equipment		1,951,835	1,000
Crime:		100,000	1,000
Employee Theft - Per Employee		100,000	1,000
Employee Theft - Per Loss		100,000	1,000
Theft - inside premises		10,000	none
Theft - outside premises		10,000	none
Forgery and alteration		100,000	none
Boiler and machinery	included in property		2,500
Automobile:			
Liability		1,000,000	none
Comprehensive	actual cash value		250
Collision	actual cash value		1,000
Uninsured motorist	250,000		none
Under insured motorist	250,000		none
Premises pollution liability	5,000,000		250,000

There were no significant reductions in coverage from prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Tri-Cities pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 9 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

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

The remainder of this note includes the pension disclosures. See Note 10 for the OPEB disclosures.

Ohio Public Employees Retirement System (OPERS)

Plan Description

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

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enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

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

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

Funding Policy

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

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	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2023 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2023 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits *****	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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

** This rate is determined by OPERS' Board and has no maximum rate established by ORC.

*** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, the City's contractually required contribution was \$13,739, of this amount \$506 is reported in accrued wages and benefits.

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

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
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	OPERS <u>Traditional Plan</u>
Proportionate Share of the:	
Net Pension Liability	\$175,763
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00059500%
Prior Measurement Date	<u>0.00069300%</u>
Change in Proportionate Share	<u><u>-0.00009800%</u></u>
Pension Expense	\$14,661

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

	OPERS <u>Traditional Plan</u>
<u>Deferred Outflows of Resources</u>	
Differences between expected and actual experience	\$5,838
Changes in assumptions	1,857
Net difference between projected and actual earnings on pension plan investments	50,098
Changes in employer proportionate share of net pension liability	0
Contributions subsequent to the measurement date	<u>13,739</u>
Total Deferred Outflows of Resources	<u><u>\$71,532</u></u>
<u>Deferred Inflows of Resources</u>	
Changes in employer proportionate share of net pension liability	<u>\$11,093</u>
Total Deferred Inflows of Resources	<u><u>\$11,093</u></u>

\$13,739 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending <u>December 31:</u>	OPERS <u>Traditional Plan</u>
2024	(\$950)
2025	8,362
2026	14,746
2027	24,542
2028	<u>0</u>
Total	<u><u>\$46,700</u></u>

Actuarial Assumptions – OPERS

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

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

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

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-

weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board’s investment consultant. For each major class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized below:

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

Discount Rate

The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount

rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$263,288	\$175,763	\$102,959

Note 10 – Postemployment Benefits

Net OPEB Liability

See Note 9 for a description of the net OPEB liability.

Ohio Public Employees Retirement System (OPERS)

Plan Description

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Funding Policy

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

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

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

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

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

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	OPERS <u>Traditional Plan</u>
Proportionate Share of the:	
Net OPEB Liability	\$3,493
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00055400%
Prior Measurement Date	<u>0.00064500%</u>
Change in Proportionate Share	<u><u>-0.00009100%</u></u>
OPEB Expense	(\$7,847)

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

	OPERS <u>Traditional Plan</u>
<u>Deferred Outflows of Resources</u>	
Changes in assumptions	\$3,412
Net difference between projected and actual earnings on pension plan investments	6,937
Total Deferred Outflows of Resources	<u><u>\$10,349</u></u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$871
Changes in assumptions	281
Changes in employer proportionate share of net OPEB liability	174
Total Deferred Inflows of Resources	<u><u>\$1,326</u></u>

Nothing reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending <u>December 31:</u>	OPERS <u>Traditional Plan</u>
2024	\$993
2025	2,515
2026	2,163
2027	3,351
2028	0
Thereafter	<u>0</u>
Total	<u><u>\$9,023</u></u>

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made.

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Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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

Discount Rate

A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the

health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease <u>(4.22%)</u>	Current Discount Rate <u>(5.22%)</u>	1% Increase <u>(6.22%)</u>
Proportionate share of the net OPEB Liability	\$11,889	\$3,493	(\$3,435)

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Proportionate share of the net OPEB liability	\$3,274	\$3,493	\$3,740

Note 11 – Other Employee Benefits

A. Deferred Compensation Plan

Tri-Cities employees participates in the Ohio Public Employees Deferred Compensation Plan. This plan is created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

B. Insurance Benefits

Tri-Cities employees have term life insurance through an independent third party.

