

***TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY, OHIO***

REGULAR AUDIT

For the Years Ended December 31, 2023 and 2022



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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800-282-0370

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

We have reviewed the *Independent Auditor's Report* of the Tri-County Water Sewer District, Washington County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 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-County Water Sewer District 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

October 01, 2024

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

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WASHINGTON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

Unmodified Opinions

We have audited the accompanying financial statements of the Tri-County Rural Water and Sewer District, Washington County, Ohio (the District), which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023 and 2022, and the changes in financial position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include the schedules of net pension and other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions listed in the table of contents, 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and do not provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 24, 2024

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,525,675
Accounts Receivable-Customers (Net)	94,317
Total Current Assets	1,619,992

Noncurrent Assets:

Capital Assets:

Land	258,508
Buildings	232,260
Machinery and Equipment	388,172
Office Furniture and Fixtures	26,788
Autos and Trucks	167,235
Construction in Progress	2,326,294
Water System - Wells	199,576
Water System - Meter/Taps/Hydrants	769,441
Water System - Water Lines	10,446,494
Water System - Stations	920,257
Water System - Tanks/Towers	1,928,663
Less: Accumulated Depreciation	(11,457,240)
Net Property and Equipment	6,206,448

Other Assets:

Loan Closing Fees - Net of Amortization	53,534
Right of Ways	39,762
Advance Deposit	135
Total Other Assets	93,431

Total Noncurrent Assets	6,299,879
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Deferred Outflows of Resources

Pension	168,343
OPEB	34,836
Total Deferred Outflows of Resources	203,179

Total Assets and Deferred Outflows	\$ 8,123,050
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See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION (CONTINUED)
AS OF DECEMBER 31, 2023**

Liabilities and Net Position

Liabilities:

Current Liabilities:

Current Portion of Long-Term Debt	\$ 133,997
Customer Security Deposits	297
Payroll Withholdings	13,979
Accrued Interest Payable	9,023
Current Portion of Accrued Vacation and Sick Leave	26,709
Total Current Liabilities	<u>184,005</u>

Long-Term Liabilities:

Notes Payable OWDA	1,491,912
Notes Payable OPWC	576,813
Less: Current Portion of Long-Term Debt	(133,997)
Net Pension Liability	358,025
Net OPEB Liability	10,971
Total Long-Term Liabilities	<u>2,303,724</u>

Deferred Inflows of Resources

OPEB	3,619
Total Deferred Inflows of Resources	<u>3,619</u>

Total Liabilities and Deferred Inflows

2,491,348

Net Position:

Net Investment in Capital Assets	4,137,723
Unrestricted	1,493,979

Total Net Position

5,631,702

Total Liabilities & Net Position

\$ 8,123,050

See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Operating Revenues:

Charge for Services	\$ 1,207,716
Tap Fees	53,000
Finance Charges	9,383
Reconnect Fees	500
Miscellaneous Income	21,822
Total Operating Revenues	<u>1,292,421</u>

Operating Expenses:

Advertising	3,280
Auto-Truck Travel	1,154
Board of Director Fees	4,800
Chemicals	18,722
Contract Labor	48,557
Depreciation Expense	354,233
Fuel, Oil and Grease	11,086
Insurance	15,427
Hospital Insurance	61,138
Legal and Accounting	14,860
Licenses/Permits	3,284
Repairs and Maintenance	10,226
Miscellaneous Expenses	3,843
Office	43,859
Pension - PERS	75,380
OPEB	(14,060)
Postage	12,501
Recording/Filing Fees	1,810
Salaries	308,760
Supplies	86,591
Payroll Taxes	7,277
Other Taxes	1,311
Telephone	6,241
Travel and Entertainment	188
System Electric	13,101
Other Utilities	92,875
Sewer/Beverly Hills	10,897
Water Testing	3,392
Total Operating Expenses	<u>1,200,733</u>

Operating Income	<u><u>\$ 91,688</u></u>
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See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

Non-Operating Revenues (Expenses):

Interest Earned	\$ 14,096
Surcharge/Financed Taps	1,519
Interest Expense	<u>(18,385)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,770)</u>
Change in Net Position Before Capital Contribution	88,918
Capital Contributions	<u>1,907,320</u>
Change in Net Position	1,996,238
Restated Net Position, Beginning of Year	<u>3,635,464</u>
Net Position, End of Year	<u><u>\$ 5,631,702</u></u>

