SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019-2018

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY
DECEMBER 31, 2019-2018

TABLE OF CONTENTS

SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY
DECEMBER 31, 2019-2018

TABLE OF CONTENTS
(Continued)

TITLE	PAGE

OHIO AUDITOR OF STATE
KEITH FABER

PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Southern Perry County Water District
Perry County
P.O. Box 335
Corning, Ohio 43730

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern Perry County Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, for 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, as discussed in Note 9 to the financial statements, for 2018, the January 1, 2018 net position has been restated to correct a misstatement. Also, as discussed in Note 9 and 10 to the financial statements, for 2019 and 2018, respectively, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension and Other Post-employment Benefit Liabilities and Pension and Other Post-employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

December 17, 2020

This page intentionally left blank.

This discussion and analysis, along with the accompanying financial report, of Southern Perry County Water District, Inc., (the District) is designed to provide customers, creditors and other interested parties with a general overview of the District and its financial activities.

FINANCIAL HIGHLIGHTS

The total assets of the District exceeded liabilities by $1.2 on December 31, 2019. The District's net position increased $96 thousand (8%) in 2019.

The District's Operating Revenues increased $45 thousand (5%) during 2019. Operating Expenses decreased $74 thousand (8%) during 2019.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

The **Statement of Net Position** includes all of the District's assets, liabilities, and deferred inflows and outflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position (equity) is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information on the District's operations and the success of recovering all of its costs through service charges, tap fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing and financing activities.

NET POSITION

Table 1 summarizes the Net Position of the District. Capital Assets are reported less accumulated depreciation. The line "Net Investment in Capital Assets" is Capital Assets, less outstanding debt that was used to acquire those assets.

TABLE 1

	2019	2018	Change
Current & Other Assets	$ 302,696	$ 206,775	$ 95,921
Long Term Assets	167,144	163,871	3,273
Capital Assets, Net	3,193,047	3,260,384	-67,337
Total Assets	3,662,887	3,631,030	31,857
Deferred Outflows	107,932	80,542	27,390
Long Term Liabilities	1,844,007	1,940,591	-96,584
Net Pension Liability	284,835	212,730	72,105
Net OPEB Liability	125,161	136,827	-11,666
Current & Other Liabilities	171,722	172,631	-909
Total Liabilities	2,425,725	2,462,779	-37,054
Deferred Inflows	62,484	62,470	14
Net Position			
Net Investment in Capital Assets	1,216,318	1,193,782	22,536
Restricted	167,144	163,871	3,273
Unrestricted	-100,852	-171,330	70,478
Total Net Position	$1,282,610	$1,186,323	$ 96,287

The District's Net Position increased $96 thousand (8%) in 2019.

Restricted net position increased by $3,273 (2%) in 2019. This increase resulted from interest earned. Restricted net position is cash that is limited in use as part of the District's loan covenants with the United States Department of Agriculture – Rural Development.

Unrestricted net position increased $70 thousand during 2019 (41%). Unrestricted net assets may be used without constraints established by loan covenants, and as provided by the adopted budget. Cash and cash equivalents increased $72 thousand during 2019.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Table 2 summarizes the changes in Revenues and Expenses and the resulting change in Net Position.

TABLE 2

	2019	2018	Change
Total Operating Revenues	$ 1,036,250	$ 991,383	$ 44,867
Purchased Water	306,529	292,674	13,855
Wages & Fringe Benefits	285,780	304,833	-19,053
Maintenance/operations	136,997	194,486	-57,489
Office Expenses/operations	24,691	30,008	-5,317
Engineering, Legal, Audit	4,641	5,136	-495
Depreciation	132,363	138,715	-6,352
Total Operating Expenses	891,001	965,852	-74,851
Operating Income	145,249	25,531	119,718
Non-Operating Revenue	4,155	1,814	2,341
Non-Operating Expenses	-53,117	-56,827	3,710
Change in Net Position	96,287	-29,482	125,769
Net Position Beginning of Year	1,186,323	1,215,805	-29,482
Net Position End of Year	$ 1,282,610	$1,186,323	$ 96,287

Operating revenues increased in 2019 by $45 thousand, as a result of water sales, customer growth/loss and grant proceeds.

Operating Expenses decreased by $74 thousand in 2019, due mainly to an increase in wages and maintenance.

CAPITAL ASSETS

The District had $6.6 million invested in Capital Assets (before depreciation) at the end of 2019.

TABLE 3

	2019	2018	Change
Land	$ 19,968	$ 19,968	$ -
Water System	6,153,469	6,127,277	26,192
Transportation, Equip/Tools	508,365	469,531	38,834
Total Before Depreciation	6,681,802	6,616,776	65,026
Accumulated Depreciation	-3,488,755	-3,356,392	-132,363
Total Net Capital Assets	$ 3,193,047	$ 3,260,384	$ -67,337

For additional information regarding capital assets, please see Note 4 to the Basic Financial Statements.

DEBT

The District issues long-term debt to finance much of its construction and to purchase vehicles and equipment.

TABLE 4

	2019	2018	Change
USDA-RD Loans	$ 697,915	$ 731,429	$ -33,514
Ohio Public Works Comm.	137,458	164,201	-26,743
OWDA Loans	1,097,759	1,163,562	-65,803
Bank Installment Loans	43,497	13,179	30,318
Total Long Term Debt	1,976,629	2,072,371	-95,742
Less: Current Maturities	-132,622	-131,779	-843
Net Long Term Debt	$ 1,844,007	$ 1,940,592	$ -96,585

For additional information regarding debt, please see Note 5 to the Basic Financial Statements.

CASH

Cash and cash equivalents on December 31, 2019, were $248 thousand. Not included in this total is an additional $167 thousand of cash and cash equivalents that are restricted as debt service reserves.

ECONOMIC FACTORS AND 2019 BUDGET

The District has adopted a budget for 2020 that has a 1% increase from 2019. The District is committed to supplying water to the region at the most affordable rates, while maintaining and improving the District as needed.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to James Palmer, President of the Board of Trustees, Southern Perry County Water District, Inc., 2075 St. Rt. 13, Crooksville, Ohio 43731.

SOUTHERN PERRY COUNTY WATER DISTRICT
Statement of Net Position
As of December 31, 2019

		2019
Current Assets:		
Cash and Cash Equivalents	$	248,456
Accounts Receivable - Customers		34,397
Inventories		19,843
Total Current Assets		302,696
Noncurrent Assets:		
Reserve Account for Debt Payment		167,144
Total Noncurrent Assets		167,144
Capital Assets:		
Land		19,968
Water System		6,153,469
Transportation, Equipment and Tools		508,365
Total Capital Assets		6,681,802
Less: Accumulated Depreciation		3,488,755
Net Capital Assets		3,193,047
Total Assets		3,662,887
Deferred Outflows of Resources:		
Pension		92,757
OPEB		15,175
Total Deferred Outflows of Resources		107,932
Current Liabilities:		
Accounts Payable		31,099
Current Portion of USDA-RD Bonds		35,157
Current Portion of Other Loans		97,465
Payroll Taxes and OPERS Payable		3,829
Interest Payable USDA-RD		2,766
Interest Payable Other		1,406
Total Current Liabilities		171,722
Noncurrent Liabilities:		
Bonds Payable USDA-RD		697,915
Other Loans Payable		1,278,714
Less Current Portion Shown Above		(132,622)
Net Pension Liability		284,835
Net OPEB Liability		125,161
Total Noncurrent Liabilities		2,254,003
Total Liabilities		2,425,725
Deferred Inflows of Resources:		
Pension		40,079
OPEB		22,405
Total Deferred Inflows of Resources		62,484
Net Position:		
Net Investment in Capital Assets		1,216,318
Restricted		167,144
Unrestricted (Deficit)		(100,852)
Total Net Position	$	1,282,610

See notes to basic financial statements.