C. Compensated Absences

Accumulated Unpaid Vacation - Tri-Cities employees earns vacation leave based on length of service and may accrue a maximum of 45 days. In the event of a termination of employment, death or retirement, the employee (or the estate) would be paid for unused vacation leave. The total obligation for vacation accrual for Tri-Cities amounted to \$5,307 at December 31, 2023.

Accumulated Unpaid Sick Leave - Tri-Cities employees earn sick leave at the rate of 4.616 hours per eighty hours of service. A maximum of 1,250 hours may be carried from one year to the next. Any hours over 1,250 accrued and not taken will be paid on a one for three basis at the end of the year. In the case of death or retirement, the employee (or the estate) would be paid for one half of the accumulated leave with 625 hours being the maximum amount paid. Tri-Cities paid out all sick leave balances in a prior year leaving no hours to be accrued at year end.

Note 12 – Lease – Lessor Disclosure

The Tri-Cities collectively (the “lessor”) entered into an agreement with Bowman and Landes Turkeys, Inc. for the use of 675 acres of land during 2014. Future rental income is based on the type and amount of crop harvested net of related expenses. The Tri-Cities believes the lease will be extended ten more years at the end of the original term.

<u>Lease Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$94,100	\$2,214	\$96,314
2025	94,300	2,014	96,314
2026	94,500	1,814	96,314
2027	94,700	1,614	96,314
2028	94,900	1,414	96,314
2029-2033	477,518	4,050	481,568
2034	96,110	203	96,313
	<u>\$1,046,128</u>	<u>\$13,323</u>	<u>\$1,059,451</u>

The Tri-Cities recognized \$214,015 in lease revenues from lease activity for 2023. The difference between the lease revenues listed in the above table and on the financial statements per GASB 87, when variable lease payments depend on a rate initially be measured using the rate as of the commencement (first year) of the lease term and it will stay this rate throughout the life of the lease.

Note 13 – Contingencies

In September 2008, the Ohio Environmental Protection Agency (the "Ohio EPA") informed Tri-Cities that its upcoming National Pollutant Discharge Elimination System (NPDES) wastewater permit renewal would include new reporting requirements intended to assist the Ohio EPA in enforcing a prohibition against all sewer system overflows (SSO) occurring anywhere in the

collection systems, regardless of the number, duration, and cause of the overflow. The Ohio EPA also informed Tri-Cities that it would be expected to negotiate administrative findings and orders with the Director of Ohio EPA in 2009 that would impose a mandatory schedule to eliminate all remaining overflow points in the collection systems, regardless of the number, duration, and cause of the overflow, including payment of a penalty for past and future overflow events. Based upon the success of its overflow elimination program, Tri-Cities objected to these conditions and met in January 2009 with representatives of the Ohio EPA. Following the meeting, Tri-Cities sent information to the Ohio EPA to correct a misunderstanding about the number of remaining overflow points; to demonstrate the success of the overflow elimination program; and to document the monies spent to date in the program. The Ohio EPA did not respond to this information.