See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,302,246
Cash Payments to Suppliers for Goods and Services	(438,599)
Cash Payments to Employees for Services and Benefits	(411,305)
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Net Cash Provided by (Used by) Operations	452,342
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Cash Flows from Capital and Related Financing Activities:	
Acquisition of Property & Equipment and Projects	(2,180,540)
Loan Proceeds	352,680
Principal Payments	(90,618)
Interest Paid	(18,385)
Capital Contributions	1,907,320
	<hr/>
Net Cash Provided by (Used by) Capital and Related Financing Activities	(29,543)
	<hr/>
Cash Flows from Investing Activities:	
Investment Income	14,097
Surcharged Finance Taps	1,519
	<hr/>
Net Cash Provided (Used) by Investing Activities	15,616
	<hr/>
Net Increase/(Decrease) in Cash and Cash Equivalents	438,415
Cash and Cash Equivalents - January 1	1,087,260
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Cash and Cash Equivalents - December 31	\$ 1,525,675
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Adjustments to Reconcile Operating Income to Cash Flows From Operating Activities	
Net Operating Income	\$ 91,688
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:	
Depreciation/Amortization	354,233
Decrease (Increase) in Accounts Receivable	9,825
Decrease (Increase) in Deferred Outflows	(125,094)
Decrease(Increase) in Loan Costs	(28,224)
Decrease(Increase) in Net OPEB Asset	49,833
Increase/(Decrease) Deferred Inflows	(173,269)
Increase/(Decrease) Net Pension Liability	256,839
Increase/(Decrease) Net OPEB Liability	10,971
Increase/(Decrease) Payroll Withholdings	67
Increase/(Decrease) Accrued Interest Payable	(740)
Increase (Decrease) Accounts Payable	(1,630)
Increase (Decrease) Accrued Payroll	7,843
	<hr/>
Total Adjustments	360,654
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Net Cash Provided by (Used by) Operating Activities	\$ 452,342
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See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the year ended December 31, 2023 and passed annual appropriations and resolutions.

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

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

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Position

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

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

G. Contributed Capital

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

H. Compensated Absences

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

I. Estimates

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

J. Pensions/Other Postemployment Benefits (OPEB)

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2. DEPOSITS

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

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

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

2. DEPOSITS (CONTINUED)

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2), this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurers Investment pool (STAROHIO); and
8. Certain bankers' acceptances and commercial paper for a period not to exceed 270 days and in an amount not to exceed forty percent of the District interim monies available for investment at any one time if the training requirements have been met.

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

2. DEPOSITS (CONTINUED)

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

The carrying amount of all District deposits was \$1,525,475 exclusive of \$200 in cash on hand at December 31, 2023. The District's deposit bank balance as of December 31, 2023 was \$1,551,315. The District's balance was covered by FDIC for \$250,000 at December 31, 2023. The remainder was collateralized by securities specifically pledged by the financial institution to the District.

3. LONG TERM LIABILITIES

Debt outstanding at December 31, 2023 consisted of the following:

		<u>Principal</u>	<u>Interest Rate</u>
LTD-1	OWDA - 7335	\$ 595,881	1.27%
LTD-7	OWDA - 2893	10,342	2.00%
LTD-20	OWDA - 10226	352,680	0.00%
LTD-8	OWDA - 2183	16,059	5.56%
LTD-9	OWDA - 4162	41,211	1.50%
LTD-18	OWDA - 6220	448,563	2.00%
LTD-19	OWDA - 5238	27,176	0.00%
OPWC-6A	OPWC - CR20G	31,582	0.00%
OPWC-7A	OPWC - CR05T	118,920	0.00%
LTD-17A	OPWC - CRN17N	426,311	0.00%
		<u>\$ 2,068,725</u>	

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

3. LONG TERM LIABILITIES (CONTINUED)

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

Year Ending December 31:	OWDA	OPWC
2024	\$ 81,949	\$ 52,048
2025	77,155	44,153
2026	75,012	36,257
2027	72,869	36,257
2028	72,869	36,257
2029-2033	364,345	161,466
2034-2038	353,050	115,220
2039-2043	340,579	95,155
2044-2048	186,480	-
2049-2053	58,780	-
2054-2058	11,755	-
	\$ 1,694,843	\$ 576,813

Long-term Obligations

Changes in long-term obligations of the District during the year ended December 31, 2023 were as follows:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
OWDA - 7335	\$ 616,495	\$ -	\$ (20,614)	\$ 595,881	\$ 28,378
OWDA - 2119	1,125	-	(1,125)	-	-
OWDA - 2120	807	-	(807)	-	-
OWDA - 2893	14,341	-	(3,999)	10,342	4,286
OWDA - 2183	31,268	-	(15,209)	16,059	16,550
OWDA - 4162	44,323	-	(3,112)	41,211	3,765
OWDA - 6220	466,643	-	(18,080)	448,563	27,323
OWDA - 5328	28,823	-	(1,647)	27,176	1,647
OPWC - CR20G	39,478	-	(7,896)	31,582	15,791
OPWC - CR05T	125,527	-	(6,607)	118,920	13,213
OPWC - CR17N	437,833	-	(11,522)	426,311	23,044
OWDA - 10226	-	352,680	-	352,680	-
Compensated Absences	18,866	7,843	-	26,709	26,709
Net Pension Liability	101,186	256,839	-	358,025	-
Net OPEB Liability	-	10,971	-	10,971	-
Total	\$ 1,926,715	\$ 628,333	\$ (90,618)	\$ 2,464,430	\$ 160,706