SOUTHERN PERRY COUNTY WATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2019

		2019
Operating Revenues:		
Water Sales	$	986,349
Tap Fees		12,364
Turn on Fees		1,000
Late Penalty Charges		33,937
Credit Card Fees		606
Miscellaneous Income		1,994
Total Operating Revenues		1,036,250
Operating Expenses:		
Purchased Water		306,529
Salaries, Payroll Taxes, Employer Share OPERS		214,360
Director Fees		11,000
Employee Health and Life Insurance		60,647
Workers Compensation		(227)
Utilities		51,542
Maintenance and Operations		85,455
Office Expenses and Operations		24,691
Professional Fees		4,641
Project Expenses		-
Depreciation		132,363
Total Operating Expenses		891,001
Operating Income		145,249
Nonoperating Revenues (Expenses)		
Interest Revenue		4,155
Interest Expense - USDA-RD		(35,001)
Interest Expense Others		(18,116)
Total Nonoperating Revenues (Expenses)		(48,962)
Increase (Decrease) in Net Position		96,287
Net Position - Beginning of Year, restated		1,186,323
Net Position - End of Year	$	1,282,610

See notes to basic financial statements.

SOUTHERN PERRY COUNTY WATER DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2019

		2019
Cash Flow from Operating Activities:		
Receipts from Customers	$	1,025,970
Payments to Suppliers		(556,292)
Payments to Employees		(183,589)
Net Cash Provided by Operating Activities		286,089
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Debt		38,834
Acquisitions of Capital Assets		(65,026)
Principal Paid on Capital Debt		(134,574)
Interest paid on Debt		(53,593)
Net Cash Used by Capital and Related Financing Activities		(214,359)
Cash Flows from Investing Activities		
Interest		4,155
Net Cash Provided by Investing Activities		4,155
Net Increase (Decrease) in Cash and Cash Equivalents		75,885
Cash Balance - Beginning of Year		339,715
Cash Balance - End of Year	$	415,600
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	145,249
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		132,363
(Increase) Decrease in Accounts Receivable		(10,280)
(Increase) Decrease in Inventory		(13,029)
Increase (Decrease) in Accounts Payable		1,015
(Increase) Decrease in Deferred Outflows of Resources-Pension		(32,552)
(Increase) Decrease in Deferred Outflows of Resources-OPEB		5,162
Increase (Decrease) in Payroll Taxes and PERS Payable		(2,292)
Increase (Decrease) in Net Pension Liability		72,105
Increase (Decrease) in Net OPEB Liability		(11,666)
Increase (Decrease) in Deferred Inflows of Resources-Pension		(12,069)
Increase (Decrease) in Deferred Inflows of Resources-OPEB		12,083
Net Cash Provided by Operating Activities	$	286,089
Reconciliation of Cash to the Balance Sheet		
Cash and Cash Equivalents		248,456
Cash Equivalents - Restricted		167,144
Total Cash and Cash Equivalents	$	415,600

See notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Southern Perry County Water District, Inc. (the District) is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Perry County on February 11, 1975. The District operates under the direction of a seven member board of trustees. The staff, consisting of an appointed Board Treasurer, a distribution superintendent, and an office manager, is responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users and business use. The District serves all or parts of the following political subdivisions in Perry County:

Bearfield Township
Coal Township
Harrison Township
Jackson Township
Monroe Township
Pike Township
Pleasant Township
Salt Lick Township
Village of Rendville

Basis of Accounting

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

For financial statement presentation purposes, the Southern Perry County Water District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned. Un-billed water utility service receivables are recorded at year end.

Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

<u>Appropriations</u>
Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

<u>Estimated Resources</u>
Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

A summary of 2019 and 2018 budgetary activity appears in Note 3.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash in the District's operating account, certificates of deposit are treated as cash and cash equivalents for the purpose of the Statement of Cash Flows.

Inventory

The inventory is valued at cost, which approximates market, utilizing the first-in, first-out (FIFO) method. The inventory of the District consists of expendable material and supplies. The cost is recorded as an expense at the time individual inventory items are used.

Restricted Assets

Restricted assets represent monies legally restricted for payment of bond issues. All of the District's restricted investments are invested in certificates of deposit at December 31, 2019 and 2018, and are listed in the noncurrent assets section of the balance sheet.

Property, Plant and Equipment (Fixed Assets)

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. Depreciation of fixed assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Department of Natural Resources Tap Fees	40 years
Water Lines	50 years
Water Tanks	50 years
Water Meters and Installation	50 years
Transportation Equipment	5 to 10 years
Equipment and Tools	2 to 5 years

Compensated Absences

GASB Statement 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. Compensated absence is earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

The District does not record compensated absences in accordance with GASB 16, as the District feels that any liability would be immaterial to the basic financial statements as a whole.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

The District has classified its revenues as either operating or non-operating. Operating revenues are those that are generated directly from the primary activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Authority. Revenues and expenses not meeting this definition are reported as non-operating.

Net Position

The District has restricted net position to be used to fund future debt service requirements. None of the District's restricted net position was restricted by enabling legislation.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 7 and 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 7 and 8.

Pensions/Other Postemployment Benefits (OPEB)

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

Estimates

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

2. CASH AND CASH EQUIVALENTS

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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 District 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the District can be deposited or invested in the following securities:

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

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

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

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

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

6. The State Treasurer's investment pool (STAR Ohio);

2. CASH AND CASH EQUIVALENTS (Continued)

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

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Payments 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to State law, public depositories must give security for all public funds on deposits 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 may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institutions, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

At December 31, 2019, the District's bank balance of $415,818 is either covered by FDIC or collateralized by the OPCS in the manner described above.

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by investing exclusively in CD's.

Credit Risk - In accordance with the investment policy. The District limits its investments to CD's.

Concentration of Credit Risk – The District's investment policy allows investments in STAR Ohio, Repurchase Agreements, Certificates of Deposits or with financial institutions within the State of Ohio as designated by the Federal Reserve Board.

2. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the investment policy, all of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

3. BUDGETARY ACTIVITY

Budgetary activity, which is accounted for on the cash basis of accounting, is as following for the year ended December 31, 2019:

Budget vs. Actual Receipts

		2019
Budgeted Receipts	$	987,000
Actual Receipts		1,068,959
Variance	$	81,959

Budget vs. Actual Budgetary Basis Expenditures

		2019
Budgeted Expenditures	$	987,000
Actual Expenditures		993,074
Variance	$	(6,074)

4. CAPITAL ASSETS

Capital Assets activity for the fiscal year ended December 31, 2019 is as follows:

	Beginning Balance 1/1/19	Additions	Deletions	Ending Balance 12/31/19
Capital Assets, Not Being Depreciated				
Land	$ 19,968	$ -	$ -	$ 19,968
Total Capital Assets, Not Being Depreciated	$ 19,968	$ -	$ -	$ 19,968
Capital Assets Being Depreciated				
Water Lines and Buildings	5,623,761	26,192	-	5,649,953
DNR Tap Fees	503,516	-	-	503,516
Transportation Equipment	145,098	38,834	-	183,932
District Building	215,935	-		215,935
Furniture and Equipment	108,498	-	-	108,498
Total Capital Assets Being Depreciated	6,596,808	65,026	-	6,661,834
Less Accumulated Depreciation				
Water Lines and Buildings	(2,626,219)	(117, 554)	-	(2,743,773)
DNR Tap Fees	(496,459)	(350)	-	(496,809)
Transportation Equipment	(130,491)	(7,618)	-	(138,109)
District Building	(4,972)	(5,398)		(10,370)
Furniture and Equipment	(98,251)	(1,443)	-	(99,694)
Total Accumulated Depreciation	(3,356,392)	(132,363)	-	(3,488,755)
Total Capital Assets Being Depreciated, Net	3,240,416	(67,337)	-	3,173,079
Total Capital Assets, Net	$ 3,260,384	$ (67,337)	$ -	$ 3,193,047

5. CURRENT AND LONG-TERM DEBT

Long-term debt obligations and the related transactions for the years ending December 31, 2019 are summarized below:

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19	Due Within One Year
O.W.D.A.	$ 1,163,562	$ -	$ 65,803	$ 1,097,759	$ 66,743
O.P.W.C.	164,201	-	26,743	137,458	15,752
Installment Loans	13,179	38,834	8.516	43,497	14,970
USDA Rev. Bonds	731,429	-	33,514	697,915	35,157
	$ 2,072,371	$ 38,834	$ 134,576	$ 1,976,629	$ 132,622

5. CURRENT AND LONG-TERM DEBT (Continued)

USDA Revenue Bonds

The USDA outstanding revenue bonds were issued for the acquisition and construction of Phase I, II and III of the water resource expansion project. Revenue of the District has been pledged to repay these debts.

Future principal and interest payments on all USDA Revenue Bonds are as follows:

Year Ending	USDA Revenue Bonds		
December 31,	Principal	Interest	Total
2020	35,157	33,197	68,354
2021	36,830	31,514	68,344
2022	38,634	29,751	68,385
2023	40,469	27,901	68,370
2024	42,437	25,962	68,399
2025-2029	244,570	99,315	343,885
2030-2034	230,871	34,720	265,591
2035	28,947	1,302	30,249
	$ 697,915	$ 282,662	$ 981,577

The District has pledged future water customer revenues, net of specified operating expenses, to repay $1,487,000 in water revenue bonds issued in 1978, 1992, and 1996. Proceeds from the bonds provided the financing for the construction of the Water Resource Expansion Plant. The bonds are payable solely from water customer net revenues and are payable through 2035. Annual principal and interest payments remaining on the bonds are expected to require approximately 55 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $981,577.

Ohio Public Works Commission Issue II loans:

The outstanding Issue II loan was issued by Perry County. The District has assumed this debt because the water improvements are to be turned over to the District. During 2017 the District entered into an OPWC Loan CR22T for Water Tank Upgrades in the amount of $132,770 and zero percent interest to be paid back in bi-annual payments of $2,213 through January 2048.

Future principal and interest payments on all OPWC loans are as follows:

Year Ending	OPWC		
December 31,	Principal	Interest	Total
2020	15,752	113	15,865
2021	4,426	-	4,426
2022	4,426	-	4,426
2023	4,426	-	4,426
2024	4,426	-	4,426
2025-2029	22,130	-	22,130
2030-2034	22,130	-	22,130
2035-2039	22,130	-	22,130
2040-2044	22,130	-	22,130
2045-2048	15,482	-	15,482
	$ 137,458	$ 113	$ 137,571

5. CURRENT AND LONG-TERM DEBT (Continued)

Ohio Water Development Authority (OWDA) Loans

The OWDA loans were used for a water booster station and an elevated storage tank.

Future principal and interest payments on all the O.W.D.A. loans are as follows:

Year Ending	OWDA Loans		
December 31,	Principal	Interest	Total
2020	66,743	15,512	82,255
2021	67,700	14,556	82,256
2022	64,606	13,589	78,195
2023	65,571	12,622	78,193
2024	66,555	11,639	78,194
2025-2029	348,073	42,903	390,976
2030-2034	280,442	17,807	298,249
2035-2038	138,069	3,707	141,776
	$ 1,097,759	$ 132,335	$ 1,230,094

The District has pledged future water customer revenues, net of specified operating expenses, to re-pay $1,090,898 in water revenue bonds issued in 2002, 2004, 2006 and 2008. Proceeds from the bonds provided financing for the construction of the Water Booster Station and Elevated Storage Tank. The bonds are payable solely from water customer net revenues and are payable through 2041.

In 2017, the District acquired a loan for $215,752 for the purchase of a new building for the District offices and $22,022 for telemetry equipment.

In 2017, the District purchased a vehicle from North Valley Bank in the amount of $21,909. This will be repaid in monthly installments of $493. In 2019, the District purchased a truck from North Valley Bank in the amount of $38,833. This will be repaid in monthly installments of $881.

Future principal and interest payments on all the North Valley Bank loan is as follows:

Year Ending	North Valley Bank		
December 31,	Principal	Interest	Total
2020	14,970	1,518	16,488
2021	11,601	945	12,546
2022	10,057	518	10,575
2023	6,869	108	6,977
	$ 43,497	$ 3,089	$ 46,586

6. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled Claims have not exceeded any aforementioned commercial coverage in any of the past three years and there has not been any significant reductions in insurance coverage from the prior year.

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

The District also provides health care insurance coverage for its full-time employees.

7. DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension/OPEB contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement system may allocate a portion of the employer contributions to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

7. DEFINED BENEFIT RETIREMENT PLAN (Continued)

State statute requires the retirement system to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, the retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement system to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See note 8 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

7. DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

7. DEFINED BENEFIT RETIREMENT PLAN (Continued)

Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	2019 State and Local	2018 State and Local
Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %
Actual Contribution Rates		
Employer:		
Pension	14.0 %	14.0 %
Post-Employment Health Care Benefits	0.0	0.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

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

The District's contractually required contributions were $22,185 and $19,782 for 2019 and 2018, respectively.

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

The net pension liabilities for OPERS were measured as of December 31, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of those dates. The District's proportion of the net pension liabilities were based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

7. DEFINED BENEFIT RETIREMENT PLAN (Continued)

The following is information related to the proportionate share of the District's defined benefit pension plan and pension expense:

	2019
Proportion of the Net Pension Liability:	
Current Measurement Date	0.001040%
Prior Measurement Date	0.001356%
Change in Proportionate Shre	-0.000316%
Proportionate Share of the:	
Net Pension Liability	$284,835
Pension Expense	$49,669

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

	2019
Deferred Outflows of Resources	
Differences between expected and actual experience	$14
Changes of assumptions	24,796
Net difference between projected and actual earnings on pension plan investments	38,660
Changes in proportion and differences between District contributions and proportionate share of contributions	7,102
District contributions subsequent to the measurement date	22,185
Total Deferred Outflows of Resources	$92,757
Deferred Inflows of Resources	
Differences between expected and actual experience	$3,739
Net difference between projected and actual earnings on pension plan investments	0
Changes in proportion and differences between District contributions and proportionate share of contributions	36,340
Total Deferred Inflows of Resources	$40,079

$22,185 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2019, will be recognized as a reduction of the net pension liability in the years ending December 31, 2020.