In March 2009, acting at the request of representatives for the Ohio EPA, U.S. Environmental Protection Agency (the "U.S. EPA") announced its intention to conduct a Compliance Enforcement Inspection of the Tri-Cities treatment plant and interceptor sewer lines, and the sewer lines of the member cities. In July of 2009, Tri-Cities received a new NPDES permit from the Ohio EPA which includes new reporting requirements for SSO's as anticipated. The U.S. EPA conducted a Compliance Enforcement Inspection in 2009 as intended and subsequently issued a Unilateral Administrative Order (UAO) against Tri-Cities and its member cities on April 21, 2010. Each Administrative Order included Findings against Tri-Cities and the member cities for alleged NPDES violations for past SSO's, and an Order for Compliance with the NPDES permit and the Clean Water Act. The UAOs state that they will terminate upon compliance with the terms therein, and upon a demonstration that no SSOs have occurred for at least two consecutive years. The UAOs do not impose a fine for past SSOs, but reserved the right to seek such fine. Tri-Cities and its members requested certain modifications to the language of the UAOs addressing the schedule for elimination of remaining collection system overflows, and procedures to terminate the UAOs once the remaining overflows are eliminated. They also requested that the separate UAOs issued to Tri-Cities and its members be rescinded and replaced by a joint UAO that applies to all four parties. The U.S. EPA agreed to the modifications in principle and issued a draft consolidated UAO for all four parties to review and comment on in late summer 2012. Tri-Cities and the members subsequently filed comments with the U.S. EPA and requested additional clarification regarding the conditions that must be met to terminate the joint UAO once the remaining overflows have been eliminated. Tri-Cities and its members continued to work with the U.S. EPA during 2013 to clarify these conditions. They are currently waiting on a written response from the Agency to their comments with the intent of revising the UAO accordingly. In the meantime, Tri-Cities and its members continue to work diligently in implementing their overflow elimination/reduction program, and the location, number and duration of overflow events continues to decline each year.

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Note 14 – Implementation of New Accounting Principles

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

GASB Statement No. 94 sets out to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Tri-Cities.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Tri-Cities.

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REQUIRED SUPPLEMENTARY INFORMATION

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Required Supplementary Information
Schedule of Tri-Cities Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Fiscal Years

	2023	2022	2021	2020
Tri-Cities proportion of the net pension liability	0.00059500%	0.00069300%	0.00071400%	0.00075700%
Tri-Cities proportionate share of the net pension liability	\$175,763	\$60,294	\$105,728	\$149,626
Tri-Cities covered payroll	\$92,214	\$100,571	\$100,629	\$106,886
Tri-Cities proportionate share of the net pension liability as a percentage of its covered payroll	190.60%	59.95%	105.07%	139.99%
Plan fiduciary net position as a percentage of total pension liability	75.74%	92.62%	86.88%	82.17%

Note:

Amounts presented as of Tri-Cities measurement date which is the prior fiscal year end.
See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.00077300%	0.00077100%	0.00075100%	0.00072600%	0.00076500%	0.00076500%
\$211,709	\$120,955	\$170,539	\$125,752	\$92,268	\$90,184
\$104,979	\$101,885	\$97,525	\$90,675	\$94,142	\$93,946
201.67%	118.72%	174.87%	138.68%	98.01%	96.00%
74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Required Supplementary Information
 Schedule of Tri-Cities Contributions - Pension
 Ohio Public Employees Retirement System - Traditional Plan
 Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$13,739	\$12,910	\$14,080	\$14,088
Contributions in Relation to the Contractually Required Contribution	<u>(13,739)</u>	<u>(12,910)</u>	<u>(14,080)</u>	<u>(14,088)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Tri-Cities covered payroll	\$98,136	\$92,214	\$100,571	\$100,629
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

Note:

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$14,964	\$14,697	\$13,245	\$11,703	\$10,881	\$11,297
(14,964)	(14,697)	(13,245)	(11,703)	(10,881)	(11,297)
\$0	\$0	\$0	\$0	\$0	\$0
\$106,886	\$104,979	\$101,885	\$97,525	\$90,675	\$94,142
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Required Supplementary Information
Schedule of Tri-Cities Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System - Traditional Plan
Last Seven Fiscal Years (1)

	2023	2022	2021	2020
Tri-Cities proportion of the net OPEB liability (asset)	0.00055400%	0.00064500%	0.00066500%	0.00070500%
Tri-Cities proportionate share of the net OPEB liability (asset)	\$3,493	(\$20,202)	(\$11,848)	\$97,379
Tri-Cities covered payroll	\$92,214	\$100,571	\$100,629	\$106,886
Tri-Cities proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	3.79%	-20.09%	-11.77%	91.11%
Plan fiduciary net position as a percentage of total OPEB liability (asset)	94.79%	128.23%	115.57%	47.80%

Note:

Amounts presented as of Tri-Cities measurement date which is the prior fiscal year end.
See accompanying notes to the required supplementary information.