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
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4. CAPITAL ASSETS

A summary of the District's assets at December 31, 2023:

	<u>Restated Balance at 12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/23</u>
Non-Depreciable				
Land	\$ 258,508	\$ -	\$ -	\$ 258,508
Construction in Progress	241,031	2,085,263	-	2,326,294
Total Capital Assets Not Being Depreciated	<u>499,539</u>	<u>2,085,263</u>	<u>-</u>	<u>2,584,802</u>
Capital Assets Being Depreciated:				
Buildings	232,260	-	-	232,260
Machinery and Equipment	351,974	41,919	(5,721)	388,172
Office Furniture and Fixtures	26,788	-	-	26,788
Autos and Trucks	113,878	53,357	-	167,235
Water System	14,264,431	-	-	14,264,431
Total Capital Assets Being Depreciated	<u>14,989,331</u>	<u>95,276</u>	<u>(5,721)</u>	<u>15,078,886</u>
Less Accumulated Depreciation:				
Buildings	(37,713)	(5,955)	-	(43,668)
Machinery and Equipment	(210,895)	(40,514)	5,721	(245,688)
Office Furniture and Fixtures	(25,158)	(551)	-	(25,709)
Autos and Trucks	(90,335)	(23,086)	-	(113,421)
Water System	(10,744,627)	(284,127)	-	(11,028,754)
Total Accumulated Depreciation	<u>(11,108,728)</u>	<u>(354,233)</u>	<u>5,721</u>	<u>(11,457,240)</u>
Total Capital Assets, Net	<u>\$ 4,380,142</u>	<u>\$ 1,826,306</u>	<u>\$ -</u>	<u>\$ 6,206,448</u>

5. RISK MANAGEMENT

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

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

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

	<u>2023</u>
Cash and Investments	\$ 43,996,442
Actuarial liabilities	\$ 19,743,401

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WASHINGTON COUNTY
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6. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

The proportionate share of each plan's excess unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in payroll withholdings.

Plan Description

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

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WASHINGTON COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2023**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution for the period ended December 31, 2023 were \$42,040. 100% has been contributed for 2023.

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

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

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	\$ 358,025
Proportion of the Net Pension Liability/(Asset)	0.001212%
Increase/(decrease) in % from prior proportion measured	0.000049%
Pension Expense	\$ 75,380

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

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

	Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 102,048
Changes in assumptions	3,782
Differences between expected and actual experience	11,892
Changes in proportion and differences between government contributions and proportionate share of contributions	8,581
District contributions subsequent to the measurement date	42,040
Total Deferred Outflows of Resources	\$ 168,343

There were no deferred inflows of resources related to pension for the year ended December 31, 2023.

\$42,040 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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:

	Traditional Pension Plan
Fiscal year Ending June 30:	
2024	\$ 20,764
2025	25,508
2026	30,039
2027	49,992
Total	\$ 126,303

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2023**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2022, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2022
Experience Study	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	6.90%
Wage Inflation	2.75%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3% Simple through 2023, then 2.05% Simple

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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

During 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 of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 12.1% 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 table below displays the Board-approved asset allocation policy for 2022 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2022	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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%	

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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

<u>Employer’s Net Pension Liability</u>	<u>1% Decrease 5.9%</u>	<u>Current Discount Rate 6.9%</u>	<u>1% Increase 7.9%</u>
Traditional Pension Plan	\$ 536,310	\$ 358,025	\$ 209,724

7. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

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

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

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

Plan Description

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.

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7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Plan Description (Continued)

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.

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7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Plan Description (Continued)

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

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

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>
Proportionate Share of the Net OPEB Liability	\$ 10,971
Proportion of the Net OPEB Liability	0.001740%
Increase/(decrease) in % from prior proportion measured	0.000149%
OPEB Expense/(Offset)	\$ (14,056)

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7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 21,789
Changes in assumptions	10,716
Changes in proportion and differences between government contributions and proportionate share of contributions	2,331
Total Deferred Outflows of Resources	\$ 34,836
Deferred Inflows of Resources	
Changes in assumptions	\$ 882
Differences between expected and actual experience	2,737
Total Deferred Inflows of Resources	\$ 3,619

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

Fiscal Year Ending December 31:	OPERS
2024	\$ 5,899
2025	8,002
2026	6,791
2027	10,525
Total	\$ 31,217

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	
Valuation Date	December 31, 2021
Rolled-forward measurement date	December 31, 2022
Experience Study	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Single Discount Rate	5.22%
Investment Rate of Return	6.00%
Municipal Bond Rate	4.05%
Wage Inflation	2.75%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.50% ultimate in 2036

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

A single discount rate of 5.22% as used to measure the OPEB liability on the measurement date of December 31, 2022. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. 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 long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

The following table presents the OPEB liability/(asset) calculated using the single discount rate of 5.22%, and the expected net OPEB liability/(asset) if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	<u>1% Decrease</u> <u>4.22%</u>	<u>Current</u> <u>Discount Rate</u> <u>5.22%</u>	<u>1% Increase</u> <u>6.22%</u>
District's proportionate share of the net OPEB liability/(asset)	\$ 37,340	\$ 10,971	\$ (10,788)

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

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

	<u>1% Decrease</u>	<u>Current Health</u> <u>Case Cost Trend</u> <u>Rate Assumption</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability/(asset)	\$ 10,283	\$ 10,971	\$ 11,745

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2022 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2022	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00%	4.60%
REITs	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%	

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022.