7. DEFINED BENEFIT RETIREMENT PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension for the year ended December 31, 2019 will be recognized in pension expense as follows:

Year Ending December 31:	
2020	$13,494
2021	(4,570)
2022	3,586
2023	17,983
Total	$30,493

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018 and 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018 and 2017 are presented below.

	2018	2017
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent, simple	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent
Investment Rate of Return	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

7. DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

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

For the years ended December 31, 2018 and 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018 and a gain of 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and 2017 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the year ended December 31, 2018 and 7.5 percent for the year ended December 31, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, and actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. DEFINED BENEFIT RETIREMENT PLAN (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following table presents the District's proportionate share of the net pension liability calculated as of the measurement date December 31, 2018 using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	$420,784	$284,835	$171,860

8. DEFINED POSTEMPLOYMENT BENEFITS PLAN

See note 7 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

8. DEFINED POSTEMPLOYMENT BENEFITS PLAN (Continued)

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019 and 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 and 2018 was 4.0 percent.

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

The District's contractually required contribution was $0 for 2019 and 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liabilities and total OPEB liabilities for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement dates of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The District's proportion of the net OPEB liabilities was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2019
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.000960%
Prior Measurement Date	0.001260%
Change in Proportionate Share	-0.0003000%
Proportionate Share of the:	
Net OPEB Liability	$125,161
OPEB Expense	$5,579

8. DEFINED POSTEMPLOYMENT BENEFITS PLAN (Continued)

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

	2019
Deferred Outflows of Resources	
Differences between expected and actual experience	$42
Changes of assumptions	4,036
Net difference between projected and actual earnings on OPEB plan investments	5,738
Changes in proportion and differences between District contributions and proportionate share of contributions	5,359
Total Deferred Outflows of Resources	$15,175
Deferred Inflows of Resources	
Differences between expected and actual experience	$340
Net difference between projected and actual earnings on OPEB plan investments	0
Changes in proportion and differences between District contributions and proportionate share of contributions	22,065
Total Deferred Inflows of Resources	$22,405

$0 and $0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement dates as of December 31, 2019 and 2018, respectively, will be recognized as a reduction of the net OPEB liability in 2020 and 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the year ended December 31, 2019 will be recognized in OPEB expense as follows:

Year Ending December 31:	
2020	($1,501)
2021	(9,234)
2022	614
2023	2,891
Total	($7,230)

8. DEFINED POSTEMPLOYMENT BENEFITS PLAN (Continued)

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liabilities were determined by an actuarial valuation as of December 31, 2017 and 2016, rolled forward to the measurement dates of December 31, 2018 and 2017. 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:

	2018
Wage Inflation	3.25 percent
Projected Salary Increases,	3.25 to 10.75 percent
including inflation	including wage inflation
Single Discount Rate	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial
	3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

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

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

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

8. DEFINED POSTEMPLOYMENT BENEFITS PLAN (Continued)

During 2018 and 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018 and a gain of 15.2 percent for 2017.

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

Asset Class	2018 Target Allocation	2018 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.24
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent for the year ended December 31, 2018. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent for the year ended December 31, 2017.

8. **DEFINED POSTEMPLOYMENT BENEFITS PLAN (Continued)**

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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability calculated as of the measurement date December 31, 2018 using the single discount rate of 3.85 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the net OPEB liability	$160,128	$125,161	$97,354

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

For the fiscal year ended December 31, 2019:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$120,307	$125,161	$130,752

9. SUBSEQUENT EVENTS

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

Southern Perry County Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Six Years (1)

	2014	2015	2016	2017	2018	2019
Ohio Public Employees Retirement System						
District's proportion of the net pension liability	0.001214%	0.001214%	0.001268%	0.001218%	0.001356%	0.001040%
District's proportionate share of the net pension liability	$143,115	$146,422	$219,634	$276,587	$212,730	$284,834
District's covered-employee payroll	$143,146	$148,817	$157,833	$157,400	$179,177	$141,300
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	99.98%	98.39%	139.16%	175.72%	118.73%	201.58%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.66%	74.70%

The amounts presented for each year were determined as of December 31 of the previous year, which is the District's measurement date.
(1) Information not available prior to 2014.
See accompanying notes to the required supplementary information.

Southern Perry County Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net OPEB Liability

Last Three Years (1)

	2017	2018	2019
Ohio Public Employees Retirement System			
District's proportion of the net OPEB liability	0.001110%	0.001260%	0.000960%
District's proportionate share of the net OPEB liability	$112,088	$136,827	$125,161
District's covered-employee payroll	$157,400	$179,177	$141,300
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.21%	76.36%	88.58%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%	46.33%

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

Southern Perry County Water District
Required Supplementary Information
Schedule of District Contributions
Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ohio Public Employees Retirement System										
Contractually required contribution - pension	$18,036	$19,587	$20,292	$18,609	$17,858	$18,940	$18,888	$23,293	$19,782	$22,185
Contractually required contribution - OPEB	12,883	5,596	5,552	1,382	2,976	3,157	3,148	1,792	0	0
Contractually required contribution - total	30,919	25,183	25,844	19,991	20,834	22,097	22,036	25,085	19,782	22,185
Contributions in relation to the contractually required contribution	18,036	19,587	20,292	18,609	17,858	18,940	18,888	23,293	19,782	22,185
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered-employee payroll	$200,400	$195,870	$202,920	$143,146	$148,817	$157,833	$157,400	$179,177	$141,300	$158,464
Contributions as a percentage of covered-employee payroll - pension	9.00%	10.00%	10.00%	13.00%	12.00%	12.00%	12.00%	13.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	5.00%	4.00%	4.00%	1.00%	2.00%	2.00%	2.00%	1.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

Ohio Public Employees Retirement System

Pension

Changes in assumptions

Amounts reported beginning in 2019 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 from 2017 to 2018 and from 2016 and prior are presented below:

	2019	2017-2018	2016 and before
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent	3.25 to 10.75 percent	4.25 to 10.05 percent
COLA or Ad Hoc COLA:			
Pre-1/7/13 retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-1/7/13 retirees	3 percent, simple through 2018, then 2.15% simple	3 percent, simple through 2018, then 2.15% simple	3 percent, simple through 2018, then 2.8% simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

OPEB

Changes in assumptions

	2019	2018	2017
Wage Inflation	3.25 percent	3.25 percent	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	3.96 percent	3.85 percent	4.23 percent
Investment Rate of Return	6.00 percent	6.50 percent	6.50 percent
Municipal Bond Rate	3.71 percent	3.31 percent	3.31 percent
Health Care Cost Trend Rate	10.00 percent, initial 3.25 percent, ultimate in 2029	7.5 percent, initial 3.25 percent, ultimate in 2028	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

This discussion and analysis, along with the accompanying financial report, of Southern Perry County Water District, Inc., (the District) is designed to provide customers, creditors and other interested parties with a general overview of the District and its financial activities.