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.00072000%	0.00071900%	0.00070300%
\$93,871	\$78,078	\$71,005
\$104,979	\$101,885	\$97,525
89.42%	76.63%	72.81%
46.33%	54.14%	54.04%

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Required Supplementary Information
Schedule of Tri-Cities Contributions - OPEB
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Tri-Cities covered payroll	\$98,136	\$92,214	\$100,571	\$100,629
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

Note:

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$0	\$0	\$1,019	\$1,950	\$1,814	\$1,883
0	0	(1,019)	(1,950)	(1,814)	(1,883)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$106,886	\$104,979	\$101,885	\$97,525	\$90,675	\$94,142
0.00%	0.00%	1.00%	2.00%	2.00%	2.00%

Note 1 - Net Pension Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

A. Changes in Assumptions

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this period.

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 7.20% to 6.90%
- Decrease in wage inflation from 3.25% to 2.75%
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%

2021-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this period.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2016-2014: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

B. Changes in Benefit Terms

2023-2014: There were no changes in benefit terms for this period.

Note 2 - Net OPEB Liability (Asset)

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

A. Changes in Assumptions

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 6.00% to 5.22%.
- The municipal bond rate increased from 1.84% to 4.05%.

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

- The municipal bond rate decreased from 2.00% to 1.84%.
- The initial health care cost trend rate decreased from 8.50% to 5.50%.
- Decrease in wage inflation from 3.25% to 2.75%.
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%.

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

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

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

- The single discount rate decreased from 3.96% to 3.16%.
- The municipal bond rate decreased from 3.71% to 2.75%.
- The initial health care cost trend rate increased from 10.00% to 10.50%.

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

- The single discount rate increased from 3.85% to 3.96%.
- The investment rate of return decreased from 6.50% to 6.00%.
- The municipal bond rate increased from 3.31% to 3.71%.
- The initial health care cost trend rate increased from 7.50% to 10.00%.

2018: The single discount rate changed from 4.23% to 3.85%.

B. Changes in Benefit Terms

2023: There were no changes in benefit terms for the period.

2022: Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

2021: There were no changes in benefit terms for the period.

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.

2019-2018: There were no changes in benefit terms for the period.

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STATISTICAL SECTION

Statistical Section

This part of Tri-Cities Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Tri-Cities overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how Tri-Cities financial position has changed over time.

Revenue Capacity

These schedules contain information to help the reader understand and assess the factors affecting Tri-Cities ability to generate its most significant local revenue source(s).

Debt Capacity

These schedules present information to help the reader assess the affordability of Tri-Cities current levels of outstanding debt and Tri-Cities ability to issue additional debt in the future.

Economic and Demographic Information

This schedule offers economic and demographic indicators to help the reader understand the environment within which Tri-Cities financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.

Operating Information

This schedule contains service and infrastructure data to help the reader understand how the information in Tri-Cities financial report relates to the services Tri-Cities provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Net Position by Component
 Last Ten Years (1)

	2014 (2)	2015	2016	2017 (3)	2018
Governmental Activities					
Net Investment in Capital Assets	\$25,721,314	\$25,979,809	\$25,985,262	\$26,015,554	\$26,824,696
Unrestricted	5,112,768	4,736,992	4,093,676	3,980,514	3,712,571
Total Governmental Activities Net Position	<u>\$30,834,082</u>	<u>\$30,716,801</u>	<u>\$30,078,938</u>	<u>\$29,996,068</u>	<u>\$30,537,267</u>

(1) Accrual basis of accounting.

(2) Tri-Cities implemented GASB 68 during 2015 and as a result 2014 was restated.

(3) Tri-Cities implemented GASB 75 during 2018 and as a result 2017 was restated.

(4) Tri-Cities implemented GASB 87 during 2022 and as a result 2021 was restated.