8. RESTATEMENT OF BEGINNING NET POSITION

During the current reporting period, it was identified that there was an understatement in the values of certain assets in the beginning net position for the prior period.

The restatement of the beginning net position has been performed to rectify the inaccuracies in the reported financial information. The adjustment primarily relates to the revaluation of assets to their correct fair values as of the beginning of the prior period. See restatement adjustment below:

Net Position at 12/31/2022, as Previously Recorded	\$ 3,630,689
Restatement of Capital Assets	4,775
Net Position at 12/31/2022, as Restated	\$ 3,635,464

9. SUBSEQUENT EVENTS

The District evaluated subsequent events and transactions that occurred after the date of the statement of financial position up to May 29, 2024 the date that the financial statements were issued. No events have occurred subsequent to the date of the financial statements through the report date that would require adjustment or disclosure in the financial statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE PLAN YEAR ENDED DECEMBER 31, 2023**

**Ohio Public Employees Retirement System - Traditional Plan
Last Ten Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.001212%	0.001163%	0.001067%	0.001128%	0.001160%	0.001149%	0.001166%	0.001142%	0.001130%	0.001130%
District's Proportionate Share of the Net Pension Liability	\$ 358,025	\$ 101,186	\$ 157,999	\$ 222,957	\$ 317,702	\$ 180,256	\$ 264,773	\$ 197,805	\$ 136,291	\$ 133,212
District's Covered Payroll	\$ 289,700	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558	\$ 142,192	\$ 138,575	\$ 165,867
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	123.6%	40.8%	86.7%	129.9%	195.4%	118.6%	175.86%	139.11%	98.35%	80.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

See Accompanying Notes to the Required Supplementary Information.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Ohio Public Employees Retirement System - Traditional Plan
Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 42,040	\$ 40,558	\$ 34,733	\$ 25,522	\$ 24,021	\$ 22,766	\$ 19,763	\$ 18,067	\$ 17,063	\$ 16,629
Contributions in Relation to the Contractually Required Contribution	(42,040)	(40,558)	(34,733)	(25,522)	(24,021)	(22,766)	(19,763)	(18,067)	(17,063)	(16,629)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District Covered Payroll	 \$ 300,286	 \$ 289,700	 \$ 248,093	 \$ 182,300	 \$ 171,575	 \$ 162,615	 \$ 152,023	 \$ 150,558	 \$ 142,192	 \$ 138,575
Contributions as Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

See Accompanying Notes to the Required Supplementary Information.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE PLAN YEAR ENDED DECEMBER 31, 2023**

**Ohio Public Employees Retirement System
Last Seven Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability/(Asset)	0.001740%	0.001591%	0.001205%	0.001164%	0.001080%	0.001070%	0.001070%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 10,971	\$ (49,833)	\$ (21,468)	\$ 160,779	\$ 140,807	\$ 116,194	\$ 108,074
District's Covered Payroll	\$ 289,700	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558
District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	3.8%	-20.1%	-11.8%	93.7%	86.6%	76.4%	71.8%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2016 is not available.

*Will be built prospectively.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Ohio Public Employees Retirement System - OPEB Plan
Last Seven Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,520
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	1,520
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 300,286	\$ 289,700	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023
Contributions as Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2017 is not available.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1 - Changes in Assumptions – OPERS Pension

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2016	December 31, 2015
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	8.00%
Wage Inflation	3.25%	3.75%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	4.25% to 10.05% (Includes wage inflation of 3.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3/00% Simple through 2018, then 2.15% Simple

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

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

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

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

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

Amounts reported for fiscal year 2022 (Measurement Period 2021) incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 (Measurement Period 2020) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2021	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2020	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	6.90%	7.20%
Wage Inflation	2.75%	3.25%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 0.50% Simple through 2021, then 2.15% Simple

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1 - Changes in Assumptions – OPERS Pension (Continued)

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in the wage inflation rate from 3.25% to 2.75%, and transition from RP-2014 mortality tables to the Pub-2010 mortality tables.

Amounts reported for fiscal year 2023 (Measurement Period 2022) reported no changes in assumptions.