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $1.2 million on December 31, 2018. The District's net position decreased $29 thousand (2.4%) in 2018.

The District's Operating Revenues decreased $291 thousand (22.7%) during 2018. Operating Expenses decreased $521 thousand (35.0%) during 2018.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

The **Statement of Net Position** includes all of the District's assets, liabilities, and deferred inflows and outflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position (equity) are the difference between assets plus deferred outflows or resources and liabilities plus deferred inflows of resources.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information on the District's operations and the success of recovering all of its costs through service charges, tap fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing and financing activities.

NET POSITION

Table 1 summarizes the Net Position of the District. Capital Assets are reported less accumulated depreciation. The line "Net Investment in Capital Assets" is Capital Assets, less outstanding debt that was used to acquire those assets.

TABLE 1

	2018	2017	Change
Current & Other Assets	$ 206,775	$ 196,653	$ 10,122
Long Term Assets	163,871	162,058	1,813
Capital Assets, Net	3,260,384	3,353,331	-92,947
Total Assets	3,631,030	3,712,042	-81,012
Deferred Outflows	80,542	112,834	-32,292
Long Term Liabilities	1,940,591	2,036,574	-95,983
Net Pension Liability	212,730	276,587	-63,857
Net OPEB Liability	136,827	112,088	24,739
Current & Other Liabilities	172,631	177,856	-5,225
Total Liabilities	2,462,779	2,603,105	-140,326
Deferred Inflows	62,470	5,966	56,504
Net Position			
Net Investment in Capital Assets	1,193,782	944,788	248,994
Restricted	163,871	162,058	1,813
Unrestricted (Deficit)	-171,330	108,959	-280,289
Total Net Position	$1,186,323	$1,215,805	$ -29,482

The District's Net Position decreased $29 thousand (2.4%) in 2018.

Restricted net position increased by $1,813 (1.1%) in 2018. This increase resulted from interest earned. Restricted net position are cash that is limited in use as part of the District's loan covenants with the United States Department of Agriculture – Rural Development.

Unrestricted net position decreased $280 thousand during 2018 (257.2%). Unrestricted net position may be used without constraints established by loan covenants, and as provided by the adopted budget. Cash and cash equivalents increased $11 thousand during 2018.

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation, in addition to restatements for previously unrecorded GASB 68 balances and an OWDA laon, also had the effect of restating net position at December 31, 2017 from $1,6,28,169 to $1,215,805.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Table 2 summarizes the changes in Revenues and Expenses and the resulting change in Net Position.

TABLE 2

	2018	2017	Change
Total Operating Revenues	$ 991,383	$ 1,282,751	$ -291,368
Purchased Water	292,674	325,386	-32,712
Wages & Fringe Benefits	304,833	400,446	-95,633
Maintenance/operations	194,486	594,061	-399,575
Office Expenses/operations	30,008	22,512	7,496
Engineering, Legal, Audit	5,136	3,308	1,828
Depreciation	138,715	140,916	-2,201
Total Operating Expenses	965,852	1,486,649	-520,797
Operating Income	25,531	-203,898	-229,429
Non-Operating Revenue	1,814	525	1,289
Non-Operating Expenses	-56,827	-55,649	1,178
Change in Net Position	-29,482	-259,022	-229,540
Net Position Beginning of Year	1,215,805	1,474,827	-259,022
Net Position End of Year	$1,186,323	$1,215,805	$ -29,482

Operating revenues decreased in 2018 by $291 thousand, as a result of a decrease in grant proceeds.

Operating Expenses decreased by $520 thousand in 2018, due mainly to a decrease in the purchase of water and increase in wages and maintenance plus project expenses paid for by grants.

CAPITAL ASSETS

The District had $6.6 million invested in Capital Assets (before accumulated depreciation) at the end of 2018.

TABLE 3

	2018	2017	Change
Land	$ 19,968	$ 19,968	$ -
Water System	6,127,277	6,123,875	3,402
Transportation, Equip/Tools	469,531	427,164	42,367
Total Before Depreciation	6,616,776	6,571,007	45,769
Accumulated Depreciation	-3,356,392	-3,217,677	-138,715
Total Net Capital Assets	$ 3,260,384	$ 3,353,330	$ -92,946

For additional information regarding capital assets, please see Note 4 to the Basic Financial Statements.

DEBT

The District issues long-term debt to finance much of its construction and to purchase vehicles and equipment.

TABLE 4

	2018	2017	Change
USDA-RD Loans	$ 731,429	$ 780,426	$ -48,997
Ohio Public Works Comm.	164,201	188,291	-24,090
OWDA Loans	1,163,562	1,182,421	-18,859
Bank Installment Loans	13,179	18,486	-5,307
Total Long Term Debt	2,072,371	2,169,624	-97,253
Less: Current Maturities	-131,779	-130,836	-943
Net Long Term Debt	$1,940,592	$ 2,038,788	$ -98,196

For additional information regarding debt, please see Note 5 to the Basic Financial Statements.

CASH

Cash and cash equivalents on December 31, 2018, were $176 thousand. Not included in this total is an additional $163 thousand of cash and cash equivalents that are restricted as debt service reserves.

ECONOMIC FACTORS AND 2019 BUDGET

The District has adopted a budget for 2019 that has a 1% increase from 2018. The District is committed to supplying water to the region at the most affordable rates, while maintaining and improving the District as needed.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to James Palmer, President of the Board of Trustees, Southern Perry County Water District, Inc., 2075 St. Rt. 13, Crooksville, Ohio 43731.

SOUTHERN PERRY COUNTY WATER DISTRICT
Statement of Net Position
As of December 31, 2018

		2018
Current Assets:		
Cash and Cash Equivalents	$	175,844
Accounts Receivable - Customers		24,117
Inventories		6,814
Total Current Assets		206,775
Noncurrent Assets:		
Reserve Account for Debt Payment		163,871
Total Noncurrent Assets		163,871
Capital Assets:		
Land		19,968
Water System		6,127,277
Transportation, Equipment and Tools		469,531
Total Capital Assets		6,616,776
Less: Accumulated Depreciation		3,356,392
Net Capital Assets		3,260,384
Total Assets		3,631,030
Deferred Outflows of Resources:		
Pension		60,205
OPEB		20,337
Total Deferred Outflows of Resources		80,542
Current Liabilities:		
Accounts Payable		30,084
Current Portion of USDA-RD Bonds		33,513
Current Portion of Other Loans		98,266
Payroll Taxes and OPERS Payable		6,120
Interest Payable USDA-RD		2,902
Interest Payable Other		1,746
Total Current Liabilities		172,631
Noncurrent Liabilities:		
Bonds Payable USDA-RD		731,429
Other Loans Payable		1,340,941
Less Current Portion Shown Above		(131,779)
Net Pension Liability		212,730
Net OPEB Liability		136,827
Total Noncurrent Liabilities		2,290,148
Total Liabilities		2,462,779
Deferred Inflows of Resources:		
Pension		52,148
OPEB		10,322
Total Deferred Inflows of Resources		62,470
Net Position:		
Net Investment in Capital Assets		1,193,782
Restricted		163,871
Unrestricted (Deficit)		(171,330)
Total Net Position	$	1,186,323

See notes to basic financial statements.