Source: Tri-Cities North Regional Wastewater Authority Records

2019	2020	2021 (4)	2022	2023
\$26,600,999	\$26,685,865	\$27,629,728	\$27,404,475	\$28,551,568
3,059,356	2,456,674	2,137,398	3,151,900	3,248,230
<u>\$29,660,355</u>	<u>\$29,142,539</u>	<u>\$29,767,126</u>	<u>\$30,556,375</u>	<u>\$31,799,798</u>

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Changes in Fund Net Position
 Last Ten Years (1)

	2014	2015	2016	2017	2018
Operating expenses	\$3,003,787	\$3,215,637	\$3,892,269	\$3,346,075	\$3,502,547
Operating revenues	3,414,222	3,392,674	3,404,026	3,578,175	3,703,671
Operating income (loss)	410,435	177,037	(488,243)	232,100	201,124
Nonoperating revenues (expenses)	(286,044)	(294,318)	(149,620)	(244,984)	(122,889)
Other revenues (expenses)	0	0	0	0	462,964
Change in fund net position	\$124,391	(\$117,281)	(\$637,863)	(\$12,884)	\$541,199

(1) Accrual basis of accounting.

Source: Tri-Cities North Regional Wastewater Authority Records

2019	2020	2021	2022	2023
\$4,117,707	\$3,817,264	\$4,140,552	\$4,498,339	\$4,691,582
3,419,633	3,472,936	4,922,859	5,388,755	4,478,671
(698,074)	(344,328)	782,307	890,416	(212,911)
(178,838)	(173,488)	(157,720)	(101,167)	1,456,334
0	0	0	0	0
(\$876,912)	(\$517,816)	\$624,587	\$789,249	\$1,243,423

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Operating Revenues by Source
 Last Ten Years (1)

	2014	2015	2016	2017	2018
Operating revenues					
Charges for services	\$3,264,857	\$3,264,050	\$3,268,799	\$3,273,972	\$3,278,567
Rentals	104,114	102,910	132,065	124,355	88,446
Other operating revenues	45,251	25,714	3,162	179,848	336,658
Total operating revenues	<u>\$3,414,222</u>	<u>\$3,392,674</u>	<u>\$3,404,026</u>	<u>\$3,578,175</u>	<u>\$3,703,671</u>

(1) Accrual basis of accounting.

Source: Tri-Cities North Regional Wastewater Authority Records

2019	2020	2021	2022	2023
\$3,280,339	\$3,277,525	\$4,414,241	\$4,876,960	\$4,264,656
82,812	150,069	150,135	202,157	214,015
56,482	45,342	358,483	309,638	0
<u>\$3,419,633</u>	<u>\$3,472,936</u>	<u>\$4,922,859</u>	<u>\$5,388,755</u>	<u>\$4,478,671</u>

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Operating Expenses
 Last Ten Years (1)

	2014	2015	2016	2017	2018
Operating expenses					
Personal services	\$111,965	\$104,769	\$118,601	\$144,034	\$142,565
Contractual services	1,820,599	2,025,185	2,613,175	2,011,567	2,210,204
Materials and supplies	2,205	2,271	1,750	2,225	1,941
Other operating expenses	39,909	35,269	11,602	55,081	17,716
Depreciation and Amortization	1,029,109	1,048,143	1,147,141	1,133,168	1,130,121
Total operating revenues	<u>\$3,003,787</u>	<u>\$3,215,637</u>	<u>\$3,892,269</u>	<u>\$3,346,075</u>	<u>\$3,502,547</u>

(1) Accrual basis of accounting.

Source: Tri-Cities North Regional Wastewater Authority Records

2019	2020	2021	2022	2023
\$166,563	\$139,482	\$34,718	\$70,573	\$120,399
2,665,365	2,402,799	2,817,151	3,073,332	3,272,109
2,005	938	2,846	2,232	2,228
23,947	18,791	29,513	76,200	14,888
1,259,827	1,255,254	1,256,324	1,276,002	1,281,958
<u>\$4,117,707</u>	<u>\$3,817,264</u>	<u>\$4,140,552</u>	<u>\$4,498,339</u>	<u>\$4,691,582</u>

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Nonoperating Revenues and Expenses/Other Revenues and Expenses
 Last Ten Years (1)

	2014	2015	2016	2017	2018
Nonoperating revenues (expenses)					
Intergovernmental	\$0	\$0	\$14,837	\$7,630	\$5,722
Interest income	47,143	18,720	21,235	40,562	55,185
Decrease in fair value of investments	0	0	0	0	0
Interest and fiscal charges	(129,820)	(313,038)	(185,692)	(163,824)	(183,796)
Gain (loss) on disposal of capital assets	(203,367)	0	0	(129,352)	0
Total nonoperating revenues (expenses)	<u>(\$286,044)</u>	<u>(\$294,318)</u>	<u>(\$149,620)</u>	<u>(\$244,984)</u>	<u>(\$122,889)</u>
Other revenues (expenses)					
Capital contributions	\$0	\$0	\$0	\$0	\$0
Special item	0	0	0	0	462,964
Total operating revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$462,964</u>

(1) Accrual basis of accounting.