Note 2 - Changes in Assumptions – OPERS OPEB

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

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 2 - Changes in Assumptions – OPERS OPEB (Continued)

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

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

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

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

Amounts reported for fiscal year 2022 (Measurement Period 2021) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 (Measurement Period 2020) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2020	December 31, 2019
Rolled-forward measurement date	December 31, 2021	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2020	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age normal
Actuarial Assumptions:		
Single Discount Rate	6.00%	6.00%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	1.84%	2.00%
Wage Inflation	2.75%	3.25%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2034	8.50% initial, 3.50% ultimate in 2035

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 2 - Changes in Assumptions – OPERS OPEB (Continued)

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a decrease of the municipal bond rate from 2.00% to 1.84%, a decrease in the minimum projected salary increases from 3.25% to 2.75%. There is also a change Health Care Cost Trend Rates.

Amounts reported for fiscal year 2023 (Measurement Period 2022) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2022 (Measurement Period 2021) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2021	December 31, 2020
Rolled-forward measurement date	December 31, 2022	December 31, 2021
Experience Study	5 Year Period Ended December 31, 2020	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	5.22%	6.00%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	4.05%	1.84%
Wage Inflation	2.75%	2.75%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)	2.75% to 10.75% (Includes wage inflation of 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.50% ultimate in 2036	5.5% initial, 3.50% ultimate in 2034

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. The significant change includes a decrease in the Single Discount Rate from 6.00% to 5.22%.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 2 - Changes in Assumptions – OPERS OPEB (Continued)

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

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

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

Amounts reported for fiscal year 2022 (Measurement Period 2021) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 (Measurement Period 2020) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2020	December 31, 2019
Rolled-forward measurement date	December 31, 2021	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2020	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal	Individual entry age normal
Actuarial Assumptions:		
Single Discount Rate	6.00%	6.00%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	1.84%	2.00%
Wage Inflation	2.75%	3.25%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2034	8.50% initial, 3.50% ultimate in 2035

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2022**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,087,260
Accounts Receivable-Customers (Net)	104,142
Total Current Assets	<u>1,191,402</u>

Noncurrent Assets:

Capital Assets:

Land	258,508
Buildings	232,260
Machinery and Equipment	351,974
Office Furniture and Fixtures	26,788
Autos and Trucks	113,878
Construction in Progress	241,031
Water System - Wells	199,576
Water System - Meter/Taps/Hydrants	769,441
Water System - Water Lines	10,446,494
Water System - Stations	920,257
Water System - Tanks/Towers	1,923,888
Less: Accumulated Depreciation	<u>(11,108,728)</u>
Net Property and Equipment	<u>4,375,367</u>

Other Assets:

Loan Closing Fees - Net of Amortization	25,310
Right of Ways	39,762
Advance Deposit	135
Net OPEB Asset	49,833
Total Other Assets	<u>115,040</u>

Total Noncurrent Assets	<u>4,490,407</u>
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Deferred Outflows of Resources

Pension	70,248
OPEB	7,837
Total Deferred Outflows of Resources	<u>78,085</u>

Total Assets and Deferred Outflows	<u>\$ 5,759,894</u>
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See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION (CONTINUED)
AS OF DECEMBER 31, 2022**

Liabilities and Net Position

Liabilities:

Current Liabilities:

Accounts Payable	\$ 1,630
Current Portion of Long-Term Debt	135,765
Customer Security Deposits	297
Payroll Withholdings	13,912
Accrued Interest Payable	9,763
Current Portion of Accrued Vacation and Sick Leave	15,849
Total Current Liabilities	<u>177,216</u>

Long-Term Liabilities:

Notes Payable OWDA	1,203,825
Notes Payable OPWC	602,838
Less: Current Portion of Long-Term Debt	(135,765)
Long-Term Accrued Vacation and Sick Leave	3,017
Net Pension Liability	101,186
Total Long-Term Liabilities	<u>1,775,101</u>

Deferred Inflows of Resources

Pension	125,404
OPEB	51,484
Total Deferred Inflows of Resources	<u>176,888</u>

Total Liabilities and Deferred Inflows

2,129,205

Net Position:

Net Investment in Capital Assets	2,568,704
Unrestricted	<u>1,061,985</u>

Total Net Position

3,630,689

Total Liabilities & Net Position

\$ 5,759,894

See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Operating Revenues:

Charge for Services	\$ 1,212,556
Tap Fees	45,000
Finance Charges	12,542
Reconnect Fees	1,000
Miscellaneous Income	77,972
Total Operating Revenues	<u>1,349,070</u>

Operating Expenses:

Administration Expenses	20,177
Advertising	41
Auto-Truck Travel	1,986
Amortization Expenses	1,899
Board of Director Fees	4,890
Chemicals	14,293
Contract Labor	59,104
Depreciation Expense	344,653
Fuel, Oil and Grease	13,177
Insurance	6,833
Hospital Insurance	47,565
Legal and Accounting	17,248
Licenses/Permits	8,049
Repairs and Maintenance	42,330
Miscellaneous Expenses	15,198
Office	46,535
Pension - PERS	(4,463)
OPEB	(33,696)
Postage	14,083
Recording/Filing Fees	896
Salaries	300,950
Supplies	92,587
Payroll Taxes	7,376
Other Taxes	1,311
Telephone	6,246
System Electric	44,447
Other Utilities	33,256
Sewer/Beverly Hills	6,482
Water Testing	3,467
Total Operating Expenses	<u>1,116,920</u>