SOUTHERN PERRY COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

		2018
Operating Revenues:		
Water Sales	$	935,615
Tap Fees		16,200
Turn on Fees		800
Late Penalty Charges		30,004
Credit Card Fees		-
Miscellaneous Income		8,764
Total Operating Revenues		991,383
Operating Expenses:		
Purchased Water		292,674
Salaries, Payroll Taxes, Employer Share OPERS		230,637
Director Fees		8,600
Employee Health and Life Insurance		64,104
Workers Compensation		1,492
Utilities		57,412
Maintenance and Operations		137,074
Office Expenses and Operations		30,008
Professional Fees		5,136
Project Expenses		-
Depreciation		138,715
Total Operating Expenses		965,852
Operating Income		25,531
Nonoperating Revenues (Expenses)		
Interest Revenue		1,814
Interest Expense - USDA-RD		(37,786)
Interest Expense Others		(19,041)
Total Nonoperating Revenues (Expenses)		(55,013)
Increase (Decrease) in Net Position		(29,482)
Net Position - Beginning of Year - Restated		1,215,805
Net Position- End of Year	$	1,186,323

See notes to basic financial statements.

SOUTHERN PERRY COUNTY WATER DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2018

		2018
Cash Flow from Operating Activities:		
Receipts from Customers	$	992,925
Payments to Suppliers		(601,428)
Payments to Employees		(181,858)
Net Cash Provided by Operating Activities		209,639
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Debt		46,017
Acquisitions of Capital Assets		(45,769)
Principal Paid on Capital Debt		(141,056)
Interest paid on Debt		(57,168)
Net Cash Used by Capital and Related Financing Activities		(197,976)
Cash Flows from Investing Activities		
Interest		1,814
Net Cash Provided by Investing Activities		1,814
Net Increase (Decrease) in Cash and Cash Equivalents		13,477
Cash Balance - Beginning of Year		326,238
Cash Balance - End of Year	$	339,715
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	25,531
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		138,715
(Increase) Decrease in Accounts Receivable		1,542
Increase (Decrease) in Accounts Payable		(4,928)
Increase (Decrease) in Payroll Taxes and PERS Payable		(899)
(Increase) Decrease in Deferred Outflows of Resources-Pension		50,837
(Increase) Decrease in Deferred Outflows of Resources-OPEB		(18,545)
Increase (Decrease) in Net Pension Liability		(63,857)
Increase (Decrease) in Net OPEB Liability		24,739
Increase (Decrease) in Deferred Inflows of Resources-Pension		46,182
Increase (Decrease) in Deferred Inflows of Resources-OPEB		10,322
Net Cash Provided by Operating Activities	$	209,639
Reconciliation of Cash to the Balance Sheet		
Cash and Cash Equivalents		175,844
Cash Equivalents - Restricted		163,871
Total Cash and Cash Equivalents	$	339,715

See notes to basic financial statements.

SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Southern Perry County Water District, Inc. (the District) is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Perry County on February 11, 1975. The District operates under the direction of a seven member board of trustees. The staff, consisting of an appointed Board Treasurer, a distribution superintendent, and an office manager, is responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users and business use. The District serves all or parts of the following political subdivisions in Perry County:

Bearfield Township
Coal Township
Harrison Township
Jackson Township
Monroe Township
Pike Township
Pleasant Township
Salt Lick Township
Village of Rendville

Basis of Accounting

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

For financial statement presentation purposes, the Southern Perry County Water District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned. Un-billed water utility service receivables are recorded at year end.

Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

<u>Appropriations</u>
Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

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

A summary of 2018 budgetary activity appears in Note 3.

Cash and Cash Equivalents

Cash in the District's operating account, certificates of deposit are treated as cash and cash equivalents for the purpose of the Statement of Cash Flows.

Inventory

The inventory is valued at cost, which approximates market, utilizing the first-in, first-out (FIFO) method. The inventory of the District consists of expendable material and supplies. The cost is recorded as an expense at the time individual inventory items are used.

Restricted Assets

Restricted assets represent monies legally restricted for payment of bond issues. All of the District's restricted investments are invested in certificates of deposit at December 31, 2018 and 2017, and are listed in the noncurrent assets section of the balance sheet.

Property, Plant and Equipment (Fixed Assets)

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. Depreciation of fixed assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Department of Natural Resources Tap Fees	40 years
Water Lines	50 years
Water Tanks	50 years
Water Meters and Installation	50 years
Transportation Equipment	5 to 10 years
Equipment and Tools	2 to 5 years

Compensated Absences

GASB Statement 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. Compensated absence is earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

The District does not record compensated absences in accordance with GASB 16, as the District feels that any liability would be immaterial to the basic financial statements as a whole.

Operating Revenues and Expenses

The District has classified its revenues as either operating or non-operating. Operating revenues are those that are generated directly from the primary activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Authority. Revenues and expenses not meeting this definition are reported as non-operating.

Net Position

The District has restricted net position to be used to fund future debt service requirements. None of the District's restricted net position was restricted by enabling legislation.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 7 and 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to pensions and other postemployment benefits, which are further discussed in notes 7 and 8.

Pensions/Other Postemployment Benefits (OPEB)

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

Estimates

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

2. CASH AND CASH EQUIVALENTS

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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 District 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the District can be deposited or invested in the following securities:

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

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

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

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

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

6. The State Treasurer's investment pool (STAR Ohio);

2. CASH AND CASH EQUIVALENTS (Continued)

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

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Payments 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to State law, public depositories must give security for all public funds on deposits 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 may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institutions, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

At December 31, 2018, the District's bank balance of $344,212 is either covered by FDIC or collateralized by the OPCS in the manner described above.

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by investing exclusively in CDs.

Credit Risk - In accordance with the investment policy. The District limits its investments to CD's.

Concentration of Credit Risk – The District's investment policy allows investments in STAR Ohio, Repurchase Agreements, Certificates of Deposits or with financial institutions within the State of Ohio as designated by the Federal Reserve Board.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the investment policy, all of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

3. BUDGETARY ACTIVITY

Budgetary activity, which is accounted for on the cash basis of accounting, is as following for the year ended December 31, 2018 and 2016:

Budget vs. Actual Receipts

	2018
Budgeted Receipts	$ 973,500
Actual Receipts	1,040,756
Variance	$ 67,256

Budget vs. Actual Budgetary Basis Expenditures

	2018
Budgeted Expenditures	$ 973,500
Actual Expenditures	1,027,279
Variance	$ (53,779)

4. CAPITAL ASSETS

Capital Assets activity for the fiscal year ended December 31, 2018 is as follows:

	Beginning Balance 1/1/18	Additions	Deletions	Ending Balance 12/31/18
Capital Assets, Not Being Depreciated				
Land	$ 19,968	$ -	$ -	$ 19,968
Total Capital Assets, Not Being Depreciated	$ 19,968	$ -	$ -	$ 19,968
Capital Assets Being Depreciated				
Water Lines and Buildings	5,620,359	3,402	-	5,623,761
DNR Tap Fees	503,516	-	-	503,516
Transportation Equipment	145,098	-	-	145,098
District Building	175,000	40,935	-	215,935
Furniture and Equipment	107,066	1,432	-	108,498
Total Capital Assets Being Depreciated	6,551,039	45,769	-	6,596,808
Less Accumulated Depreciation				
Water Lines and Buildings	(2,509,036)	(117,183)	-	(2,626,219)
DNR Tap Fees	(487,961)	(8,498)	-	(496,459)
Transportation Equipment	(126,109)	(4,382)	-	(130,491)
District Building	-	(4,972)		(4,972)
Furniture and Equipment	(94,571)	(3,680)	-	(98,251)
Total Accumulated Depreciation	(3,217,677)	(138,715)	-	(3,356,392)
Total Capital Assets Being Depreciated, Net	3,333,362	(92,946)	-	3,240,416
Total Capital Assets, Net	$ 3,353,330	$ (92,946)	$ -	$ 3,260,384