Source: Tri-Cities North Regional Wastewater Authority Records

2019	2020	2021	2022	2023
\$3,723	\$1,631	\$0	\$19,926	\$1,508,678
52,819	111,877	1,227	24,296	79,754
0	0	0	0	0
(195,520)	(272,196)	(158,947)	(145,389)	(132,098)
(39,860)	(14,800)	0	0	0
<u>(\$178,838)</u>	<u>(\$173,488)</u>	<u>(\$157,720)</u>	<u>(\$101,167)</u>	<u>\$1,456,334</u>
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Three Largest Customers
 Last Ten Years

Year	City of Vandalia	City of Huber Heights	City of Tipp City	Total charges for services for largest customers
2014	\$859,601	\$1,712,963	\$690,441	\$3,263,005
2015	868,687	1,710,207	685,614	3,264,508
2016	858,989	1,688,272	720,352	3,267,613
2017	875,139	1,685,505	711,396	3,272,040
2018	844,856	1,653,721	779,709	3,278,286
2019	828,146	1,663,827	788,162	3,280,135
2020	850,833	1,681,080	745,612	3,277,525
2021	1,108,648	2,313,685	991,908	4,414,241
2022	1,150,041	2,568,462	1,158,457	4,876,960
2023	984,040	2,236,343	1,044,273	4,264,656

Source: Tri-Cities North Regional Wastewater Authority Records

Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Wastewater Treated
Last Ten Years

<u>Year</u>	<u>Gallons of Wastewater Treated</u>	<u>Total Direct Sewer Rates (1)</u>
2014	2,958	0.96
2015	3,803	0.80
2016	3,655	0.88
2017	4,085	0.78
2018	4,475	0.68
2019	4,480	0.67
2020	4,520	0.95
2021	3,627	1.00
2022	3,669	1.23
2023	3,133	1.44

(1) per 1,000 gallons.

Source: Tri-Cities North Regional Wastewater Authority Records

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Schedule of Participating Cities' Equity Interest
 Last Ten Years

Year	City of Vandalia	City of Huber Heights	City of Tipp City	Total
2014	26.34%	52.50%	21.16%	100.00%
2015	26.63%	52.41%	20.96%	100.00%
2016	26.12%	51.80%	22.08%	100.00%
2017	26.94%	51.29%	21.77%	100.00%
2018	25.46%	50.48%	24.06%	100.00%
2019	25.45%	50.53%	24.02%	100.00%
2020	26.19%	51.66%	22.15%	100.00%
2021	25.12%	52.41%	22.47%	100.00%
2022	23.58%	52.67%	23.75%	100.00%
2023	23.07%	52.44%	24.49%	100.00%

Source: Tri-Cities North Regional Wastewater Authority Records

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Ratio of Outstanding Debt By Type
 Last Ten Years

Year	OWDA Loans (3)	Population (1)	Per Capital	Percentage of Personal Income (2)
2014	\$8,998,769	63,036	\$142.76	0.52%
2015	8,101,489	63,036	128.52	0.47%
2016	7,476,220	63,036	118.60	0.43%
2017	7,611,175	63,036	120.74	0.44%
2018	8,630,334	63,036	136.91	0.50%
2019	7,760,111	63,036	123.11	0.45%
2020	6,871,406	63,266	108.61	0.36%
2021	6,031,163	63,266	95.33	0.32%
2022	5,312,564	68,551	77.50	0.24%
2023	5,655,419	68,551	82.50	0.26%

(1) Population total of all member cities

(2) Percentage of personal income of all member cities

(3) Details regarding the Tri-Cities outstanding debt can be found in Note 5 in the current financial statements

Source: Tri-Cities North Regional Wastewater Authority Records

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Debt Service Coverage
 Last Ten Years