Operating Income	<u>\$ 232,150</u>
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See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

Non-Operating Revenues (Expenses):

Interest Earned	\$ 6,560
Surcharge/Financed Taps	1,336
Interest Expense	<u>(20,279)</u>
Total Nonoperating Revenues (Expenses)	<u>(12,383)</u>
Change in Net Position Before Capital Contribution	219,767
Capital Contributions	<u>4,372</u>
Change in Net Position	224,139
Net Position, Beginning of Year	<u>3,406,550</u>
Net Position, End of Year	<u><u>\$ 3,630,689</u></u>

See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,354,566
Cash Payments to Suppliers for Goods and Services	(477,448)
Cash Payments to Employees for Services and Benefits	<u>(382,533)</u>
Net Cash Provided by (Used by) Operations	<u>494,585</u>
Cash Flows from Capital and Related Financing Activities:	
Retirement of Long-Term Debt	(142,672)
Acquisition of Property & Equipment and Projects	(327,463)
Interest Paid	(21,604)
Capital Contributions	<u>4,372</u>
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(487,367)</u>
Cash Flows from Investing Activities:	
Investment Income	6,560
Surcharged Finance Taps	<u>1,336</u>
Net Cash Provided (Used) by Investing Activities	<u>7,896</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	15,114
Cash and Cash Equivalents - January 1	<u>1,072,146</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 1,087,260</u></u>
Adjustments to Reconcile Operating Income to Cash Flows From Operating Activities	
Net Operating Income	\$ 232,150
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:	
Depreciation/Amortization	344,653
Decrease (Increase) in Accounts Receivable	5,496
Decrease (Increase) in Deferred Outflows	(26,736)
Decrease(Increase) in Loan Costs	1,899
Decrease(Increase) in Net OPEB Asset	(28,365)
Increase/(Decrease) Deferred Inflows	33,197
Increase/(Decrease) Net Pension Liability	(56,813)
Increase/(Decrease) Payroll Withholdings	5,678
Increase (Decrease) Accounts Payable	(24,812)
Increase (Decrease) Accrued Payroll	<u>8,238</u>
Total Adjustments	<u>262,435</u>
Net Cash Provided by (Used by) Operating Activities	<u><u>\$ 494,585</u></u>

See Accompanying Notes to the Financial Statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the year ended December 31, 2022 and passed annual appropriations and resolutions.

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

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

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

F. Net Position

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Position (Continued)

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

G. Contributed Capital

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

H. Compensated Absences

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

I. Estimates

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

J. Pensions/Other Postemployment Benefits (OPEB)

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2. DEPOSITS

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

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

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. DEPOSITS (CONTINUED)

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2), this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurers Investment pool (STAROHIO);
8. Certain bankers' acceptances and commercial paper for a period not to exceed 270 days and in an amount not to exceed forty percent of the District interim monies available for investment at any one time if the training requirements have been met.

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. DEPOSITS (CONTINUED)

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

The carrying amount of all District deposits was \$1,087,060 exclusive of \$200 in cash on hand at December 31, 2022. The District's deposit bank balance as of December 31, 2022 was \$1,105,692. The District's balance was covered by FDIC for \$250,000 at December 31, 2022. The remainder was collateralized by securities specifically pledged by the financial institution to the District.

3. LONG TERM LIABILITIES

Debt outstanding at December 31, 2022 consisted of the following:

		Principal	Interest Rate
LTD-1	OWDA - 7335	\$ 616,495	1.27%
LTD-5	OWDA - 2119	1,125	6.11%
LTD-6	OWDA - 2120	807	5.73%
LTD-7	OWDA - 2893	14,341	2.00%
LTD-8	OWDA - 2183	31,268	5.56%
LTD-9	OWDA - 4162	44,323	1.50%
LTD-18	OWDA - 6220	466,643	2.00%
LTD-19	OWDA - 5238	28,823	0.00%
OPWC-6A	OPWC - CR20G	39,478	0.00%
OPWC-7A	OPWC - CR05T	125,527	0.00%
LTD-17A	OPWC - CRN17N	437,833	0.00%
		<u>\$ 1,806,663</u>	

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

3. LONG TERM LIABILITIES (CONTINUED)

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

Year Ending December 31:	OWDA	OPWC
2023	\$ 83,717	\$ 52,048
2024	81,949	52,048
2025	65,399	44,153
2026	63,256	36,257
2027	61,113	36,257
2027-2031	305,565	174,679
2032-2036	298,035	115,220
2037-2041	283,446	92,176
2042-2046	169,213	-
2047-2051	14,188	-
	<u>\$ 1,425,881</u>	<u>\$ 602,838</u>