5. CURRENT AND LONG-TERM DEBT

Long-term debt obligations and the related transactions for the years ending December 31, 2018 are summarized below:

	Balance 1/1/18	Additions	Deletions	Balance 12/31/18	Due Within One Year
O.W.D.A.	$ 1,182,421	$ 46,017	$ 64,876	$ 1,163,562	$ 65,803
O.P.W.C.	188,291	-	24,090	164,201	26,742
Installment Loans	18,486	-	5,307	13,179	5,721
USDA Rev. Bonds	780,426	-	48,997	731,429	33,513
	$ 2,169,624	$ 46,017	$ 143,270	$ 2,072,371	$ 131,779

USDA Revenue Bonds

The USDA outstanding revenue bonds were issued for the acquisition and construction of Phase I, II and III of the water resource expansion project. Revenue of the District has been pledged to repay these debts.

Future principal and interest payments on all USDA Revenue Bonds are as follows:

Year Ending	USDA Revenue Bonds		
December 31,	Principal	Interest	Total
2019	$ 33,513	$ 34,821	$ 68,334
2020	35,157	33,197	68,354
2021	36,830	31,514	68,344
2022	38,634	29,751	68,385
2023	40,469	27,901	68,370
2024-2028	233,381	110,494	343,875
2029-2033	256,803	46,952	303,755
2034-2035	56,642	3,852	60,494
	$ 731,429	$ 318,482	$ 1,049,911

The District has pledged future water customer revenues, net of specified operating expenses, to repay $1,487,000 in water revenue bonds issued in 1978, 1992, and 1996. Proceeds from the bonds provided the financing for the construction of the Water Resource Expansion Plant. The bonds are payable solely from water customer net revenues and are payable through 2035. Annual principal and interest payments remaining on the bonds are expected to require approximately 55 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,049,911.

5. CURRENT AND LONG-TERM DEBT (Continued)

Ohio Public Works Commission Issue II loans:

The outstanding Issue II loan was issued by Perry County. The District has assumed this debt because the water improvements are to be turned over to the District. During 2017 the District entered into OPWC Loan CR22T for Water Tank Upgrades in the amount of $132,770 and zero percent interest to be paid back in bi-annual payments of $2,213 through January 2048.

Future principal and interest payments on all OPWC loans are as follows:

Year Ending	OPWC		
December 31,	Principal	Interest	Total
2019	$ 26,742	$ 338	$ 27,080
2020	15,752	113	15,865
2021	4,426	-	4,426
2022	4,426	-	4,426
2023	4,426	-	4,426
2024-2028	22,128	-	22,128
2029-2033	22,128	-	22,128
2034-2038	22,128	-	22,128
2039-2043	22,129	-	22,129
2044-2048	19,916	-	19,916
	$ 164,201	$ 451	$ 164,652

Ohio Water Development Authority (OWDA) Loans

The OWDA loans were used for a water booster station and an elevated storage tank.

Future principal and interest payments on all the O.W.D.A. loans are as follows:

Year Ending	OWDA Loans		
December 31,	Principal	Interest	Total
2019	$ 65,803	$ 16,454	$ 82,257
2020	66,744	15,511	82,255
2021	67,700	14,556	82,256
2022	64,606	13,589	78,195
2023	65,571	12,622	78,193
2024-2028	342,916	48,054	390,970
2029-2033	311,406	22,153	333,559
2034-2038	178,816	5,839	184,655
	$ 1,163,562	$ 148,778	$ 1,312,340

The District has pledged future water customer revenues, net of specified operating expenses, to re-pay $1,090,898 in water revenue bonds issued in 2002, 2004, 2006 and 2008. Proceeds from the bonds provided financing for the construction of the Water Booster Station and Elevated Storage Tank. The bonds are payable solely from water customer net revenues and are payable through 2041.

In 2017, the District acquired a loan for $215,752 for the purchase of a new building for the District offices and $22,022 for telemetry equipment.

5. CURRENT AND LONG-TERM DEBT (Continued)

In 2017, the District purchased a vehicle from North Valley Bank in the amount of $21,909. This will be repaid in monthly installments of $493.

Future principal and interest payments on all the North Valley Bank loan is as follows:

Year Ending	North Valley Bank		
December 31,	Principal	Interest	Total
2019	$ 5,721	$ 193	$ 5,914
2020	5,721	193	5,914
2021	1,737	15	1,752
	$ 13,179	$ 401	$ 13,580

6. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled Claims have not exceeded any aforementioned commercial coverage in any of the past three years and there has not been any significant reductions in insurance coverage from the prior year.

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

The District also provides health care insurance coverage for its full-time employees.

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

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

7. DEFERRED BENEFIT PENSION PLAN (Continued)

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 retirement system to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *payroll taxes and OPERS payable* on the financial statements.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

7. DEFERRED BENEFIT PENSION PLAN (Continued)

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

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA 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.

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

7. DEFERRED BENEFIT PENSION PLAN (Continued)

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

Statutory Maximum Contribution Rates	2018	2017
Employer	14.0 %	14.0 %
Employee*	10.0 %	10.0 %
Actual Contribution Rates		
Employer:		
Pension**	14.0 %	13.0 %
Post-employment Health Care Benefits**	0.0	1.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

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

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

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

The District's contractually required contributions were $19,782 and $23,293 for 2018 and 2017, respectively.

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

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

	2018
Proportionate Share of the Net Pension Liability:	
Current Measurement Date	0.00135600%
Prior Measurement Date	0.00121800%
Change in Proportionate Share	0.00013800%
Proportionate Share of the:	
Net Pension Liability	$212,730
Pension Expense	52,947

7. DEFERRED BENEFIT PENSION PLAN (Continued)

At December 31, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018
Deferred Outflows of Resources	
Differences between expected and actual experience	$217
Changes of assumptions	25,423
Net difference between projected and actual earnings on pension plan investments	0
Changes in proportion and differences between District's contributions and proportionate share of contributions	14,783
District contributions subsequent to the measurement date	19,782
Total Deferred Outflows of Resources	$60,205
Deferred Inflows of Resources	
Differences between expected and actual experience	$4,192
Net difference between projected and actual earnings on pension plan investments	45,671
Changes in proportion and differences between District contributions and proportionate share of contributions	2,285
Total Deferred Inflows of Resources	$52,148

$19,782 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date as of December 31, 2018 will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension for the year ended December 31, 2018 will be recognized in pension expense as follows:

Year Ending December 31:	
2019	$24,694
2020	2,456
2021	(20,112)
2022	(18,763)
Total	($11,725)

7. DEFERRED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017 and 2016 using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 and 2016 are presented below.