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2014	\$3,414,222	\$1,974,678	\$1,439,544	\$787,351	\$129,820	\$917,171	1.57
2015	3,392,674	2,167,494	1,225,180	1,027,812	215,649	1,243,461	0.99
2016	3,418,863	2,745,128	673,735	625,269	191,766	817,035	0.82
2017	3,585,805	2,212,907	1,372,898	612,517	176,761	789,278	1.74
2018	3,709,393	2,372,426	1,336,967	641,379	161,516	802,895	1.67
2019	3,423,356	2,857,880	565,476	870,223	204,689	1,074,912	0.53
2020	3,474,567	2,562,010	912,557	888,705	186,207	1,074,912	0.85
2021	4,922,859	2,884,228	2,038,631	840,243	167,136	1,007,379	2.02
2022	5,388,755	3,222,337	2,166,418	787,638	145,389	933,027	2.32
2023	5,987,349	3,409,624	2,577,725	502,407	138,686	641,093	4.02

(1) Gross revenues exclusive of interest income, gain (loss) on sale of capital assets and special items
 (2) Total operating expenses exclusive of depreciation and amortization

Source: Tri-Cities North Regional Wastewater Authority Records

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Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Demographic and Economic Statistics of Participating Cities
 Last Ten Years

Year	Population			Total	Montgomery County Unemployment Rate (2)
	City of Vandalia	City of Huber Heights	City of Tipp City		
2014	15,246	38,101	9,689	63,036	4.6%
2015	15,246	38,101	9,689	63,036	4.7%
2016	15,246	38,101	9,689	63,036	4.6%
2017	15,246	38,101	9,689	63,036	4.6%
2018	15,246	38,101	9,689	63,036	4.8%
2019	15,246	38,101	9,689	63,036	4.8%
2020	14,997	38,154	10,115	63,266	6.3%
2021	14,997	38,154	10,115	63,266	5.6%
2022	14,997	43,439	10,115	68,551	4.1%
2023	14,997	43,439	10,115	68,551	3.8%

Source:

- (1) U.S. Bureau of Census, Census of Population.
- (2) U.S. Department of Labor.
- (3) Computation of per capita personal income multiplied by population
- (4) Personal income is a calculation based on the County's Per Capita Income, which is the only information available for this City

City of Vandalia		City of Huber Heights		City of Tipp City	
Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)	Personal Income Per Capita (1)
\$415,514,484	\$27,254	\$983,882,123	\$25,823	\$334,222,055	\$34,495
415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
517,636,452	34,516	1,068,998,772	28,018	316,134,210	31,254
517,636,452	34,516	1,068,998,772	28,018	316,134,210	31,254
517,636,452	34,516	1,365,895,416	31,444	316,134,210	31,254
517,636,452	34,516	1,365,895,416	31,444	316,134,210	31,254

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Tri-Cities North Regional Wastewater Authority
Montgomery County, Ohio
Principal Employers of Tri-Cities Participating Cities
As of December 31, 2014 and 2023