Long-term Obligations

Changes in long-term obligations of the District during the year ended December 31, 2022 were as follows:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
OWDA - 7335	\$ 636,849	\$ -	\$ (20,354)	\$ 616,495	\$ 28,378
OWDA - 2118	6,361	-	(6,361)	-	-
OWDA - 2119	3,309	-	(2,184)	1,125	-
OWDA - 2120	1,570	-	(763)	807	1,169
OWDA - 2893	18,261	-	(3,920)	14,341	839
OWDA - 2183	45,665	-	(14,397)	31,268	4,286
OWDA - 4162	47,389	-	(3,066)	44,323	16,310
OWDA - 6220	484,367	-	(17,724)	466,643	3,765
OWDA - 5328	30,471	-	(1,648)	28,823	27,323
OPWC - CR314	344	-	(344)	-	1,647
OPWC - CR14C	19,863	-	(19,863)	-	-
OPWC - CR20G	55,269	-	(15,791)	39,478	15,791
OPWC - CR05T	138,740	-	(13,213)	125,527	13,213
OPWC - CR17N	460,877	-	(23,044)	437,833	23,044
Compensated Absences	10,628	23,553	(15,315)	18,866	15,849
Net Pension Liability	157,999	-	(56,813)	101,186	-
Total	<u>\$ 2,117,962</u>	<u>\$ 23,553</u>	<u>\$ (214,800)</u>	<u>\$ 1,926,715</u>	<u>\$ 151,614</u>

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

4. CAPITAL ASSETS

A summary of the District's assets at December 31, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 258,508	\$ -	\$ -	\$ 258,508
Construction in Progress	98,211	142,820	-	241,031
Depreciable Capital Assets:				
Buildings	218,960	13,300	-	232,260
Machinery and Equipment	303,477	90,066	(41,569)	351,974
Office Furniture and Fixtures	45,910	-	(19,122)	26,788
Autos and Trucks	113,878	-	-	113,878
Water System	14,177,953	81,703	-	14,259,656
Less: Accumulated Depreciation:				
Buildings	(31,814)	(5,899)	-	(37,713)
Machinery and Equipment	(221,337)	(31,127)	41,569	(210,895)
Office Furniture and Fixtures	(43,392)	(888)	19,122	(25,158)
Autos and Trucks	(76,966)	(13,369)	-	(90,335)
Water System	(10,451,257)	(293,370)	-	(10,744,627)
	<u>\$ 4,392,131</u>	<u>\$ (16,764)</u>	<u>\$ -</u>	<u>\$ 4,375,367</u>

5. RISK MANAGEMENT

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

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

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

	<u>2022</u>
Cash and Investments	\$ 42,310,794
Actuarial liabilities	\$ 15,724,479

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

The proportionate share of each plan's excess unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in payroll withholdings.

Plan Description

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution for the period ended December 31, 2022 were \$40,558. 100% has been contributed for 2022.

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

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

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	\$ 101,186
Proportion of the Net Pension Liability/(Asset)	0.001163%
Increase/(decrease) in % from prior proportion measured	0.000096%
Pension Expense	\$ (4,464)

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

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

	Traditional Pension Plan
Deferred Outflows of Resources	
Changes in assumptions	\$ 12,653
Differences between expected and actual experience	5,158
Changes in proportion and differences between government contributions and proportionate share of contributions	11,879
District contributions subsequent to the measurement date	40,558
Total Deferred Outflows of Resources	\$ 70,248
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 120,357
Differences between expected and actual experience	2,219
Changes in proportion and differences between government contributions and proportionate share of contributions	2,828
Total Deferred Inflows of Resources	\$ 125,404

\$40,558 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

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

Fiscal year Ending June 30:	Traditional Pension Plan
2023	\$ 10,273
2024	37,994
2025	28,300
2026	19,147
Total	\$ 95,714

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2021, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2021
Experience Study	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	6.90%
Wage Inflation	2.75%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple

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

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

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2021	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00%	3.78%
Real Estate	11.00%	3.66%
Private Equity	12.00%	7.43%
International Equities	23.00%	4.88%
Risk Parity	5.00%	2.92%
Other Investments	4.00%	2.85%
Total	100.00%	4.21%

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

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

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

Employer’s Net Pension Liability	1% Decrease 5.9%	Current Discount Rate 6.9%	1% Increase 7.9%
Traditional Pension Plan	\$ 266,781	\$ 101,186	\$ 36,611

7. DEFINED BENEFIT OPEB PLAN

Net OPEB Asset

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

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

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

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

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

Plan Description

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

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

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

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

Effective January 1, 2022, OPERS 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.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Asset