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

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

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

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

For the year ended December 31, 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

7. DEFERRED BENEFIT PENSION PLAN (Continued)

For the year ended December 31, 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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

Asset Class	2017 Target Allocation	2017 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and combined plan for the years ended December 31, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments 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 as of the measurement date December 31, 2017 using the current period discount rate assumption of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

7. DEFERRED BENEFIT PENSION PLAN (Continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	$377,754	$212,730	$75,150

8. DEFERRED BENEFIT OPEB PLAN – GASB STATEMENT NO. 75

Net OPEB Liability

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

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

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

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

The proportionate share of the plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *payroll taxes and OPERS payable* on the financial statements.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

8. DEFERRED BENEFIT OPEB PLAN – GASB STATEMENT NO. 75 (Continued)

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2018.

8. DEFERRED BENEFIT OPEB PLAN – GASB STATEMENT NO. 75 (Continued)

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB liability was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

Proportionate Share of the Net OPEB Liability:	
Current Measurement Date	0.001260%
Prior Measurement Date	0.001110%
Change in Proportionate Share	0.000150%
Proportionate Share of the:	
Net OPEB Liability	$136,827
OPEB Expense	16,516

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$107
Changes of assumptions	9,963
Changes in proportion and differences between District contributions and proportionate share of contributions	10,267
Total Deferred Outflows of Resources	$20,337
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$10,193
Changes in proportion and differences between District contributions and proportionate share of contributions	129
Total Deferred Inflows of Resources	$10,322

8. DEFERRED BENEFIT OPEB PLAN – GASB STATEMENT NO. 75 (Continued)

$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:		
	2019	$7,112
	2020	7,112
	2021	(1,661)
	2022	(2,548)
Total		$10,015

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

8. DEFERRED BENEFIT OPEB PLAN – GASB STATEMENT NO. 75 (Continued)

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

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

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

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

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

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

8. DEFERRED BENEFIT OPEB PLAN – GASB STATEMENT NO. 75 (Continued)

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
District's proportionate share of the net OPEB liability	$181,780	$136,827	$100,460

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

8. DEFERRED BENEFIT OPEB PLAN – GASB STATEMENT NO. 75 (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$130,914	$136,827	$142,934

9. NEW ACCOUNTING PRONOUNCEMENTS/RESTATEMENT OF BEGINNING NET POSITION

For the year ended December 31, 2018, the District was required to implement Governmental Accounting Standards Board Statements No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," No. 85, "Omnibus 2017," and No. 86, "Certain Debt Extinguishment Issues."

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The District implemented GASB 75, which resulted in expanded note disclosures and required supplementary information, restatement of beginning net position, and recognition of additional deferred inflows and outflows of resources and liabilities.

GASB Statement No. 85 addresses issues found during the application of: 1) blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation; 2) reporting amounts previously reported as goodwill and "negative" goodwill; 3) classifying real estate held by insurance entities; 4) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; 5) timing of the measurement of pension and other postemployment benefits (OPEB) liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus; 6) recognizing on-behalf payments for pensions or OPEB in employer financial statements; and 7) simplifying certain aspects of the alternative measurement method for OPEB. These changes were incorporated in the District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

9. NEW ACCOUNTING PRONOUNCEMENT/RESTATEMENT OF BEGINNING NET POSITION (Continued)

GASB Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Under Statement No. 7, “Advance Refundings Resulting in Defeasance of Debt,” government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. Statement No. 86 generally follows the same requirements as Statement No. 7 when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Except as noted above, none of these Statements had an impact on the District’s financial statements or note disclosures.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The District had not previously recognized net pension liability or related deferred inflows or outflows of resources required to be implemented with GASB Statement No. 68. Corrections were made to beginning balances to properly record those balances within the accompanying financial statements. The implementation of GASB Statement No. 68 and 75 and a correction on a loan had the following effect on beginning net position.

Net Position, As Reported, December 31, 2017	$1,628,169
Restatements:	
GASB 68 Implementation:	
Deferred Outflows of Resources	111,042
Net Pension Liability	(276,587)
Deferred Inflows of Resources	(5,966)
GASB 75 Implementation:	
Deferred Outflows of Resources	1,792
Net OPEB Liability	(112,088)
Correction for Loan Issuance:	
OPWC Loan	(130,557)
Net Position, As Restated, January 1, 2018	$1,215,805

For the GASB Statement No. 75 implementation, other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

10. SUBSEQUENT EVENTS

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

Southern Perry County Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Five Years (1)

	2014	2015	2016	2017	2018
Ohio Public Employees Retirement System					
District's proportion of the net pension liability	0.001214%	0.001214%	0.001268%	0.001218%	0.001356%
District's proportionate share of the net pension liability	$143,115	$146,422	$219,634	$276,587	$212,730
District's covered-employee payroll	$143,146	$148,817	$157,833	$157,400	$179,177
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	99.98%	98.39%	139.16%	175.72%	118.73%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.66%

The amounts presented for each year were determined as of December 31 of the previous year, which is the District's measurement date.
(1) Information not available prior to 2014.
See accompanying notes to the required supplementary information.

Southern Perry County Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
Last Two Years (1)

	2017	2018
Ohio Public Employees Retirement System		
District's proportion of the net OPEB liability	0.001110%	0.001260%
District's proportionate share of the net OPEB liability	$112,088	$136,827
District's covered-employee payroll	$157,400	$179,177
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.21%	76.36%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%

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

Southern Perry County Water District
Required Supplementary Information
Schedule of District Contributions
Last Ten Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ohio Public Employees Retirement System										
Contractually required contribution - pension	$18,188	$18,036	$19,587	$20,292	$18,609	$17,858	$18,940	$18,888	$23,293	$19,782
Contractually required contribution - OPEB	9,094	12,883	5,596	5,552	1,382	2,976	3,157	3,148	1,792	0
Contractually required contribution - total	27,282	30,919	25,183	25,844	19,991	20,834	22,097	22,036	25,085	19,782
Contributions in relation to the contractually required contribution	18,188	18,036	19,587	20,292	18,609	17,858	18,940	18,888	23,293	19,782
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered-employee payroll	$213,976	$200,400	$195,870	$202,920	$143,146	$148,817	$157,833	$157,400	$179,177	$141,300
Contributions as a percentage of covered-employee payroll - pension	8.50%	9.00%	10.00%	10.00%	13.00%	12.00%	12.00%	12.00%	13.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	5.50%	5.00%	4.00%	4.00%	1.00%	2.00%	2.00%	2.00%	1.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

Ohio Public Employees Retirement System

Pension

Changes in benefit terms

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

Changes in assumptions

Changes in assumptions for 2018 are as follows.

Employer Contribution Rate	
Allocated to Pensions	
Current measurement date	14.00 percent
Prior measurement date	13.00 percent

OPEB

Changes in benefit terms

There were no changes in benefit terms for 2018.

Changes in assumptions

Changes in assumptions for 2018 are as follows.

Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Employer Contribution Rate	
Allocated to Health Care	
Current measurement date	0.00 percent
Prior measurement date	1.00 percent

OHIO AUDITOR OF STATE
KEITH FABER

PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

Southern Perry County Water District
Perry County
P.O. Box 335
Corning, Ohio 43730

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Southern Perry County Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2020, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, we noted the January 1, 2018 net position has been restated to correct a misstatement. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

December 17, 2020

SOUTHERN PERRY COUNTY WATER DISTRICT

PERRY 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 12/31/2020

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