Participating city:	2023			2014		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
City of Vandalia:						
GE Aviation (formerly Smiths Aerospace)	654	1	4.58%	501	4	3.81%
All Service Plastic Molding	514	2	3.60%	398	7	3.02%
Vandalia-Butler City Schools	513	3	3.59%	504	3	3.83%
Central Transport	424	4	2.97%			
City of Vandalia	396	5	2.77%	482	5	3.66%
SAIA Burgess, Inc. (formerly Johnson Controls)	347	6	2.43%	410	6	3.11%
Beau Townsend Ford/Nissan	346	7	2.42%			0.00%
Dayton Freight Lines Inc.	336	8	2.35%			0.00%
Kroger Limited Partnership	297	9	2.08%	285	8	2.16%
Staffmark Investment LLC (formerly CBS Personnel Services)	285	10	1.99%	900	1	6.84%
Adare Pharmaceuticals Inc. (Formerly Aptalis Pharmatech, Inc.)				254	9	1.93%
Delphi Automotive Systems				611	2	4.64%
IMDS Holdings Corp (Formerly Leis Medical)				244	10	1.85%
Total for the City of Vandalia	4,112		28.78%	4,589		34.86%
City of Huber Heights:						
Huber Heights City Schools	988	1	6.92%	1,003	1	7.62%
Walmart Stores Incorporated	744	2	5.21%	602	2	4.57%
ADECCO USA	657	3	4.60%			0.00%
Meijer Stores	606	4	4.24%	480	4	3.65%
Trimble Navigation	580	5	4.06%	505	3	3.84%
ABF Freight Systems	556	6	3.89%	451	5	3.43%
Lowe's	445	7	3.11%			0.00%
Fed Ex Freight	428	8	3.00%			0.00%
Minute Men	376	9	2.63%			0.00%
Target	326	10	2.28%	232	10	1.76%
Kroger				352	6	2.67%
Kohl's				244	7	1.85%
Young Men Christian				238	8	1.81%
Belcan Services				235	9	1.79%
Total for the City of Huber Heights	5,706		39.94%	4,342		32.98%
City of Tipp City:						
Meijer, Inc.	1,685	1	11.79%	1,321	1	10.03%
Tipp City Exempted Village School District	531	2	3.72%	455	2	3.46%
FHI LLC	510	3	3.57%	248	10	1.88%
Abbott Laboratories	435	4	3.04%			0.00%
Adcare Health Systems (formerly Springmeade)	267	5	1.87%	255	9	1.94%
Menards	251	6	1.76%	284	6	2.16%
Danis	224	7	1.57%			
US Express	212	8	1.48%			0.00%
Arbogast	182	9	1.27%	280	7	2.13%
City of Tipp City	171	10	1.20%			0.00%
Rostam Direct (formerly Gardens Alive-Springhill)				452	3	3.43%
Regal Beloit (formerly AO Smith Corporation)				264	8	2.01%
CBS Personnel Services				326	5	2.48%
Associate Staffing				348	4	2.64%
Total for the City of Tipp City	4,468		31.27%	4,233		32.16%
Grand total all three participating cities	14,286			13,164		

Source: Participating cities financial records

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Operating and Capital Indicators
 Last Ten Years

	2014	2015	2016	2017	2018
Wastewater treatment					
Miles of sewers	10	10	10	10	10
Number of treatment plants	1	1	1	1	1
Treatment capacity (MGD)	11.2	11.2	11.2	11.2	11.2
Annual engineering maximum plant capacity (millions of gallons)	4,088	4,088	4,088	4,088	4,088
Amount treated annually (millions of gallons)	2,958	3,803	3,655	4,085	4,475
Unused capacity (millions of gallons)	1,130	285	433	3	(387)
Percentage of capacity utilized	72%	93%	89%	100%	109%

Notes:

MGD = millions of gallons per day

Source: Tri-Cities North Regional Wastewater Authority Records

2019	2020	2021	2022	2023
10	10	10	10	10
1	1	1	1	1
11.2	11.2	11.2	11.2	11.2
4,088	4,088	4,088	4,088	4,088
4,480	4,520	3,627	3,669	3,133
(392)	(432)	461	419	955
110%	111%	89%	90%	77%

Tri-Cities North Regional Wastewater Authority
 Montgomery County, Ohio
 Miscellaneous Statistics
 Last Ten Years

General Information:

Year of Incorporation
 Form of Government

1996 Joint Venture	2014	2015	2016	2017	2018
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Miscellaneous Statistics:

Number of Full Time Employees	1	1	1	1	1
Number of Part Time Employees	1	1	1	1	1
Miles of Sewer Line	10	10	10	10	10
Number of Manholes	112	112	112	112	112
Number of Siphons	1	1	1	1	1
Number of Pump Stations	2	2	2	2	2
Number of Booster Stations	1	1	1	1	1
Number of Equalization Basins	0	2	2	2	2

Source: Tri-Cities North Regional Wastewater Authority Records

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1	1	1	1	1
1	1	0	0	0
10	10	10	10	10
112	112	114	114	114
1	1	2	2	2
2	2	2	2	2
1	1	1	1	1
2	2	2	2	2

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OHIO AUDITOR OF STATE KEITH FABER



TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY

MONTGOMERY 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 6/11/2024

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

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