The net OPEB asset was measured as of December 31, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability/(Asset)	\$ (49,833)
Proportion of the Net OPEB Asset	0.001591%
Increase/(decrease) in % from prior proportion measured	0.000386%
OPEB Expense	\$ (33,692)

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

	OPERS
Deferred Outflows of Resources	
Changes in proportion and differences between government contributions and proportionate share of contributions	\$ 7,837
Total Deferred Outflows of Resources	\$ 7,837
Deferred Inflows of Resources	
Changes in assumptions	\$ 20,168
Net difference between projected and actual earnings on pension plan investments	23,757
Differences between expected and actual experience	7,559
Total Deferred Inflows of Resources	\$ 51,484

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

Fiscal Year Ending December 31:	OPERS
2023	\$ 26,242
2024	8,782
2025	5,190
2026	3,411
Total	\$ 43,625

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

Key Methods and Assumptions Used in Valuation of Total OPEB	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2020
Rolled-forward measurement date	December 31, 2021
Experience Study	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	1.84%
Wage Inflation	2.75%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2034

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
District's proportionate share of the net OPEB liability/(asset)	\$ (29,306)	\$ (49,833)	\$ (66,870)

Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

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

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability/(asset)	\$ (50,371)	\$ (49,833)	\$ (49,194)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2021	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00%	3.78%
Real Estate	11.00%	3.66%
Private Equity	12.00%	7.43%
International Equities	23.00%	4.88%
Risk Parity	5.00%	2.92%
Other Investments	4.00%	2.85%
Total	100.00%	4.21%

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

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

8. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency ended in April 2023. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

9. SUBSEQUENT EVENTS

The District evaluated subsequent events and transactions that occurred after the date of the statement of financial position up to May 30, 2023, the date that the financial statements were issued. No events have occurred subsequent to the date of the financial statements through the report date that would require adjustment or disclosure in the financial statements.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE PLAN YEAR DECEMBER 31, 2022**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.001163%	0.001067%	0.001128%	0.001160%	0.001149%	0.001166%	0.001142%	0.001130%	0.001130%
District's Proportionate Share of the Net Pension Liability	\$ 101,186	\$ 157,999	\$ 222,957	\$ 317,702	\$ 180,256	\$ 264,773	\$ 197,805	\$ 136,291	\$ 133,212
District's Covered Payroll	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558	\$ 142,192	\$ 138,575	\$ 165,867
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	40.8%	86.7%	129.9%	195.4%	118.6%	175.86%	139.11%	98.35%	80.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

See Accompanying Notes to the Required Supplementary Information.

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

*Will be built prospectively.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 40,558	\$ 34,733	\$ 25,522	\$ 24,021	\$ 22,766	\$ 19,763	\$ 18,067	\$ 17,063	\$ 16,629
Contributions in Relation to the Contractually Required Contribution	(40,558)	(34,733)	(25,522)	(24,021)	(22,766)	(19,763)	(18,067)	(17,063)	(16,629)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 289,700	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558	\$ 142,192	\$ 138,575
Contributions as Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

See Accompanying Notes to the Required Supplementary Information.

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE PLAN YEAR DECEMBER 31, 2022**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability/(Asset)	0.001591%	0.001205%	0.001164%	0.001080%	0.001070%	0.001070%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (49,833)	\$ (21,468)	\$ 160,779	\$ 140,807	\$ 116,194	\$ 108,074
District's Covered Payroll	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023	\$ 150,558
District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-20.1%	-11.8%	93.7%	86.6%	76.4%	71.8%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2016 is not available.

*Will be built prospectively.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,520
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	1,520
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 289,700	\$ 248,093	\$ 182,300	\$ 171,575	\$ 162,615	\$ 152,023
Contributions as Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2017 is not available.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 1 - Changes in Assumptions – OPERS Pension

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2016	December 31, 2015
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	8.00%
Wage Inflation	3.25%	3.75%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	4.25% to 10.05% (Includes wage inflation of 3.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3/00% Simple through 2018, then 2.15% Simple

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

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

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

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

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

Note 2 - Changes in Assumptions – OPERS OPEB

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 2 - Changes in Assumptions – OPERS OPEB (Continued)

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

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

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

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

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 2 - Changes in Assumptions – OPERS OPEB (Continued)

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

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

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

Amounts reported for fiscal year 2022 (Measurement Period 2021) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 (Measurement Period 2020) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2020	December 31, 2019
Rolled-forward measurement date	December 31, 2021	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2020	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal	Individual entry age normal
Actuarial Assumptions:		
Single Discount Rate	6.00%	6.00%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	1.84%	2.00%
Wage Inflation	2.75%	3.25%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2034	8.50% initial, 3.50% ultimate in 2035

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020.

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Tri-County Rural Water and Sewer District, Washington County, (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of 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*.

However, we noted certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 24, 2024.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
July 24, 2024

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OHIO AUDITOR OF STATE KEITH FABER



TRI-COUNTY RURAL WATER AND SEWER DISTRICT

WASHINGTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/15/2024

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

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